



Pemex Project Funding Master Trust

Unconditionally Guaranteed by

Petróleos Mexicanos

U.S. \$1,000,000,000 5.75% Notes due 2018

U.S. \$500,000,000 6.625% Bonds due 2038

Issued Under U.S. \$40,000,000,000 Medium-Term Notes Program, Series A

The payment of principal of and interest on the 5.75% Notes due 2018 (the "2018 Notes") and the 6.625% Bonds due 2038 (the "2038 Bonds," and, together with the 2018 Notes, the "Securities") will be unconditionally and irrevocably guaranteed by Petróleos Mexicanos (the "Guarantor"), a decentralized public entity of the Federal Government (the "Mexican Government") of the United Mexican States ("Mexico"). Petróleos Mexicanos' obligations as Guarantor will be unconditionally and irrevocably guaranteed jointly and severally by Pemex-Exploración y Producción, Pemex-Refinación and Pemex-Gas y Petroquímica Básica (together, the "Subsidiary Guarantors"), each of which is a decentralized public entity of the Mexican Government. Neither the Securities nor the obligations of the Guarantor or Subsidiary Guarantors constitute obligations of, or are guaranteed by, Mexico.

Pemex Project Funding Master Trust (the "Issuer" or the "Master Trust") will pay interest on the 2018 Notes on March 1 and September 1 of each year, commencing on September 1, 2008, and will pay interest on the 2038 Bonds on June 15 and December 15 of each year, commencing on December 15, 2008. Unless previously redeemed or purchased and cancelled, the 2018 Notes will mature at their principal amount on March 1, 2018 and the 2038 Bonds will mature at their principal amount on June 15, 2038. The Securities are subject to redemption in whole, at par, at the option of the Issuer, at any time, in the event of certain changes affecting Mexican taxes as described under "Description of the Notes—Redemption—Tax Redemption" in the Offering Circular. In addition, the Issuer may redeem any of the Securities in whole or in part, at any time, by paying the principal amount of the applicable Securities plus a "make-whole" amount plus, in each case, accrued interest. See "Description of Securities—Redemption at the option of the Issuer (other than tax redemption)" in this Final Terms. The Issuer will apply to list the Securities on the Luxembourg Stock Exchange and to have the Securities trade on the Euro MTF, the alternative market of the Luxembourg Stock Exchange.

The Securities will contain provisions regarding acceleration and future modifications to their terms that differ from those applicable to certain of the Issuer's and the Guarantor's other outstanding public external indebtedness issued prior to October 2004. Under these provisions, which are commonly referred to as "collective action clauses" and are described under "Description of Notes—Modification and Waiver" in the Offering Circular, in certain circumstances, the Issuer and the Guarantor may amend the payment and certain other provisions of the Securities with the consent of the holders of 75% of the aggregate principal amount of the Securities.

The portion of the 2018 Notes that is offered and sold in compliance with Rule 144A will be consolidated to form a single series with, and be fully fungible with, the Issuer's outstanding 5.75% Notes due 2018 originally issued on October 22, 2007 as of the Issue Date and the portion of the 2018 Notes that is offered and sold outside the United States in accordance with Regulation S under the Securities Act will be consolidated to form a single series with, and be fully fungible with, the Issuer's outstanding 5.75% Notes due 2018 originally issued on October 22, 2007 as of the Consolidation Date.

The Issuer and the Guarantor have agreed to file an exchange offer registration statement or, under specified circumstances, a shelf registration statement, pursuant to an exchange and registration rights agreement. If the Issuer and the Guarantor fail to comply with specified obligations under the exchange and registration rights agreement, the Issuer will pay additional interest to the holders of the Securities.

Investing in the Securities involves risks. See "Risk Factors" beginning on page 13 of the Offering Circular.

The Securities have not been registered under the Securities Act of 1933, as amended (the "Securities Act"), or any state securities laws and are being offered and sold only (a) to "Qualified Institutional Buyers" (as defined in Rule 144A under the Securities Act) in compliance with Rule 144A and (b) outside the United States in accordance with Regulation S ("Regulation S") under the Securities Act. For a description of certain restrictions on resale and transfer of the Securities, see "Plan of Distribution" in this Final Terms and "Notice to Investors" and "Offering and Sale" in the Offering Circular.

The information contained herein or in the Offering Circular is the exclusive responsibility of the Issuer, the Guarantor and the Subsidiary Guarantors (and not the Managing Trustee of the Issuer) and has not been reviewed or authorized by the *Comisión Nacional Bancaria y de Valores* (the National Banking and Securities Commission or "CNBV") of Mexico. The characteristics of the offering will be notified to the CNBV solely for informative purposes and do not imply any certification as to the investment quality of the Securities, or the solvency of the Issuer, the Guarantor or the Subsidiary Guarantors. The Securities may not be offered or sold in Mexico except through a private offering in accordance with article 8 (or any successor provision) of the Mexican Securities Market Law.

Issue Price of the 2018 Notes: 99.835% ⁽¹⁾.

Issue Price of the 2038 Bonds: 99.699% plus any accrued interest from and including June 4, 2008, the expected delivery date.

(1) Plus accrued interest totaling US\$14,854,166.67 or US\$14.85 per \$1,000 principal amount of 2018 Notes for the period from and including March 1, 2008 to, but excluding, June 4, 2008, plus any additional accrued interest from and including June 4, 2008, the expected delivery date.

The Managers expect to deliver the Securities on or about June 4, 2008.

Joint Lead Managers and Joint Bookrunners

HSBC

May 28, 2008

JP Morgan

Lehman Brothers

You should rely only on the information contained in this Final Terms and the Offering Circular. None of the Issuer, the Guarantor or the Subsidiary Guarantors have authorized anyone to provide you with different information. None of the Issuer, the Guarantor, the Subsidiary Guarantors or the Managers (as defined below) are making an offer of these Securities in any state where the offer is not permitted. You should not assume that the information contained in this Final Terms and the Offering Circular is accurate as of any date other than the date on the front of this Final Terms and the Offering Circular.

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This Final Terms and the Offering Circular have been prepared by the Issuer and the Guarantor solely for use in connection with the proposed offering of the Securities. This Final Terms and the Offering Circular are personal to each offeree and do not constitute an offer to any other person or to the public generally to subscribe for or otherwise acquire the Securities. Distribution of this Final Terms and the Offering Circular to any other person other than the offeree and any person retained to advise such offeree with respect to its purchase is unauthorized, and any disclosure of any of its contents, without the prior written consent of the Issuer and the Guarantor, is prohibited. Each prospective investor, by accepting delivery of this Final Terms and the Offering Circular, agrees to the foregoing and to make no photocopies of this Final Terms and the Offering Circular or any documents referred to herein.

The Managers make no representation or warranty, express or implied, as to the accuracy or the completeness of the information contained in this Final Terms and the Offering Circular. Nothing in this Final Terms or the Offering Circular is, or shall be relied upon as, a promise or representation by the Managers as to the past or future. The Issuer and the Guarantor have furnished the information contained in this Final Terms and in the Offering Circular.

Neither the Securities and Exchange Commission (the “Commission”), any state securities commission, nor any other U.S. regulatory authority, has approved or disapproved the Securities nor have any of the foregoing authorities passed upon or endorsed the merits of this Final Terms or the Offering Circular. Any representation to the contrary is a criminal offense.

In making an investment decision, prospective investors must rely on their own examination of the Issuer, the Guarantor, the Subsidiary Guarantors and the terms of the offering, including the merits and risks involved. Prospective investors should not construe anything in this Final Terms or the Offering Circular as legal, business or tax advice. Each prospective investor should consult its own advisors as needed to make its investment decision and to determine whether it is legally permitted to purchase the Securities under applicable legal investment or similar laws or regulations. Investors should be aware that they may be required to bear the financial risks of this investment for an indefinite period of time.

This Final Terms and the Offering Circular contain summaries believed to be accurate with respect to certain documents, but reference is made to the actual documents for complete information. All such summaries are qualified in their entirety by such references. Copies of documents referred to herein will be made available to prospective investors upon request to the Issuer or the Managers.

NOTICE TO NEW HAMPSHIRE RESIDENTS ONLY

NEITHER THE FACT THAT A REGISTRATION STATEMENT OR AN APPLICATION FOR A LICENSE HAS BEEN FILED UNDER CHAPTER 421-B OF THE NEW HAMPSHIRE REVISED STATUTES WITH THE STATE OF NEW HAMPSHIRE NOR THE FACT THAT A SECURITY IS EFFECTIVELY REGISTERED OR A PERSON IS LICENSED IN THE STATE OF NEW HAMPSHIRE CONSTITUTES A FINDING BY THE SECRETARY OF STATE OF NEW HAMPSHIRE THAT ANY DOCUMENT FILED UNDER RSA 421-B IS TRUE, COMPLETE AND NOT MISLEADING. NEITHER ANY SUCH FACT NOR THE FACT THAT AN EXEMPTION OR EXCEPTION IS AVAILABLE FOR A SECURITY OR A TRANSACTION MEANS THAT THE SECRETARY OF STATE HAS PASSED IN ANY WAY UPON THE MERITS OR QUALIFICATIONS OF, OR RECOMMENDED OR GIVEN APPROVAL TO, ANY PERSON, SECURITY OR TRANSACTION. IT IS UNLAWFUL TO MAKE, OR CAUSE TO BE MADE, TO ANY PROSPECTIVE PURCHASER, CUSTOMER OR CLIENT ANY REPRESENTATION INCONSISTENT WITH THE PROVISIONS OF THIS PARAGRAPH.

DESCRIPTION OF SECURITIES

The following items under this heading “Description of Securities” are the particular terms which relate to the tranches of the Securities that are the subject of this Final Terms.

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| 1. | Series No.: | For the 2018 Notes: 23A.
For the 2038 Bonds: 30. |
| 2. | Principal Amount: | For the 2018 Notes: U.S. \$1,000,000,000
For the 2038 Bonds: U.S. \$500,000,000 |
| 3. | Fungibility with other Notes: | <p>The portion of the 2018 Notes that is offered and sold in compliance with Rule 144A will be consolidated to form a single series with, and be fully fungible with, the Issuer's outstanding 5.75% Notes due 2018 originally issued on October 22, 2007 and represented by a Restricted Global Note (CUSIP No. 70645JBD3 and ISIN No. US70645JBD37). On or after the 40th day after the later of the commencement of this offering and the issue date (the "Regulation S Consolidation Date"), the portion of the 2018 Notes that is offered and sold outside the United States in accordance with Regulation S under the Securities Act will be consolidated to form a single series with, and be fully fungible with, the Issuer's outstanding 5.75% Notes due 2018 originally issued on October 22, 2007 and originally represented by a Regulation S Global Note (CUSIP No. 70645KBD0 and ISIN No. US70645KBD00). After the consolidation, a total principal amount of U.S. \$2,500,000,000 of 5.75% Notes due 2018 will be outstanding.</p> <p>In addition, the Exchange Notes (as defined below) issued pursuant to the Exchange Offer (or a shelf registration statement in lieu thereof) will be consolidated to form a single series with, and be fully fungible with, any new notes registered with the U.S. Securities and Exchange Commission (the "Commission") issued in exchange for the original 5.75% Notes due 2018 (previously sold on October 22, 2007) pursuant to the registration rights agreement entered into by the Issuer on October 22, 2007 (such new notes, the "Original Exchange Notes").</p> |
| 4. | Issue Price: | <p>For the 2018 Notes: 99.835% plus accrued interest from March 1, 2008, plus any additional accrued interest from, and including, June 4, 2008, the expected delivery date.</p> <p>For the 2038 Bonds: 99.699%, plus any accrued interest from, and including, June 4, 2008, the expected delivery date.</p> |
| 5. | Issue Date: | June 4, 2008. |
| 6. | Form of Securities: | Registered Securities. |
| 7. | Authorized Denomination(s): | U.S. \$10,000 and integral multiples of U.S. \$1,000 in excess thereof. |
| 8. | Specified Currency: | U.S. dollars ("U.S. \$" or "\$"). |
| 9. | Stated Maturity Date: | <p>For the 2018 Notes: March 1, 2018.</p> <p>For the 2038 Bonds: June 15, 2038.</p> |

- 10.** Interest Basis: Fixed Rate Securities.
- 11.** Interest Commencement Date (if different from the Issue Date): For the 2018 Notes: March 1, 2008.
For the 2038 Bonds: N/A.
- 12.** Fixed Rate Securities:
- (a) Interest Rate: For the 2018 Notes: 5.75% per annum, payable semi-annually in arrears.
For the 2038 Bonds: 6.625% per annum, payable semi-annually in arrears.
- (b) Interest Payment Date(s): For the 2018 Notes: March 1 and September 1 of each year, commencing on September 1, 2008.
For the 2038 Bonds: June 15 and December 15 of each year, commencing on December 15, 2008.
- (c) Fixed Rate Day Count Fraction: 30/360.
- 13.** Discount Securities: No.
- 14.** Redemption at the option of the Issuer (other than tax redemption): The Issuer will have the right at its option to redeem any of the Securities, in whole or in part, at any time or from time to time prior to their maturity, at a redemption price equal to the principal amount thereof, plus the Make-Whole Amount (as defined below), plus accrued interest on the principal amount of the Securities to the date of redemption. “Make-Whole Amount” means the excess of (i) the sum of the present values of each remaining scheduled payment of principal and interest on the applicable Securities (exclusive of interest accrued to the date of redemption), discounted to the redemption date on a semi-annual basis (assuming a 360-day year consisting of twelve 30-day months) at the Treasury Rate plus 37.5 basis points (in the case of the 2018 Notes) or 30 basis points (in the case of the 2038 Bonds) over (ii) the principal amount of such Securities.
- “Treasury Rate” means, with respect to any redemption date, the rate per annum equal to the semi-annual equivalent yield to maturity or interpolated maturity of the Comparable Treasury Issue, assuming a price for the Comparable Treasury Issue (expressed as a percentage of its principal amount) equal to the Comparable Treasury Price for such redemption date.
- “Comparable Treasury Issue” means the United States Treasury security or securities selected by an Independent Investment Banker (as defined below) as having an actual or interpolated maturity comparable to the remaining term of the Securities to be redeemed that would be utilized, at the time of selection and in accordance with customary financial practice, in pricing new issues of corporate debt securities of a comparable maturity to the remaining term of such Securities.
- “Independent Investment Banker” means one of the Reference Treasury Dealers (as defined below) appointed by either the Issuer or the Guarantor.

“Comparable Treasury Price” means, with respect to any redemption date (i) the average of the Reference Treasury Dealer Quotations for such redemption date, after excluding the highest and lowest such Reference Treasury Dealer Quotation or (ii) if the Trustee obtains fewer than four such Reference Treasury Dealer Quotations, the average of all such quotations.

“Reference Treasury Dealer” means any of Credit Suisse Securities (USA) LLC, Lehman Brothers Inc., UBS Securities LLC, Barclays Capital Inc., Deutsche Bank Securities Inc. and J.P. Morgan Securities Inc. or their affiliates which are primary United States government securities dealers, and their respective successors; *provided* that if any of the foregoing shall cease to be a primary United States government securities dealer in the City of New York (a “Primary Treasury Dealer”), the Issuer or the Guarantor will substitute therefor another Primary Treasury Dealer.

“Reference Treasury Dealer Quotation” means, with respect to each Reference Treasury Dealer and any redemption date, the average, as determined by the Trustee, of the bid and asked prices for the Comparable Treasury Issue (expressed in each case as a percentage of its principal amount) quoted in writing to the Trustee by such Reference Treasury Dealer at 3:30 pm New York time on the third business day preceding such redemption date.

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| 15. | Repayment at the option of the holders: | No. |
| 16. | Indexed Securities: | No. |
| 17. | Registration Rights; Exchange Offers: | <p>Pursuant to an exchange and registration rights agreement to be entered into among the Issuer, the Guarantor and the Managers (the “Registration Rights Agreement”), the Issuer will agree to use its best efforts to (a) file with the Commission a registration statement (an “Exchange Offer Registration Statement”) on an appropriate form under the Securities Act, with respect to offers to exchange (“Exchange Offers”) the 2018 Notes and the 2038 Bonds, for new notes or bonds of the Issuer, as the case may be (the “Exchange Notes” and the “Exchange Bonds,” respectively, and, together, the “Exchange Securities”) with terms substantially identical to the 2018 Notes or the 2038 Bonds, as the case may be (subject to certain exceptions), on or before August 31, 2008, (b) have such registration statement declared effective under the Securities Act on or before March 1, 2009 and (c) consummate the Exchange Offers on or before April 5, 2009. The Exchange Offers for the 2018 Notes and the 2038 Bonds will be conducted simultaneously with the Issuer’s exchange offer for its outstanding 5.75% Notes due 2018 originally issued on October 22, 2007. In the event that applicable law, regulation or policy of the Commission does not allow the consummation of the Exchange Offers, or upon the occurrence of certain other conditions, the Issuer will use its best efforts to file a “shelf” registration statement covering resales of the 2018 Notes and the 2038 Bonds by the holders thereof; <i>provided</i> that the Issuer shall not be required to file a “shelf” registration statement during any period prior to August 1 or after September 30 of any calendar year. With respect to any 2018 Notes or 2038 Bonds, if a Registration Default (as defined herein) relating to the filing or</p> |

declaration of effectiveness of a registration statement or the related Exchange Offer occurs, the per annum interest rate on all outstanding 2018 Notes or 2038 Bonds (as the case may be) or, in the case of all other Registration Defaults, the per annum interest rate on the 2018 Notes or 2038 Bonds to which such Registration Default relates, will increase by 0.25% per annum with respect to each 90-day period during the existence of such failure, until all Registration Defaults are cured, up to an aggregate maximum of 1.00% per annum over the relevant rate shown on the cover page of this Final Terms; *provided* that any such additional interest on the 2038 Bonds will cease to accrue at the later of (i) the date on which the 2038 Bonds become freely transferable pursuant to Rule 144 under the Securities Act and (ii) the date on which the Lehman Brothers U.S. Aggregate Bond Index is modified to permit the inclusion of freely transferable securities that have not been registered with the Commission. See “Exchange Offers; Registration Rights” below.

The Exchange Notes will be consolidated to form a single series with, and be fully fungible with, the Original Exchange Notes.

18. Additional provisions relating to the Securities:

The Issuer reserves the right to increase the size of the issue of either the 2018 Notes or the 2038 Bonds, or from time to time, without the consent of the holders of either the 2018 Notes or the 2038 Bonds, create and issue further securities having substantially the same terms and conditions thereof, except for the Issue Price, Issue Date and amount of the first payment of interest, which additional securities may be consolidated and form a single series with the 2018 Notes or the 2038 Bonds, as the case may be; *provided* that such additional securities do not have, for purposes of U.S. federal income taxation, a greater amount of original issue discount than the 2018 Notes or the 2038 Bonds, as the case may be, have on the date of issue of such additional securities.

Other Relevant Terms

19. Listing/Trading:

Listing: Luxembourg Stock Exchange.

Trading: Euro MTF, the alternative market of the Luxembourg Stock Exchange.

20. Syndicated:

Yes.

21. If Syndicated:

(a) Lead Managers:

HSBC Securities (USA) Inc.
J.P. Morgan Securities Inc.
Lehman Brothers Inc.

(b) Stabilizing Manager:

For the 2018 Notes: HSBC Securities (USA) Inc.
For the 2038 Bonds: Lehman Brothers Inc.

22. Identity of Managers:

See “Plan of Distribution” below.

23. Listing Agent:

KBL European Private Bankers S.A.

24. Provisions for Securities:

- (a) Rule 144A eligible: Yes.
- (b) Regulation S Global Note and Regulation S Global Bond deposited with or on behalf of DTC: Yes.
- (c) Restricted Global Note and Restricted Global Bond deposited with or on behalf of DTC: Yes.
- (d) Regulation S Global Note and Regulation S Global Bond deposited with Common Depositary: No.

25. Codes:

- (a) Common Code: For the 2018 Notes:

032736882 (Restricted Global Note)

036811200 (Regulation S Global Note—Before the Consolidation Date)
032736912 (Regulation S Global Note —After the Consolidation Date)
For the 2038 Bonds:

36835869 (Restricted Global Bond)

36835877 (Regulation S Global Bond)
- (b) ISIN: For the 2018 Notes:

US70645JBD37 (Restricted Global Note)

US70645KBN81 (Regulation S Global Note—Before the Consolidation Date)
US70645KBD00 (Regulation S Global Note—After the Consolidation Date)

For the 2038 Bonds:

US70645JBM36 (Restricted Global Bond)

US70645KBM09 (Regulation S Global Bond)
- (c) CUSIP: For the 2018 Notes:

70645JBD3 (Restricted Global Note)

70645KBN8 (Regulation S Global Note—Before the Consolidation Date)

70645KBD0 (Regulation S Global Note—After the Consolidation Date)

For the 2038 Bonds:

70645JBM3 (Restricted Global Bond)

70645KBM0 (Regulation S Global Bond)

26. Use of Proceeds (if different from Offering Circular):

N/A.

27. Further Information:

For purposes of this Final Terms, all references in the Offering Circular to “Notes” shall be deemed to include, where applicable, the 2018 Notes and the 2038 Bonds described herein, and the terms “Fixed Rate Security,” “Discount Securities,” “Indexed Securities,” “Registered Securities,” “Restricted Global Bond” and “Regulation S Global Bond” shall have the respective meanings assigned to the terms “Fixed Rate Note,” “Discount Notes,” “Indexed Notes,” “Registered Notes,” “Restricted Global Note” and “Regulation S Global Note,” respectively, in the Offering Circular.

EXCHANGE OFFERS; REGISTRATION RIGHTS

Pursuant to the Registration Rights Agreement, the Issuer will agree to use its best efforts to file with the Commission the Exchange Offer Registration Statement on an appropriate form under the Securities Act with respect to its offers to exchange any of the 2018 Notes and the 2038 Bonds, for Exchange Notes and Exchange Bonds. The Exchange Offers for the 2018 Notes and the 2038 Bonds will be conducted simultaneously with the Issuer's exchange offers for its outstanding 5.75% Notes due 2018 originally issued on October 22, 2007. Upon the effectiveness of the Exchange Offer Registration Statement, the Issuer will offer to the holders of such 2018 Notes and 2038 Bonds who are able to make certain representations the opportunity to exchange their Securities for Exchange Securities. The Exchange Securities will have terms identical to the applicable Securities, except that the Exchange Securities (1) will not contain the restrictions on transfer that are applicable to the Securities and (2) will not contain any provisions for additional interest.

The Exchange Notes will be consolidated to form a single series with, and be fully fungible with, the Original Exchange Notes.

The Registration Rights Agreement will provide that: (i) unless the related Exchange Offer would not be permitted by applicable law or Commission policy, the Issuer will use its best efforts (a) to file an Exchange Offer Registration Statement with the Commission on or before August 31, 2008, (b) to have the Exchange Offer Registration Statement declared effective by the Commission on or before March 1, 2009, and (c) to commence promptly such Exchange Offer after such declaration of effectiveness and to issue, on or before April 5, 2009, Exchange Securities in exchange for all Securities tendered prior to the expiration of such Exchange Offer, and (ii) if obligated to file the Shelf Registration Statement (as defined below), the Issuer will use its best efforts to file the Shelf Registration Statement prior to the later of March 1, 2009 or 30 days after such filing obligation arises (but in no event prior to August 1 or after September 30 of any calendar year) and the Issuer will use its best efforts to have such Shelf Registration Statement declared effective by the Commission on or prior to the 60th day after such filing was required to be made (but in no event prior to August 1 or after September 30 of any calendar year), *provided* that if the Issuer has not consummated such Exchange Offer on or before April 5, 2009, then the Issuer will file the Shelf Registration Statement with the Commission on or before April 5, 2009 (but in no event prior to August 1 or after September 30 of any calendar year). The Issuer will use its best efforts to keep such Shelf Registration Statement continuously effective, supplemented and amended until the first anniversary of the effective date of the Shelf Registration Statement or such shorter period that will terminate when all the Registrable Securities (as defined below) covered by the Shelf Registration Statement have been sold pursuant thereto or may be sold pursuant to Rule 144(d) under the Securities Act if held by a non-affiliate of the Issuer; *provided* that the Issuer shall not be obligated to keep the Shelf Registration Statement effective, supplemented or amended during any period prior to August 1 or after September 30 of any calendar year.

If (i) the Issuer is not permitted to file the Exchange Offer Registration Statement or to consummate such Exchange Offer because such Exchange Offer is not permitted by applicable law or Commission policy, (ii) such Exchange Offer is not consummated by April 5, 2009, or (iii) any holder of Securities notifies the Issuer within a specified time period that (a) due to a change in law or Commission policy it may not resell the Exchange Securities acquired by it in such Exchange Offer to the public without delivering a prospectus and the prospectus contained in the Exchange Offer Registration Statement is not appropriate or available for such resales by such holder, (b) it is a Manager and owns Securities acquired directly from the Issuer or an affiliate of the Issuer or (c) the holders of a majority in aggregate principal amount of the Securities may not resell the Exchange Securities acquired by them in such Exchange Offer to the public without restriction under applicable blue sky or state securities laws, then the Issuer will use its best efforts (1) to file with the Commission a shelf registration statement (the "Shelf Registration Statement") to cover resales of all Registrable Securities (as defined below) by the holders thereof and (2) to have the applicable registration statement declared effective by the Commission on or prior to 60 days after such filing was required to be made; *provided* that the Issuer shall not be obligated to file a Shelf Registration Statement, or to cause a Shelf Registration Statement to remain effective, during any period prior to August 1 or after September 30 of any calendar year. For purposes of the foregoing, "Registrable Securities" means each Security until (i) the date on which such Security is exchanged by a person other than a broker-dealer for an Exchange Security in an Exchange Offer, (ii) following the exchange by a broker-dealer in an Exchange Offer of a Security for an Exchange Security, the date on which such Exchange Security is sold to a purchaser who receives from such broker-dealer on or prior to the date of such sale a copy of a prospectus, (iii) the date on which such Security is effectively registered under the Securities Act and disposed of in accordance with a Shelf Registration Statement, (iv) the date on which such Security is freely transferable pursuant to Rule 144 under the Securities Act (or any similar provision then in

force, but not Rule 144A), (v) the date on which such Security is otherwise transferred by the holder thereof and a new Security not bearing a legend restricting further transfer is delivered by the Issuer in exchange therefor or (vi) the date on which such Security ceases to be outstanding.

Under existing Commission interpretations, the Exchange Securities would, in general, be freely transferable after the Exchange Offer without further registration under the Securities Act; *provided* that any broker-dealer participating in an Exchange Offer must deliver a prospectus meeting the requirements of the Securities Act upon any resale of Exchange Securities. Subject to certain exceptions, the Issuer has agreed, for a period of 180 days after consummation of an Exchange Offer, to make available a prospectus meeting the requirements of the Securities Act to any such broker-dealer for use in connection with any resale of any Exchange Security acquired in an Exchange Offer. A broker-dealer that delivers such a prospectus to purchasers in connection with such resales will be subject to certain of the civil liability provisions under the Securities Act and will be bound by the provisions of the applicable Registration Rights Agreement, including certain indemnification obligations.

Each holder of Securities that wishes to exchange Securities for Exchange Securities in an Exchange Offer will be required to make certain representations, including representations that (i) any Exchange Securities to be received by it will be acquired in the ordinary course of its business, (ii) it has no arrangement with any person to participate in a distribution of the Exchange Securities and it does not intend to participate in any such distribution and (iii) it is not an “affiliate,” as defined in Rule 405 of the Securities Act, of the Issuer, or if it is an affiliate, it will comply (at its own expense) with the registration and prospectus delivery requirements of the Securities Act to the extent applicable.

If the holder is a broker-dealer that will receive Exchange Securities for its own account in exchange for Securities that were acquired as a result of market-making activities or other trading activities, it will be required to acknowledge that it will deliver a prospectus in connection with any resale of such Exchange Securities.

If (i) the Exchange Offer Registration Statement (or a Shelf Registration Statement in lieu thereof) is not filed on or before August 31, 2008, (ii) the Exchange Offer Registration Statement (or a Shelf Registration Statement in lieu thereof) is not declared effective by the Commission on or before March 1, 2009, (iii) an Exchange Offer is not consummated on or before April 5, 2009, (iv) a Shelf Registration Statement required to be filed is not filed on or before the date specified above for such filing, (v) a Shelf Registration Statement otherwise required to be filed is not declared effective on or before the date specified above for effectiveness thereof or (vi) a Shelf Registration Statement is declared effective but thereafter, subject to certain exceptions, ceases to be effective or usable in connection with resales of Registrable Securities during the periods specified in the Registration Rights Agreement (each such event referred to in clauses (i) through (vi) above, a “Registration Default”), then, with respect to any Securities, in the case of a Registration Default referred to in clause (i), (ii) or (iii) above, the interest rate on all Securities or, in the case of a Registration Default referred to in clause (iv), (v) or (vi) above, the interest rate on the 2018 Notes or 2038 Bonds, as the case may be, to which such Registration Default relates, will increase by 0.25% per annum with respect to each 90-day period that passes until all such Registration Defaults have been cured, up to a maximum amount of 1.00% per annum; *provided* that any such additional interest on the 2038 Bonds will cease to accrue at the later of (i) the date on which the 2038 Bonds become freely transferable pursuant to Rule 144 under the Securities Act and (ii) the date on which the Lehman Brothers U.S. Aggregate Bond Index is modified to permit the inclusion of freely transferable securities that have not been registered with the Commission. Following the cure of any Registration Default, the accrual of such additional interest related to such Registration Default will cease, and the interest rate applicable to the affected 2018 Notes or 2038 Bonds will revert to the original rate.

RECENT DEVELOPMENTS

The following discussion of PEMEX's recent results should be read in conjunction with the Form 20-F of PEMEX for the fiscal year ended December 31, 2006 (the "Form 20-F"), in particular, "Item 4—Information on the Company" and "Item 5—Operating and Financial Review and Prospectus" in the Form 20-F and the financial statements and notes included in this Final Terms beginning on page F-1. In this document, "PEMEX" refers to Petróleos Mexicanos, the Subsidiary Guarantors, Pemex-Petroquímica and the subsidiary entities, including the Issuer, listed in note 2 to the audited financial statements included in this Final Terms.

Exchange Rates

On May 19, 2008, the noon buying rate for cable transfers in New York reported by the Federal Reserve Bank of New York was Ps. 10.3750 = U.S. \$1.00.

Change of Auditors

PEMEX's financial statements as of and for the four years ended December 31, 2006 were audited by PricewaterhouseCoopers, S.C. PEMEX's financial statements as of and for the year ended December 31, 2007 were audited by KPMG Cárdenas Dosal, S.C. The *Secretaría de la Función Pública* (the Ministry of Public Auditing, or "SFP"), is responsible for appointing the external auditors of Petróleos Mexicanos and its Subsidiary Entities through a selection process among interested external auditors. The Board of Directors of Petróleos Mexicanos reviews and ratifies the engagement of the external auditors by the SFP. PricewaterhouseCoopers, S.C. served as PEMEX's external auditor for the maximum time period allowed for an external auditor to render services to a Mexican Government entity, pursuant to Mexican regulations.

Cessation of Inflation Accounting under Mexican FRS

As a result of an accounting change in Mexican *Normas de Información Financiera* (Mexican Financial Reporting Standards or "Mexican FRS" or "NIFs") inflation accounting rules, commencing January 1, 2008, PEMEX will no longer use inflation accounting, unless the economic environment in which it operates qualifies as "inflationary," as defined by Mexican FRS. Because the economic environment in the three-month period ended March 31, 2008 did not qualify as inflationary, PEMEX did not use inflation accounting to prepare its unaudited condensed consolidated interim financial information as of and for the three-month period ended March 31, 2008.

Selected Financial Data

The selected financial data below as of and for the five years ended December 31, 2007 have been derived from PEMEX's consolidated financial statements. The selected financial data as of and for the three-month periods ended March 31, 2007 and 2008 have been derived from the unaudited condensed consolidated interim financial data of PEMEX for the three-month periods ended March 31, 2007 and 2008. The unaudited condensed consolidated financial statements as of March 31, 2008 and for the three-month periods ended March 31, 2008 and 2007 were prepared in accordance with Mexican FRS, except for the statement of changes in financial position for the three-month period ended March 31, 2008 which was not prepared on a cash flow basis as required by Mexican FRS since January 1, 2008. PEMEX has historically prepared a statement of changes in financial position and expects to include cash-flow statements in the financial statements for the second quarter of 2008.

PEMEX's consolidated financial statements for the years ended December 31, 2003, 2004 and 2005 were prepared in accordance with Mexican Generally Accepted Accounting Principles ("Mexican GAAP"). PEMEX's financial statements for the years ended December 31, 2006 and 2007 and for the three-month periods ended March 31, 2007 and 2008 were prepared in accordance with Mexican FRS, which replaced Mexican GAAP. In this Final Terms, unless otherwise stated, the term Mexican FRS means (1) Mexican GAAP for periods ending prior to January 1, 2006 and (2) Mexican FRS for periods ending on or after January 1, 2006.

PEMEX has restated its consolidated financial statements for the years ended December 31, 2003, 2004, 2005 and 2006, in order to present them in pesos of purchasing power as of December 31, 2007 with respect to the recognition of the effects of inflation. Consequently, the amounts shown in PEMEX's consolidated financial statements for these periods are expressed in thousands of constant Mexican pesos as of December 31, 2007. PEMEX's unaudited condensed consolidated interim financial information as of and for the three-month periods

ended March 31, 2007 and 2008 is expressed in pesos of purchasing power as of December 31, 2007 and nominal pesos, respectively.

Mexican FRS differs in certain significant respects from United States Generally Accepted Accounting Principles (which we refer to as "U.S. GAAP"). The financial data as of and for the year ended December 31, 2007 and the interim financial data has not yet been reconciled to U.S. GAAP; however, the results of operations under U.S. GAAP will be different from those under Mexican FRS.

Selected Financial Data of PEMEX

	Year Ended December 31, ⁽¹⁾⁽²⁾					March 31, ⁽¹⁾⁽²⁾	
	2003	2004	2005	2006	2007	2007	2008
	(millions of constant pesos as of December 31, 2007) ⁽³⁾					(millions of current pesos) ⁽⁴⁾	
Income Statement Data							
Amounts in accordance with Mexican FRS:							
Net sales ⁽⁵⁾	733,964	863,035	1,002,607	1,102,434	1,134,975	242,533	321,178
Total revenues ⁽⁵⁾	737,440	875,480	1,015,387	1,174,797	1,136,035	242,803	321,463
Total revenues net of the IEPS tax	627,037	814,449	993,562	1,174,797	1,136,035	242,803	321,463
Operating income	431,353	507,835	538,478	603,201	590,431	133,579	170,175
Comprehensive financing result	36,077	7,863	4,836	23,847	20,047	10,512	895
Net income (loss) for the period.....	(47,698)	(28,443)	(82,358)	46,953	(18,308)	(10,429)	3,253
Balance Sheet Data (end of period)							
Amounts in accordance with Mexican FRS:							
Cash and cash equivalents ..	86,063	94,686	130,450	195,777	170,997	n.a.	118,178
Total assets	992,193	1,057,088	1,125,596	1,250,020	1,330,281	n.a.	1,247,181
Long-term debt	356,302	452,761	541,543	524,475	424,828	n.a.	413,590
Total long-term liabilities ...	777,698	863,164	977,030	1,032,251	990,908	n.a.	899,317
Equity (deficit)	53,820	37,199	(29,010)	41,456	49,908	n.a.	112,666
Amounts in accordance with U.S. GAAP:							
Total revenues net of IEPS tax	627,037	809,634	993,559	1,171,801	n.a.	n.a.	n.a.
Operating income net of IEPS tax	289,698	451,514	535,422	679,768	n.a.	n.a.	n.a.
Comprehensive financing (cost) income	(31,465)	2,323	(11,767)	(18,152)	n.a.	n.a.	n.a.
Net income (loss) for the period.....	(77,816)	(14,516)	(79,791)	56,722	n.a.	n.a.	n.a.
Total assets	956,988	1,018,574	1,079,745	1,224,272	n.a.	n.a.	n.a.
Equity (deficit)	(52,129)	(54,505)	(120,943)	(22,883)	n.a.	n.a.	n.a.
Other Financial Data							
Amounts in accordance with Mexican FRS:							
Depreciation and Amortization.....	47,580	46,744	56,996	65,672	72,592	15,614	20,959
Investments in fixed assets at cost ⁽⁶⁾	79,641	83,742	89,855	104,647	155,121	23,563	39,142

- (1) Includes PEMEX, the subsidiary entities and the subsidiary companies. For Mexican FRS purposes, beginning with the year ended December 31, 2005, we include the financial position and results of Pemex Finance, Ltd.
- (2) Mexican FRS differs from U.S. GAAP. For the most significant differences between U.S. GAAP and Mexican FRS affecting PEMEX's consolidated financial statements, see "Item 5—Operating and Financial Review and Prospects—U.S. GAAP Reconciliation" in PEMEX's Form 20-F for the fiscal year ended December 31, 2006.
- (3) PEMEX's consolidated financial statements for each of the five years ended December 31, 2007 were prepared in accordance with Mexican FRS, including the recognition of the effects of inflation in accordance with Bulletin B-10.
- (4) Unaudited.
- (5) Includes the Special Tax on Production and Services in 2003, 2004 and 2005, which we refer to as the "IEPS tax" as part of the sales price of the products sold.
- (6) Includes investments in fixed assets and capitalized interest. For 2003, it excludes certain expenditures charged to the oil field exploration and depletion reserve. See Note 3e to PEMEX's audited financial statements included herein.

Source: PEMEX's financial statements.

Capitalization of PEMEX

The following table sets forth the capitalization of PEMEX at March 31, 2008, as calculated in accordance with Mexican FRS.

	At March 31, 2008⁽¹⁾⁽²⁾	
	(millions of current pesos or U.S. dollars)	
Long-term external debt.....	Ps. 320,503	U.S.\$ 30,100
Long-term domestic debt.....	93,087	8,741
Total long-term debt ⁽³⁾	413,590	38,841
Certificates of Contribution “A” ⁽⁴⁾	96,958	9,106
Mexican Government increase in equity of Subsidiary Entities ⁽⁵⁾	147,264	13,830
Surplus in the restatement of equity	-	-
Effect on equity from labor obligations..	-	-
Effect of derivative financial instruments ⁽⁶⁾	3,241	304
Accumulated losses	(138,051)	(12,965)
Net income (loss) for the period.....	3,253	305
Total equity	112,665	10,581
Total capitalization	Ps. 526,255	U.S.\$ 49,422

Notes: Numbers may not total due to rounding.

- (1) Unaudited. Convenience translations into U.S. dollars of amounts in pesos have been made at the established exchange rate of Ps. 10.6482 = U.S. \$1.00 at March 31, 2008. Such translations should not be construed as a representation that the peso amounts have been or could be converted into U.S. dollar amounts at the foregoing or any other rate.
- (2) As of the date of this Final Terms, there has been no material change in the capitalization of PEMEX since March 31, 2008, except for PEMEX's undertaking of new financings as disclosed under “Liquidity and Capital Resources—Financing Activities” in this Final Terms.
- (3) Total long-term debt does not include short-term indebtedness of Ps. 90.6 billion (U.S.\$8.5 billion) at March 31, 2008. See “Liquidity and Capital Resources”.
- (4) Equity instruments held by the Mexican Government.
- (5) In December 2007, the Mexican Government increased PEMEX's equity by Ps. 11.2 billion.

Source: PEMEX's financial statements. Unaudited.

Management's Discussion and Analysis of Financial Condition and Results of Operations

Results of Operations of PEMEX, its Subsidiary Entities and Subsidiary Companies – First Three Months of 2008 Compared to First Three Months of 2007

The unaudited condensed consolidated interim financial information set forth below was prepared in accordance with Mexican FRS, except for the statement of changes in financial position for the three-month period ended March 31, 2008 which was not prepared on a cash flow basis as required by Mexican FRS since January 1, 2008. The interim financial statements should be read in conjunction with the consolidated financial statements as of and for the years ended December 31, 2007 and 2006, included in this Final Terms beginning on page F-1. This unaudited condensed consolidated interim financial information was not reconciled to U.S. GAAP.

	Three months ended March 31,					
	2007 ⁽¹⁾			2008 ^{(1) (2)}		
	(millions of current pesos or U.S. dollars)					
Net sales						
Domestic	Ps.	135,916	Ps.	163,483	U.S.\$	15,353
Export		106,617		157,695		14,809
Services Income		270		285		27
Total		242,803		321,463		30,189
Costs of sales.....		90,550		123,582		11,606
General expenses		18,673		27,706		2,602
Other revenues ⁽³⁾ (net).....		5,243		35,873		3,369
Comprehensive financing result ⁽⁴⁾		(10,512)		(895)		(84)
Participation in results of subsidiaries and affiliates		(980)		(260)		(24)
Income before taxes and duties		127,330		204,894		19,242
Taxes and duties		137,759		201,642		18,937
Net (loss) income for the period.....	Ps.	(10,429)	Ps.	3,253	U.S.\$	305

(1) Unaudited.

(2) Translations into U.S. dollars of amounts in pesos have been made at the established exchange rate of Ps. 10.6482 = U.S. \$1.00 at March 31, 2008 for purposes of convenience only. 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.

(3) Includes the IEPS tax in 2007 and 2008, when the IEPS tax rate was negative.

(4) Includes exchange rate losses in the amount of Ps. 8,058 million in the first three months of 2007 and exchange rate gains in the amount of Ps. 4,526 million in the first three months of 2008.

Source: PEMEX's financial statements.

Sales

Total sales increased by 32.4%, to Ps. 321.5 billion, in the first three months of 2008 from Ps. 242.8 billion in the first three months of 2007. The increase in total sales resulted primarily from the increase in prices for crude oil exports.

Domestic Sales

Domestic sales increased by 20.3% in the first three months of 2008, from Ps. 135.9 billion in the first three months of 2007 to Ps. 163.5 billion in the first three months of 2008, primarily due to a 16.9% increase in sales of petroleum products, a 38.8% increase in natural gas sales and a 36.7% increase in petrochemical products. Sales of natural gas increased by 38.8% in the first three months of 2008, from Ps. 19.4 billion in the first three months of 2007 to Ps. 26.1 billion in the first three months of 2008, due to a 14.4% increase in the volume of sales and a 21.1% average increase in price. Domestic sales of petroleum products increased by 16.9% in the first three months of 2008, from Ps. 110.5 billion in the first three months of 2007 to Ps. 129.2 billion in the first three months of 2008, primarily due to a 1.4% increase in sales volumes, caused by the increased demand for gasoline and diesel. Domestic petrochemical sales (including sales of certain by-products of the petrochemical production process) increased by 36.7%, from Ps. 6.0 billion in the first three months of 2007 to Ps. 8.2 billion in the first three months of 2008, due to a 43.0% increase in the volume of petrochemical product sales, which was partially offset by a 5.3% average decrease in price.

Export Sales

Total export sales (with dollar-denominated export revenues translated to pesos at the exchange rate on the date on which the export sale was made) increased by 47.9%, from Ps. 106.6 billion in the first three months of 2007 to Ps. 157.7 billion in the first three months of 2008. Excluding the trading activities of the subsidiaries of Petr leos Mexicanos P.M.I. Comercio Internacional, S.A. de C.V., P.M.I. Trading, Ltd. and their affiliates (the "PMI Group"), export sales by the Subsidiary Entities to the PMI Group and third parties increased by 47.0%, from Ps. 93.8 billion in the first three months of 2007 to Ps. 137.9 billion in the first three months of 2008. In dollar terms, excluding the

trading activities of the PMI Group, total export sales increased by 54.2%, from U.S. \$8.3 billion in the first three months of 2007 to U.S. \$12.8 billion in the first three months of 2008.

Crude oil and condensate export sales accounted for 88.7% of export sales (excluding the trading activities of the PMI Group) in the first three months of 2008, as compared to 87.0% in the first three months of 2007. Crude oil and condensate export sales increased in peso terms by 47.0%, from Ps. 93.8 billion in the first three months of 2007 to Ps. 137.9 billion in the first three months of 2008, primarily due to a 74.2% increase in the weighted average price of crude oil exports (from U.S. \$47.7 per barrel in the first three months of 2007 to U.S. \$83.1 per barrel in the first three months of 2008), which was partially offset by a 12.4% decrease in the volume of crude oil exports mainly due to a decline of production in the Cantarell field.

Export sales of petroleum products represented 11.0% of export sales (excluding the trading activities of the PMI Group) in the first three months of 2008, as compared to 10.6% in the first three months of 2007. Export sales of petroleum products increased by 41.7%, from Ps. 10.3 billion in the first three months of 2007 to Ps. 14.6 billion in the first three months of 2008, primarily due to an increase in prices and volumes of exports of Pemex's main petroleum products, including naphtha and diesel.

Export sales of natural gas represented 0.2% of total export sales (excluding the trading activities of the PMI Group) in the first three months of 2008, as compared to 1.4% in the first three months of 2007. Export sales of natural gas decreased by 83.1%, from Ps. 1.3 billion in the first three months of 2007 to Ps. 0.2 billion in the first three months of 2008, due to an increase in domestic demand for natural gas.

Petrochemical products accounted for the remainder of export sales (excluding the trading activities of the PMI Group) in the first three months of 2007 and 2008 (0.7% and 0.54%, respectively). Export sales of petrochemical products (including certain by-products of the petrochemical process) increased by 33.3%, from Ps. 0.6 billion in the first three months of 2007 to Ps. 0.8 billion in the first three months of 2008 due to a 90.4% increase in sales volume mainly related to an increase in the sale of sulfur.

Services Income

Services income relates, mainly, to revenues obtained by Kot Insurance Ltd. from reinsurance premiums. In the first three months of 2008 and 2007, services income amounted to Ps. 0.3 billion. There was no meaningful change of services income in the first three months of 2008 compared to the first three months of 2007.

Costs of Sales

Costs of sales increased by 36.5%, from Ps. 90.6 billion in the first three months of 2007 to Ps. 123.6 billion in the first three months of 2008. This increase was primarily due to a Ps. 26.5 billion increase in product purchases, a Ps. 5.3 billion increase in depreciation and amortization expense and a Ps. 4.2 billion increase in costs associated with the labor provision for pension and other post-retirement obligations.

General Expenses

General expenses increased by 48.4%, from Ps. 18.7 billion in the first three months of 2007 to Ps. 27.7 billion in the first three months of 2008. This increase was primarily due to a 57.8% increase in administrative expenses and a 28.8% increase in distribution expenses related to an increase in costs associated with the labor provision for pension and other post-retirement obligations.

Other Revenue, net

Other revenues, net, increased by Ps. 30.7 billion, from a net revenue of Ps. 5.2 billion in the first three months of 2007 to a net revenue of Ps. 35.9 billion in the first three months of 2008, primarily due to an increase in the amount of the credit attributable to the negative rate of the Special Tax on Production and Services (*Impuesto Especial sobre Producción y Servicios*, or "IEPS") amounting approximately to Ps. 30.0 billion.

Comprehensive Financing Result

Under Mexican FRS, comprehensive financing result reflects interest income (including gains and losses on certain derivative instruments), interest expense, foreign exchange gain or loss and, for periods ending prior to

January 1, 2008, the gain or loss attributable to the effects of inflation on monetary liabilities and assets minus any portion of the comprehensive financing result capitalized during the period. A substantial portion of PEMEX's indebtedness (76.6% at March 31, 2008) is denominated in U.S. dollars, so a depreciation of the peso against the U.S. dollar results in foreign exchange loss and higher peso-denominated interest expense.

Our comprehensive financing result decreased from a loss of Ps. 10.5 billion in the first three months of 2007 to a loss of Ps. 0.9 billion in the first three months of 2008, primarily as a result of the following:

- The appreciation of the peso against the U.S. dollar in the first three months of 2008 in comparison to a depreciation of the peso in the same period of 2007 resulted in a Ps. 12.6 billion increase in net foreign exchange gains, from a net loss of Ps. 8.1 billion in the first three months of 2007 to a net gain of Ps. 4.5 billion in the first three months of 2008.
- In the first three months of 2007, PEMEX's average monetary liabilities exceeded its average monetary assets, resulting in a net gain in monetary position of Ps. 3.0 billion. Beginning with the first quarter of 2008, as a result of the changes introduced by the adoption of Mexican FRS B-10 "Effects of Inflation", which superseded Bulletin B-10, PEMEX no longer recognizes the effects of inflation in its financial statements during periods when inflation is below certain thresholds. As a result, PEMEX did not recognize any gain or loss in monetary position in the first three months of 2008.
- Net interest expense decreased by Ps. 70.7 million in the first three months of 2008 as compared to the first three months of 2007.

Taxes and Duties

Hydrocarbon extraction duties and other duties and taxes increased by 46.4%, from Ps. 137.8 billion in the first three months of 2007 to Ps. 201.6 billion in the first three months of 2008, largely due to the increases in total sales and other revenues. Taxes and duties represented 62.8% of total sales in the first three months of 2008, as compared to 56.8% in the first three months of 2007, because PEMEX's effective rate of taxes and duties rises as oil prices increase.

Net (Loss)/Income

In the first three months of 2008, PEMEX reported net income of Ps. 3.3 billion on Ps. 321.5 billion in total revenues, as compared with a net loss of Ps. 10.4 billion on Ps. 242.8 billion in total revenues in the first three months of 2007. The increase in net income from the first three months of 2007 to the first three months of 2008 resulted primarily from (i) a Ps. 36.6 billion increase in operating profit due to general price increases in crude oil, natural gas and petroleum products, (ii) a Ps. 30.6 billion increase in other net revenues caused primarily by the increase in the amount of the IEPS tax credit, and (iii) a Ps. 9.6 billion improvement in comprehensive financing result primarily due to foreign exchange gains, which more than offset a Ps. 63.9 billion increase in taxes and duties, in each case as compared to the first three months of 2007.

Results of Operations of PEMEX, its Subsidiary Entities and Subsidiary Companies – Year Ended December 31, 2007 Compared to Year Ended December 31, 2006

The financial information set forth below has been derived from the audited consolidated financial statements of PEMEX for the years ended December 31, 2006 and 2007. The consolidated financial information set forth below was prepared in accordance with Mexican FRS.

	Year ended December 31,		
	2006	2007 ⁽¹⁾	2007
	(millions of constant pesos as of December 31, 2007)		(millions of U.S. dollars)
Net sales			
Domestic	Ps. 567,290	Ps. 592,048	U.S.\$ 54,485
Export	535,144	542,927	49,965
Services income	1,075	1,061	98
Total	1,103,509	1,136,036	\$ 104,548
Costs of sales.....	418,258	460,666	42,394
General expenses	80,974	84,939	7,817
Other revenues ⁽²⁾ (net).....	61,214	83,019	7,640
Comprehensive financing result ⁽³⁾	(23,847)	(20,047)	(1,845)
Participation in results of subsidiaries and affiliates	10,074	5,545	510
Income before taxes and duties	651,718	658,948	60,642
Taxes and duties			
Hydrocarbon extraction duties and other	587,021	667,999	61,475
Excess gains duty.....	8,224	0	0
Hydrocarbon income tax.....	4,915	6,030	555
Income tax	4,605	3,226	297
Total	604,765	677,256	62,327
Net income (loss) for the period.....	Ps. 46,953	Ps. (18,308)	U.S.\$ (1,685)

(1) Convenience translations into U.S. dollars of amounts in pesos have been made at the established exchange rate of Ps. 10.8662 = U.S. \$1.00 at December 31, 2007. 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.

(2) Includes the IEPS tax in 2006 and 2007, when the IEPS tax rate was negative.

(3) Includes exchange rate losses in the amount of Ps. 2.56 billion in 2006 and Ps. 1.4 billion in 2007.

Source: *Petróleos Mexicanos*.

Sales

Total sales increased by 3.0%, from Ps. 1,103.5 billion in 2006 to Ps. 1,136.0 billion in 2007. This increase resulted primarily from a 4.4% increase in domestic sales, from Ps. 567.3 billion in 2006 to Ps. 592.0 billion in 2007, due to increased unit prices and higher volumes of sales, mainly of petroleum products. In addition, total sales also increased due to a 1.5% increase in export sales, from Ps. 535.1 billion in 2006 to Ps. 542.9 billion in 2007, due to higher crude oil prices.

Domestic Sales

Domestic sales increased by 4.4% in 2007, from Ps. 567.3 billion in 2006 to Ps. 592.0 billion in 2007, due to increased prices and volumes of sales of principal petroleum and petrochemicals products. Domestic sales of petroleum products increased by 5.0% in 2007, from Ps. 460.8 billion in 2006 to Ps. 484.1 billion in 2007, primarily due to increases in the average domestic sales prices and a 3.0% increase in the sales volumes of petroleum products. The 3.0% increase in the sales volumes of petroleum products, from 1,763 thousand barrels per day in 2006 to 1,816 thousand barrels per day in 2007, was primarily due to the increase in sales of gasoline and diesel. Domestic petrochemical sales (including sales of certain by-products of the petrochemical production process) increased by 0.3%, from Ps. 25.5 billion in 2006 to Ps. 25.6 billion in 2007, due to an increase in the domestic sales of some of the products manufactured by Pemex-Petrochemicals, such as polyethylenes and monoethylene glycol. Sales of natural gas increased by 1.7% in 2007, from Ps. 80.9 billion in 2006 to Ps. 82.3 billion in 2007, as a result of an increase in average prices.

Export Sales

Export sales increased by 1.5% in peso terms in 2007, from Ps. 535.1 billion in 2006 to Ps. 542.9 billion in 2007. Excluding the trading activities of the PMI Group (in order to show only the amount of export sales related to the subsidiary entities), export sales by the subsidiary entities to the PMI Group and third parties increased by 5.3% in peso terms, from Ps. 449.8 billion in 2006 to Ps. 473.7 billion in 2007. In dollar terms, excluding the trading activities of the PMI Group, export sales (which are dollar-denominated) increased by 9.8% in 2007, from U.S. \$38.8 billion in 2006 to U.S. \$42.6 billion in 2007. This increase was mainly a result of increased oil export prices. The trading and export activities of the PMI Group generated additional marginal revenues of Ps. 69.2 billion in 2007, 18.9% lower in peso terms than the Ps. 85.3 billion of additional revenues generated in 2006, mainly due to a 6.0% decrease in the volume of exports due to a decline in production of the Cantarell field and the closing of some facilities due to adverse weather conditions. The weighted average price per barrel of crude oil that the PMI Group sold to third parties in 2007 was U.S. \$61.57, 16.1% higher than the weighted average price of U.S. \$53.04 in 2006.

Export crude oil sales by Pemex-Exploration and Production to PMI accounted for 89.0% of export sales (excluding the trading activities of the PMI Group) in 2007, as compared to 89.8% in 2006. These crude oil sales increased in peso terms by 4.4% in 2007, from Ps. 404.0 billion in 2006 to Ps. 421.7 billion in 2007, and increased in dollar terms by 8.9% in 2007, from U.S. \$34.8 billion in 2006 to U.S. \$37.9 billion in 2007. The weighted average price per barrel of crude oil that Pemex-Exploration and Production sold to PMI for export in 2007 was U.S. \$61.57, 15.7% higher than the weighted average price of U.S. \$53.20 in 2006. The volume of crude oil exports decreased by 6.0%, from 1,793 thousand barrels per day in 2006 to 1,686 thousand barrels per day in 2007, as a consequence of production shut downs due to adverse weather conditions.

Export sales of petroleum products by Pemex-Refining and Pemex-Gas and Basic Petrochemicals to the PMI Group and third parties, including natural gas liquids, increased from 9.4% of export sales (excluding the trading activities of the PMI Group) in 2006 to 10.5% of those export sales in 2007. Export sales of petroleum products, including natural gas liquids, increased by 16.7%, from Ps. 42.4 billion in 2006 to Ps. 49.5 billion in 2007, primarily due to an increase in export prices of petroleum products and in sales volume. In dollar terms, export sales of petroleum products, including natural gas liquids, increased by 22.2%, from U.S. \$3.6 billion in 2006 to U.S. \$4.4 billion in 2007.

Petrochemical products accounted for the remainder of export sales in 2006 and 2007. Export sales of petrochemical products (including certain by-products of the petrochemical process) decreased by 23.5%, from Ps. 3.4 billion in 2006 to Ps. 2.6 billion in 2007, primarily due to a 68.7% decrease in the sales volume of benzene and ethylene exports. This decrease was primarily due to (i) in the case of ethylene, the end of the obligation to fulfill export deliveries, and (ii) in the case of benzene, the styrene plant (which uses benzene for its production process) being partially out of operation. In dollar terms, export sales of petrochemical products (including certain by-products of the petrochemical process) decreased by 24.6% in 2007, from U.S. \$288.5 million in 2006 to U.S. \$217.4 million in 2007.

Services Income

In 2006 and 2007, services income amounted to Ps. 1.1 billion. Services income relates, mainly, to revenues obtained by Kot Insurance Ltd, from reinsurance premiums. There was no meaningful change of services income in 2007 compared to 2006.

Other Revenues, net

Other revenues, net, increased by 35.6%, from Ps. 61.2 billion in 2006 to Ps. 83.0 billion in 2007, primarily due to an increase in revenues resulting from the application of the negative rate of the IEPS tax in 2007.

Costs of Sales and General Expenses

Costs of sales, transportation, distribution expenses and administrative expenses increased by 9.3%, from Ps. 499.2 billion in 2006 to Ps. 545.6 billion in 2007. This increase was mainly due to greater product purchases, principally petroleum products such as gasoline, diesel and liquefied gas, and an increase in the charges to income associated with labor obligations, partially offset by a decrease in PEMEX subsidiary companies' cost of sales and the inventory products favorable fluctuation.

Due to existing price controls imposed by the Mexican Government on gasoline, diesel and LPG products sold in the domestic market, in 2007 PEMEX was not able to pass on all of the increases in the prices of our product purchases to our retail customers in Mexico.

Comprehensive Financing Result

Under Mexican FRS, comprehensive financing result reflects interest income (including gains and losses on certain derivative instruments), interest expense, foreign exchange gain or loss and the gain or loss attributable to the effects of inflation on monetary liabilities and assets. A substantial portion of PEMEX indebtedness (77.8% at December 31, 2007) is denominated in foreign currencies, so a depreciation of the peso results in foreign exchange loss and higher interest expense in peso terms.

In 2007, comprehensive financing result improved by 15.9%, from a loss of Ps. 23.8 billion in 2006 to a loss of Ps. 20.0 billion in 2007, primarily as a result of the following:

Financial cost – (net). The decrease of Ps. 4.7 billion in financial cost was mainly due to a net gain of Ps. 5.9 billion resulting from foreign currency embedded derivatives. This effect was partially offset by the cost generated by the repurchase of certain debt instruments and to the increase of the non-capitalized interests of the Master Trust.

Exchange rate loss. The decrease of Ps. 1.1 billion in exchange rate loss, from a loss of Ps. 2.5 billion in 2006 to a loss of Ps. 1.4 billion in 2007, was primarily a result of the smaller peso depreciation against the U.S. dollar in 2007, as compared to 2006. The peso/dollar exchange rate appreciated by 0.1% in dollar terms from January 1 to December 31, 2007, from 10.8810 to 10.8662, while in 2006, the exchange rate depreciated by 1.0%, from 10.7777 to 10.8810.

Monetary position result. The decrease of Ps. 2.0 billion in monetary gain was primarily due to the fact that the inflation in 2007 (3.7590%) was less than inflation in 2006 (4.0533%).

Taxes and Duties

Hydrocarbon extraction duties and other duties and taxes (including the IEPS tax) increased by 12.0%, from Ps. 604.8 billion in 2006 to Ps. 677.3 billion in 2007, largely due to the increase of the hydrocarbon extraction duty, from Ps. 587.0 billion in 2006 to Ps. 663.1 billion in 2007. This increase was partially offset by a reduction of the excess gains duties and of the hydrocarbon income tax. In 2007, duties and taxes represented 59.6% of total sales and in 2006, they represented 54.8% of total sales, because PEMEX's effective rate of taxes and duties rises as oil prices increase.

Net Income/(Loss)

In 2007, PEMEX had a loss of Ps. 18.3 billion from Ps. 1,136.0 billion in total revenues, as compared to net income of Ps. 47.0 billion from Ps. 1,103.5 billion in total revenues in 2006. This change resulted from the various factors described above.

Liquidity and Capital Resources

A number of our financing agreements contain restrictions on (a) PEMEX's ability to create liens on its assets to secure external indebtedness, subject to certain exceptions, (b) PEMEX's ability to enter into forward sales of crude oil or natural gas, receivables financings and advance payment arrangements, subject to certain baskets, and (c) PEMEX's ability to merge or consolidate with other entities or sell all or substantially all of its assets. In addition, a number of our financing agreements, including the 2018 Notes, contain events of default, including an event of default if the Mexican Government ceases to control Petróleos Mexicanos or Petróleos Mexicanos or any of the Subsidiary Guarantors ceases to have the exclusive right and authority to develop the petroleum industry on behalf of Mexico. At April 30, 2008, PEMEX was not in default on any of its financing agreements.

The Master Trust

PEMEX makes decisions to draw-down funds under PIDIREGAS-related financings on the basis of the short-term obligations of the Master Trust under PIDIREGAS contracts. The Master Trust invests any excess liquidity in short-term investments, including interest-bearing deposits at Banco de México and other foreign banks.

At December 31, 2007, cash and cash equivalents of the Master Trust totaled U.S. \$1.8 billion, its total assets were U.S. \$52.2 billion, its long-term indebtedness totaled U.S. \$44.3 billion, its short-term indebtedness (including interest payable of U.S. \$0.40 billion) totaled U.S. \$6.2 billion and its other liabilities totaled U.S. \$1.6 billion (including accounts payable to contractors of U.S. \$1.2 billion and other accounts payable of U.S. \$0.4 billion), of which short-term liabilities totaled U.S. \$7.8 billion.

At March 31, 2008, cash and cash equivalents of the Master Trust totaled U.S. \$2.1 billion, its total assets were U.S. \$54.4 billion, its long-term indebtedness totaled U.S. \$47.6 billion, its short-term indebtedness (including interest payable of U.S. \$0.5 billion) totaled U.S. \$5.3 billion and its other liabilities totaled U.S. \$1.0 billion (including accounts payable to contractors of U.S. \$0.8 billion and other accounts payable of U.S. \$0.22 billion) of which short-term liabilities totaled U.S. \$6.3 billion.

The assets of the Master Trust consist primarily of the funds it receives through various PIDIREGAS financings incurred directly or indirectly by the Master Trust, earnings from the short-term investment of its excess liquidity and its rights to receive payment from PEMEX and the Subsidiary Guarantors.

Future amortization of the Master Trust's outstanding indebtedness of U.S. \$52.4 billion at March 31, 2008 is scheduled as follows:

Issuer Indebtedness Amortization Schedule Maturities						
2008	2009	2010	2011	2012	Over 5 years	Total
(in millions of U.S. dollars)						
U.S.\$ 2,179.8	U.S.\$ 6,040.3	U.S.\$ 4,492.7	U.S.\$ 3,809.7	U.S.\$ 7,117.1	U.S.\$ 28,805.6	U.S.\$ 52,445.3

Financing Activities

2008 Financing Activities. During the period from January 1 to May 1, 2008, the Master Trust obtained U.S. \$268.4 million in nominal terms in loans from export credit agencies for use in financing PIDIREGAS. In addition, PEMEX participated in the following activities:

On January 16, 2008, the Master Trust issued, through an inter-company private placement, U.S. \$2,000,000,000 of its Floating Rate Notes due in 2015; the notes were issued under the Pemex Project Funding Master Trust's Medium-Term Note Program, Series A; all of the notes were purchased by Petróleos Mexicanos.

On February 7, 2008, Fideicomiso F/163 issued, through a private placement in Mexico, Ps. 10,000,000,000 of notes due in 2013; the notes bear interest at the 91-day *Cetes* rate plus 34 basis points; the notes are guaranteed by Petróleos Mexicanos and the Subsidiary Guarantors.

On February 15, 2008, the Master Trust issued, through an inter-company private placement, U.S. \$1,500,000,000 of Floating Rate Notes due in 2017, under its Medium-Term Note Program, Series A; all of the notes were purchased by Petróleos Mexicanos.

On February 29, 2008, Petróleos Mexicanos borrowed U.S.\$1,000,000,000 from its syndicated revolving facility of U.S.\$2,500,000,000 entered into with a group of financial institutions on September 14, 2007. Under this agreement, borrowings may be made by either the Master Trust or Petróleos Mexicanos. Borrowings by the Master Trust are guaranteed by Petróleos Mexicanos and the Subsidiary Guarantors.

On March 28, 2008, Petróleos Mexicanos obtained, in the Mexican domestic market, a bank loan for a total of Ps. 10,000,000,000 at the 28-day TIIE rate plus 12 basis points; the loan matures in December 2008 and is guaranteed by the Subsidiary Guarantors.

On March 28, 2008, Petróleos Mexicanos obtained, in the Mexican domestic market, a bank loan for a total of Ps. 4,000,000,000 at TIIE 28 days plus 0 basis points, due in June 2008; the loan is guaranteed by the Subsidiary Guarantors.

On March 28, 2008, Petróleos Mexicanos obtained, in the Mexican domestic market, a bank loan for a total of Ps. 3,500,000,000 at the 28-day TIIE rate plus 0.075%; the loan matures in December 2008; the loan is guaranteed by the Subsidiary Guarantors.

On May 13, 2008, the Master Trust issued, through an inter-company private placement, U.S. \$500,000,000 of Floating Rate Notes due in 2021, under its Medium-Term Note Program, Series A; all of the notes were purchased by Petróleos Mexicanos.

On May 19, 2008, the Master Trust issued, through an inter-company private placement, U.S. \$500,000,000 of Floating Rate Notes due in 2021, under its Medium-Term Note Program, Series A; all of the notes were purchased by Petróleos Mexicanos.

The inter-company private placements described above did not increase PEMEX's consolidated net indebtedness.

2007 Financing Activities. During the period from January 1 to December 31, 2007, PEMEX obtained U.S. \$7.3 million in nominal terms in loans from export credit agencies and the Master Trust obtained U.S. \$1,002.6 million in nominal terms in loans from export credit agencies for use in financing PIDIREGAS. In addition, PEMEX participated in the following activities:

The Master Trust issued, through inter-company private placements, nine series of floating rate notes under its Medium-Term Note Program, Series A; all of the notes were purchased by Petróleos Mexicanos; the details of each series are described below:

<u>Issue Date</u>	<u>Principal Amount</u>	<u>Maturity Date</u>
February 2, 2007	U.S. \$2,000,000,000	December 17, 2012
March 16, 2007	U.S. \$2,500,000,000	December 16, 2016
May 4, 2007	U.S. \$1,500,000,000	December 15, 2014
June 22, 2007	U.S. \$2,000,000,000	December 15, 2020
July 27, 2007	U.S. \$1,000,000,000	December 15, 2023
August 24, 2007	U.S. \$1,000,000,000	December 15, 2023
October 12, 2007	U.S. \$1,000,000,000	December 15, 2017
October 26, 2007	U.S. \$1,000,000,000	December 15, 2017
November 26, 2007	U.S. \$1,697,000,000	December 15, 2015

On December 13, 2007, Fideicomiso F/163 issued, through an inter-company private placement, Ps. 10,000,000,000 of floating rate debt securities due in 2013, all of which were purchased by Petróleos Mexicanos.

The intercompany private placements described above did not increase PEMEX's consolidated net indebtedness.

On October 18, 2007, the Master Trust utilized the full amount of its syndicated revolving credit facility of U.S. \$2,500,000,000 entered into on September 7, 2007; under this agreement, borrowings may be made by either the Master Trust or PEMEX; the facility bears interest at a rate per annum of London Interbank Offered Rate ("LIBOR") plus 0.20% (tranche A) and 0.25% (tranche B); the facility matures in 2010 and 2012 and each of the tranches can be extended twice for a period of one year. This facility replaced the two previous syndicated

revolving credit facilities, each in the amount of U.S. \$1,250,000,000. Borrowings by the Master Trust under the facility are guaranteed by Petróleos Mexicanos and the Subsidiary Guarantors.

On October 22, 2007, the Master Trust issued U.S. \$1,500,000,000 of 5.75% Notes due 2018 and U.S. \$500,000,000 of 6.625% Bonds due 2035 under its Medium-Term Note Program, Series A; the notes and bonds are guaranteed by Petróleos Mexicanos and the Subsidiary Guarantors.

During the second quarter of 2007, the Master Trust repurchased in the open market a certain amount of its outstanding U.S. dollar-denominated debt securities with maturities between 2008 and 2027, as well as a certain amount of its U.S. dollar-denominated perpetual notes. The total principal amount repurchased was equal to U.S. \$1,139.7 million in the aggregate. The table below sets forth the results of the open market transactions:

Title of Purchased Securities	ISIN	Aggregate Principal Amount		
		Aggregate Principal Amount Outstanding before Repurchases	Repurchased in Open Market Transactions	Aggregate Principal Amount Outstanding after Repurchases
8.50% Notes due 2008	US706451AA95	U.S.\$ 984,674,000	U.S.\$ 54,595,000	U.S.\$ 930,079,000
6.125% Notes due 2008	US70645KAK51	33,742,000	9,911,000	23,831,000
6.125% Notes due 2008	US706451AM34	716,258,000	6,414,000	709,844,000
9.375% Notes due 2008	US706451BA86	487,600,000	18,999,000	468,601,000
7.875% Notes due 2009	US706451AE18	995,449,000	87,846,000	907,603,000
Floating Rate Notes due 2009	USU70577AG35	424,550,000	40,000,000	384,550,000
Floating Rate Notes due 2010	USU70577AJ73	847,676,000	95,505,000	752,171,000
Floating Rate Notes due 2010	US706451AP64	652,324,000	8,000,000	644,324,000
9.125% Notes due 2010	US706451AB78	998,206,000	70,382,000	927,824,000
8.000% Notes due 2011	US706451AF82	743,614,000	12,566,000	731,048,000
Floating Rate Notes due 2012	US70645KAR05	496,410,000	62,859,000	433,551,000
7.375% Notes due 2014	US706451AH49	1,747,650,000	196,591,000	1,551,059,000
5.750% Notes due 2015	US706451BF73	1,749,457,000	28,510,000	1,720,947,000
9.250% Notes due 2018	US706451BB69	339,915,000	5,000,000	334,915,000
8.625% Notes due 2022	US706451AG65	969,990,000	215,756,000	754,234,000
9.500% Notes due 2027	US706451BD26	790,497,000	217,164,000	573,333,000
7.75% Perpetual Notes	XS0201926663	1,750,000,000	9,598,000	1,740,402,000

On October 10, 2007, the Master Trust launched two sets of tender offers. In the first, the Master Trust offered to purchase for cash any and all of the outstanding principal amounts of certain debt securities issued by the Master Trust (the “Any and All Tender Offers”). The Master Trust purchased the following securities in its Any and All Tender Offers, which closed in October 2007.

Series of Securities	ISIN	Outstanding Principal Amount Before Tender Offers	Aggregate Principal Amount Tendered and Not Withdrawn	Aggregate Principal Amount Outstanding After Tender Offers
5.750% Notes due 2015	US706451BF73	U.S.\$ 1,720,947,000	U.S.\$ 1,486,575,000	U.S.\$ 234,372,000
7.375% Notes due 2014	US706451AH49	1,551,059,000	1,188,064,000	362,995,000
7.375% Notes due 2014	US70645KAM18	210,000	210,000	0
8.000% Notes due 2011	US706451AF82	731,048,000	548,874,000	182,174,000
8.000% Notes due 2011	US70645KAE91	6,386,000	820,000	5,566,000
8.625% Bonds due 2022.....	US706451AG65	754,234,000	593,989,000	160,245,000
8.625% Bonds due 2022.....	US70645JAH59	20,000,000	20,000,000	0
8.625% Bonds due 2022.....	US70645KAH23	10,010,000	10,010,000	0
8.625% Guaranteed Bonds due 2023	US706451BC43	225,395,000	118,888,000	106,507,000
8.625% Guaranteed Bonds due 2023	US70577AR99	109,000	109,000	0
9¼% Guaranteed Bonds due 2018	US706451BB69	334,915,000	227,806,000	107,109,000
9¼% Guaranteed Bonds due 2018	USU70577AQ17	457,000	350,000	107,000
9.50% Guaranteed Bonds due 2027	US706451BD26	573,333,000	354,116,000	219,217,000
9.50% Guaranteed Bonds due 2027	US706451AW16	385,000	100,000	285,000
9.50% Guaranteed Bonds due 2027	USU70577A572	6,440,000	150,000	6,290,000

In a second tender offer, the Master Trust offered to purchase for cash a portion of the outstanding principal amounts of certain debt securities issued by the Master Trust (the “Partial Tender Offers”), on the terms and subject to the conditions set forth in its offer to purchase dated October 10, 2007 and the accompanying letter of transmittal. The Master Trust purchased the following securities in its Partial Tender Offers in November 2007.

Series of Securities	ISIN	Outstanding Principal Amount Before Tender Offers	Aggregate Principal Amount Tendered and Not Withdrawn	Final Principal Purchase Amount	Final Factor	Aggregate Principal Amount Outstanding After Tender Offers
8.50% Notes due 2008....	US706451AA95	U.S.\$ 930,079,000	U.S.\$ 585,957,000	U.S.\$ 113,084,000	19.4226%	U.S.\$ 816,995,000
	US70645JAC62	30,000	30,000	10,000		20,000
	US70645KAC36	15,296,000	958,000	180,000		15,116,000
6.125% Notes due 2008..	US706451AM34	709,933,000	438,750,000	423,533,000	96.5586%	286,400,000
	US70645KAK51	23,742,000	16,932,000	16,342,000		7,400,000
9.375% Guaranteed Notes due 2008	US706541BA86	468,601,000	350,928,000	173,826,000	49.5679%	294,775,000
	USU70577AP34	5,267,000	2,123,000	1,049,000		4,218,000
7.875% Notes due 2009..	US70645JAK88	907,603,000	578,202,000	109,876,000	18.9736%	797,727,000
	US70645KAG40	4,451,000	1,550,000	293,000		4,158,000
9.125% Notes due 2010..	US706451AB78	927,824,000	477,445,000	374,969,000	78.7345%	552,855,000
	US70645KAB52	1,594,000	140,000	110,000		1,484,000

The open market purchases and tender offers described above were part of PEMEX’s ongoing efforts to manage its external liabilities.

Financing Activities of Pemex Finance, Ltd.

Commencing on December 1, 1998, PEMEX, Pemex-Exploration and Production, P.M.I Comercio International, S.A. de C.V., or PMI, and P.M.I. Services, B.V. have entered into several agreements with Pemex Finance, Ltd. Under these contracts, Pemex Finance, Ltd. purchases certain existing PMI accounts receivable for crude oil as well as certain accounts receivable to be generated in the future by PMI related to crude oil. The receivables sold are those generated by the sale of Maya crude oil to designated customers in the United States, Canada and Aruba. The net proceeds obtained by Pemex-Exploration and Production from the sale of such

receivables under the agreements are utilized for PIDIREGAS expenditures. Pemex Finance, Ltd. obtains resources for the acquisition of such accounts receivable through the placement of debt instruments in the international markets.

As of December 31, 2007, the outstanding debt of Pemex Finance, Ltd. was composed of U.S. \$1.53 billion aggregate principal amount of notes with maturities ranging from 2008 to 2018 and interest rates ranging between 8.875% and 10.61%, as well as two series of floating rate notes.

2008 Financing Activities. On each of February 15 and May 15, 2008, Pemex Finance, Ltd. made payments of U.S. \$83.3 million in principal of its notes. Pemex Finance, Ltd. has not incurred any additional indebtedness during 2008.

2007 Financing Activities. During 2007, Pemex Finance, Ltd. made payments of U.S. \$387.0 million in principal on its notes. Pemex Finance, Ltd. did not incur any additional indebtedness during 2007.

Funds from Operating, Financing and Investing Activities

During 2007, under Mexican FRS, net funds provided by operating activities were Ps. 217.0 billion, a 33.0% increase from Ps. 163.1 billion provided in 2006. Funds from net loss, which were Ps. 18.3 billion in 2007, (as contrasted with a net income of Ps. 47.0 billion in 2006) plus items that did not require cash outlays totaled Ps. 147.1 billion in 2007, as compared to Ps. 198.8 billion in 2006. Reductions in net indebtedness and payments of pensions, seniority benefits and other post retirement obligations resulted in a net outflow of funds totaling Ps. 106.7 billion in 2007, as contrasted with Ps. 25.5 billion of funds provided by financing activities in 2006. During 2007, PEMEX applied net funds of Ps. 129.2 billion for net investments at cost in fixed assets (Ps. 134.7 billion of new investments and capitalized interest, Ps. 4.5 billion of other inflation effects, less Ps. 10.0 billion in dispositions of fixed assets), and Ps. 11.2 billion in equity investments, as compared to Ps. 109.1 billion for net investments at cost in fixed assets (Ps. 104.6 billion of new investments and capitalized interest, Ps. 7.8 billion of other inflation effects, less Ps. 3.2 billion in dispositions of fixed assets) in 2006 and Ps. 48.7 billion in equity investments.

At December 31, 2007, PEMEX's cash and cash equivalents totaled Ps. 171.0 billion, as compared to Ps. 195.8 billion at December 31, 2006. Based on past experience, PEMEX expects to generate sufficient working capital through:

- cash flow generated from operations;
- the issuance of *certificados bursátiles* (peso-denominated publicly-traded notes) in the domestic market;
- the issuance of other debt securities in the international capital markets;
- the renewal of existing and the entering into of new lines of credit from international and local commercial banks; and
- other additional financing activities.

On September 7, 2007, PEMEX established a new syndicated revolving credit facility for U.S.\$2,500 million. As of December 31, 2007, the outstanding balance of this facility used by the Master Trust was U.S. \$2,500 million and as of March 31, 2008, the outstanding balance of this facility was U.S. \$1,500 million used by the Master Trust and U.S. \$1,000 million used by Petróleos Mexicanos.

Indebtedness

The following table sets forth the analysis of PEMEX's total indebtedness as of December 31, 2007 based on short- and long-term debt and fixed or floating rates:

	<u>In millions of U.S. dollars</u>
Short-term debt	
Lines of credit with variable interest rates established under committed credit facilities with various international commercial banks	U.S.\$ 4,377
Lines of credit with fixed interest rates	<u>2,614</u>
Total short-term debt	<u>U.S.\$ 6,991</u>
Long-term debt	
Instruments with fixed annual interest rates ranging from 3.23% to 10.61% and maturities ranging from 2008 to 2035	<u>U.S. \$ 20,932</u>
Variable rate instruments	
Drawings under lines of credit based on LIBOR and other variable rates with maturities ranging from 2008 to 2018	U.S.\$ 10,651
Floating rate notes with maturities ranging from 2008 to 2014	<u>7,513</u>
Total variable rate instruments	<u>18,164</u>
Total long-term debt	<u>U.S.\$ 39,096</u>
Total indebtedness⁽¹⁾	<u>U.S. \$ 46,087</u>

(1) Excludes accrued interest and includes notes payable to contractors.

As of March 31, 2008, PEMEX's total indebtedness was U.S. \$47,350 million, U.S. \$38,841 million of which was long-term debt and U.S. \$8,509 million of which was short-term debt. 49.0% of PEMEX's total indebtedness as of March 31, 2008 accrues interest at variable rates.

The portion of our total debt at December 31, 2007 corresponding to borrowings of the Master Trust and the Fideicomiso F/163 was U.S. \$41.1 billion, composed as follows:

	<u>In millions of U.S. dollars</u>
Master Trust	
Long-term debt	
Instruments with fixed annual interest rates ranging from 3.23% to 9.5% maturities ranging from 2008 to 2035.....	U.S.\$ 14,592
Drawings under lines of credit based on LIBOR and other variable rates maturities ranging from 2008 to 2018	9,528
Floating rate notes with maturities ranging from 2008 to 2012	2,543
Obligation to Pemex-Exploration and Production in respect of funds allocated to the Master Trust relating to the sale of accounts receivables by PMI to Pemex Finance, Ltd. ⁽¹⁾	1,166
Intercompany private placements at fixed rate ⁽²⁾	
Intercompany private placements at variable rate ⁽²⁾	16,697
Short-term debt	
Lines of credit with variable interest rates established under committed credit facilities with various international commercial banks	U.S.\$ 3,676
Lines of credit with fixed interest rates	1,779
Obligation to Pemex-Exploration and Production in respect of funds allocated to the Master Trust relating to the sale of accounts receivable by PMI to Pemex Finance, Ltd. ⁽¹⁾	325
Total Master Trust's indebtedness	50,306
Total Master Trust's Intercompany debt	18,188
Total Consolidated borrowings of the Master Trust	32,118
Fideicomiso F/163	
Long-term debt	
Instruments with fixed annual interest rates ranging from 8.38% to 11% and maturities ranging from 2008 to 2019.....	U.S.\$ 2,937
Drawings under lines of credit based on LIBOR and other variable rates and maturities ranging from 2008 to 2014	5,655
Intercompany private placements at floating rates ⁽²⁾	2,945
Short-term debt	
Lines of credit with variable interest rates established under committed credit facilities with various national commercial banks	U.S.\$ 309
Lines of credit with fixed interest rates	95
Total Fideicomiso F/163's indebtedness	11,941
Total Fideicomiso F/163's Intercompany debt	2,945
Total Consolidated borrowings of the Fideicomiso F/163	U.S.\$ 8,996
Total Intercompany debt	U.S.\$ 21,133
Total Consolidated Indebtedness of Pemex Project Funding Master Trust and Fideicomiso F/163⁽³⁾	U.S.\$ 41,114

Note: Numbers may not total due to rounding.

- (1) This amount is not reflected in our consolidated financial statements due to the offsetting effects of the consolidation of the results of Pemex-Exploration and Production, the Master Trust and Pemex Finance, Ltd. (i.e., the effects of intercompany indebtedness are eliminated).
- (2) Intercompany private placements do not increase PEMEX's total indebtedness, since their balances are eliminated in the consolidation.
- (3) Excludes accrued interest and notes payable to contractors.

The table below sets forth PEMEX's total indebtedness as of December 31 for each of the five years from 2003 to 2007.

Total Indebtedness of PEMEX

	Year Ended December 31, ⁽¹⁾				
	2003	2004	2005	2006	2007
	(in millions of U.S. dollars) ⁽³⁾				
Domestic Debt in Various Currencies⁽³⁾	U.S.\$ 2,900	U.S.\$ 6,530	U.S.\$ 10,416	U.S.\$10,885	U.S.\$ 9,227
External Debt⁽⁴⁾					
MYRA ⁽⁵⁾	U.S.\$ 153	U.S.\$ 77	U.S.\$ 38	—	—
Other direct bank loans ⁽⁶⁾	2,769	1,789	1,186	686	3,013
Securities					
Bonds ⁽⁷⁾	16,285	22,133	25,931	27,583	20,766
Commercial paper	432	—	—	—	—
Total securities	16,717	22,133	25,931	27,583	20,766
Trade financing ⁽⁸⁾					
Acceptance lines	540	—	—	—	—
Advances from commercial banks ⁽⁹⁾	3,323	2,409	4,370	4,310	4,250
Total trade financing	3,863	2,409	4,370	4,310	4,250
Purchasing loans ⁽¹⁰⁾	387	366	309	257	171
Financial leases	254	197	153	70	—
Export credit agency loans (project finance) ⁽¹¹⁾	4,636	5,471	6,322	7,439	7,434
Notes payable to contractors	1,195	1,186	1,068	952	1,227
Total external debt	<u>U.S.\$ 29,974</u>	<u>U.S.\$33,628</u>	<u>U.S.\$ 39,377</u>	<u>U.S.\$41,297</u>	<u>U.S.\$36,861</u>
Total Indebtedness⁽²⁾	<u>U.S.\$ 32,874</u>	<u>U.S.\$40,158</u>	<u>U.S.\$ 49,793</u>	<u>U.S.\$52,183</u>	<u>U.S.\$46,087</u>

Note: Numbers may not total due to rounding.

- (1) Figures do not include accrued interest. Accrued interest was U.S. \$459 million, U.S. \$231 million, U.S. \$95 million, U.S. \$139 million and U.S.\$ 5.4 million at December 31, 2003, 2004, 2005, 2006 and 2007, respectively.
- (2) Includes U.S. \$22.5 billion, U.S. \$26.0 billion, U.S. \$32.9 billion, U.S. \$35.5 billion and U.S. \$ 32.1 of indebtedness of the Master Trust as of December 31, 2003, 2004, 2005, 2006 and 2007, respectively, and U.S. \$1.4 billion, U.S. \$5.5 billion, U.S. \$9.9 billion, U.S. \$10.6 billion and U.S. \$ 8.9 billion of indebtedness of Fideicomiso F/163 as of December 31, 2003, 2004, 2005, 2006 and 2007, respectively.
- (3) Indebtedness payable in currencies other than U.S. dollars was first converted into pesos for accounting purposes at the exchange rates set by Banco de México and then converted from pesos to U.S. dollars at the following exchange rates: Ps. 11.236 = U.S. \$1.00 for 2003, Ps. 11.2648 = U.S. \$1.00 for 2004, Ps. 10.7777 = U.S. \$1.00 for 2005, Ps. 10.8810 = U.S. \$1.00 for 2006 and Ps. 10.8662 = U.S. \$1.00 for 2007. See Notes 4 and 10 to our consolidated financial statements included herein.
- (4) Indebtedness payable other than in pesos and owed to persons or institutions having its head office or chief place of business outside Mexico, and payable outside the territory of Mexico.
- (5) Multi-Year Restructuring Agreement.
- (6) Includes U.S. \$2.5 billion of revolving credit in 2007.
- (7) Includes, in 2004, 2005, 2006 and 2007, issuance by RepCon Lux, S.A. of U.S. \$1.37 billion of its 4.5% Guaranteed Exchangeable Bonds due 2011 and in 2005, 2006 and 2007, U.S. \$2.3 billion, U.S. \$1.9 billion and U.S. \$ 1.5 billion, respectively, of bonds issued by Pemex Finance, Ltd. See "—Financing Activities of Pemex Finance, Ltd."
- (8) To finance external trade of crude oil and derivatives.
- (9) Includes indebtedness of the Master Trust in trade financing advances from commercial banks of U.S. \$3.2 billion as of December 31, 2003, U.S. \$2.4 billion as of December 31, 2004, U.S. \$4.4 billion as of December 31, 2005, U.S. \$4.3 billion as of December 31, 2006 and U.S. \$ 4.25 billion as of December 31, 2007.
- (10) To finance imports of equipment and spare parts.
- (11) Includes U.S. \$4,529 million, U.S. \$5,428 million, U.S. \$6,285 million, U.S. \$7,409 million and U.S.\$ 7,411 million of indebtedness of the Master Trust as of December 31, 2003, 2004, 2005, 2006 and 2007, respectively.

Source: *Petróleos Mexicanos*.

Capital Expenditures and Investments

Overview

PEMEX must make significant capital expenditures to maintain its current production levels and increase Mexico's hydrocarbon reserves, which have declined in recent years. PEMEX funds its annual budget (not including its long-term productive infrastructure projects, referred to as PIDIREGAS) through revenue generated by PEMEX's own operations and financing activities. Capital expenditures are undertaken by PEMEX and the subsidiary entities. Capital expenditures and operating expenses must be authorized in PEMEX's annual budget, which is approved by the Mexican Congress. PIDIREGAS are long-term productive infrastructure projects funded through financing activities of the Master Trust and the Fideicomiso F/163 or directly by a contractor and must also be authorized in a budget approved by the Mexican Congress. Thus, each year, PEMEX submits proposals to and negotiates with the Mexican Government regarding how PEMEX's after-tax funds should be allocated. Mexican Government budget cuts, reductions in PEMEX's income and inability to obtain financing may limit PEMEX's ability to make capital expenditures. See "Risk Factors—Risks Factors Related to the Operation of PEMEX—PEMEX must make significant capital expenditures to maintain its current production levels and increase Mexico's hydrocarbon reserves. Mexican Government budget cuts, reductions in PEMEX's income and inability to obtain financing may limit PEMEX's ability to make capital expenditures" in the Offering Circular.

PIDIREGAS. An important component of PEMEX's capital expenditures are PIDIREGAS. Because of federal budgetary constraints, the Mexican Government has sought private sector participation in the building and financing of PIDIREGAS. The Mexican Government approves the designation of certain infrastructure projects as PIDIREGAS. This designation means that these projects are treated as off-balance sheet items for annual budgetary purposes and under governmental standards, until delivery of the completed project to PEMEX or until PEMEX's payment obligations begin under the contract. For Mexican FRS purposes, all PIDIREGAS financings and assets are included in PEMEX's balance sheet.

In recent years, PIDIREGAS have represented a significant portion of PEMEX's total annual capital expenditures. PIDIREGAS capital expenditures alone totaled, in nominal terms, Ps. 124.3 billion in 2007 (83.6% of PEMEX's total capital expenditures), Ps. 106.1 billion in 2006 (86.5% of its total capital expenditures) and Ps. 86.6 billion in 2005 (82.8% of its total capital expenditures). For 2008, PEMEX has budgeted, in nominal terms, Ps. 130.8 billion for PIDIREGAS capital expenditures (or approximately 84.3% of its total budgeted capital expenditures).

The following table sets forth PEMEX's capital expenditures for PIDIREGAS for the five years ended December 31, 2007, and the budget for such expenditures for 2008.

PIDIREGAS Expenditures

	Year ended December 31, ^{(1) (2)}					Budget 2008 ⁽³⁾ (millions of constant 2008 pesos)
	2003	2004	2005	2006	2007	
	(millions of nominal pesos)					
Pemex-Exploration and Production	Ps. 79,435	Ps. 109,638	Ps. 101,823	Ps. 121,929	Ps. 141,769	Ps. 174,962
Pemex-Refining	14,134	445	2,459	7,861	8,855	9,282
Pemex-Gas and Basic Petrochemicals	1,105	537	1,270	477	1,696	1,529
Pemex-Petrochemicals.....	—	—	—	—	217	748
Total PIDIREGAS.....	94,674	110,620	105,552	130,267	152,538	186,520
Maintenance by Pemex-Exploration and Production included in PIDIREGAS Expenditures ⁽⁴⁾	21,749	19,802	18,942	24,209	28,227	55,675
Total PIDIREGAS Capital Expenditures	Ps. 72,925	Ps. 90,818	Ps. 86,610	Ps.106,058	Ps.124,311	Ps.130,845

Note: Numbers may not total due to rounding.

(1) Includes capitalized interest during construction period.

(2) Amounts based on cash basis method of accounting.

(3) Approved budget.

(4) Maintenance expenditures are not capitalized in accordance with Mexican FRS.

Source: *Petróleos Mexicanos*.

The following table sets forth PEMEX's approved capital expenditures budget for PIDIREGAS projects for 2008 through 2011.

PIDIREGAS Approved Budget Expenditures

	Year ended December 31, ⁽¹⁾⁽²⁾			
	2008	2009	2010	2011
	(millions of constant 2008 pesos)			
Pemex-Exploration and Production	Ps. 174,962	Ps. 155,951	Ps. 147,171	Ps. 131,375
Pemex-Refining	9,282	13,584	31,792	12,768
Pemex-Gas and Basic Petrochemicals	1,529	92	—	—
Pemex-Petrochemicals.....	748	1,631	3,015	1,405
Total PIDIREGAS Expenditures Budget	186,520	171,259	181,979	145,548
Maintenance by Pemex-Exploration and Production included in PIDIREGAS Expenditures Budget ⁽³⁾	55,675	35,308	33,348	29,807
Total PIDIREGAS Capital Expenditures Budget	Ps. 130,845	Ps. 135,951	Ps. 148,631	Ps. 115,741

Note: Numbers may not total due to rounding.

(1) Amounts based on cash basis method of accounting.

(2) Includes capitalized interest during the construction period.

(3) Maintenance expenditures are not capitalized in accordance with Mexican FRS.

Source: *Petróleos Mexicanos*.

Non-PIDIREGAS Capital Expenditures. In addition to the Ps. 124.3 billion spent on PIDIREGAS in 2007, in nominal terms PEMEX spent Ps. 12.6 billion in 2007 on other capital expenditures excluding PIDIREGAS (which PEMEX refers to as non-PIDIREGAS capital expenditures), which represents a 24.1% decrease from the Ps. 16.6 billion in nominal terms of non-PIDIREGAS capital expenditures in 2006. Of the Ps. 12.6 billion in non-PIDIREGAS capital expenditures during 2007, PEMEX allocated Ps. 2.0 billion (or 15.9% of total non-PIDIREGAS capital expenditures) to exploration and production programs.

PEMEX has budgeted a total of Ps. 24.3 billion in nominal terms for non-PIDIREGAS capital expenditures in 2008. PEMEX expects to direct Ps. 2.7 billion (or 11.1% of total non-PIDIREGAS capital expenditures) to exploration and production programs in 2008. In addition to PEMEX's budgeted capital expenditures, the Mexican Congress allocates money in PEMEX's budget to make principal payments on PEMEX's PIDIREGAS debt. These payments are expected to total Ps. 48.6 billion in 2008. The amounts allocated by the Mexican Congress to make payments on PEMEX's PIDIREGAS debt are not included in any of the tables or discussions of capital expenditures herein, as these amounts do not reflect actual capital expenditures.

PEMEX's non-PIDIREGAS capital expenditures for the five years ended December 31, 2007 and budgeted for 2008 and 2009 were distributed and budgeted among the subsidiary entities as follows:

Non-PIDIREGAS Capital Expenditures⁽¹⁾

	Year ended December 31,					Budget 2008 ⁽²⁾⁽³⁾	Budget 2009 ⁽⁴⁾
	2003	2004	2005	2006	2007		
	(millions of nominal pesos)						
Pemex-Exploration and Production ⁽⁵⁾	Ps. 3,305	Ps. 957	Ps. 7,566	Ps. 4,631	Ps. 2,021	Ps. 2,705	Ps. 524
Pemex-Refining	5,744	4,647	6,542	7,369	7,124	12,564	15,826
Pemex-Gas and Basic Petrochemicals	2,148	1,961	1,936	2,845	2,308	5,097	4,869
Pemex-Petrochemicals	1,627	1,598	1,530	1,426	922	3,057	3,863
Petróleos Mexicanos	549	343	388	349	227	896	981
Total Non-PIDIREGAS Capital Expenditures	Ps. 13,373	Ps. 9,506	Ps. 17,962	Ps. 16,619	Ps. 12,602	Ps. 24,319	Ps. 26,063

Note: Numbers may not total due to rounding.

- (1) There are no capital expenditures at the subsidiary company level.
- (2) Amended capital budget for 2008, which includes resources provided by Article 25 of the Federal Budget Law.
- (3) The 2008 non-PIDIREGAS budget is subject to revision if our revenues increase.
- (4) Subject to approval by the Mexican Congress during the 2009 budgetary process.
- (5) Maintenance expenditures are not capitalized in accordance with Mexican FRS and, consequently, have been excluded from the Non-PIDIREGAS capital expenditures.

Source: *Petróleos Mexicanos*.

PEMEX expects to obtain the required approvals to increase its capital expenditures budget for the years 2009 through 2011, including PIDIREGAS and Non-PIDIREGAS expenditures, but PEMEX cannot assure you that these additional expenditures will be approved.

Commitments for Capital Expenditures and Sources of Funding

PEMEX's current aggregate commitments for capital expenditures, including both PIDIREGAS and non-PIDIREGAS capital expenditures, total approximately Ps. 155.2 billion for 2008. PEMEX's ability to make capital expenditures is limited by the substantial taxes and duties that it pays, and cyclical decreases in its revenues primarily related to oil prices. In addition, budget cuts imposed by the Mexican Government and the availability of financing may also limit PEMEX's ability to make capital expenditures. See "Risk Factors—Risks Factors Related to the Operation of PEMEX—PEMEX must make significant capital expenditures to maintain its current production levels and increase Mexico's hydrocarbon reserves. Mexican Government budget cuts, reductions in PEMEX's income and inability to obtain financing may limit PEMEX's ability to make capital expenditures" in the Offering Circular.

PEMEX's current commitments for capital expenditures have increased in recent years as compared to previous years. PEMEX plans to fund these expenditures through the financing activities in which PEMEX has engaged in the past as well as new sources. PEMEX has funded and it expects to continue to fund its commitments for PIDIREGAS capital expenditures primarily through the issuance of debt securities in capital markets transactions, inter-company private placements, commercial bank syndicated loans, bilateral loans from commercial banks and guaranteed loans from export credit agencies. To a lesser extent, PEMEX may decide to use Pemex Finance, Ltd. to fund some PIDIREGAS if PEMEX considers it advisable in light of market conditions. The securities that PEMEX issues vary in tenor, amount, currency and type of interest rate. PEMEX may issue debt securities in U.S. dollars, Japanese yen, euros, pounds sterling or pesos, among others; these securities may be issued with fixed or floating rates and with maturities of one or more years including perpetual debt securities, depending on market conditions and funding requirements. Commercial bank syndicated loans may be established with single or multiple tranches with varying maturities. Bilateral loans may vary in tenor and range. See also "—Liquidity and Capital Resources — Financing Activities".

Since 2003, PEMEX has from time to time issued debt securities denominated in pesos or *certificados bursátiles* (publicly-traded notes) in the domestic market. Because the domestic market has demonstrated significant growth over the past few years, PEMEX believes that this market represents a good alternative source of PIDIREGAS funding, offering competitive conditions in terms of tenor, amount and type of interest rates, and as a result PEMEX plans to continue issuing such securities in the Mexican domestic market. Additionally, we may fund some PIDIREGAS through commercial bank loans denominated in pesos.

Inter-company private placements are debt securities issued by the Master Trust or by Fideicomiso F/163 and purchased by PEMEX at prevailing market conditions. Under this program, which allows PEMEX to invest part of its cash position in debt securities for use in PIDIREGAS, PEMEX has been able to obtain significant benefits because the interest rate paid by these entities to PEMEX exceeds the average return on its cash investments. Additionally, the inter-company private placements do not increase PEMEX's total indebtedness on a consolidated basis since they are eliminated as part of the consolidation process. PEMEX obtained all the required legal and corporate authorizations to establish this program. As described in "—Financing Activities", as of the date of this Final Terms PEMEX has issued U.S. \$4.5 billion in debt securities through inter-company private placements by the Master Trust or Fideicomiso F/163 to Petróleos Mexicanos, and it expects to issue additional securities under this program over the rest of the year.

Non-PIDIREGAS investments are funded mainly through PEMEX's operating revenues, and, to a lesser degree, financing activities. These financing activities consist primarily of loans from export credit agencies. These loans are usually structured with maturities ranging between five and ten years.

In order to be able to carry out its planned capital expenditure program, PEMEX will need to seek financing from a variety of sources, and it cannot guarantee that it will be able to obtain financing on terms that would be acceptable to it. PEMEX's inability to obtain additional financing could have an adverse effect on its planned capital expenditure program and result in its being required to limit or defer this program.

Business Overview

Set forth below is selected summary operating data relating to PEMEX.

	Year ended December 31,		Three months ended March 31,	
	2006	2007	2007	2008
Operating Highlights				
<i>Production</i>				
Crude oil (tbpd)	3,256	3,082	3,158	2,911
Natural gas (mmcfpd)	5,356	6,058	5,816	6,586
Refined products (tbpd)	1,546	1,511	1,585	1,497
Petrochemicals ⁽¹⁾ (mt)	10,961	11,756	2,954	3,043
<i>Monthly average crude oil exports (tbpd)</i>				
Olmeca.....	231	173	225	141
Isthmus	68	41	27	37
Maya ⁽²⁾	1,494	1,472	1,459	1,321
Total.....	1,793	1,686	1,710	1,499
<i>Value of crude oil exports (value in millions of U.S. dollars)</i>				
	34,707	37,932	7,368	11,337
<i>Monthly average PEMEX crude oil export prices per barrel⁽³⁾</i>				
Olmeca..... U.S.\$	64.67	U.S.\$ 70.89	U.S.\$ 57.7	U.S.\$ 98.10
Isthmus	57.29	69.92	52.3	96.57
Maya.....	51.10	60.37	46.2	81.21
Weighted average price ⁽⁴⁾	53.04	61.64	47.7	83.13
<i>Monthly average West Texas Intermediate crude oil average price per barrel⁽⁵⁾..... U.S.\$</i>				
	66.04	U.S.\$ 72.20	U.S.\$ 58.05	U.S.\$ 97.86

Notes: Numbers may not total due to rounding.

tbpd = thousands of barrels per day; mmcfpd = millions of cubic feet per day; mtpy = thousands of tons per year

(1) Excludes ethane and butane gases.

(2) Subject to adjustment to reflect the percentage of water in each shipment.

(3) Average price during period indicated based on billed amounts.

(4) On May 19, 2008 the weighted average price of PEMEX's crude oil export mix was U.S. \$106.26 per barrel.

(5) On May 19, 2008, the West Texas Intermediate crude oil spot price was U.S. \$127.07 per barrel.

Sources: *Petróleos Mexicanos*.

Crude oil production decreased 7.8% to 2,911 thousands of barrels per day in the first quarter of 2008 from 3,158 thousands of barrels per day in the first quarter of 2007 and decreased 5.3% to 3,082 thousands of barrels per day in 2007 from 3,256 thousands of barrels per day in 2006. These decreases are largely due to a decline in production of heavy crude oil of 9.9% and 16.7% in the Cantarell field in the first quarter of 2008 and in 2007, respectively as a result of the natural and expected decline of the Cantarell field.

Natural gas production increased 13.2% to 6,586 millions of cubic feet per day in the first quarter of 2008 from 5,816 millions of cubic feet per day in the first quarter of 2007 and increased 13.1% to 6,058 millions of cubic feet per day in 2007 from 5,356 millions of cubic feet per day in 2006. The increase in natural gas production from the first quarter of 2008 as compared to the first quarter of 2007 was a result of gas extraction from wells near the transition zone at the Cantarell project and greater volumes from the Ku-Maloob-Zaap and Crudo Ligero Marino projects, as well as from the Burgos and Veracruz projects. The increase in onshore natural gas production in 2007 as compared to 2006, was due to greater production from the Burgos Basin.

Refined products production decreased 5.6% to 1,497 thousands of barrels per day in the first quarter of 2008 from 1,585 thousands of barrels per day in the first quarter of 2007 and decreased 2.3% to 1,511 thousands of barrels per day in 2007 from 1,546 thousands of barrels per day in 2006. The decrease in refined products in the first quarter of 2008 as compared to the first quarter of 2007 was a result of a reduced whole crude oil process, due to programmed maintenance cycles in plants and due to an earthquake occurred on February 12, 2008, which affected the operation at the Salina Cruz refinery. The decrease in refined products in 2007 as compared to 2006, was a result of a decrease in the whole crude oil process in 2007, mainly due to explosions that occurred in PEMEX's pipelines in July and September, 2007 and to adverse weather conditions.

Petrochemicals production increased 3.0% to 3,043 thousands of tons in the first quarter of 2008 from 2,954 thousands of tons in the first quarter of 2007 and increased 7.3% to 11,756 thousands of tons in 2007 from 10,961 thousands of tons in 2006. The increase in petrochemicals production in the first quarter of 2008 as compared to the first quarter of 2007 was a result of (i) an increase in ethane derivatives production, due to greater production of linear low density polyethylene because of the Swing operation, (ii) an increase in the methane derivatives production, due to greater ammonia production since there has been a greater demand for urea, and (iii) higher methanol production, which was temporarily reactivated to take advantage of favorable market conditions. The increase in petrochemicals production in 2007 as compared to 2006, was due to an increase in the production of other products and sub-products such as hexane and hydrochloric acid.

Energy reform

On April 8, 2008, Mexico's President Calderon sent to Congress an energy reform bill. The bill is aimed at strengthening PEMEX's managerial, financial, and operative capabilities and to allow greater private participation in the oil sector. The bill would permit PEMEX and its subsidiaries to contract third parties for refining services and would also allow the private sector to carry out the transportation, storage and distribution of petroleum products, natural gas and basic petrochemicals. The bill also contemplates that PEMEX would be able to sign contracts with third parties that contain incentives for the private sector. These incentives would depend on the performance of the third-party contractor, would have to be paid in cash, and would be established at the beginning or during the life of the contract. If approved, the bill would also affect the structure of PEMEX's Board of Directors; four new independent professional members, appointed by the president, would join the Board. In addition, PEMEX would be able to issue "citizen bonds" with returns linked to PEMEX's performance. We cannot currently estimate the impact that these proposed changes would have on PEMEX's business, results of operations and financial condition.

The Mexican Congress is currently reviewing the proposed energy reform bill. We cannot assure you as to whether such bill will be passed or, if passed, what will be its final terms.

Directors, Senior Management and Employees

On December 5, 2007, the Board of Directors of Petróleos Mexicanos appointed Mr. Jorge Borja Navarrete as Corporate Director of Engineering and Project Development.

In March 2008, the SFP appointed Mr. Felipe Mellado Flores as President, and Mr. Ricardo Samaniego Breach and Mr. Fernando Vilchis Plata as members, of the Independent Audit Committee of Petróleos Mexicanos, pursuant to Mexican regulations.

Environmental Regulation

PEMEX is subject to the provisions of the *Ley General del Equilibrio Ecológico y la Protección al Ambiente* ("General Law on Ecological Equilibrium and Environmental Protection"). To comply with this law, environmental audits of PEMEX's larger operating, storage and transportation facilities have been or are being conducted. Following the completion of such audits, PEMEX has signed various agreements with the *Procuraduría Federal de Protección al Ambiente* (Federal Attorney of Environmental Protection, or "PROFEPA") to implement environmental remediation and improve environmental plans. Such plans contemplate remediation for environmental damages, as well as related investments for the improvement of equipment, maintenance, labor and materials.

As of December 31, 2007 and 2006, the reserve for environmental remediation expenses totaled Ps. 2,093,440,000 and Ps. 2,398,258,000, respectively. This reserve is included in long-term liabilities in the balance sheet.

Legal Proceedings

In the ordinary course of business, PEMEX is named in a number of lawsuits of various types. PEMEX evaluates the merit of each claim and assesses the likely outcome, accruing a contingent liability when an unfavorable decision is probable and the amount is reasonably estimable. Such contingent liabilities are described below.

As of December 31, 2007, PEMEX was involved in various civil, tax, criminal, administrative, labor, commercial lawsuits and arbitration proceedings. The amount claimed in connection with these lawsuits totaled approximately Ps. 39.2 billion. At December 31, 2007, PEMEX had accrued a reserve of Ps. 10.5 billion for these contingent liabilities. Among these lawsuits are the following:

- Pemex-Refining is a party to an arbitration proceeding (No. 11760/KGA) filed by CONPROCA, S.A. de C.V. ("CONPROCA") before the International Chamber of Commerce, in which CONPROCA is seeking payment of U.S. \$633.1 million related to construction and maintenance services in the Cadereyta refinery. Pemex-Refining filed a counterclaim against CONPROCA in the amount of U.S. \$907.0 million (which includes value added tax). The arbitration panel notified the parties that it would issue an award on this matter on March 31, 2008. As of the date of this Final Terms, such award has not been issued. Once it is issued, a hearing on damages will be held.
- In April 2004, Construcciones Industriales del Golfo, S.A. de C.V. filed a civil claim against Pemex-Exploration and Production (exp. 40/2004-VII), for a total amount of Ps. 15.2 million plus U.S. \$219.6 million for the removal of deposits in the Salamanca refinery. On September 28, 2007, a judgment was issued in favor of Pemex-Exploration and Production. The plaintiff filed an appeal against this judgment, which was denied on January 21, 2008. The plaintiff then filed a constitutional relief known as *amparo*, which is still pending.
- In December 2003, Unión de Sistemas Industriales, S.A. filed a civil claim against Pemex-Refining (exp. 202/2003), seeking Ps. 393.1 million. The trial is in the evidentiary stages; expert evidence is still pending.
- In December 2004, Corporación Mexicana de Mantenimiento Integral, S. de R. L. de C.V. ("COMMISA") filed an arbitration claim before the International Court of Arbitration of the International Chamber of Commerce (the "ICA") against Pemex-Exploration and Production (IPC-01) for breach of a construction agreement in connection with two platforms in the Cantarell complex. On January 26, 2007, COMMISA filed its detailed claim seeking U.S. \$292 million and Ps. 37.5 million and Pemex-Exploration and Production filed its detailed counterclaim seeking U.S. \$125.9 million and Ps. 41.5 million. On August 10, 2007, each party filed their responses to the claim and counterclaim, respectively. On September 10, 2007, both parties filed their replies, in which COMMISA modified its claim and is, as of the date of this Final Terms, seeking U.S. \$319.9 million and Ps. 37.2 million in damages. On October 10, 2007, the parties filed their rejoinders. A hearing was held during which each party presented its case to the panel and filed its evidence. On February 15, 2008, the parties filed their pleadings. The final award is expected to be issued before May 31, 2008 in accordance with a resolution issued by the ICA on February 14, 2008.
- COMBISA S. de R.L. de C.V. ("COMBISA") filed an arbitration proceeding before the ICA against Pemex-Exploration and Production (IPC-22) seeking U.S. \$235.8 million for the alleged breach of a construction agreement in connection with three platforms in the Cantarell complex. Pemex-Exploration and Production responded to the claim and filed a counterclaim against COMBISA. On July 23, 2007, a final award was granted, pursuant to which COMBISA was ordered to pay U.S. \$4.6 million and Pemex-Exploration and Production was ordered to pay U.S. \$61.3 million as well as financial expenses and the corresponding value added tax. Both parties requested an additional decision to clarify the July 23 award. On November 16, 2007, the ICA modified the award such that under this additional award the total amount owed to COMBISA was corrected and Pemex-Exploration and Production was ordered to pay U.S. \$61.6 million as well as financial expenses and the corresponding value added tax. The total amount owed to Pemex-Exploration and Production was ratified. On January 30, 2008, Pemex-

Exploration and Production and COMBISA executed a settlement agreement under which Pemex-Exploration and Production agreed to pay U.S. \$84.6 million (plus value added tax) and COMBISA agreed to pay U.S.\$4.6 million (plus value added tax). This claim, which was initially for a total amount of U.S.\$235.8 million, concluded with a payment of U.S.\$92.0 million to COMBISA.

- COMMISA filed a claim before the ICA against Pemex-Exploration and Production (IPC-28) seeking approximately U.S. \$142.4 million and Ps. 40.2 million for, among other things, the alleged breach of a contract (PEP-O-IT-136/08) related to two vessels named Bar Protector and Castoro 10 in the Cantarell complex. Pemex-Exploration and Production filed a counterclaim. On February 11, 2008, Pemex-Exploration and Production was notified of an award under which Pemex-Exploration and Production was ordered to pay Ps. \$10.9 million and U.S.\$75.1 million, the associated value added tax and U.S.\$200,000 for arbitration expenses. COMMISA filed a request to execute this award, which was notified to Pemex-Exploration and Production on March 24, 2008. As of this date, Pemex-Exploration and Production has not yet filed its answer to this request.
- On December 7, 2005, a civil claim was filed by Asociación de Transportistas al Servicio de Petróleos Mexicanos Clientes o Empresas Sustitutos, A. C. against Pemex-Refining (exp. 262/2005-II) seeking approximately Ps. 1.6 billion for damages in connection with the alleged breach of a tank truck transportation agreement. On March 7, 2008, a final hearing was held in which both parties filed their allegations. A final judgment is still pending.
- A civil claim was filed by Asociación de Transportistas al Servicio de Petróleos Mexicanos, Clientes o Empresas Sustitutos, A.C. against Pemex-Refining (exp. 271/2005-I) asserting that Pemex-Refining should authorize the plaintiff to replace tank trucks older than ten years in accordance with the tank truck transportation agreement mentioned in the preceding paragraph. On January 23, 2008, a final hearing was held in which both parties filed their allegations. A final judgment is still pending.
- A civil claim was filed by Asociación de Transportistas al Servicio de Petróleos Mexicanos, Clientes o Empresas Sustitutos, A. C. against Pemex-Refining (exp. 295/2007), seeking a judicial judgment declaring the breach of a services agreement dated March 26, 1993 and damages, among others. On October 31, 2007, Pemex-Refining was summoned and a precautionary measure was granted to the plaintiff requesting Pemex-Refining to replace tank trucks and grant the appropriate authorizations. On November 5, 2007, Pemex-Refining filed a motion stating that the court lacked jurisdiction, this motion was granted and the trial suspended. An *amparo* was filed by Pemex-Refining against the precautionary measure, which was accepted by the *Juzgado Quinto de Distrito en Materia Civil* (Fifth Civil District Court).
- An *amparo* was filed by Minera Carbonífera Río Escondido, S.A. de C.V. and Minerales Monclova, S.A. de C.V. for the alleged violation of its constitutional rights due to the execution of development, infrastructure and maintenance works in non-associated gas fields under a public works contract (No. 414105826) and a modification of the *Ley Reglamentaria del Artículo 27 Constitucional en el Ramo del Petróleo* (the Regulatory Law to Article 27 of the Political Constitution Concerning Petroleum Affairs). The purpose of this contract is to explore for non-associated gas in the same fields where the plaintiffs have their mining concessions. The plaintiffs argue they have the right to exploit natural gas found in the fields located under their mining concessions. As of the date of this Final Terms, a final judgment is still pending. A third expert's opinion on geology and a constitutional hearing are still pending.
- An arbitration proceeding before the ICA was filed by Tejas Gas de Toluca, S. de R.L. de C.V. against Gas Natural México, S.A. de C.V. ("GNM") and Pemex-Gas and Basic Petrochemicals seeking, among other things, compliance with a transportation agreement and its amendments dated February 2001 and November 2001. This agreement was entered into for the operation of the Palmillas-Toluca pipeline. In February 2008, several hearings were held in which the claims and counterclaims were presented to the arbitration panel. On February 26, 2008, the initial arbitration report was executed and a provisional arbitration calendar was agreed.

- In connection with the claims filed by a group of Congressmen from the LIXth Legislature against Pemex-Exploration and Production related to the Financed Public Works Contracts program (“FPWC”), as of this date only one claim remains pending, because Pemex-Exploration and Production obtained favorable judgment in the other similar claims filed by these plaintiffs. The remaining claim relates to the FPWC entered into between Pemex-Exploration and Production and PTD Servicios Múltiples, S. de R.L. de C.V. (“PTD”) for the Cuervito natural gas production block before the *Juzgado Noveno de Distrito en Materia Civil del Distrito Federal* (Ninth Civil District Court) in Mexico City. On December 12, 2007, Pemex-Exploration and Production was summoned after an appeal filed by PTD was denied. Pemex-Exploration and Production filed a motion arguing the lack of standing of the plaintiffs due to the termination of their positions as Congressmen. As of this date, the trial is in the evidentiary stages.
- In August 2007, a civil claim (12/2007) was filed by Leoba Rueda Nava against Petróleos Mexicanos and Pemex-Refining before the *Juzgado Decimocuarto de Distrito del Décimo Circuito* (Fourteenth District Court of the Tenth Circuit) in Coatzacoalcos, Veracruz for, among other things, civil liability and damages resulting from the pollution of land used to store oil waste in accordance with an agreement entered into by and among Leoba Rueda Nava, Petróleos Mexicanos and Pemex-Refining. As of this date, the trial is in the evidentiary stages. Judicial inspection, confession and testimonial evidence have been filed. As of this date, the experts’ opinions are still pending.
- *Administrative proceedings before the Federal Competition Commission (the “Competition Commission”).* On December 7, 2007, the Competition Commission issued a resolution prohibiting Pemex-Refining from engaging in anti-competitive practices in trading and distributing greases and lubricants in service stations, without specifically requesting a modification or termination of any license agreement. Pemex-Refining filed an *amparo* against this resolution, which is still pending. In January 2008, the Competition Commission requested Pemex-Refining to provide evidence in connection with its compliance with a resolution issued by the Competition Commission in 2003 in connection with this same subject. Pemex-Refining informed the Competition Commission that a suspension was granted to Bardahl de México, S.A. de C. V. (“Bardahl”), a competitor in the lubricants business, in several *amparos* to maintain the exclusivity right of the Mexlub trademark until a final resolution is issued.
- *Claims filed by Impulsora Jalisciense, S. A. de C. V. and Mexicana de Lubricantes, S. A. de C.V.*
 - An *amparo* (1519/2005) was filed by Impulsora Jalisciense, S.A. de C.V., before the *Juzgado Quinto de Distrito en Materia Administrativa* (Fifth Administrative District Court) in the State of Jalisco in December 2005 in connection with a proposed model of franchise agreement to be executed by Pemex-Refining. This proceeding has been joined with a pending proceeding filed by Bardahl against the execution of any resolution eliminating the obligation of service stations to sell lubricants manufactured by Bardahl. These *amparos* are suspended due to several objections filed by Bardahl. A constitutional hearing is still pending.
 - A civil claim (28/2007) was filed by Mexicana de Lubricantes, S. A. de C. V. (“Mexlub”) against Pemex-Refining on March 28, 2008 seeking, among other things, a judicial judgment declaring null and void any advance termination or cancellation of the following agreements executed between Mexlub and Pemex-Refining: (1) a license and trademark contract; (2) a basic greases supply contract; and (3) a contract for the manufacture of lubricants and greases for Petróleos Mexicanos and the Subsidiary Entities. Pemex-Refining filed its response to this claim on April 10, 2008. Mexlub filed a motion arguing that the authorized representative of Pemex-Refining did not have the authority to represent Pemex-Refining. As of the date of this Final Terms, a resolution is still pending.

UNITED MEXICAN STATES

The information in this section with regard to Mexico has been included due to Petróleos Mexicanos' and the subsidiary entities' relationship with the Mexican Government and has been reviewed by the Ministry of Finance and Public Credit.

The Economy

Gross Domestic Product

According to preliminary figures, Mexico's gross domestic product ("GDP") grew by 3.3% in real terms during 2007, as compared with 2006. The transportation, storage and communications sector grew by 8.7%; the financial services, insurance and real estate sector grew by 5.0%; the electricity, gas and water sector grew by 3.9%; the commerce, hotels and restaurants sector grew by 2.7%; the community, social and personal services sector grew by 2.4%; the construction sector grew by 2.1%; the agriculture, livestock, fishing and forestry sector grew by 2.0%; the manufacturing sector grew by 1.0%; and the mining, petroleum and gas sector grew by 0.2%, each in real terms as compared to 2006.

Prices and Wages

Inflation (as measured by the change in the national consumer price index) during 2007 was 3.8%, 0.8 percentage points higher than the official inflation target for the year and 0.3 percentage points lower than inflation for 2006. Inflation for the four months ended April 30, 2008 was 1.72%, 0.8 percentage points higher than during the same period of 2007.

Interest Rates

During 2007, interest rates on 28-day Treasury bills (*Cetes*) averaged 7.19% and interest rates on 91-day *Cetes* averaged 7.35%, as compared with average rates on 28-day *Cetes* of 7.19% and on 91-day *Cetes* of 7.30% during 2006.

During the first four months of 2008, interest rates on 28-day and 91-day *Cetes* averaged 7.43% and 7.53%, respectively, as compared with average rates on 28-day *Cetes* and 91-day *Cetes* of 7.03% and 7.19%, respectively, during the same period of 2007. On May 13, 2008, the 28-day *Cetes* rate was 7.44% and the 91-day *Cetes* rate was 7.60%.

Financial System

Central Bank and Monetary Policy

During 2007, the M1 money supply (defined as bills and coins held by the public, plus checking accounts denominated in pesos and foreign currency, plus interest-bearing deposits denominated in pesos and operated by debit cards) increased by 6.8% in real terms, as compared to 2006. In addition, checking account deposits denominated in pesos increased by 9.4% in real terms in 2007, as compared to 2006.

During 2007, financial savings increased by 6.3% in real terms, as compared to 2006. Savings generated by Mexican residents increased by 4.7% in real terms, while savings generated by non-residents increased by 48.6% in real terms in 2007, each as compared to 2006.

At December 28, 2007, the monetary base totaled Ps. 502.2 billion, an 11.6% nominal increase from the level of Ps. 449.8 billion at December 29, 2006.

At March 31, 2008, the M1 money supply was 3.7% greater in real terms than the level at March 31, 2007. In addition, the aggregate amount of checking account deposits denominated in pesos at March 31, 2008 was 6.0% greater in real terms than at March 31, 2007.

At March 31, 2008, financial savings were 8.4% greater in real terms than financial savings at March 31, 2007. Savings generated by Mexican residents were 6.0% greater in real terms and savings generated by non-residents were 69.2% greater in real terms than their respective levels at March 31, 2007.

At May 15, 2008, the monetary base totaled Ps. 449.7 billion, a 9.1% nominal decrease from the level of Ps. 494.7 billion at December 31, 2007. *Banco de México* estimates that the monetary base will total approximately Ps. 548.3 billion at December 31, 2008.

In October 2007, *Banco de México* announced that as of January 21, 2008, it would use the overnight funding rate, rather than its other monetary policy instrument, the “*corto*” or “short,” as its primary monetary policy instrument. The minimum overnight funding rate has remained at 7.5% since October 26, 2007. The *corto* has remained unchanged at Ps. 79.0 million, a level set on March 23, 2005.

The Securities Market

At December 31, 2007, the Stock Market Index stood at 29,536.83 points, representing an 11.68% nominal increase from the level at December 29, 2006. At May 16, 2008, the Stock Market Index stood at 31,486.95 points, representing a 6.6% nominal increase from the level at December 31, 2007.

External Sector of the Economy

Foreign Trade

According to preliminary figures, in 2007, Mexico registered a trade deficit of U.S. \$11.1 billion, as compared with a deficit of U.S. \$6.1 billion for 2006. Merchandise exports increased by 8.8% during 2007, to U.S. \$271.9 billion, as compared to U.S. \$249.9 billion for 2006. In 2007, petroleum exports increased by 10.2%, while non-petroleum exports increased by 8.5%, in each case as compared to 2006.

According to preliminary figures, in 2007, total imports grew by 10.5% to U.S. \$283.0 billion, as compared with U.S. \$256.1 billion for 2006. Imports of intermediate goods increased by 8.8%, imports of capital goods increased by 13.4% and imports of consumer goods increased by 16.7%, each as compared with 2006.

During the first three months of 2008, according to preliminary figures, Mexico registered a trade deficit of U.S. \$3.5 billion, as compared with a deficit of U.S. \$2.5 billion for the same period of 2007. Merchandise exports increased by 16.4% during the first three months of 2008, to U.S. \$70.1 billion, as compared to U.S. \$60.3 billion for the same period of 2007. During the first three months of 2008, petroleum exports increased by 50.3%, while non-petroleum exports increased by 10.7%, each as compared with the same period of 2007.

During the first three months of 2008, according to preliminary figures, total imports grew by 17.5% to U.S. \$73.7 billion, as compared with U.S. \$62.7 billion for the same period of 2007. During the first three months of 2008, imports of intermediate goods increased by 13.7%, imports of capital goods increased by 35.0% and imports of consumer goods increased by 22.1%, each as compared with the first three months of 2007.

Balance of International Payments

According to preliminary figures, Mexico’s current account registered a deficit of U.S. \$7.3 billion during 2007, as compared to a deficit of U.S. \$2.2 billion during 2006. The capital account registered a surplus of U.S. \$19.6 billion in 2007, as compared to a deficit of U.S. \$2.0 billion for 2006. Foreign investment in Mexico, as recorded in the balance of payments, totaled U.S. \$38.0 billion during 2007 and was composed of direct foreign investment inflows totaling U.S. \$23.2 billion and foreign portfolio investment (including securities placed abroad) inflows totaling U.S. \$14.8 billion.

At December 28, 2007, Mexico’s international reserves totaled U.S. \$77.9 billion, an increase of U.S. \$10.2 billion from the level at December 29, 2006. The net international assets of *Banco de México* totaled U.S. \$86.7 billion at December 28, 2007, an increase of U.S. \$10.4 billion from the level at December 29, 2006.

At May 9, 2008, Mexico’s international reserves totaled U.S. \$84.8 billion, an increase of U.S. \$6.8 billion from the level at December 28, 2007. The net international assets of *Banco de México* totaled U.S. \$92.6 billion at May 9, 2008, an increase of U.S. \$5.4 billion from the level at December 28, 2007.

Direct Foreign Investment in Mexico

During 2007, direct foreign investment in Mexico, as recorded in the balance of payments, totaled U.S. \$23.2 billion. Direct foreign investment notified to the National Foreign Investment Commission totaled approximately U.S. \$19.7 billion during 2007. Of that amount, 49.7% of direct foreign investment was directed at manufacturing, 24.3% was directed at financial services, 5.8% was directed at mining, 5.3% was directed at commerce and 14.9% was directed at other sectors of the economy. By country of origin, 47.3% of the direct foreign investment during 2007 came from the United States, 15.1% came from Holland, 9.6% came from Spain, 7.2% came from France and 20.8% came from other countries.

Exchange Controls and Foreign Exchange Rates

The peso/U.S. dollar exchange rate closed at Ps. 10.9157 = U.S. \$1.00 on December 31, 2007, a 0.95% depreciation in dollar terms from the rate at the end of 2006. During 2007, the monthly average peso/U.S. dollar exchange rate was Ps. 10.9288 = U.S. \$1.00.

The peso/U.S. dollar exchange rate closed at Ps. 10.5095 = U.S. \$1.00 on April 30, 2008, a 3.7% appreciation in dollar terms from the rate at December 31, 2007. During the first four months of 2008, the monthly average peso/U.S. dollar exchange rate was Ps. 10.7308 = U.S. \$1.00.

The peso/U.S. dollar exchange rate announced by Banco de México on May 16, 2008 (to take effect on the second business day thereafter) was Ps. 10.4266 = U.S. \$1.00.

Public Finance

2007 Budget and Fiscal Results

According to preliminary figures, public sector budgetary revenues in 2007 were greater than public sector budgetary expenditures (excluding off-budget revenues and expenditures of the public sector) by approximately Ps. 2.7 billion in nominal terms. Public sector budgetary revenues increased by 5.6% in real terms as compared to budgetary revenues for 2006. Within budgetary revenues, non-oil tax revenues increased by 10.1% in real terms, while oil-related revenues decreased at a real rate of 1.7%.

According to preliminary figures, during 2007, the public sector overall balance registered a surplus of Ps. 1.0 billion, 89.9% lower in real terms than the Ps. 9.9 billion surplus registered during 2006. The primary surplus, defined as total public sector revenues less expenditures other than interest payments on public debt, was Ps. 245.0 billion for 2007, 9.5% lower in real terms as compared to the Ps. 260.3 billion surplus registered during 2006.

2008 Budget and Fiscal Package

On October 30, 2007, the Congress approved the Federal Annual Revenue Law for 2008 and the Federal Expenditure Decree for 2008 (together with the Federal Annual Revenue Law for 2008, the “2008 Budget”). The 2008 Budget maintains fiscal discipline as the cornerstone of the economic program, and contemplates a public sector deficit of 0.0% of GDP for 2008.

The 2008 Budget is based upon an estimated weighted average price of Mexico’s oil exports of U.S. \$49.0 per barrel and an estimated volume of oil exports of 1.7 million barrels per day.

The preliminary results for 2006 and 2007, the revised budget assumptions and targets for 2007 and the budget assumptions and targets for 2008 are presented below.

2006 and 2007 Results
2007 and 2008 Budget Assumptions and Targets

	2006	2007 Budget	2007⁽¹⁾	2008 Budget
Real GDP growth (%)	4.8% ⁽¹⁾	3.6%	3.3%	3.7%
Increase in the national consumer price index (%)...	4.1%	3.0%	3.8%	3.0%
Average export price of Mexican oil mix (U.S. \$/barrel).....	\$53.04	\$42.80	\$61.66	\$49.00
Current account deficit as % of GDP	0.2% ⁽¹⁾	2.3%	0.8%	1.0%
Average exchange rate (Ps./\$1.00)	10.9	11.2	10.9	11.2
Average rate on 28-day Cetes (%).....	7.2%	6.8%	7.2%	7.0%
Public sector balance as % of GDP	0.1 ⁽¹⁾	0.0%	0.01%	0.0%
Primary balance as % of GDP	2.9% ⁽¹⁾	2.7%	2.5%	n.a.

n.a. = Not available.

(1) Preliminary.

Source: Ministry of Finance and Public Credit.

Under the 2008 Budget, the Mexican Government estimates that it will devote Ps. 173.5 billion (6.8% of total budgetary programmable expenditures) to education and Ps. 142.7 billion (5.6% of total budgetary programmable expenditures) to health and social security.

According to preliminary figures, during the first three months of 2008, the public sector overall balance registered a surplus of Ps. 100.8 billion, 5.3% less in real terms than the Ps. 102.4 billion surplus registered for the same period of 2007. The primary surplus, defined as total public sector revenues less expenditures other than interest payments on public debt, was Ps. 140.3 billion for the first three months of 2008, 13.5% less in real terms as compared to the Ps. 156.1 billion surplus registered for the same period of 2007.

Public Debt

Internal Public Debt

Mexico's internal debt is presented herein on a "net" basis, and includes only the internal portion of indebtedness incurred directly by the Mexican Government, Banco de México's general account balance (which was positive at December 28, 2007, indicating monies owed to the Mexican Government) and the assets of the *Fondo del Sistema de Ahorro Para el Retiro* (the Retirement Savings System Fund). Net internal debt includes *Cetes* and other securities sold to the public in primary auctions, but not such debt allocated to Banco de México for its use in regulating liquidity (*Regulación Monetaria*). See footnote 1 to the table "Internal Debt of the Mexican Government" below. Internal debt does not include the debt of the IPAB or the debt of budget-controlled or administratively controlled agencies. See "—Financial System—Banking Supervision and Support."

According to preliminary figures, at December 31, 2007, the net internal debt of the Mexican Government totaled Ps. 1,788.3 billion, as compared to the Ps. 1,547.1 billion outstanding at December 31, 2006. At December 31, 2007, the gross internal debt of the Mexican Government totaled Ps. 1,896.3 billion, as compared to Ps. 1,672.8 billion at December 31, 2006. The Mexican Government's financing costs on internal debt totaled Ps. 141.3 billion for 2007, an increase in nominal terms of 17.6% as compared to 2006.

According to preliminary figures, at December 31, 2007, the net internal debt of the public sector totaled Ps. 1,687.6 billion, as compared with Ps. 1,471.6 billion outstanding at December 31, 2006. At December 31, 2007, the gross internal debt of the public sector totaled Ps. 1,958.0 billion, as compared with Ps. 1,741.4 billion outstanding at December 31, 2006. For these purposes and for the purposes of the following section, public sector debt consists of the portion of the long-term indebtedness incurred directly by the Mexican Government, the long-term indebtedness incurred by budget-controlled agencies, the long-term indebtedness incurred directly or

guaranteed by administratively controlled agencies (including, but not limited to, national development banks), and the short-term debt of the public sector. Private sector debt guaranteed by the Mexican Government is not included unless and until the Mexican Government is called upon to make payment under its guaranty. For purposes hereof, long-term debt includes all debt with maturities of one year or more from the date of issue.

According to preliminary figures, at March 31, 2008, the net internal debt of the Mexican Government totaled Ps. 1,714.4 billion, as compared with Ps. 1,788.3 billion outstanding at December 31, 2007. At March 31, 2008, according to preliminary figures, the gross internal debt of the Mexican Government totaled Ps. 1,960.8 billion, as compared to Ps. 1,896.3 billion at December 31, 2007. The Mexican Government's financing costs on internal debt totaled Ps. 17.5 billion for the first three months of 2008, a 3.8% decrease in nominal terms as compared to the same period of 2007.

The following table summarizes the net internal public debt of the Mexican Government at each of the dates indicated.

Internal Debt of the Mexican Government⁽¹⁾

	December 31, 2007 ⁽²⁾		March 31, 2008	
Gross Debt				
Government Securities	Ps. 1,795.8	94.7%	Ps.1,846.4	94.2%
<i>Cetes</i>	340.5	18.0	324.2	16.5
Floating-Rate Bonds	325.0	17.1	299.7	15.3
Inflation-Linked				
Bonds	235.3	12.4	258.2	13.2
Fixed-Rate Bonds	895.1	47.2	964.4	49.2
Other.....	100.6	5.3	114.5	5.8
Total Gross Debt	1,896.3	100%	1,960.8	100%
Net Debt				
Financial Assets ⁽³⁾	(107.9)		(246.4)	
Total Net Debt	1,788.3		1,714.4	
Gross Debt/GDP.....		18.3%		18.6%
Net Debt/GDP		17.3%		16.3%

Note: Totals may differ due to rounding.

(1) Internal debt figures do not include securities sold by Banco de México in open-market operations pursuant to *Regulación Monetaria*, which amounted to approximately Ps. 13.8 billion at December 31, 2007. *Regulación Monetaria* does not increase the Government's overall level of internal debt, because Banco de México must reimburse the Government for any allocated debt that Banco de México sells into the secondary market and that is presented to the Government for payment. If Banco de México undertakes extensive sales of allocated debt in the secondary market, however, *Regulación Monetaria* can result in a situation in which the level of outstanding internal debt is higher than the Government's figure for net internal debt.

(2) Preliminary.

(3) Includes the net balance denominated in pesos of the General Account of the Federal Treasury with Banco de México.

Source: Ministry of Finance and Public Credit.

External Public Debt

According to preliminary figures, outstanding public sector gross external debt increased by U.S. 3.9 billion in 2007, from U.S. \$54.8 billion at December 31, 2006 to U.S. \$58.7 billion at December 31, 2007. Of the amount outstanding at December 31, 2007, U.S. \$54.8 billion represented long-term debt and U.S. \$3.9 billion represented short-term debt. Public sector external debt financing costs totaled U.S. \$6.7 billion in 2007, a 7.6% decrease in nominal terms as compared to 2006.

According to preliminary figures, at December 31, 2007, commercial banks held approximately 5.8% of Mexico's total public sector external debt, multilateral and bilateral creditors (excluding the IMF) held 18.9%, bondholders (including commercial banks holding bonds issued in debt exchange transactions) held approximately 66.8% and others held the remaining 8.6%.

According to preliminary figures, total public debt (gross external debt plus net internal debt) at December 31, 2007 represented approximately 44.6% of nominal GDP, 1.5 percentage points less than at the end of 2006.

According to preliminary figures, outstanding public sector gross external debt increased by approximately U.S. \$40.9 billion during the first quarter of 2008, from U.S. \$58.7 billion at December 31, 2007 to U.S. \$59.6 billion at March 31, 2008. Of this amount, U.S. \$56.0 billion represented long-term debt and U.S. \$3.6 billion represented short-term debt.

According to preliminary figures, total public debt (gross external debt plus net internal debt) at March 31, 2008 represented approximately 21.9% of nominal GDP, 0.5 percentage points lower than at March 31, 2007.

The following table sets forth a summary of the external public debt of Mexico, which includes the external debt of the Mexican Government, budget controlled agencies and administratively controlled agencies and a breakdown of such debt by currency. External public debt as used in this section does not include, among other things, repurchase obligations of Banco de México with the International Monetary Fund or the debt of IPAB. See “—Financial System—Banking Supervision and Support” and footnote 1 to the table “Summary of External Public Debt” below.

Summary of External Public Debt⁽¹⁾
By Type

	Long-Term Direct Debt of the Mexican Government	Long-Term Debt of Budget Controlled Agencies	Other Long- Term Public Debt⁽²⁾	Total Long- Term Debt	Total Short- Term Debt	Total Long- and Short- Term Debt
December 31, 2007.....	\$40,114	\$7,745	\$6,576	\$54,435	\$920	\$55,355
March 31, 2008 ⁽⁴⁾	39,664	10,175	6,136	55,975	3,603	59,578

By Currency⁽³⁾

	December 31, 2007		March 31, 2008⁽⁴⁾	
	(in millions of dollars)	(%)	(in millions of dollars)	(%)
U.S. Dollars	44,309	80.0	48,687	81.7
Japanese Yen	1,157	2.1	1,123	1.9
Pounds Sterling.....	1,040	1.9	1,039	1.7
Swiss Francs	423	0.8	481	0.8
Others	8,426	15.2	8,248	13.9
Total	55,355	100.0	59,578	100.0

Note: Totals may differ due to rounding.

- (1) External debt denominated in foreign currencies other than dollars has been translated into dollars at exchange rates as of each of the dates indicated. External public debt does not include (a) repurchase obligations of Banco de México with the IMF (none of these were outstanding at March 31, 2008), (b) external borrowings by the public sector after March 31, 2008 and (c) loans from the Commodity Credit Corporation to public sector Mexican banks. External debt is presented herein on a “gross” basis, and includes external obligations of the public sector at their full outstanding face or principal amount. For certain informational and statistical purposes, Mexico sometimes reports its external public sector debt on a “net” or “economic” basis, which is calculated as the gross debt net of certain financial assets held abroad. These financial assets include the value of principal and interest collateral on restructured debt and Mexican public sector external debt that is held by public sector entities but that has not been canceled.
- (2) Includes debt of development banks and other administratively controlled agencies whose finances are consolidated with the Mexican Government.
- (3) Adjusted to reflect the effect of currency swaps.
- (4) Preliminary.

Source: Ministry of Finance and Public Credit.

Subsequent to December 31, 2007:

- On January 11, 2008, Mexico issued U.S. \$1,500,000,000 of its 6.05% Global Notes due 2040.
- During the first quarter of 2008, Mexico repurchased in open market transactions certain of its outstanding U.S. dollar-denominated bonds with maturities between 2009 and 2034, totaling U.S. \$714 million. The table below shows the results of the open market transactions.

Title of Purchased Securities	ISIN	Aggregate Principal Amount Outstanding before Repurchases (in millions of U.S. dollars)	Aggregate Principal Amount Repurchased (in millions of U.S. dollars)	Aggregate Principal Amount Outstanding after Repurchases (in millions of U.S. dollars)
10.375% Global Bonds due 2009	US593048BG58	\$970	\$20	\$950
8.375% Notes due 2011	US91086QAF54	\$1,711	\$171	\$1,540
5.875% Global Notes due 2014	US91086QAQ10	\$1,296	\$5	\$1,291
6.625% Global Notes due 2015	US91086QAL23	\$1,392	\$48	\$1,344
11 3/8% Global Bonds due September 15, 2016	US593048BA88	\$1,771	\$80	\$1,691
8.125% Global Bonds due December 30, 2019	US593048BN00	\$1,483	\$131	\$1,352
8.00% Global Notes due 2022	US91086QAJ76	\$743	\$30	\$714
8.30% Global Notes due 2031	US91086QAG38	\$1,819	\$45	\$1,774
7.500% Global Notes due 2033	US91086QAN88	\$1,271	\$2	\$1,269
6.75% Global Notes due 2034	US91086QAS75	\$4,267	\$183	\$4,084

- On April 8, 2008, Mexico issued 1,000,000 Series XWA08 Warrants and 250,000 Series XWB08 Warrants. XWA08 Warrants and Series XWB08 Warrants entitle the holders to exchange, on October 9, 2008 (unless extended, at Mexico's sole discretion), up to approximately \$1.25 billion of various series of outstanding U.S. dollar, euro, Italian lira and Deutsche-mark denominated bonds issued by Mexico for, in the case of the XWA08 Warrants, peso-denominated MBonos issued by the Mexican Government maturing in 2014, 2017 or 2036 or, in the case of the XWB08 Warrants, UDI-denominated (i.e., inflation indexed), peso-payable Udibonos issued by the Mexican Government maturing in 2017 or 2035. The Series XWE07, XWDA07 and XWDB07 Warrants entitle the holders to exchange, on September 19, October 11, and November 7, 2007, respectively, up to approximately \$2.7 billion of various series of outstanding U.S. dollar, euro, Italian lira and Deutsche mark-denominated bonds issued by Mexico for peso-denominated bonds issued by the Mexican Government maturing in either 2014 or 2024.

PLAN OF DISTRIBUTION

Subject to the terms and conditions stated in the terms agreement dated as of May 28, 2008, which incorporates by reference a distribution agreement with respect to the Securities, HSBC Securities (USA) Inc., J.P. Morgan Securities Inc. and Lehman Brothers Inc. (collectively, the “Managers”) have severally agreed to purchase, and the Issuer has agreed to sell to the Managers, the principal amount of the 2018 Notes or the 2038 Bonds set forth opposite such Manager’s name in the following tables.

<u>Managers</u>	<u>2018 Notes</u> <u>Principal Amount</u>	<u>2038 Bonds</u> <u>Principal Amount</u>
HSBC Securities (USA) Inc.	U.S. \$ 333,334,000	U.S. \$166,668,000
J.P. Morgan Securities Inc.	333,333,000	166,666,000
Lehman Brothers Inc.	333,333,000	166,666,000
Total.....	<u>U.S. \$ 1,000,000,000</u>	<u>U.S. \$500,000,000</u>

The terms agreement and distribution agreement provide that the obligations of the Managers to purchase the Securities are subject to various conditions. The Managers must purchase all the Securities if they purchase any of the Securities.

The Issuer has been advised that the Managers propose to resell the Securities initially at the issue price set forth on the cover page of this Final Terms. After the Securities are released for sale, the offering price and other selling terms may from time to time be varied by the Managers.

The Securities have not been registered under the Securities Act or any state securities laws and may not be offered or sold within the United States or to, or for the account or benefit of, U.S. persons (as defined in Regulation S) except in certain transactions exempt from, or not subject to, the registration requirements of the Securities Act.

The Issuer has been advised by the Managers that the Managers propose to resell the Securities, directly or through their selling agents, only (i) to qualified institutional buyers (as such term is defined in Rule 144A under the Securities Act) in reliance on Rule 144A and (ii) outside the United States in offshore transactions in reliance on Regulations S under the Securities Act. See “Notice to Investors” and “Offering and Sale” in the Offering Circular.

Accordingly, in connection with Securities offered outside the United States in offshore transactions, each Manager has agreed that, except as permitted by the terms agreement and the distribution agreement and as set forth in “Notice to Investors” in the Offering Circular, it will not offer, sell or deliver any Securities within the United States or to, or for the account or benefit of, U.S. persons (i) as part of its distribution at any time or (ii) otherwise until 40 days after the later of the commencement of this offering and the original issue date for the Securities, and that it will send to each dealer to which it sells Securities during the distribution compliance period a confirmation or other notice setting forth the restrictions on offers and sales of the Securities within the United States or to, or for the account or benefit of, U.S. persons.

In addition, until 40 days after the commencement of this offering, an offer or sale of the Securities within the United States by a dealer that is not participating in this offering may violate the registration requirements of the Securities Act if that offer or sale is made otherwise than in accordance with Rule 144A.

Terms used in the four preceding paragraphs have the meanings given to them by Regulation S and Rule 144A under the Securities Act.

The 2038 Bonds will constitute new issues of securities with no established trading market. The 5.75% Notes due 2018 previously sold on October 22, 2007 trade on the Euro MTF. We will apply to list the Securities on the Luxembourg Stock Exchange and to have the Securities trade on the Euro MTF, the alternative market of the Luxembourg Stock Exchange. However, PEMEX cannot assure you that the prices at which the Securities will sell in the market after this offering will not be lower than the initial offering price or that an active trading market for the Securities will develop and continue after this offering. The Managers have advised the Issuer that they currently intend to make a market in the Securities. However, they are not obligated to do so and they may discontinue any market-making activities with respect to the Securities at any time without notice. Accordingly, no assurance can be given as to the liquidity of the trading market for the Securities.

In connection with the offering, the Managers (or, in the United Kingdom, with respect to the 2018 Notes, HSBC Securities (USA) Inc. and, with respect to the 2038 Bonds, Lehman Brothers Inc.) may purchase and sell the Securities in the open market. These transactions may include over-allotment, covering transactions and stabilizing transactions. Over-allotment involves sales of Securities in excess of the principal amount of the Securities to be purchased by the Managers in this offering, which creates a short position for the Managers. Covering transactions involve purchases of the Securities in the open market after the distribution has been completed in order to cover short positions. Stabilizing transactions consist of certain bids or purchases of Securities made for the purpose of preventing or retarding a decline in the market price of the Securities while the offering is in progress. Any of these activities may have the effect of preventing or retarding a decline in the market price of the Securities. They may also cause the price of the Securities to be higher than the price that otherwise would exist in the open market in the absence of these transactions. The Managers may conduct these transactions in the over-the-counter market or otherwise. If the Managers commence any of these transactions, they may discontinue them at any time.

The net proceeds to the Issuer from the sale of the 2018 Notes will be approximately U.S. \$995,630,000 excluding accrued interest and after the deduction of the underwriting discount and the Issuer's share of expenses in connection with the sale of the 2018 Notes. The net proceeds to the Issuer from the sale of the 2038 Bonds will be approximately U.S. \$496,885,000 after the deduction of the underwriting discount and the Issuer's share of expenses in connection with the sale of the 2038 Bonds. See "Use of Proceeds" in the Offering Circular.

Certain of the Managers or their affiliates have performed, and may in the future perform, from time to time various investment banking, commercial banking, advisory and/or other services for the Issuer, the Guarantor or one or more of the Subsidiary Guarantors in the ordinary course of their respective businesses and have received separate fees for the provision of such services.

The Issuer, the Guarantor and the Subsidiary Guarantors have agreed to indemnify the Managers against certain liabilities, including liabilities under the Securities Act. The Managers have agreed to reimburse the Issuer for certain of its expenses in connection with the offering of the Securities.

The Securities are offered for sale in those jurisdictions in the United States, Canada, Europe, Asia and elsewhere where it is lawful to make such offers.

Each of the Managers has represented and agreed that it has not offered, sold or delivered and will not offer, sell or deliver any Securities, directly or indirectly, or distribute this Final Terms, the Offering Circular or any other offering material relating to the Securities in or from any jurisdiction, except under circumstances that will result in compliance with the applicable laws and regulations thereof and that will not impose any obligations on us except as set forth in the terms agreement and the distribution agreement.

European Economic Area

In relation to each Member State of the European Economic Area which has implemented the Prospectus Directive (each, a "Relevant Member State"), each Manager has represented and agreed that with effect from and including the date on which the Prospectus Directive is implemented in that Relevant Member State (the "Relevant Implementation Date") it has not made and will not make an offer of Securities which are the subject of the offering contemplated by this Final Terms to the public in that Relevant Member State other than:

- (a) to legal entities which are authorised or regulated to operate in the financial markets or, if not so authorised or regulated, whose corporate purpose is solely to invest in securities;
- (b) to any legal entity which has two or more of (1) an average of at least 250 employees during the last financial year; (2) a total balance sheet of more than €43,000,000; and (3) an annual net turnover of more than €50,000,000, as shown in its last annual or consolidated accounts;
- (c) to fewer than 100 natural or legal persons (other than qualified investors as defined in the Prospectus Directive) subject to obtaining the prior consent of the Lead Managers; or
- (d) in any other circumstances falling within Article 3(2) of the Prospectus Directive,

provided that no such offer of Securities shall require the Issuer, the Guarantor or any Manager to publish a prospectus pursuant to Article 3 of the Prospectus Directive.

For the purposes of this provision, the expression an “offer of Securities to the public” in relation to any Securities in any Relevant Member State means the communication in any form and by any means of sufficient information on the terms of the offer and the Securities to be offered so as to enable an investor to decide to purchase or subscribe the Securities, as the same may be varied in that Member State by any measure implementing the Prospectus Directive in that Member State and the expression “Prospectus Directive” means Directive 2003/71/EC and includes any relevant implementing measure in each Relevant Member State.

United Kingdom

Each Manager has represented and agreed that:

(a) it has only communicated or caused to be communicated and will only communicate or cause to be communicated an invitation or inducement to engage in investment activity (within the meaning of Section 21 of the FSMA) received by it in connection with the issue or sale of the Securities in circumstances in which Section 21(1) of the FSMA does not apply to the Issuer; and

(b) it has complied and will comply with all applicable provisions of the FSMA with respect to anything done by it in relation to the Securities in, from or otherwise involving the United Kingdom.

Hong Kong

Each Manager has represented and agreed that it and each of its affiliates have not (i) offered or sold, and will not offer or sell, in Hong Kong, by means of any document, the Securities other than (a) to “professional investors” as defined in the Securities and Futures Ordinance (Cap. 571) of Hong Kong and any rules made under that Ordinance or (b) in other circumstances which do not result in the document being a “prospectus” as defined in the Companies Ordinance (Cap. 32) of Hong Kong or which do not constitute an offer to the public within the meaning of that Ordinance or (ii) issued or had in its possession for the purposes of issue, and will not issue or have in its possession for the purposes of issue, whether in Hong Kong or elsewhere any advertisement, invitation or document relating to the Securities which is directed at, or the contents of which are likely to be accessed or read by, the public in Hong Kong (except if permitted to do so under the securities laws of Hong Kong) other than with respect to the Securities which are or are intended to be disposed of only to persons outside Hong Kong or only to “professional investors,” as defined in the Securities and Futures Ordinance and any rules made under that Ordinance. The contents of this document have not been reviewed by any regulatory authority in Hong Kong. You are advised to exercise caution in relation to the offer. If you are in any doubt about any of the contents of this document, you should obtain independent professional advice.

Singapore

Each Manager has represented and agreed that this Final Terms or any other offering material relating to the Securities has not been and will not be registered as a prospectus with the Monetary Authority of Singapore, and the Securities will be offered in Singapore pursuant to exemptions under Section 274 and Section 275 of the Securities and Futures Act, Chapter 289, of Singapore (the “Securities and Futures Act”). Accordingly, the Securities may not be offered or sold, or be the subject of an invitation for subscription or purchase, nor may this offering circular or any other offering material relating to the Securities be circulated or distributed, whether directly or indirectly, to the public or any member of the public in Singapore other than (a) to an institutional investor or other person specified in Section 274 of the Securities and Futures Act, (b) to a sophisticated investor and in accordance with the conditions specified in Section 275 of the Securities and Futures Act or (c) otherwise pursuant to, and in accordance with the conditions of, any other applicable provision of the Securities and Futures Act.

Where the Securities are subscribed or purchased under Section 275 by a relevant person which is: (a) a corporation (which is not an accredited investor) the sole business of which is to hold investments and the entire share capital of which is owned by one or more individuals, each of whom is an accredited investor; or (b) a trust (where the trustee is not an accredited investor) whose sole purpose is to hold investments and each beneficiary is an accredited investor, shares, debentures and units of shares and debentures of that corporation or the beneficiaries’ rights and interest in that trust shall not be transferable for 6 months after that corporation or that trust has acquired the Securities under Section 275 except: (1) to an institutional investor under Section 274 of the SFA or to a relevant person, or any person pursuant to Section 275(1A), and in accordance with the conditions, specified in Section 275 of the SFA; (2) where no consideration is given for the transfer; or (3) by operation of law.

France

Each Manager has represented and agreed that the Securities are being issued and sold outside the Republic of France and that, in connection with their initial distribution, it has not offered or sold and will not offer or sell, directly or indirectly, any Securities to the public in the Republic of France, and that it has not distributed and will not distribute or cause to be distributed to the public in the Republic of France this offering circular or any other offering material relating to the Securities, and that such offers, sales and distributions have been and will be made in the Republic of France only to qualified investors (*investisseurs qualifiés*) in accordance with Article L.411-2 and D.411-1 of the Monetary and Financial Code.

Certain of the Managers will make the Securities available for distribution on the Internet through a proprietary Web site and/or a third-party system operated by MarketAxess Corporation, an Internet-based communications technology provider. MarketAxess Corporation is providing the system as a conduit for communications between certain of the Managers and their customers and is not a party to any transactions. MarketAxess Corporation, a registered broker-dealer, will receive compensation from certain of the Managers based on transactions conducted through the system. Certain of the Managers will make the Securities available to their customers through the Internet distributions, whether made through a proprietary or third-party system, on the same terms as distributions made through other channels.

See “Offering and Sale” in the Offering Circular for additional restrictions on the offer and sale of the Securities in certain jurisdictions.

NOTICE TO CANADIAN RESIDENTS

Resale Restrictions

The distribution of the Securities in Canada is being made only on a private placement basis exempt from the requirement that we prepare and file a prospectus with the securities regulatory authorities in each province where trades of the Securities are made. Any resale of the Securities in Canada must be made under applicable securities laws which will vary depending on the relevant jurisdiction, and which may require resales to be made under available statutory exemptions or under a discretionary exemption granted by the applicable Canadian securities regulatory authority. Purchasers are advised to seek legal advice prior to any resale of the Securities.

Representations of Purchasers

By purchasing the Securities in Canada and accepting a purchase confirmation a purchaser is representing to us and the dealer from whom the purchase confirmation is received that:

the purchaser is entitled under applicable provincial securities laws to purchase the Securities without the benefit of a prospectus qualified under those securities laws,

where required by law, that the purchaser is purchasing as principal and not as agent, and

the purchaser has reviewed the text above under Resale Restrictions.

Rights of Action — Ontario Purchasers Only

Under Ontario securities legislation, a purchaser who purchases a security offered by this Final Terms during the period of distribution will have a statutory right of action for damages, or while still the owner of the Securities, for rescission against us in the event that this Final Terms contains a misrepresentation. A purchaser will be deemed to have relied on the misrepresentation. The right of action for damages is exercisable not later than the earlier of 180 days from the date the purchaser first had knowledge of the facts giving rise to the cause of action and three years from the date on which payment is made for the Securities. The right of action for rescission is exercisable not later than 180 days from the date on which payment is made for the Securities. If a purchaser elects to exercise the right of action for rescission, the purchaser will have no right of action for damages against us. In no case will the amount recoverable in any action exceed the price at which the Securities were offered to the purchaser and if the purchaser is shown to have purchased the Securities with knowledge of the misrepresentation, we will have no liability. In the case of an action for damages, we will not be liable for all or any portion of the damages that are proven to not represent the depreciation in value of the Securities as a result of the misrepresentation relied upon. These rights are in addition to, and without derogation from, any other rights or remedies available at law to an Ontario purchaser. The foregoing is a summary of the rights available to an Ontario purchaser. Ontario purchasers should refer to the complete text of the relevant statutory provisions.

Enforcement of Legal Rights

All of our directors and officers as well as the experts named herein may be located outside of Canada and, as a result, it may not be possible for Canadian purchasers to effect service of process within Canada upon us or those persons. All or a substantial portion of our assets and the assets of those persons may be located outside of Canada and, as a result, it may not be possible to satisfy a judgment against us or those persons in Canada or to enforce a judgment obtained in Canadian courts against us or those persons outside of Canada.

Taxation and Eligibility for Investment

Canadian purchasers of the Securities should consult their own legal and tax advisors with respect to the tax consequences of an investment in the Securities in their particular circumstances and about the eligibility of the Securities for investment by the purchaser under relevant Canadian legislation.

GENERAL INFORMATION

1. The Ministry of Finance and Public Credit authorized the Guarantor to guaranty the Securities and issued such authorization in an Official Communication dated May 28, 2008.

2. Except as disclosed herein, there has been no material adverse change in the consolidated financial position of the Guarantor and its subsidiaries, including the Subsidiary Guarantors and the Issuer, since March 31, 2008.

3. Except as disclosed herein, none of the Issuer, the Guarantor or any of the Subsidiary Guarantors is involved in any litigation or arbitration proceedings relating to claims or amounts which are material in the context of the issue of the Securities. None of the Issuer, the Guarantor or any of the Subsidiary Guarantors is aware of any such litigation or arbitration proceeding pending or threatened.

4. The Issuer accepts responsibility for the information it has provided in this Final Terms.

5. We will apply to list the Securities on the Luxembourg Stock Exchange and to have the Securities trade on the Euro MTF, the alternative market of the Luxembourg Stock Exchange. The Securities are issued under the U.S. \$40,000,000,000 Medium-Term Notes Program, Series A, of the Issuer. The date of the original commencement of the Medium-Term Note program was July 31, 2000, and these Securities are being offered pursuant to the recommencement and update of such program on October 11, 2007.

6. This Final Terms is supplementary to, and should be read in conjunction with, the Offering Circular dated October 11, 2007. Terms used but not defined herein have the same meanings as in the Offering Circular.

**PETRÓLEOS MEXICANOS, SUBSIDIARY ENTITIES
AND SUBSIDIARY COMPANIES**

CONSOLIDATED FINANCIAL STATEMENTS

DECEMBER 31, 2007, 2006 AND 2005

**PETRÓLEOS MEXICANOS, SUBSIDIARY ENTITIES
AND SUBSIDIARY COMPANIES**

CONSOLIDATED FINANCIAL STATEMENTS

DECEMBER 31, 2007, 2006 AND 2005

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INDEPENDENT AUDITOR'S REPORT

Mexico City, Mexico, April 11, 2008

To the General Comptroller's Office
and the Board of Directors of
Petróleos Mexicanos:

We have audited the accompanying consolidated balance sheet of Petróleos Mexicanos, Subsidiary Entities and Subsidiary Companies ("PEMEX") as of December 31, 2007, and the related consolidated statements of operations, changes in equity and changes in financial position for the year ended December 31, 2007. These financial statements are the responsibility of the management of PEMEX. Our responsibility is to express an opinion on these financial statements based on our audit. The financial statements of PEMEX as of December 31, 2006 and 2005, and for the years then ended, were audited by other independent accountants whose report dated April 20, 2007, expressed an unqualified opinion on those statements.

We conducted our audit in accordance with auditing standards generally accepted in Mexico. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free of material misstatement and are prepared according with Mexican Financial Reporting Standards. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures contained in the consolidated financial statements. An audit also includes assessing the standards of financials information used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the consolidated financial position of PEMEX at December 31, 2007 and the consolidated results of their operations, changes in equity and changes in financial position for the year ended December 31, 2007, in conformity with Mexican Financial Reporting Standards.

Our audit was made for the purpose of forming an opinion expressed in the paragraph above. The supplementary information related to the conversion of Mexican pesos to U.S. dollars, included in the financial statements as described in Note 3(z) and prepared under the responsibility of the PEMEX's management, is presented only for convenience of the reader, and is not required for the interpretation of the financial statements. In our opinion such additional information is fairly stated in all material respects.

KPMG Cárdenas Dosal, S. C.

/s/ Eduardo Palomino

Eduardo Palomino

Certified Public Accountant

REPORT OF INDEPENDENT PUBLIC ACCOUNTING FIRM

Mexico City, Mexico, June 29, 2007

To the General Comptroller's Office
and the Board of Directors of
Petróleos Mexicanos:

We have audited the accompanying consolidated balance sheets of Petróleos Mexicanos, Subsidiary Entities and Subsidiary Companies (collectively, "PEMEX") as of December 31, 2006 and 2005, and the related consolidated statements of operations, changes in equity and changes in financial position for each of the two years in the period ended December 31, 2006. These financial statements are the responsibility of the management of PEMEX. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with auditing standards generally accepted in Mexico. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures contained in the consolidated financial statements. An audit also includes assessing the standards of financials information used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

As described in Note 3l. to the consolidated financial statements, effective January 1, 2005, PEMEX adopted the amendments to Bulletin D-3, "Labor Obligations", issued by the Mexican Institute of Public Accountants ("MIPA"), which establishes the rules for valuation and recording of liabilities arising from other severance payments paid to employees upon dismissal. As of January 1, 2005, the adoption of these amendments resulted in a charge of Ps. 1,427,872,000, which is presented in the consolidated statement of operations as a cumulative effect of adoption of new accounting standards.

As described in Note 3m. to the consolidated financial statements, effective January 1, 2005, PEMEX adopted the provisions of Bulletin C-10, "Derivative Financial Instruments and Hedging Operations", issued by the MIPA, which establishes the criteria for valuation, recording and disclosure applicable to derivative financial instruments for hedging and to embedded derivatives. As of January 1, 2005, the adoption of these provisions resulted in the recognition of an initial cumulative charge of Ps. 477,996,000, recognized in the consolidated statement of operations as a cumulative effect of adoption of new accounting standards.

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the consolidated financial position of PEMEX at December 31, 2006 and the consolidated results of their operations, changes in equity and changes in financial position for each of the two years in the period ended December 31, 2006, in conformity with Mexican Financial Reporting Standards.

PricewaterhouseCoopers

/s/ Ariadna L. Muñiz Patiño

Ariadna L. Muñiz Patiño

Public Accountant

PETRÓLEOS MEXICANOS, SUBSIDIARY ENTITIES AND SUBSIDIARY COMPANIES CONSOLIDATED BALANCE SHEETS

(In thousands of Mexican pesos as of December 31, 2007, purchasing power and in thousands of U.S. dollars)

	2007 (Unaudited)	2007	2006
ASSETS:			
Current assets:			
Cash and cash equivalents (Note 5)	US\$ 15,736,617	Ps. 170,997,240	Ps. 195,776,457
Accounts, notes receivable and other—Net (Note 6)	13,943,286	151,510,543	137,163,105
Inventories—Net (Note 7)	8,571,822	93,143,136	62,063,798
Derivative financial instruments (Note 11)	1,188,075	12,909,868	4,389,836
	<u>23,703,183</u>	<u>257,563,547</u>	<u>203,616,739</u>
Total current assets	<u>39,439,800</u>	<u>428,560,787</u>	<u>399,393,196</u>
Investments in shares of non consolidated subsidiaries and affiliates (Note 8)	3,042,770	33,063,354	32,760,946
Properties, plant and equipment—Net (Note 9)	73,056,399	793,845,453	737,195,457
Intangible asset derived from the actuarial computation of labor obligations (Note 12)	6,626,864	72,008,835	76,495,133
Other assets—Net	257,880	2,802,177	4,175,692
	<u>US\$ 122,423,713</u>	<u>Ps. 1,330,280,606</u>	<u>Ps. 1,250,020,424</u>
LIABILITIES:			
Current liabilities:			
Current portion of long-term debt (Note 10)	US\$ 6,998,778	Ps. 76,050,128	Ps. 66,240,278
Suppliers	3,233,728	35,138,344	37,102,983
Accounts and accrued expenses payable	1,665,488	18,097,530	14,592,081
Taxes payable	13,490,765	146,593,355	45,006,644
Derivative financial instruments (Note 11)	1,250,160	13,584,495	13,372,143
Total current liabilities	<u>26,638,919</u>	<u>289,463,852</u>	<u>176,314,129</u>
Long-term liabilities:			
Long-term debt (Note 10)	39,096,323	424,828,472	524,475,242
Reserve for sundry creditors and others	2,895,883	31,467,252	31,513,072
Reserve for labor obligations (Note 12)	48,609,566	528,201,272	471,665,183
Deferred taxes (Note 19i.)	590,077	6,411,897	4,597,172
Total liabilities	<u>117,830,768</u>	<u>1,280,372,745</u>	<u>1,208,564,798</u>
EQUITY (Note 14):			
Certificates of Contribution “A”	8,922,897	96,957,993	96,957,993
Mexican Government increase in equity of Subsidiary Entities	13,294,217	144,457,629	133,296,805
Surplus in the restatement of equity	16,430,011	178,531,795	159,893,393
Effect on equity from labor obligations (Note 12)	(4,763,352)	(51,759,539)	(48,326,747)
Derivative financial instruments (Note 11)	(101,749)	(1,105,629)	(1,762,328)
	<u>33,782,024</u>	<u>367,082,249</u>	<u>340,059,116</u>
Accumulated losses:			
From prior years	(27,504,262)	(298,866,819)	(345,556,695)
Net income (loss) for the year	(1,684,817)	(18,307,569)	46,953,205
	<u>(29,189,079)</u>	<u>(317,174,388)</u>	<u>(298,603,490)</u>
Total equity	<u>4,592,945</u>	<u>49,907,861</u>	<u>41,455,626</u>
Commitments and contingencies (Notes 15 and 16)	-	-	-
Total liabilities and equity	<u>US\$ 122,423,713</u>	<u>Ps. 1,330,280,606</u>	<u>Ps. 1,250,020,424</u>

The accompanying notes are an integral part of these consolidated financial statements.

**PETRÓLEOS MEXICANOS, SUBSIDIARY ENTITIES
AND SUBSIDIARY COMPANIES**

CONSOLIDATED STATEMENT OF OPERATIONS

(In thousands of Mexican pesos as of December 31, 2007, purchasing power and in thousands of U.S. dollars)

	2007 (Unaudited)	2007	2006	2005
Net sales:				
Domestic	US\$ 54,485,281	Ps. 592,047,961	Ps. 567,289,873	Ps. 545,339,433
Export	49,964,740	542,926,858	535,144,048	457,266,832
Services income	97,606	1,060,609	1,075,947	1,224,808
Total revenues	104,547,627	1,136,035,428	1,103,509,868	1,003,831,073
Cost of sales	42,394,374	460,665,742	418,258,210	389,943,899
Gross income	62,153,253	675,369,686	685,251,658	613,887,174
General expenses:				
Transportation and distribution expenses	2,282,172	24,798,539	24,921,656	23,655,910
Administrative expenses	5,534,636	60,140,465	56,052,773	50,527,884
Total general expenses	7,816,808	84,939,004	80,974,429	74,183,794
Operating income	54,336,446	590,430,682	604,277,229	539,703,380
Other revenues (principally IEPS benefit)—Net (Note 19h.)	7,640,114	83,019,010	61,213,533	2,896,394
Comprehensive financing result:				
Interest—Net	(2,896,873)	(31,478,006)	(36,195,263)	(41,500,949)
Exchange (loss) gain—Net	(132,048)	(1,434,868)	(2,470,584)	19,031,585
Gain on monetary position	1,184,064	12,866,287	14,819,222	17,633,273
	(1,844,857)	(20,046,587)	(23,846,625)	(4,836,091)
Profit sharing in non-consolidated subsidiaries and affiliates (Note 8)	510,303	5,545,054	10,073,577	8,658,665
Income before taxes and duties	60,642,006	658,948,159	651,717,714	546,422,348
Hydrocarbon extraction duties and others (Note 19)	61,474,951	667,999,120	587,020,786	538,063,741
Excess gain duties (Note 19d.)	-	-	8,223,820	60,869,738
Hydrocarbon income tax (Note 19i.)	554,965	6,030,367	4,914,859	2,135,245
Income tax (Note 19k.)	296,906	3,226,241	4,605,044	3,981,678
Special tax on production and services (IEPS Tax) (Note 19h.)	-	-	-	21,824,060
	62,326,822	677,255,728	604,764,509	626,874,462
Cumulative effect of adoption of new accounting standards (Notes 3l. and 3m.)	-	-	-	(1,905,868)
Net (loss) income for the year	US\$ (1,684,816)	Ps. (18,307,569)	Ps. 46,953,205	Ps. (82,357,982)

The accompanying notes are an integral part of these consolidated financial statements.

PETRÓLEOS MEXICANOS, SUBSIDIARY ENTITIES AND SUBSIDIARY COMPANIES
CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY FOR THE YEARS
ENDED DECEMBER 31, 2007, 2006 AND 2005
(In thousands of Mexican pesos as of December 31, 2007, purchasing power and in thousands of U.S. dollars as of December 31, 2005)

			Mexican Government increase							
	Certificates of Contribution "A"		in equity of Subsidiary Entities		Surplus in the restatement of equity		Derivative financial instruments		Effect on equity from labor obligations	From prior years
Balances as of December 31, 2004.....	Ps.	96,957,993	Ps.	36,411,340	Ps.	147,644,457	Ps.	-	Ps.	(207,782,166)
Transfer to prior years' accumulated losses.....		-		-		-		-		(28,782,166)
Minimum guaranteed dividends paid to the Mexican Government approved by the Board of Directors on June 10, 2006 (Note 14).....		-		-		-		-		(11,782,166)
Increase in equity of the Subsidiary Entities made by the Mexican Government (Note 14).....				48,157,553						
Comprehensive loss for the year (Note 13).....					8,184,288		(7,036,437)		(21,672,659)	-
Balances at of December 31, 2005.....		96,957,993		84,568,893		155,828,745		(7,036,437)		(247,782,166)
Transfer to prior years' accumulated losses.....		-		-		-		-		(82,782,166)
Minimum guaranteed dividends paid to the Mexican Government approved by the Board of Directors on May 18 th , 2005 (Note 14).....		-		-		-		-		(16,782,166)
Increase in equity of the Subsidiary Entities made by the Mexican Government.....				48,727,912						
Comprehensive income for the year (Note 13).....					4,064,648		5,274,109		(18,871,922)	
Balances at December 31, 2006.....		96,957,993		133,296,805		159,893,393		(1,762,328)		(345,782,166)
Transfer to prior years' accumulated losses.....		-		-		-		-		4,782,166
Minimum guaranteed dividends paid to the Mexican Government approved by the Board of Directors on August 29, 2007 (Note 14).....		-		-		-		-		
Increase in equity of the Subsidiary Entities made by the Mexican Government (Note 14).....		-		11,160,824		-		-		
Comprehensive loss for the year (Note 13).....		-		-	18,638,402		656,699		(3,432,792)	
Balances at December 31, 2007.....	Ps.	96,957,993	Ps.	144,457,629	Ps.	178,531,795	(Ps.)	1,105,629	(Ps.)	51,759,539
Unaudited.....	US\$	8,922,897	US\$	13,294,217	US\$	16,430,011	US\$	(101,749)	US\$	4,763,352

The accompanying notes are an integral part of these consolidated financial statements.

**PETRÓLEOS MEXICANOS, SUBSIDIARY ENTITIES
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CONSOLIDATED STATEMENTS OF CHANGES IN FINANCIAL POSITION**

(In thousands of Mexican pesos as of December 31, 2007, purchasing power and in thousands of U.S. dollars)

	2007 (Unaudited)	2007	2006	2005
Operating activities:				
Net (loss) income for the year	US\$ (1,684,817)	Ps. (18,307,569)	Ps. 46,953,205	Ps. (82,357,982)
Charges to operations not requiring the use of funds:				
Depreciation and amortization	6,680,506	72,591,718	65,672,189	56,995,357
Reserve for labor obligations cost	7,850,662	85,306,866	74,493,349	63,787,616
Profit sharing in non-consolidated subsidiaries and affiliates	510,302	5,545,054	10,073,577	8,658,665
Deferred taxes	177,417	1,927,847	904,162	2,135,247
Impairment on fixed assets	-	-	703,247	1,432,691
	<u>13,534,070</u>	<u>147,063,916</u>	<u>198,799,729</u>	
Funds generated (used) in operation activities:				
Accounts, notes receivable and other	(1,320,373)	(14,347,438)	(37,177,837)	9,930,406
Inventories	(1,155,331)	(12,554,059)	(2,678,038)	(6,527,714)
Intangible asset derived from the actuarial computation of labor obligations	-	-	23,316,114	(14,672,035)
Other assets	126,403	1,373,515	(576,898)	-
Suppliers	(180,803)	(1,964,639)	3,676,529	6,291,447
Accounts payable and accrued expenses	365,779	3,974,633	3,382,644	(14,317,686)
Taxes payable	9,348,872	101,586,711	(26,857,283)	24,181,434
Reserve for sundry creditors and others	(4,217)	(45,820)	3,744,807	(1,203,805)
Derivative financial instruments	(747,287)	(8,120,165)	(2,541,921)	16,798,338
Funds provided by operating activities	<u>19,967,113</u>	<u>216,966,654</u>	<u>163,087,846</u>	<u>71,131,979</u>
Financing activities:				
Minimum guaranteed dividends paid to the Mexican Government	(24,234)	(263,329)	(16,392,606)	(11,482,869)
(Decrease) Increase in Debt—Net	(8,267,556)	(89,836,920)	10,202,873	65,892,138
Increase in equity of Subsidiary Entities	1,027,114	11,160,824	48,727,912	48,157,553
Retirement, seniority premiums and other post retirements benefits payments.	(2,550,779)	(27,717,270)	(17,042,349)	-
Sale of future accounts receivable	-	-	-	(40,871,801)
Funds (used in) provided by financing activities	<u>(9,815,455)</u>	<u>(106,656,695)</u>	<u>25,495,830</u>	<u>61,695,021</u>
Investing activities:				
Investment in shares	(538,133)	(5,847,462)	(14,153,450)	(7,485,420)
Increase in fixed assets—Net	(11,893,920)	(129,241,714)	(109,103,789)	(89,577,399)
Funds used in investing activities	<u>(12,432,053)</u>	<u>(135,089,176)</u>	<u>(123,257,239)</u>	<u>(97,062,819)</u>
Net (decrease) increase in cash and cash equivalents	(2,280,395)	(24,779,217)	65,326,437	35,764,181
Cash and cash equivalents at beginning of the year	<u>18,017,012</u>	<u>195,776,457</u>	<u>130,450,020</u>	<u>94,685,839</u>
Cash and cash equivalents at end of the year	<u>US\$ 15,736,617</u>	<u>Ps. 170,997,240</u>	<u>Ps. 195,776,457</u>	<u>Ps. 130,450,020</u>

The accompanying notes are an integral part of these consolidated financial statements.

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These financial statements have been translated from the Spanish language for the convenience of the reader.

NOTE 1—APPROVAL:

On April 11, 2008, the attached consolidated financial statements and the notes thereto were authorized by the following officers: Public Accountant Víctor M. Cámara Peón, Deputy Director of Financial Information Systems and Public Accountant Enrique Díaz Escalante, Associate Managing Director of Accounting.

These consolidated financial statements and the notes thereto will be submitted for approval to the Board of Directors of Petróleos Mexicanos in a meeting scheduled for April 29, 2008, where it is expected that the Board will approve such statements pursuant to the terms Article 104 Fraction III, paragraph a, of the Mexican Securities Market Law, of Article 33 Fraction I, paragraph a section 3 and of Article 78 of the general provisions applicable to Mexican securities issuers and other participants of the securities market.

NOTE 2—STRUCTURE AND BUSINESS OPERATIONS OF PETRÓLEOS MEXICANOS, SUBSIDIARY ENTITIES AND SUBSIDIARY COMPANIES:

Petróleos Mexicanos was created on June 7, 1938, and began operations on July 20, 1938. A decree of the Mexican Congress stated the foreign-owned oil companies in operation at that time in the United States of Mexico (Mexico) were thereby nationalized. Petróleos Mexicanos and its four Subsidiary Entities (as defined below) are decentralized public entities of the Federal Government of Mexico (the “Mexican Government”) and together comprise the Mexican state oil and gas company.

The operations of Petróleos Mexicanos and the Subsidiary Entities are regulated by the *Constitución Política de los Estados Unidos Mexicanos* (Political Constitution of the United Mexican States, or the “Mexican Constitution”), the *Ley Reglamentaria del Artículo 27 Constitucional en el Ramo del Petróleo* (Regulatory Law to Article 27 of the Political Constitution of the United Mexican States concerning Petroleum affairs, or the “Regulatory Law”), effective on November 30, 1958, as amended effective on May 12, 1995, November 14, 1996 and January 13, 2006, and the *Ley Orgánica de Petróleos Mexicanos y Organismos Subsidiarios* (the Organic Law of Petróleos Mexicanos and Subsidiary Entities, or the “Organic Law”), effective on July 17, 1992, as amended effective on January 1, 1994, January 16, 2002 and January 13, 2006. Under the Organic Law and related regulations, Petróleos Mexicanos is entrusted with the central planning activities and the strategic management of Mexico’s petroleum industry. For purposes of these financial statements, capitalized words carry the meanings attributed to them herein or the meanings as defined in the Mexican Constitution or the Organic Law.

The Organic Law establishes a structure that consists of decentralized legal entities of a technical, industrial and commercial nature, with their own corporate identity and

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equity and with the legal authority to own property and conduct business in their own names. The Subsidiary Entities are controlled by and have characteristics of subsidiaries of Petróleos Mexicanos. The Subsidiary Entities are:

Pemex-Exploración y Producción (“Pemex-Exploration and Production”);
Pemex-Refinación (“Pemex-Refining”);
Pemex-Gas y Petroquímica Básica (“Pemex-Gas and Basic Petrochemicals”); and
Pemex-Petroquímica (“Pemex-Petrochemicals”).

The strategic activities entrusted to Petróleos Mexicanos and the Subsidiary Entities by the Organic Law, other than those entrusted to Pemex-Petrochemicals, can be performed only by Petróleos Mexicanos and the Subsidiary Entities and cannot be delegated or subcontracted. Pemex-Petrochemicals is an exception and may delegate and/or subcontract certain activities.

The principal objectives of the Subsidiary Entities are as follows:

- I. Pemex-Exploration and Production explores for and produces crude oil and natural gas; additionally, this entity transports, stores and markets such products;
- II. Pemex-Refining refines petroleum products and derivatives thereof that may be used as basic industrial raw materials; additionally, this entity stores, transports, distributes and markets such products and derivatives;
- III. Pemex-Gas and Basic Petrochemicals processes natural gas, natural gas liquids and derivatives thereof that may be used as basic industrial raw materials, and stores, transports, distributes and markets such products; additionally, this entity stores, transports, distributes and markets Basic Petrochemicals; and
- IV. Pemex-Petrochemicals engages in industrial petrochemical processing and stores, distributes and markets Secondary Petrochemicals.

At its formation, Petróleos Mexicanos assigned to the Subsidiary Entities all the assets and liabilities needed to carry out these activities; these assets and liabilities were incorporated into the Subsidiary Entities’ initial capital contribution. Additionally, Petróleos Mexicanos assigned to the Subsidiary Entities all the personnel needed for their operations, and the Subsidiary Entities assumed all the related labor liabilities. There were no changes in the carrying value of assets and liabilities upon their contribution by Petróleos Mexicanos to the Subsidiary Entities.

The principal distinction between the Subsidiary Entities and the Subsidiary Companies (as defined below) is that the Subsidiary Entities are decentralized public entities

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created by Article 3 of the Organic Law, whereas the Subsidiary Companies are companies that have been formed in accordance with the general corporations law of each of the respective jurisdictions in which they are incorporated, and are managed as any other private corporations subject to the general corporations law in their respective jurisdictions.

As used herein, “Subsidiary Companies” are defined as (a) those companies which are not Subsidiary Entities but in which Petróleos Mexicanos has more than 50% ownership investment and effective control, (b) the Pemex Project Funding Master Trust (the “Master Trust”), a Delaware statutory trust, (c) Fideicomiso Irrevocable de Administración No. F/163 (“Fideicomiso F/163”), a Mexican statutory trust incorporated in 2003 in Mexico (both the Master Trust and Fideicomiso F/163 are controlled by Petróleos Mexicanos) (d) RepCon Lux, S.A., a Luxembourg finance vehicle whose debt is guaranteed by Petróleos Mexicanos (“RepCon Lux”) and (e) Pemex Finance, Ltd.

“Non-consolidated subsidiary companies,” as used herein, means (a) those non-material subsidiary companies which are not Subsidiary Entities or Subsidiary Companies, as defined above in this note and (b) those companies in which PEMEX has 50% or less does ownership investment and not have effective control.

Petróleos Mexicanos, the Subsidiary Entities and the Subsidiary Companies are referred to as “PEMEX.”

On September 14, 2004, the authorities authorized the procedures to merge Pemex-Petrochemicals and its subsidiaries. At the extraordinary Board of Directors’ meeting held on February 9, 2006, the merger was formalized with Pemex-Petrochemicals as the surviving company, which acquired the rights and obligations of its merged subsidiaries on April 30, 2006, while the subsidiary companies became petrochemical complexes operating as part of the surviving entity. The foregoing had no effect on the preparation of these consolidated financial statements.

NOTE 3—SIGNIFICANT ACCOUNTING POLICIES:

The preparation of the financial statements requires the use of estimates and assumptions made by PEMEX’s management that affect the recorded amounts of assets and liabilities and the disclosures of contingent assets and liabilities as well as the recorded amounts of income and expenses during the year. The important items subject to such estimates and assumptions include the book value of properties, plant and equipment; the valuation of the allowance for doubtful accounts, inventories and work in progress and the valuation of financial instruments and of the assets and liabilities related to labor obligations. Actual results could differ from those estimates.

References in these financial statements and related notes to “pesos” or “Ps.” refers to Mexican pesos and “dollars” or “US\$” refers to dollars of the United States of America.

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For accounting purposes the functional currency of PEMEX is the Mexican peso.

Below is a summary of the principal accounting policies followed by PEMEX in the preparation of these consolidated financial statements, including the concepts, methods and criteria pertaining to the effects of inflation on the financial information, are summarized below:

a. *Effects of inflation on the financial information*

PEMEX recognizes the effects of inflation in accordance with Bulletin B-10 of *Normas de Información Financiera* (Mexican Financial Reporting Standards or “Mexican FRS” or “NIF’s”), “Effects of Inflation” (“Bulletin B-10”). All periods presented herein are presented in accordance with Bulletin B-10.

The amounts shown in the accompanying consolidated financial statements include the effects of inflation in the financial information and are expressed in thousands of constant Mexican pesos as of December 31, 2007, based on the Mexican National Consumer Price Index (“NCPI”). The indexes used for the recognition of inflation were as follows:

December 31,	NCPI	Inflation for the year
2007	125.5640	3.76%
2006	121.0150	4.05%
2005	116.3010	3.33%

b. *Consolidation*

The consolidated financial statements include the accounts of Petróleos Mexicanos, the Subsidiary Entities and the Subsidiary Companies. All significant intercompany balances and transactions have been eliminated in the consolidation.

The consolidated Subsidiary Companies are as follows: P.M.I. Comercio Internacional, S.A. de C.V. (“PMI CIM”); P.M.I. Trading Ltd. (“PMI Trading”); P.M.I. Holdings North America, Inc. (“PMI HNA”); P.M.I. Holdings Petróleos España (“HPE”); P.M.I. Holdings B.V. (“PMI HBV”); P.M.I. Norteamérica, S.A. de C.V. (“PMI NASA”); Kot Insurance Company AG (“KOT”); Integrated Trade Systems, Inc. (“ITS”); P.M.I. Marine Ltd (“PMI Mar”); P.M.I. Services, B.V. (“PMI-SHO”); Pemex Internacional España, S.A. (“PMI-SES”); Pemex Services Europe Ltd. (“PMI-SUK”); P.M.I. Services North America, Inc. (“PMI-SUS”); Mex Gas International, Ltd. (“MGAS”); the Master Trust; Fideicomiso F/163; RepCon Lux and Pemex Finance, Ltd..

The financial statements of foreign Subsidiary Companies classified as integrated foreign operations, as defined by Mexican FRS, are translated into Mexican pesos on the following basis: a) monetary items, at the rate of exchange in effect at the end of the period;

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b) non-monetary items, at the historical exchange rate; c) income and expense items, at the average exchange rate for each month in the year; and d) the effect of changes in exchange rates is recorded in equity. The financial statements in pesos are restated at the close of the period in accordance with the provisions of Bulletin B-10.

The financial statements of other foreign Subsidiary Companies are translated using the exchange rate effective at year end for monetary assets and liabilities, the historical exchange rate for non-monetary items and the average exchange rate for the statements of operations items. The effects of changes in the applicable exchange rates are included directly in stockholders' equity as "Surplus in restatement of equity."

Investment in non-consolidated subsidiary companies and affiliates are accounted for in accordance with paragraph (h) of this note. Other non-material subsidiary companies and affiliates are valued at cost and, based upon their relative importance to the total assets and income of PEMEX, were not consolidated and are accounted for under the equity method.

c. Long-term productive infrastructure projects (PIDIREGAS)

The investment in long-term productive infrastructure projects ("PIDIREGAS") and related liabilities are initially recorded in accordance with NG-09-B, applicable to *Entidades Paraestatales de la Administración Pública Federal* ("State-owned Entities of the Federal Public Administration"), which requires recording only those liabilities maturing in less than two years.

For the purposes of these consolidated financial statements and in accordance with Mexican FRS, all accounts related to PIDIREGAS were incorporated into the consolidated financial statements for the years ended December 31, 2007, 2006 and 2005. All effects of NG-09-B are therefore eliminated.

The main objective of the Master Trust and Fideicomiso F/163 is to administer financial resources related to PIDIREGAS that have been designated by PEMEX for that purpose.

d. Exploration and drilling costs and specific oil-field exploration and depletion reserve

PEMEX uses the successful efforts method of accounting for oil and gas exploration costs. Exploration costs are charged to income when incurred, except that exploratory drilling costs are included in fixed assets, pending determination of proven reserves. Exploration wells more than 12 months old are expensed unless (a) (i) they are in an area requiring major capital expenditure before production can begin, (ii) commercially productive quantities of reserves have been found, and (iii) they are subject to further exploration or appraisal activity in that either drilling of additional exploratory wells is under way or firmly planned for the near future, or (b) proved reserves are recorded within 12 months following the completion of exploratory drilling. Expenses pertaining to the drilling of development wells are capitalized, whether or not successful.

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Management makes semi-annual assessments of the amounts included within fixed assets to determine whether capitalization is initially appropriate and can continue. Exploration wells capitalized beyond 12 months are subject to additional scrutiny as to whether the facts and circumstances have changed and therefore whether the conditions described in clauses (a) and (b) of the preceding paragraph no longer apply.

e. Reserve for abandonment cost of wells

The reserve for abandonment cost of wells (plugging and dismantling), as of December 31, 2007 and 2006 was Ps.17,148,400 and Ps.16,027,307, respectively, and is included as operative reserve in long-term liabilities.

The carrying value of these assets is subject to an annual impairment assessment. (see Note 9).

f. Cash and cash equivalents

Cash and cash equivalents consist of checking accounts, foreign currency and other highly liquid instruments. As of the date of these consolidated financial statements, earned interest income and foreign exchange gains or losses are included in the results of operations, under comprehensive financing result.

g. Inventory and cost of sales

Inventories are valued as follows:

- I. Crude oil and its derivatives for export: at realizable value, determined on the basis of average export prices at year end.
- II. Crude oil, natural gas and their derivatives for domestic sale: at realizable value, in accordance with international market prices at year end.
- III. The refined products inventories: at their acquisition or production cost calculated in accordance with crude oil costs and auxiliary materials.
- IV. Gas and petrochemicals: at direct standard cost of such products without exceeding their market value.
- V. Materials spare parts fittings: at the last purchase price without exceeding their market value.
- VI. Materials in transit: at acquisition cost.

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PEMEX records the necessary allowances for inventory impairment arising from obsolescence, slow moving inventory and other factors that may indicate that the realization value of inventory may be lower than the recorded value.

Cost of sales is determined by adding to inventories at the beginning of the year the operating cost of oil fields, refineries and plants (including internally-consumed products), the cost of refined and other products, and deducting the value of inventories at the end of the year. The resulting amount is adjusted for inflation based on factors derived from the NCPI. Cost of sales also includes the depreciation and amortization expense associated with assets used in operations as well as the expense associated with the reserve for abandonment cost of wells.

h. Investment in shares of non-consolidated subsidiary companies affiliates companies

Certain non-material non-consolidated subsidiary companies are accounted for under the equity method (see Note 2)

Investments in shares in which PEMEX holds 50% or less of the issuer's capital stock are recorded at cost and adjusted for inflation using factors derived from the NCPI.

i. Properties, plant and equipment

Properties, plant and equipment are initially recorded at acquisition cost and adjusted using factors derived from the NCPI. The restated amounts must not exceed the asset market value or replacement cost (see Note 9).

Beginning January 1, 2007, assets acquired during the construction or installation phase of a project include the comprehensive financing result associated with assets as part of the value of assets. Until 2006, interest and foreign exchange losses or gains associated with these assets were also included. (see paragraph (y) of this Note).

Depreciation is calculated using the straight-line method of accounting based on the expected useful lives of the assets, based on calculations from independent appraisals. The depreciation rates used by PEMEX are as follows:

	<u>%</u>	<u>Years</u>
Buildings.....	3	33
Plants and drilling equipment	3-5	20-33
Furniture and fixtures	10-25	4-10
Offshore platforms.....	4	25
Transportation equipment	4-20	5-25
Pipelines.....	4	25
Software/computers	10-25	4-10

Related gains or losses from the sale or disposal of fixed assets are recognized in income for the period in which they are incurred. PEMEX amortizes its well assets using the units-of-production ("UOP") method. The amount to be recognized as amortization expense is

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calculated based upon the number of equivalent barrels of crude oil extracted from each specific field as compared to the field's total proved developed reserves.

The *Reglamento de Trabajos Petroleros* ("Petroleum Works Law") provides that once a well turns out to be dry, is invaded with salt water, is abandoned due to mechanical failure or when the well's production has been depleted such that abandonment is necessary due to economic unfeasibility of production, it must be plugged to ensure the maintenance of sanitary and safe conditions and to prevent the seepage of hydrocarbons to the surface. All activities required for plugging a well are undertaken for the purpose of properly and definitively isolating the cross formations in the perforation that contains oil, gas or water, in order to ensure that hydrocarbons do not seep to the surface. This law also requires that PEMEX obtain approval from the Ministry of Energy for the dismantlement of hydrocarbon installations, either for the purpose of replacing them with new installations or for permanent retirement.

The costs related to wells subject to abandonment and dismantlement are recorded at their present values as liabilities on a discounted basis when incurred, which is typically at the time the wells first start drilling. The amounts recorded for these obligations are initially recorded by capitalizing the respective costs. Over time the liabilities will be accreted by the change in their present value during each period and the initial capitalized costs will be depreciated over the useful lives of the related assets based on the UOP method. In the case of non-producing wells subject to abandonment and dismantlement, the full dismantlement and abandonment cost is recognized at the end of each period.

The carrying value of these long-lived assets is subject to an annual impairment assessment (see Notes 3j. and 9).

j. *Impairment of the value of long-lived assets*

PEMEX evaluates periodically the values of long-lived assets to determine whether there is any indication of potential impairment. Recoverability of assets to be held and used is measured by a comparison of the carrying amount of an asset to future net revenues expected to be generated by the asset. If the carrying amount of an asset exceeds its estimated net revenues, an impairment charge is recognized in the amount by which the carrying amount of the asset exceeds the fair value of the asset. During 2007, no impairment charge was recognized by PEMEX. At December 31, 2006 and 2005, PEMEX recorded an impairment charge related to long-lived assets of Ps. 703,247 and Ps. 1,432,691, respectively. (see Note 9d.).

k. *Accruals*

PEMEX recognizes, based on management estimates, accruals for those present obligations for which the transfer of assets or the rendering of services is probable and arises as a consequence of past events, primarily the payment of salaries and other employee payments as well as environmental liabilities, in certain cases, such amounts are recorded at their present value.

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l. Labor obligations

The accumulated benefits related to pensions, seniority premiums, other post-retirement benefits, and employment termination for causes other than restructuring, to which all employees are entitled are recorded in the income statement for the year in which employees rendered services in accordance with actuarial valuations, using the projected unit-credit method (see Note 12). The amortization of the prior service cost of such services, which has not been recognized, is based on the employees' remaining average years of services. As of December 31, 2007, the remaining average years of services of PEMEX's employees participating in the plan was approximately 11 years.

The plan for other post-retirement benefits includes cash to retired personnel and their dependents for gas, gasoline and necessities, as well as medical services that are provided using PEMEX's infrastructure. (See Note 12).

Effective on January 1, 2005, PEMEX adopted the amendments of Bulletin D-3, which provide additional valuation and disclosure requirements for recognizing severance payments paid to employees upon dismissal. The adoption of these provisions resulted in the recognition of an initial liability related to prior service costs in the amount of Ps. 1,427,872 and a charge to income upon adoption in the same amount, which is presented in the consolidated statement of operations as part of the cumulative effect of adoption of new accounting standards.

m. Derivative financial instruments and hedging operations

As of January 1, 2005, PEMEX adopted the provisions of Bulletin C-10, "Derivative Financial Instruments and Hedging Operations" ("Bulletin C-10") issued by the Mexican Institute of Public Accountants, which provide expanded guidance for the recognition, valuation and disclosure applicable to derivative financial instruments designed as hedges and embedded derivatives. The adoption of these provisions resulted in the recognition of an initial cumulative effect to the comprehensive loss in equity of Ps. 6,824,799 and a charge to income for the year of Ps. 477,996, which is presented in the consolidated statement of operations as part of the cumulative effect of adoption of new accounting standards (see Note 11).

As of December 31, 2007 and 2006, derivative financial instruments shown in the balance sheet are recorded at their fair value in accordance with the provisions of Bulletin C-10 (see Note 11).

n. Financial instruments with characteristics of liability, equity or both

Financial instruments issued by PEMEX with characteristics of equity or liabilities, or both, are recorded at the time of issuance as a liability, equity or both, depending on the components involved. Initial costs incurred in the issuance of those instruments are assigned to liabilities and equity in the same proportion as the amounts of their components. Gains or

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losses related to the components of financial instruments classified as liabilities are recorded as part of comprehensive financing result. The distribution of profits to the owners of the components of financial instruments classified as equity is charged to equity.

o. Restatement of equity, other contributions and retained earnings

The restatement of equity, other contributions and accumulated losses is determined by applying factors derived from the NCPI from the dates of contributions to the most recent year end.

p. Cumulative effect of the Hydrocarbon tax

The cumulative effect from the hydrocarbon reserve tax represents the effect from the initial recognition of cumulative deferred taxes.

q. Surplus in the restatement of equity

The surplus in the restatement of equity is related to the cumulative results from the initial net monetary position and the results from holding non-monetary assets (mainly inventories and properties and equipment), restated in Mexican pesos with purchasing power as of the most recent balance sheet date.

r. Taxes and federal duties

Petróleos Mexicanos and the Subsidiary Entities are subject to special tax laws, which are based mainly on petroleum production, price forecasts and revenues from oil and refined products. Petróleos Mexicanos and the Subsidiary Entities are not subject to the *Ley del Impuesto Sobre la Renta* (“Income Tax Law”), the *Ley del Impuesto al Activo* (“Asset Tax Law”) or the *Ley del Impuesto Empresarial a Tasa Única* (“Flat Rate Business Tax”) (see Note 19).

s. Special Tax on Production and Services (IEPS Tax)

The IEPS Tax charged to customers is a tax on domestic sales of gasoline and diesel. The applicable rates depend on, among other factors, the product, producer’s price, freight costs, commissions and the region in which the respective product is sold.

t. Revenue recognition

For all export products, risk of loss and ownership title is transferred upon shipment, and thus PEMEX records sales revenue upon shipment to customers abroad. In the case of certain domestic sales in which the customer takes product delivery at a PEMEX facility, sales revenues are recorded at the time delivery is taken. For domestic sales in which PEMEX is responsible for product delivery, risk of loss and ownership is transferred at the delivery point, and PEMEX records sales revenue upon delivery.

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u. *Comprehensive result*

Comprehensive result represents the sum of net income (loss) for the period plus the effect of inflation restatement, the net effect of exchange rate fluctuations, the effect of valuation of financial instruments designated as cash flow hedges, the equity effect of labor reserve and items required by specific accounting standards to be reflected in equity but which do not constitute equity contributions, reductions or distributions, and is restated on the basis of NCPI factors (see Note 13).

v. *Comprehensive financing result*

Comprehensive financing result includes interest income and expense, foreign exchange gains and losses, monetary position gains and losses and valuation effects of financial instruments, reduced by the amounts capitalized.

Transactions in foreign currency are recorded at the exchange rate prevailing on the date of execution or settlement. Foreign currency assets and liabilities are translated at the exchange rate in effect at the balance sheet date. Exchange differences arising from assets and liabilities denominated in foreign currencies are recorded in operations for the year.

Monetary position gains and losses are determined by multiplying the difference between monetary assets and liabilities at the beginning of each month, including deferred taxes, by inflation rates through year end. The aggregate of these results represents the monetary gain or loss for the year arising from inflation, which is reported in operations for the year.

w. *Contingencies*

Liabilities for loss contingencies are recorded when it is probable that a liability has been incurred and the amount thereof can be reasonably estimated. When a reasonable estimation cannot be made, qualitative disclosure is provided in the notes to the consolidated financial statements. Contingent revenues, earnings or assets are not recognized until realization is assured (see Note 16).

x. *Deferred taxes*

Deferred taxes are recorded based on the assets and liabilities comprehensive approach method, which consists of the recognition of deferred taxes by applying the tax rate to the temporary differences between accounting and the tax basis of assets and liabilities. Based on the new fiscal regime enacted in 2005 and applicable to Petróleos Mexicanos and the Subsidiary Entities effective January 1, 2006, Pemex-Gas and Basic Petrochemicals established a deferred tax liability primarily as the result of temporary differences related to advances from customers, accruals and fixed assets. In addition, certain Subsidiary Companies have historically

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recorded deferred tax liabilities based on concepts similar to those discussed above (see Note 19).

y. *Accounting changes*

The FRS B-3, *Statement of Income*, issued by the Mexican Board for Research and Development of Financial Reporting Standards (*Consejo Mexicano para la Investigación y Desarrollo de Normas de Información Financiera* or “CINIF”) became effective beginning January 1, 2007. Accordingly, the accompanying statement of income for 2006, has been modified for reporting as provided under this FRS, which, together with the *Interpretación a las Normas de Información Financiera* (Interpretation of Financial Reporting Standards or “INIF”) 4, modified the general guidelines for the presentation and structure of the statement of income, eliminating the special and extraordinary items classifications.

In addition, this FRS requires that ordinary costs and expenses be classified based on their purpose, function, or a combination of both. Since PEMEX is an industrial entity, ordinary costs and expenses are classified in order to present the gross income margin.

- FRS D-6, *Capitalization of Comprehensive Financial Results* (“CFR”) issued by the CINIF, became effective beginning January 1, 2007. This FRS establishes the requirement to capitalize CFR attributable to certain assets having an extended acquisition period prior to being put into use (see Note 9a.)

Certain line items in the consolidated financial statements as of December 31, 2006 have been reclassified in order to make the presentation comparable to the corresponding line items in the consolidated financial statements as of December 31, 2007.

In addition certain reclassifications have been made to 2006 and 2005 amounts presented in the consolidated financial statements and related notes to conform such amounts and disclosures to the December 31, 2007 consolidated financial statement presentation.

z. *Convenience translation*

U.S. dollars shown in the balance sheets, the statements of operations, the statements of changes in equity and statements of changes in financial position have been included solely for the convenience of the reader. Such amounts are translated from pesos, as a matter of arithmetic computation only, at the exchange rate for the settlement of obligations in foreign currencies provided by *Banco de México* and the SHCP at December 31, 2007 of 10.8662 pesos per one U.S. dollar. Translations herein should not be construed as a representation that the peso amounts have been or could be converted into U.S. dollars at the foregoing rate or any other rate.

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NOTE 4—FOREIGN CURRENCY EXPOSURE:

As of December 31, 2007 and 2006, the consolidated financial statements of PEMEX included the following assets and liabilities denominated in foreign currencies were as follow:

	Amounts in foreign currency (Thousands)			Year-end Exchange rate	Amounts in pesos
	Assets	Liabilities	Net liability position		
2007:					
U.S. dollars	16,950,060	(30,083,877)	(13,133,817)	10.8662	(Ps. 142,714,682)
Japanese yen	-	(142,217,370)	(142,217,370)	0.0973	(13,837,750)
Pounds sterling	230	(402,411)	(402,181)	21.6074	(8,690,086)
Euros	9,371	(5,932,198)	(5,922,827)	15.8766	(94,034,355)
Swiss francs	-	(260)	(260)	9.5957	(2,495)
Currency Danish crowns	-	(250)	(250)	2.0075	(502)
Total liability position, before foreign currency hedging					<u>(Ps. 259,279,870)</u>

	Amounts in foreign currency (Thousands)			Year-end Exchange rate	Amounts in nominal pesos
	Assets	Liabilities	Net liability position		
2006:⁽¹⁾					
U.S. dollars	20,872,208	(46,944,810)	(26,072,603)	10.8810	(Ps. 283,695,982)
Japanese yen	-	(150,040,948)	(150,040,948)	0.0913	(13,698,739)
Pounds sterling	711	(401,812)	(401,101)	21.3061	(8,545,898)
Euros	23,635	(4,201,854)	(4,178,219)	14.3248	(59,852,152)
Swiss francs	562,443	(443,338)	119,105	8.9064	1,060,797
Total liability position, before foreign currency hedging					<u>(Ps. 364,731,974)</u>

⁽¹⁾ The figures of December 31, 2006 in pesos are stated in thousands of Mexican pesos as of December 31, 2006 purchasing power (nominal value). Furthermore, as of December 31, 2007 and 2006, PEMEX had foreign exchange hedging instruments, which are discussed in Note 11.

NOTE 5—CASH AND CASH EQUIVALENTS:

At December 31, cash and cash equivalents were as follows:

	2007	2006
Cash on hand and in banks.....	Ps. 64,578,352	Ps. 95,760,432
Marketable securities	106,418,888	100,016,025
	Ps. 170,997,240	Ps. 195,776,457

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NOTE 6—ACCOUNTS, NOTES RECEIVABLE AND OTHER:

At December 31, accounts, notes receivable and other receivables were as follows:

	<u>2007</u>	<u>2006</u>
Domestic customers	Ps. 40,506,098	Ps. 34,729,334
Export customers	25,430,178	19,625,463
Negative IEPS Tax pending to be credited (Note 19).....	32,943,613	13,372,968
Advance payments to Mexican Government of minimum guaranteed dividends (Note 14)	4,270,225	268,990
Specific funds (Note 14)	11,858,575	35,589,790
Employees and officers	3,648,372	3,174,902
Tax credits	4,035,632	1,505,183
Other accounts receivable.....	30,308,784	31,570,645
	<u>153,001,477</u>	<u>139,837,275</u>
Less allowance for doubtful accounts	(1,490,934)	(2,674,170)
	<u>Ps. 151,510,543</u>	<u>Ps. 137,163,105</u>

NOTE 7—INVENTORIES:

At December 31, inventories were as follows:

	<u>2007</u>	<u>2006</u>
Crude oil, refined products, derivatives and petrochemical products	Ps. 87,971,050	Ps. 56,796,075
Materials and supplies in stock.....	6,370,017	6,673,156
Materials and products in transit	148,376	300,123
	<u>94,489,443</u>	<u>63,769,354</u>
Less allowance for slow-moving and obsolete inventory.....	(1,346,307)	(1,705,556)
	<u>Ps. 93,143,136</u>	<u>Ps. 62,063,798</u>

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NOTE 8—INVESTMENT IN SHARES OF NON-CONSOLIDATED SUBSIDIARIES AND ASOCIATED:

The investments in shares of non-consolidated subsidiaries affiliates and others were as follows:

<u>Subsidiaries and affiliates shares:</u>	<u>Percentage of Investment</u>	<u>Carrying value at December 31,</u>	
		<u>2007</u>	<u>2006</u>
Repsol YPF, S.A. ⁽¹⁾	5.00%	Ps. 23,146,258	Ps. 23,192,819
Deer Park Refining Limited ⁽²⁾	50.00%	7,113,824	5,924,890
Instalaciones Inmobiliarias para Industrias, S.A. de C.V.	100.00%	1,122,215	1,110,643
Servicios Aéreos Especializados Mexicanos, S.A. de C.V.	49.00%	5,147	5,147
Other- net.....		1,675,910	2,527,447
Total investments.....		Ps. 33,063,354	Ps. 32,760,946

<u>Profit sharing in non-subsidiaries and affiliates:</u>	<u>For the year ended December 31,</u>		
	<u>2007</u>	<u>2006</u>	<u>2005</u>
Repsol YPF, S.A. ⁽¹⁾	Ps. 588,729	Ps. 3,621,872	Ps. 2,610,657
Deer Park Refining Limited ⁽²⁾	4,944,329	6,419,178	6,004,199
Instalaciones Inmobiliarias para Industrias, S.A. de C.V.	11,996	32,527	43,809
Total profit sharing	Ps. 5,545,054	Ps. 10,073,577	Ps. 8,658,665

(1) PEMEX owned 59,884,453 and 59,404,128 shares of Repsol YPF, S.A. at December 31, 2007 and 2006, respectively.

(2) PMI NASA has a 50% joint venture with Shell Oil Company, through which it owns a 50% interest in a petroleum refinery located in Deer Park, Texas. The investment is accounted for under the equity method. During 2007, 2006 and 2005, PEMEX recorded Ps. 4,944,329, Ps. 6,419,178 and Ps. 6,004,199 of profits, respectively, related to its equity in the results of the joint venture, which has been recorded under “profit sharing in non-consolidated subsidiaries and affiliates” in the statement of operations. In 2006 and 2005, PEMEX paid the joint venture Ps. 11,078,973 and Ps. 10,742,295, respectively, for the processing of crude oil. As of December 31, 2006 the contract between PMI NASA and Pemex-Refining, was concluded and it was not renewed.

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NOTE 9—PROPERTIES, PLANT AND EQUIPMENT:

At December 31, components of properties, plant and equipment were as follows:

	2007	2006
Plants.....	Ps. 379,268,733	Ps. 357,366,268
Pipelines.....	296,304,941	278,873,434
Wells.....	466,157,259	412,518,087
Drilling equipment.....	22,226,019	22,363,980
Buildings.....	47,681,968	42,210,278
Offshore platforms.....	160,543,843	139,223,391
Furniture and equipment.....	36,440,294	34,809,700
Transportation equipment.....	14,146,501	14,008,239
	1,422,769,558	1,301,373,377
Less:		
Accumulated depreciation and amortization.....	(760,177,709)	(693,295,137)
Net value.....	662,591,849	608,078,240
Land.....	39,842,669	42,164,885
Construction in progress.....	90,720,481	86,150,194
Fixed assets to be disposed of.....	690,454	802,138
Total.....	Ps. 793,845,453	Ps. 737,195,457

- a) PEMEX capitalized interest associated with the construction or installation of property, plant and equipment, totaling Ps. 6,996,305 and Ps. 5,541,036, as of December 31, 2007 and 2006, respectively. Starting in 2007, as part of the adoption of NIF-6, PEMEX capitalized Ps 5,350,849 of comprehensive financing costs related to qualified fixed assets, as these costs were directly related to investments during the acquisition phase of a project.
- b) Total depreciation of fixed assets and amortization of wells for the years ended December 31, 2007, 2006 and 2005 were Ps. 72,591,718, Ps. 65,672,189 and Ps.56,995,357, respectively, which includes amortization costs related to dismantlement and abandonment cost for the years ended December 31, 2007, 2006 and 2005 of Ps. 2,554,062, Ps. 508,361 and Ps. 1,370,730, respectively.
- c) As of December 31, 2007 and 2006, the capitalized portion related to dismantlement and abandonment costs, net of accumulated amortization, and determined based on the present value (discounted) of the project cost, was Ps. 17,148,400 and Ps. 16,027,307, respectively.
- d) During 2007 PEMEX performed its impairment review of the value of long-live assets and concluded that there was no impairment for the year. As of December 31, 2006 and 2005, PEMEX recognized cumulative impairment charges in the value of the long-lived assets amounting to Ps. 14,593,955 and Ps. 13,890,780, respectively. (see Note 3j.).

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NOTE 10—DEBT:

Under the *Ley General de Deuda Pública* (“General Law of Public Debt”), the *Secretaría de Hacienda y Crédito Público* (Ministry of Finance and Public Credit or “SHCP”) authorizes the Mexican Government entities, in this case Petróleos Mexicanos and the Subsidiary Entities, to negotiate and execute external financing agreements, defining the requirements that must be observed in each case.

In addition, PEMEX is authorized to enter into and manage public debt of the Mexican Government and to guarantee these transactions to international organizations of which Mexico is part of and to national and international public and private entities.

In 2007, significant financing activities of Petróleos Mexicanos were as follows:

Petróleos Mexicanos obtained US\$ 7,310 under lines of credit granted by export credit agencies. These loans bear interest at fixed and variable rates with various maturity dates through 2012.

During 2007, the Master Trust undertook the following financing activities for PIDIREGAS:

- a. The Master Trust obtained credit lines from export credit agencies totaling US\$ 1,002,629.
- b. During the second quarter of 2007, the Master Trust repurchased, in the open market certain amount of its outstanding U.S. dollar-denominated debt securities with maturities between 2008 and 2027. The total principal amount repurchased in this program was equal to US\$ 1,139,696. These securities were cancelled after their repurchase.
- c. On October 18, 2007, the Master Trust utilized the full amount of its syndicated revolving credit facility in the amount of US\$ 2,500,000. This credit line was signed on September 14, 2007; it may be used either by Petróleos Mexicanos or the Master Trust; the credit line consists of two tranches, A and B, with terms of three and five years, respectively and bears interest at rates of LIBOR plus 20 basis points for tranche A and 25 basis points for tranche B; and matures in 2010 and 2012, respectively; and each of the tranches may be extended twice, by one year. This credit line replaces the two previously syndicated revolving credit lines, each in the amount of US\$ 1,250,000.
- d. On October 22, 2007, the Master Trust issued notes for the amount of US\$ 2,000,000, of which US\$ 1,500,000 notes were issued at a coupon rate of 5.75% due in 2018 and US\$ 500,000 bonds at a coupon rate of 6.625%, due in

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2035. This issuance was a second reopening of an issuance which took place on June 8, 2005.

- e. During the fourth quarter of 2007, the Master Trust repurchased in the open market US\$ 5,763,333, of notes, which represent a part of its own debt in notes with maturities between 2008 and 2027, as well as certain amount of its U.S. dollar-denominated perpetual notes. These securities were cancelled after their repurchase.

In 2006, significant financing activities of Petróleos Mexicanos were as follows:

- a. Petróleos Mexicanos obtained credit lines from export credit agencies totaling US\$ 56,241. These loans bear interest at fixed and variable rates with various maturity dates through 2012.
- b. Petróleos Mexicanos drew a total amount of US\$ 3,300,000 of under its revolving credit lines. These credit lines may be utilized by Petróleos Mexicanos and the Master Trust.
- c. On February 13, 2006, the Master Trust completed an exchange offer pursuant to which the Master Trust issued notes with a principal amount totaling US\$ 185,310 in exchange for an equal principal amount of notes previously issued by Petróleos Mexicanos, through a reopening of an original exchange offer made in December 2004. As a result of this second exchange, the Master Trust issued new notes and subsequently received cash payments from Petróleos Mexicanos upon the cancellation of the Petróleos Mexicanos notes acquired by the Master Trust.

Cash payments were made on the following dates and in the following amounts:

June 1, 2006.....	US\$ 41,254
June 2, 2006.....	54,011
August 3, 2006	<u>90,045</u>
Total	<u>US\$ 185,310</u>

During 2006, the Master Trust undertook the following financing activities for PIDIREGAS:

- a. The Master Trust obtained credit lines from export credit agencies totaling US\$ 1,914,184 and US\$ 4,250,000 by refinancing a syndicated loan in two tranches of US\$ 1,500,000 and US\$ 2,750,000 due in five and seven years, respectively.

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- b. On February 2, 2006, the Master Trust reopened two series of notes issued on June 8, 2005 under its Medium-Term Notes Program Series A in two tranches: US\$ 750,000 of 5.75% Notes due in 2015, and US\$ 750,000 of 6.625% Notes due in 2035, both of which are guaranteed by Petróleos Mexicanos.
- c. The Master Trust drew a total aggregate amount of US\$ 2,250,000 of its revolving credit lines guaranteed by Petróleos Mexicanos. These credit lines may be utilized by Petróleos Mexicanos and the Master Trust.

During 2006, the Fideicomiso F/163 undertook the following financing activity:

On June 16, 2006, the Fideicomiso F/163 issued publicly-traded notes (*certificados bursátiles*) in the amount of Ps. 10,000,000 (in nominal terms), due in seven years, with a monthly interest rate of *Tasa de Interés Interbancaria de Equilibrio* (the Mexican Interbank Interest Rate or “TIIE”) less 0.07% and guaranteed by Petróleos Mexicanos.

Various credit facilities require compliance with various operating covenants which, among other things, place restrictions on the following types of transactions:

- The sale of substantial assets essential for the continued operations of the business;
- Liens against its assets; and
- Transfers, sales or assignments of rights to payment under contracts for the sale of crude oil or gas not yet earned, accounts receivable or other negotiable instruments.

As of December 31, 2007 and 2006, PEMEX was in compliance with the operating covenants described above.

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As of December 31, 2007 and 2006, long-term debt was as follows:

			December 31, 2007			
			Pesos (thousands)	Foreign currency (thousands)	Pesos (thousands)	
Rate of Interest ⁽²⁾					Maturity	
U.S. dollars:						
Bonds	Fixed from 4.75% to 9.5% and LIBOR plus 0.425% to 1.8%	Various to 2035	Ps. 163,225,526	12,119,761	Ps. 23,119,761	
Financing assigned to PIDIREGAS	Fixed from 3.23% to 7.69% and LIBOR plus 0.02% to 2.25%	Various to 2017	72,163,251	6,641,075	7,641,075	
Purchasing loans and project financing	Fixed from 3.32% to 5.04% and LIBOR plus 0.0625% to 2%	Various to 2014	2,108,662	194,057	2,108,662	
Leasing contracts	Fixed from 8.05% to 9.91%	Various to 2012	-	-	-	
Credit lines	LIBOR plus 0.20% and 0.25%	Various to 2023	27,165,500	2,500,000	27,165,500	
External trade loans	LIBOR plus 0.325% to 0.475%	Various to 2013	46,181,350	4,250,000	46,181,350	
Bank loans	Fixed from 5.44% to 5.58% and LIBOR plus 0.7% to 1.9%	Various to 2013	5,107,114	470,000	5,107,114	
Total financing in U.S. dollars			315,951,403	26,174,893	342,126,296	
Euros:						
Bonds	Fixed from 5.5% to 6.62%, and floating of 8.21467%	Various to 2025	50,857,376	3,203,291	50,857,376	
Unsecured loans, banks and project financing	Fixed from 2%	2016	5,544	349	5,544	
Total financing in Euros			50,862,920	3,203,640	54,066,560	
Japanese yen:						
Direct loans	Fixed from 4.2%	2009	468,081	4,810,695	468,081	
Bonds	Fixed from 3.5%	2023	2,919,000	30,000,000	2,919,000	
Project financing	Prime 2.9081% and Fixed from 1% to 2.4%	Various to 2017	10,871,232	111,729,003	10,871,232	
Total financing in Yen			14,258,313	146,539,698	14,258,313	
Sterling pound:						
Bonds	Fixed 7.5%	2013	8,642,960	400,000	8,642,960	
Pesos:						

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			December 31, 2007		
	Rate of Interest ⁽²⁾	Maturity	Pesos (thousands)	Foreign currency (thousands)	Pesos (thousands)
Certificates	TIIE less 0.07% and CETES plus 0.35% to 0.65%	Various to 2019	81,918,416		9
Syndicated bank loans	TIIE plus 0.35% and fixed from 8.4%	2008	3,500,000		
Project financing and syndicated bank loans	Fixed from 11% and TIIE plus 0.4% to 0.48%	Various to 2012	12,333,333		1
Total financing in pesos			97,751,749		12
Total principal in pesos ⁽¹⁾			487,467,345		57
Plus: Accrued interest			58,565		
Notes payable to contractors			13,352,690		1
Total principal and interest			500,878,600		59
Less: Short-term maturities			71,499,353		6
Current portion of notes payable to contractors			4,550,775		
Total short-term debt			76,050,128		6
Long-term debt			Ps. 424,828,472		Ps. 52

	2008	2009	2010	2011	2012
Maturity of the principal outstanding for each of the years ending December 31,	Ps. 76,050,128	Ps. 67,453,662	Ps. 70,150,790	Ps. 56,261,413	Ps. 38,928,853

Notes to table:

- (1) Includes financing from foreign banks of Ps. 355,682,481 and Ps. 418,347,126 as of December 31, 2007 and 2006, respectively.
- (2) As of December 31, 2007 and 2006 the rates were as follows: LIBOR, 4.59625% and 5.37%, respectively; the Prime rate in Japanese yen, 1.875% and 1.875%, respectively; the Prime rate in U.S. dollars, 3.25% and 3.25%, respectively; the Prime rate in Mexican pesos, 7.62% for 91 days and 7.71% for 182 days and 7.17% for 91 days and 7.20% for 182 days, respectively; TIIE 7.37% and 8.95%, respectively.

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The total amount of notes payable to contractors at December 31, 2007 and December 31, 2006 are as follows:

	2007	2006
Total notes payable to contractors ⁽¹⁾⁽²⁾⁽³⁾⁽⁴⁾	Ps. 13,352,690	Ps. 10,753,711
Less: Current portion of notes payable to contractors	4,550,775	3,494,990
Notes payable to contractors (long-term)	Ps. 8,801,915	Ps. 7,258,721

- (1) On November 26, 1997, Petróleos Mexicanos and Pemex-Refining entered into a financed public works contract and a unit-price public works contract with Consorcio Proyecto Cadereyta Conproca, S.A. de C.V. The related contracts are for the reconfiguration and modernization of the Ing. Héctor R. Lara Sosa refinery in Cadereyta, N.L. The original amount of the financed public works contract was US\$ 1,618,352 , plus a financing cost of US\$ 805,648 , due in twenty semi-annual payments of US\$ 121,200. The original amount of the unit-price public works contract was US\$ 80,000, including a financing cost of US\$ 47,600 payable monthly based on the percentage of completion. At December 31, 2007 and 2006, the outstanding balances of the respective contracts were Ps. 5,854,295 and Ps. 8,186,797, respectively.
- (2) On June 25, 1997, PEMEX entered into a 10-year service agreement with a contractor for a daily fee of US\$ 82.50 for the storage and loading of stabilized petroleum by means of a floating system ("FSO"). At December 31, 2007 and 2006, the outstanding balances were Ps. 242,888 and Ps. 531,296, respectively.
- (3) PEMEX has Financed Public Works Contracts ("FPWC") (formerly known as Multiple Services Contracts or "MSCs") pursuant to which the hydrocarbons and construction in progress are property of PEMEX. Pursuant to the FPWC, the contractors manage the work in progress, classified as development, infrastructure and maintenance. As of December 31, 2007 and 2006, PEMEX has an outstanding payable amount of Ps. 3,228,735 and Ps. 2,035,618, respectively.
- (4) During 2007, a Floating Production Storage and Offloading ("FPSO") vessel was purchased. The investment in the vessel totaled US\$ 723,575, of which US\$ 352,996 were paid in 2007 and the remaining amount of US\$ 370,579 (Ps.4,026,772) as of December 31, 2007, will be paid over a period of 15 years.

NOTE 11—FINANCIAL INSTRUMENTS:

PEMEX's cash flows arising from its commercial and financial activities are exposed to the volatility of interest rates, currency exchange rates and hydrocarbon prices in the national and international markets.

In order to supervise and mitigate the potential deviations of its cash flows, PEMEX has adopted a General Risk Management framework, which includes the regulation of derivative financial instruments.

Within this framework, the General Risk Management Policies and Guidelines are proposed by the Risk Management Committee and approved by the Board of Directors.

Functions for the Risk Management Committee (the "Committee") include the authorization of the general strategies of risk management. The committee is comprised of representatives of PEMEX, the Central Bank of Mexico, the SHCP and PMI CIM.

Additionally the Risk Management Deputy Director designs and proposes to the Committee the institutional regulations and risk management strategies for managing financial market risk.

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(i) Counterparty risk from the use of derivative financial instruments

PEMEX is exposed to credit risk (or repayment risk) when the market value of these instruments is positive (favorable for PEMEX) since it faces a repayment risk if the counterparty fails to fulfill its performance obligations. When the fair value of a derivative contract is negative, the risk belongs to the counterparty.

In order to minimize this risk, PEMEX only enters into transactions with high credit quality counterparties based on credit ratings from rating agencies such as Standard & Poors and Moodys.

PEMEX's derivative transactions are generally executed on the basis of standard agreements and in general, collateral for financial derivative transactions is neither provided nor received.

(ii) Interest rate risk management

PEMEX is exposed to fluctuations in the interest rates applicable to different currencies. The predominant exposure is to LIBOR in U.S. dollars, due to the fact that most of its debt is denominated in U.S. dollars or hedged to U.S. dollars through currency swaps. The use of derivative financial instruments allows PEMEX to obtain an acceptable composition of fixed and variable rates in the debt portfolio.

The derivative financial instruments used in PEMEX's hedging transactions consist principally of fixed-floating interest rate swaps, and under these instruments PEMEX has the right to receive payments based on LIBOR or Mexican interest rates (TIIE) and is entitled to pay a fixed rate.

(iii) Exchange rate risk management

Since a significant amount of PEMEX's revenues is denominated in U.S. dollars, PEMEX generally obtains loans in U.S. dollars. However, PEMEX also borrows in currencies other than U.S. dollar in order to take advantage of existing financing conditions of these foreign currencies.

PEMEX has entered into currency swaps transactions as a hedging strategy against exchange fluctuations of debt issued in currencies other than U.S. dollars.

(iv) Commodity price risk management

Natural gas:

PEMEX offers to its customers derivative financial instruments as a value added service and PEMEX provides various hedging contracts to its customers in order to give them the option of protecting themselves against fluctuations in the price of its products. The risk that

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PEMEX acquires under these contracts is transferred to financial counterparties through its MGI Supply Ltd. Subsidiary.

Crude oil:

Due to its fiscal regime, PEMEX transfers most of its risk related to crude oil prices to the Mexican Government. As a consequence, PEMEX generally does not enter into long-term hedging transactions against fluctuations in crude oil prices. During 2007 and 2006, PEMEX did not enter into any crude oil price hedging transactions.

(v) Fair value of derivative financial instruments

The fair value of derivative financial instruments is sensitive to movements in the underlying market rates and variables. PEMEX monitors the fair value of derivative financial instruments on a periodic basis. Fair values are calculated for each derivative financial instrument, and represent the price at which one party would assume the rights and duties of another party. Fair values of financial derivatives have been calculated using common market valuation methods with reference to available market data as of the balance sheet date.

- The fair value for interest rate, exchange rate and hydrocarbon derivative instruments is determined by discounting future cash flows as of the balance sheet date, using market quotations for the instrument's remaining life.
- Prices for options are calculated using standard option-pricing models commonly used in the international financial market.
- Exchange-traded energy futures contracts are valued individually at daily settlement prices quoted on the futures markets.

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(vi) *Embedded derivatives*

As of December 31, 2007, PEMEX recognized a net gain of Ps. 5,990,399 recorded in comprehensive financial result, as a result of the foreign currency embedded derivatives detected from contracts denominated in currencies other than the functional currency of PEMEX and its counterparties. These embedded derivatives have been modeled and valued as multiple currency forwards, by using models and inputs commonly used in the market and based on the expected exchange rates between Mexican pesos and the currency of each contract. If expected exchange rates as of the balance sheet date appreciate with respect to those observed at the signing date of each contract, the positive effects will increase.

(vii) *Operations with derivative financial instruments*

PEMEX enters into derivative financials transactions with the sole purpose of hedging financial risks related to its operations, assets, or liabilities. Nonetheless, some of these transactions do not qualify for hedge accounting and therefore are recorded in the financial statements as non-hedges, despite the fact that their cash flows are offset by the cash flows of the positions to which they relate.

PEMEX seeks to mitigate the impact of market risk in its financials statements, through the establishment of a liability structure consistent with its expected operative cash flows.

As a result, PEMEX seeks to eliminate exchange rate risk of the debt issued in currencies other than pesos or U.S. dollars by entering derivative financial instruments contracts.

Likewise, the applicable accounting rules for derivative financial instruments, establish that a derivative cannot be designated as a hedge of another derivative; therefore, the derivatives offered by PEMEX to its clients, as a value added service, as well as those entered into with the opposite position in order to offset that effect, are treated for accounting purposes as non-hedges.

As of December 31, 2007 and 2006, the fair value of the derivative instruments was (Ps. 6,665,027) and (Ps. 8,982,308), respectively. These amounts include the derivative instruments designated as cash flow hedges and their fair value of (Ps. 977,664) and (Ps. 1,705,290), respectively, that were recorded under other comprehensive loss.

The following table shows the fair value and the notional amount of the over-the-counter derivative instruments, outstanding as of December 31, 2007 and 2006, which are designated as cash flow hedges:

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	2007		2006	
	<u>Notional Value</u>	<u>Fair Value</u>	<u>Notional Value</u>	<u>Fair Value</u>
Interest rate swaps:				
Pay fixed/ receive variable.....	<u>Ps. 14,211,489</u>	<u>Ps. (1,267,432)</u>	<u>Ps. 17,741,995</u>	<u>Ps. (1,877,925)</u>
Cross-currency swaps:				
Pay Mexican Peso / receive				
UDI	<u>Ps. 11,901,650</u>	<u>Ps. 221,101</u>	<u>Ps. -</u>	<u>Ps. -</u>

Derivative instruments designated as cash flow hedges that have the same critical characteristics as the item being hedged are considered to be highly effective.

In light of the foregoing, these instruments do not have an impact in earnings due to hedge inefficiency, and their fair value is recognized in its entirety as part of equity through other comprehensive income. The fair value of these instruments is reclassified into earnings at the same time as the hedged item cash flows affect earnings.

If a derivative instrument designated as a cash flow hedge is not effective, the ineffectiveness portion of its fair value has an impact on earnings and the effective portion is recorded as part of equity through other comprehensive income and is reclassified into earnings, while the hedged items cash flows affect earnings

When a cash flow hedge is no longer effective, the accumulated gains or losses that were recorded in other comprehensive income have to remain in this account and be reclassified into earnings at the same time as the hedge item cash flows affect earnings; however, from that date forward, the derivative instrument will lose the hedge accounting treatment. As of December 31, 2007, only one interest rate swap designated as a cash flow hedge had lost its effectiveness.

As of December 31, 2007, a net loss of Ps. 1,479,284 was reclassified from other comprehensive income into earnings and it is estimated that in 2008 a net loss of Ps. 812,620 will be reclassified from other comprehensive income into earnings.

The following table shows the fair value and the notional amount of over-the-counter derivative instruments as of December 31, 2007 and 2006 that were treated for accounting purposes as non-hedges:

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	2007		2006	
	Notional Value	Fair Value	Notional Value	Fair Value
Interest rate swaps pay fixed / receive variable	Ps. 5,000,000	Ps. (185,719)	Ps. 5,187,950	Ps. (381,586)
Cross-currency swaps:				
Pay U.S. Dollar / receive Euros	44,730,188	3,549,308	59,713,915	1,796,741
Pay U.S. Dollar / receive Japanese Yen.	13,549,835	(355,956)	13,310,235	(968,825)
Pay U.S. Dollar / receive Ponds Sterling	7,417,159	1,120,775	7,706,453	1,294,656
Natural gas swaps:				
Pay fixed / receive variable	Ps. 5,163,787	Ps. 202	Ps. 5,683,033	Ps. 11,916,029
Pay variable / receive fixed	5,185,476	16,882	6,668,063	(11,883,888)
Pay variable / receive variable	472	470	2,493	(3,747)
Natural gas options:				
Put				
Purchase		Ps. 73,261		Ps. 31,953
Sale		(74,064)		384
Call				
Purchase		361,510		117,280
Sale		(361,300)		(116,576)

Note: The exchange rates as of December 31, 2007 and 2006 were Ps. 10.8662 and 10.8810 per U.S. dollar, respectively.

As of December 31, 2007 and 2006, PEMEX recognized a net (loss) and a net profit of (Ps. 514,893) and Ps. 916,790, respectively, in the comprehensive financing cost related to operations with derivative financial instruments treated for accounting purposes as non-hedges.

As of December 31, 2007, PEMEX recognized a net loss of Ps. 702,173, in other revenues related to operations with derivative financial instruments treated for accounting purposes as non-hedges.

The estimated fair value of financial instruments other than derivatives for which it is practicable to estimate their value, as of December 31, 2007 and 2006, in nominal terms, is as follows:

	2007		2006	
	Carrying value	Fair value	Carrying value	Fair value
Assets:				
Cash and cash equivalents	Ps. 170,997,240	Ps. 170,997,240	Ps. 195,776,457	Ps. 195,776,457
Accounts receivable, notes and other	151,510,543	151,510,543	137,163,105	137,163,105
Derivative financial instruments	12,909,868	12,909,868	4,389,836	4,389,836
Liabilities:				
Suppliers	35,138,344	35,138,344	37,102,983	37,102,983
Accounts and accumulated expenses payable	18,097,530	18,097,530	14,592,081	14,592,081
Taxes payable	146,593,355	146,593,355	45,006,644	45,006,644
Derivative financial instruments	13,584,495	13,584,495	13,372,143	13,372,143
Current portion of long-term debt	76,050,128	76,050,128	66,240,278	66,240,278
Long-term debt	424,828,472	442,731,344	524,475,242	556,153,282

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The fair value of the financial instruments presented in the previous table appears for informative purposes.

The nominal value of financial instruments such as cash equivalents, accounts receivable and payable, taxes payable and current portion of long-term debt approximate their fair value because of their short maturities.

The fair value of long-term debt is determined by reference to market quotes, and, where quotes are not available, is based on discounted cash flow analyses. Because assumptions significantly affect the derived fair value and they are inherently subjective in nature, the estimated fair values may not necessarily be realized in a sale or settlement of the instrument.

NOTE 12—LABOR OBLIGATIONS:

PEMEX has established employee non-contributory retirement plans in accordance with the *Ley Federal del Trabajo* (“Federal Labor Law”) and under collective bargaining agreements. Benefits are determined based on years of service and final salary at retirement. Liabilities and costs of such plans, including those related to the seniority premium benefit, to which every employee is entitled upon termination of employment, are recorded in accordance with actuarial valuations performed by independent actuaries.

PEMEX partially funds its labor obligations through a Mexican trust structure, the resources of which come from the seniority premium item of the Governmental Budget, or any other item that substitutes or could be connected to this item, or that is associated to the same item and the interests, dividends and capital gains obtained from the investments of the trusts.

PEMEX has also established plans for other post-retirement benefit obligations whose actuarial amounts are determined by independent actuaries. Such plans include the following benefits: cash provided to the retired personnel and their dependents for gas consumption, gasoline and other basic necessities, as well as, medical services which are provided using PEMEX’s infrastructure.

Cash Flow:

Plan contributions and benefit paid were as follows:

	Retirement remunerations, seniority premiums, pension and indemnity		Other post-retirement benefits	
	2007	2006	2007	2006
Contribution to the pension plan assets	Ps. 19,357,177	Ps. 13,221,734	Ps. 5,750,386	Ps. 5,207,690
Payments charged to the plan assets	13,449,831	11,839,880	5,750,386	5,207,690

Payments related to medical services provided to retired personnel were Ps. 2,609,707 and Ps. 2,574,209, during 2007 and 2006, respectively.

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The cost, obligations and other elements of the pension plan, seniority premium plan and other post-retirement benefits plans different from restructuring, mentioned in Note 31. of these financial statements, were determined, based on calculations prepared by independent actuaries as of December 31, 2007, 2006 and 2005.

The components of net periodic cost for the years ended December 31, 2007, 2006 and 2005 are as follows:

	Retirement remunerations, seniority premiums, pension and indemnity			Other post-retirement benefits		
	2007	2006	2005	2007	2006	2005
Net periodic cost:						
Service cost.....	Ps. 9,167,594	Ps. 7,507,356	Ps. 6,513,609	Ps. 6,405,902	Ps. 5,881,745	Ps. 4,163,849
Financial cost.....	27,246,555	24,571,208	20,983,951	21,795,906	18,562,492	15,479,140
Return on plan assets.....	(26,007)	(51,860)	(185,989)	-	-	-
Amortization of prior services cost and plan amendments	677,353	663,036	364,519	4,483,931	4,447,357	4,478,314
Variances in assumptions and experience adjustments	1,319,028	671,355	(168,555)	(1,352,970)	(3,131,317)	(3,811,680)
Amortization of transition liability.....	6,133,654	6,114,252	6,157,546	6,407,047	6,357,929	6,402,163
Inflation adjustment	1,650,858	1,598,629	1,118,730	1,398,004	1,301,166	889,879
Total periodic cost	46,169,035	41,073,976	34,783,811	39,137,820	33,419,372	27,601,665
Recognition of severance payments.....	-	-	1,402,142	-	-	-
Net periodic cost	Ps. 46,169,035	Ps. 41,073,976	Ps. 36,185,953	Ps. 39,137,820	Ps. 33,419,372	Ps. 27,601,665

The actuarial present value of benefit obligations is as follows:

	Retirement remunerations, seniority premiums, pension and indemnity		Other post retirement benefits	
	2007	2006	2007	2006
Vested benefit obligation value:				
Vested benefit obligation	Ps. 206,364,293	Ps. 191,557,538	Ps. -	Ps. -
Accumulated benefit obligation (ABO)/ obligation.....	Ps. 357,768,687	Ps. 330,616,544	Ps. -	Ps. -
Projected benefit obligation (PBO)/.....	Ps. 367,485,744	Ps. 336,758,891	Ps. 300,396,198	266,481,493
Plan assets at fair value	(7,664,407)	(2,118,402)	-	-
Projected benefit obligation over plan assets.....	359,821,337	334,640,489	300,396,198	266,481,493
Items to be amortized:				
Prior services cost and plan amendments	(6,449,919)	(7,080,185)	(58,102,534)	(62,590,753)
Variances in assumptions and experience adjustments.....	(54,196,339)	(49,016,755)	743,034	14,811,311
Unamortized transition liability	(66,631,947)	(72,807,858)	(71,146,932)	(77,594,439)
Project liability net	232,543,132	205,735,691	171,889,766	141,107,612
Additional liability	123,768,374	124,821,880	-	-
Total liability	Ps. 356,311,506	Ps. 330,557,571	Ps. 171,889,766	Ps. 141,107,612

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Significant assumptions used in determining the net periodic cost of plans are as follows:

	Retirement remunerations, seniority premiums, pension and indemnity		Other post-retirement benefits	
	2007	2006	2007	2006
Discount rate	4.25%	4.25%	4.25%	4.25%
Rate of compensation increase.....	0.50%	0.50%	0.50%	0.50%
Expected long term rate of the return on plan assets.....	4.25%	4.25%	-	-
Employees' average remaining labor life over which pending amortization items are amortized.....	11 years	12 years	11 years	12 years

Plan assets

The Plan assets are included into two trusts, *Fondo Laboral Pemex* (“FOLAPE”) and *Fideicomiso de Cobertura Laboral y de Vivienda* (“FICOLAVI”), which are managed by BBVA Bancomer, S. A. and a Technical Committee, which is composed of personnel from Petróleos Mexicanos and the trusts.

The weighted-average asset allocation of retirement benefits, for seniority premiums, pensions and other benefits are as follows:

<u>Type of investment</u>	Retirement remunerations, Seniority premiums, Pension and indemnity		Other post-retirement benefits	
	2007	2006	2007	2006
Governmental securities.....	84.2%	71.0%	84.2%	71.0%
Fixed rate securities.....	15.8%	29.0%	15.8%	29.0%
Total.....	100.0%	100.0%	100.0%	100.0%

NOTE 13—COMPREHENSIVE (LOSS) INCOME:

Comprehensive (loss) income for the years ended December 31, 2007, 2006 and 2005 was as follows:

	2007	2006	2005
Net (loss) income	Ps. (18,307,569)	Ps. 46,953,205	Ps. (82,357,982)
Surplus in restatement of equity.....	18,638,402	4,064,648	8,184,288
Derivative financial instruments	656,699	5,274,109	(7,036,437)
Effect on equity from labor obligations	(3,432,792)	(18,871,922)	(21,672,659)
Other	-	710,094	-
Comprehensive (loss) income for the year	Ps. (2,445,260)	Ps. 38,130,134	Ps. (102,882,790)

NOTE 14—EQUITY:

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On December 31, 1990, certain debt owed by Petróleos Mexicanos to the Mexican Government was capitalized as equity. This capitalization amounted to Ps. 22,334,195 in nominal terms (US\$ 7,577,000) and was authorized by the Board of Directors. The capitalization agreement between Petróleos Mexicanos and the Mexican Government states that the Certificates of Contribution “A” constitute permanent capital. As a result, the Certificates of Contribution “A” are as follows:

	<u>Amount</u>
Certificates of Contribution “A” (nominal value).....	Ps. 10,222,463
Inflation restatement increase	86,735,530
Certificates of Contribution “A” in Mexican pesos of December 31, 2007 purchasing power	Ps. 96,957,993

As a condition of this capitalization, Petróleos Mexicanos agreed to pay a minimum guaranteed dividend to the Mexican Government equal to the debt service for the capitalized debt in December 1990. The minimum guaranteed dividend consisted of the payment of principal and interest on the same terms and conditions as those originally agreed upon with international creditors through 2006, at the exchange rates on the date that such payments are made. Such payments must be approved annually by the Board of Directors. This minimum guaranteed dividend was extended until 2007, by the CA-164/2007 agreement.

During 2007 and 2006, Petróleos Mexicanos paid Ps. 4,270,225 and Ps. 268,990, (Ps. 263,329 nominal value) respectively, to the Mexican Government in advance for the minimum guaranteed dividend. These payments will be applied to final amount that the Board of Directors approves as the total annual dividend, which usually occurs in the following fiscal year.

In 2006, Board of Directors of Petróleos Mexicanos approved the capitalization (*i.e.*, transfer to equity) of Ps. 621,009 (Ps. 594,987 nominal value) for infrastructure works, corresponding to resources from the Mexican Government in accordance with the Federal Revenue Law for 2004.

During 2006, in compliance with the agreement CA399/2004, the Board of Directors of Petróleos Mexicanos approved the capitalization of Ps. 652,310 (Ps. 608,068 nominal terms) of revenues at December 31, 2005, from the Mexican Government for infrastructure works in accordance with the Federal Income Law for 2004.

In December 2006, the Mexican Government made a payment in the amount of Ps. 47,454,593 (Ps. 45,735,400 nominal value) to Petróleos Mexicanos derived from excess revenues that were paid in accordance with the Federal Expenditure Budget for the 2006 fiscal year. This payment increased the equity of Petróleos Mexicanos and the Subsidiary Entities.

In December 2007, the Mexican Government made payments in the amount of Ps. 11,160,824, to Petróleos Mexicanos, which was capitalized in equity. This total includes two

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payments in the amount of Ps. 11,131,800 and Ps. 19,700, which were additionally received from the *Fondo sobre Ingresos Excedentes* (“FIEX”). PEMEX also capitalized interest in the amount of Ps. 9,324 which was related to these payments. This payment derived from excess revenues that were paid in accordance with the *Ley de Presupuesto y Responsabilidad Hacendaria*, (“Federal Budget and Fiscal Responsibility Law”) article 19, fraction IV, clauses b) and c). Additionally, in February 2008, the Mexican Government made another payment in the amount of Ps. 2,806,200, to Petróleos Mexicanos.

In 2004, Petróleos Mexicanos signed an agency agreement (Funds for Specific Purposes–Trade Commission) with Banco Santander Serfin, S.A. as an agent in order to manage the funds transferred by the Mexican Government to Petróleos Mexicanos and Subsidiary Entities. According to the *Ley de Ingresos de la Federación* (“Federal Revenue Law”), these funds are to be utilized only for infrastructure works related to exploration, refining, gas and petrochemicals. Payments made by the Mexican Government that increase the equity of Petróleos Mexicanos and the Subsidiary Entities are deposited into the Fund for Specific Purposes – Trade Commission. As of December 31, 2007 and 2006, the balance of this account was Ps. 11,858,575 and Ps. 35,589,790, respectively (see Note 6).

NOTE 15—COMMITMENTS:

- a. During 2007, PEMEX purchased a Floating Production Storage and Offloading (“FPSO”) vessel. The basic function of this new vessel is the reception and processing of crude oil from marine wells. The tanker treats and separates oil and gas, in order to meet international API guidelines for exploration. Upon completion of this process, the tanker stores the product and distributes it to foreign clients’ ships. The tanker has a storage capacity of 2 million barrels and a distribution capacity of 1.2 million barrels per day.

Total investment in the vessel was US\$ 723,575, of which US\$ 352,996 was paid in 2007 and the balance will be due over a period of 15 years.

Future estimated payments are as follows:

2008	US\$	25,267
2009		25,267
2010		25,267
2011		25,267
2012		25,267
2013 and thereafter		244,244
Total	US\$	<u>370,579</u>

- b. PEMEX has entered into a nitrogen supply contract for the pressure maintenance program at the Cantarell field. During 2007, an additional contract was incorporated, also with the purpose of supplying nitrogen to the Ku-Maloob-Zap field, extending

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the original contract until 2027. At December 31, 2007 and 2006, the value of the nitrogen to be supplied during the term of the contract was approximately Ps. 18,314,382 and Ps. 13,377,497, respectively. In the event of the annulment of the contract and depending on the circumstances, PEMEX has the right and obligation to acquiring the vendor's nitrogen plant, under the terms of the contract.

Future estimated payments are as follows:

2008	Ps.	1,969,805
2009		1,695,836
2010		1,717,418
2011		1,721,866
2012		1,742,658
More than 5 years		9,466,799
Total	Ps.	<u>18,314,382</u>

- c. During 2003, 2004 and 2005, PEMEX entered into Financed Public Work Contracts ("FPWCs") (formerly known as Multiple Services Contracts or "MSCs"). In connection with these contracts, the contractor, at its own cost, has to administer and support the execution of the works in connection with the FPWCs, which are classified into categories of development, infrastructure and maintenance. The estimated value of the FPWCs as of December 31, is as follows:

Date of contract	Block	2007		2006	
February 9, 2004	Olmos	US\$	343,574	US\$	343,574
November 21, 2003	Cuervito		260,072		260,072
November 28, 2003	Misión		1,035,580		1,035,580
November 14, 2003	Reynosa-Monterrey		2,437,196		2,437,196
December 8, 2003	Fronterizo		264,977		264,977
December 9, 2004	Pandura-Anáhuac		900,392		900,392
March 23, 2005	Pirineo		645,295		645,295
April 3, 2007	Nejo		911,509		-
April 20, 2007	Monclava		433,501		-
Total		US\$	<u>7,232,096</u>	US\$	<u>5,887,086</u>

- d. PEMEX, through PMI, enters into sale contracts for crude oil with foreign companies in international markets. The terms and conditions of these contracts are specific to each customer, and the contract durations vary, including evergreen contracts and long term contracts.

NOTE 16 - CONTINGENCIES:

In the ordinary course of business, PEMEX is named in a number of lawsuits of various types. PEMEX evaluates the merit of each claim and assesses the likely outcome, accruing a contingent liability when an unfavorable decision is probable and the amount is reasonably estimable. Such contingent liabilities are discussed below.

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- (a) PEMEX is subject to the provisions of the *Ley General del Equilibrio Ecológico y la Protección al Ambiente* (“General Law on Ecological Equilibrium and Environmental Protection”). To comply with this law, environmental audits of PEMEX’s larger operating, storage and transportation facilities have been or are being conducted. Following the completion of such audits, PEMEX has signed various agreements with the *Procuraduría Federal de Protección al Ambiente* (Federal Attorney of Environmental Protection, or “PROFEPA”) to implement environmental remediation and improve environmental plans. Such plans contemplate remediation for environmental damages, as well as related investments for the improvement of equipment, maintenance, labor and materials.

As of December 31, 2007 and 2006, the reserve for environmental remediation expenses totaled Ps. 2,093,440 and Ps. 2,398,258, respectively. This reserve is included in long-term liabilities in the balance sheet.

- (b) As of December 31, 2007, PEMEX was involved in various civil, commercial, tax, criminal, administrative, labor and arbitration lawsuits. Based on the information available, the amount claimed in connection with these lawsuits totaled approximately Ps. 39,209,855. At December 31, 2007, PEMEX had accrued a reserve of Ps. 10,453,830 for these contingent liabilities. Among these lawsuits, are the following:
- i. Pemex-Refining is a party to an arbitration proceeding (No. 11760/KGA) filed by CONPROCA, S.A. de C.V. (“CONPROCA”) before the International Chamber of Commerce, in which CONPROCA is seeking payment of US\$ 633,100 related to construction and maintenance services in the Cadereyta refinery. Pemex-Refining filed a counterclaim against CONPROCA in the amount of US\$ 907,000 (which includes the value added tax).
- The arbitration panel notified the parties that it will issue an award on this matter on March 31, 2008. As of the date of these financial statements, such award has not been issued. Once it is issued, a hearing on damages will be held.
- ii. In April 2004, Construcciones Industriales del Golfo, S.A. de C.V. filed a civil claim against Pemex-Exploration and Production, (exp. 40/2004-VII), for a total amount of Ps. 15,237 plus US\$ 219,584 for the removal of deposits in the Salamanca refinery. On September 28, 2007, a judgment was issued in favor of Pemex-Exploration and Production. The plaintiff filed an appeal against this judgment, which was denied on January 21, 2008. The plaintiff then filed a constitutional relief known as *amparo*, which is still pending.

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- iii. In December 2003, Unión de Sistemas Industriales, S. A. filed a civil claim against Pemex-Refining (exp. 202/2003), seeking Ps. 393,095. The trial is in the evidentiary stages; expert evidence is still pending.
- iv. In December 2004, Corporación Mexicana de Mantenimiento Integral S. de R. L. de C. V. (“COMMISA”) filed an arbitration claim before the International Court of Arbitration of the International Chamber of Commerce (the “ICA”) against Pemex-Exploration and Production (IPC-01) for breach of a construction agreement in connection with two platforms in the Cantarell complex.

On January 26, 2007, COMMISA filed a claim seeking US\$ 292,043 and Ps. 37,537; and Pemex-Exploration and Production filed a counterclaim seeking US\$ 125,897 and Ps. 41,513. On August 10, 2007, each party filed their responses to the claim and counterclaim, respectively. On September 10, 2007, both parties filed their replies, in which COMMISA modified its claim and is, as of the date of these financial statements, seeking US\$ 319,900 and Ps. 37,200 in damages. On October 10, 2007, the parties filed their rejoinders. A hearing was held during which each party presented its case to the panel and filed its evidence. On February 15, 2008, the parties filed their pleadings.

The final award is expected to be issued before May 31, 2008 in accordance with a resolution issued by the ICA on February 14, 2008.

- v. An arbitration proceeding before the ICA was filed by COMBISA, S. de R. L. de C. V. (“COMBISA”) against Pemex-Exploration and Production (IPC-22) seeking US\$ 235,770 for the alleged breach of a construction agreement in connection with three platforms in the Cantarell complex. Pemex-Exploration and Production responded to the claim and filed a counterclaim against COMBISA. On July 23, 2007, a final award was granted, pursuant to which COMBISA was ordered to pay US\$ 4,600 and Pemex-Exploration and Production was ordered to pay US\$ 61,300 as well as financial expenses and the corresponding value added tax. Both parties requested an additional decision to clarify this final award on November 16, 2007. The FCA modified the award such that total amount owed to COMBISA was corrected and Pemex-Exploration and Production was ordered to pay US\$ 61,600 as well as financial expenses and the corresponding value added tax. The total amount owed to Pemex-Exploration and Production was ratified.

On January 30, 2008, Pemex-Exploration and Production and COMBISA executed a settlement agreement under which Pemex-Exploration and Production agreed to pay US\$ 84,579 (plus the value added tax) and COMBISA agreed to pay US\$ 4,594 plus the value added tax). This claim, which was initially for a total amount of US\$ 235,770, concluded with a payment of US\$ 91,983 to COMBISA.

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- vi. COMMISA filed a claim before the ICA against Pemex-Exploration and Production (IPC-28) seeking approximately US\$ 142,400 and Ps. 40,199 for, among other things, the alleged breach of a contract (PEP-O-IT-136/08) related to two vessels, the Bar Protector and Castoro 10, both of which are located in the Cantarell complex. Pemex-Exploration and Production filed a counterclaim. On February 11, 2008, Pemex-Exploration and Production was notified of an award pursuant which Pemex-Exploration and Production was ordered to pay Ps. 10,928 and US\$ 75,075, plus the value added tax and US\$ 200 related to arbitration expenses.

COMMISA filed a request to execute this award, which was notified to Pemex-Exploration and Production on March 24, 2008. As of the date of these financial statements, an answer to this request will be filed by Pemex-Exploration and Production.

- vii. A civil claim was filed by Asociación de Transportistas al Servicio de Petróleos Mexicanos Clientes o Empresas Sustitutos, A. C. against Pemex-Refining (exp. 262/2005-II) seeking approximately Ps. 1,647,629 for damages in connection with the alleged breach of a tank truck transportation agreement. On March 7, 2008 a final hearing was held in which both parties filed their allegations. A final judgement is still pending.
- viii. A civil claim was filed by Asociación de Transportistas al Servicio de Petróleos Mexicanos, Clientes o Empresas Sustitutos, A. C. against Pemex-Refining (exp. 271/2005-I) asserting that Pemex-Refining should authorize the plaintiff to replace tank trucks older than ten years in accordance with the tank truck transportation agreement mentioned in paragraph vii above. On January 23, 2008, a final hearing was held in which both parties filed their allegations. A final judgement is still pending.
- ix. A civil claim was filed by Asociación de Transportistas al Servicio de Petróleos Mexicanos, Clientes o Empresas Sustitutos, A. C. against Pemex-Refining, (295/2007), seeking a judicial judgment declaring the breach of a services agreement dated March 26, 1993 and damages, among other expenses.

On October 31, 2007, Pemex-Refining was summoned and a precautionary measure was granted to the plaintiff requesting Pemex-Refining to replace tank trucks and grant the appropriate authorizations. On November 5, 2007, Pemex-Refining filed a motion stating that the judge lacked jurisdiction, which was granted and the trial suspended. The resolution of this motion is still pending. A request for constitutional relief known as an *amparo* was filed by Pemex-Refining against the precautionary measure, which was accepted by the *Juzgado Quinto de Distrito en Materia Civil* (“Fifth Civil District Court”).

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- x. A request for Constitutional relief known as an *amparo* was filed by Minera Carbonífera Río Escondido, S.A. de C.V. and Minerales Monclova, S.A. de C.V. for alleged violation of its mining concessions and for the execution of development, infrastructure and maintenance works in non-associated gas fields under a public works contract (No. 414105826) and a modification of the *Ley Reglamentaria del Artículo 27 Constitucional en el Ramo del Petróleo* (“Regulatory Law to Article 27 of the Political Constitution Concerning Petroleum Affairs”). The purpose of this contract was to explore non-associated gas in the same fields where the plaintiffs have their mining concessions.

The plaintiffs argue they have a right to exploit gas found in the fields located under their mining concessions. As of the date of these financial statements, a final judgment is still pending. A third arbitrator expert’s opinion on Geology and a constitutional hearing are still pending.

- xi. An arbitration proceeding before the ICA was filed by Tejas Gas de Toluca, S. de R.L. de C.V. against Gas Natural México S.A. de C.V. (“GNM”) and Pemex-Gas and Basic Petrochemicals seeking, among other things, compliance with a transportation agreement and its amendments as agreed in February, 2001 and November, 2001. This agreement was executed for the operation of the Palmillas-Toluca pipeline.

In February 2008, several hearings were held with the arbitration panel and the part involved, during which a summary of claims and counterclaims were presented. On February 26, 2008, the initial arbitration report was executed and a provisional arbitration calendar was agreed.

- xii. In connection with the claims filed by a group of Congressmen from the LIXth Legislature against Pemex-Exploration and Production related to the Financed Public Works Contracts program (“FPWC”), as of the date of these financial statements only one claim remains open since Pemex-Exploration and Production obtained a favorable judgement in the other similar claims filed by these plaintiffs.

The remaining claim relates to the FPWC entered into between Pemex-Exploration and Production and PTD Servicios Múltiples, S. de R.L. de C.V. (“PTD”) for the Cuervito natural gas production block before the *Juzgado Noveno de Distrito en Materia Civil del Distrito Federal* (“Ninth Civil District Court”) in Mexico City. On December 12, 2007, Pemex-Exploration and Production was summoned after an appeal filed by PTD was denied. Pemex-Exploration and Production filed a motion arguing the lack of capacity of the plaintiffs due to the termination of their positions as Congressmen. the trial is in the evidenciary stage.

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- xiii. In August 2007, a civil claim (12/2007) was filed by Leoba Rueda Nava against Petróleos Mexicanos and Pemex-Refining. This claim was presented to the *Juzgado Decimocuarto de Distrito del Décimo Circuito* (“Fourteenth District Court of the Tenth Circuit”) in Coatzacoalcos, Veracruz. Plaintiffs seek, among other things, civil liability and damages resulting from the pollution of land used to store oil waste in accordance with an agreement entered into by and among Leoba Rueda Nava, Petróleos Mexicanos and Pemex-Refining. The trial is in the evidenciary stage. Judicial inspection, confesional and testimonial evidences have been filed. As of the date of these financial statements expert opinions are still pending.
- xiv. Administrative proceedings were initiated by the Federal Competition Commission (the “Commission”). On December 7, 2007, the Commission issued a resolution prohibiting Pemex-Refining from engaging in anti-competitive practices in trading and distributing greases and lubricants in service stations, without specifically requesting a modification or termination of a license agreement. Pemex-Refining filed an *amparo* against this resolution, which is still pending.

In January 2008, the Commission requested Pemex-Refining to provide evidence related to the compliance of a resolution issued by the Commission in 2003 in connection with this same subject. Pemex-Refining informed the Commission that a suspension was granted to Bardahl de México, S. A. de C. V. (“Bardahl”) in several *amparos* to maintain the exclusivity right of the Mexlub trademark until a final resolution was issued.

- xv. Several claims have been filed by Impulsora Jalisciense, S. A. de C. V. and Mexicana de Lubricantes, S. A. de C. V.

An *amparo* (1519/2005) was filed by Impulsora Jalisciense, S.A. de C.V., before the *Juzgado Quinto de Distrito en Materia Administrativa* (“Fifth Administrative District Court”) in the State of Jalisco. This proceeding has been joined with a pending proceeding filed by Bardahl against the execution of any resolutions lubricants manufactured by Bardahl.

These *amparos* are suspended due to several objections filed by Bardahl. A constitutional hearing is still pending.

- xvi. A civil claim (28/2007) was filed by Mexicana de Lubricantes, S. A. de C. V. against Pemex-Refining seeking, among other things, a judicial judgment declaring null and void any advance termination or cancellation of the following agreements executed between Mexicana de Lubricantes, S. A. de C. V. and Pemex-Refining: 1) License and Trademark contract; 2) Basic greases supply contract; and 3) Manufacture contract of lubricants and greases for Petróleos

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Mexicanos and the Subsidiary Entities. The claim was summoned and Pemex-Refining was required to file its response in April.

The result of these proceedings is uncertain since their final resolution will be issued by the appropriate authorities.

NOTE 17— HYDROCARBON RESERVES (Unaudited)

Under the Mexican Constitution and the Organic Law of Petróleos Mexicanos and the Subsidiary Entities, all oil and other hydrocarbons reserves are property of the Mexican Nation. Under the Organic Law, PEMEX has the exclusive rights to extract and exploit Mexico's petroleum reserves. However, given that such reserves are not PEMEX's property, they are not recorded on PEMEX's accounting records. Beginning in 1997, PEMEX reviewed the procedures to calculate such reserves in accordance with the regulations of the U.S. Securities and Exchange Commission, established in Rule 4-10(a) of Regulation S-X of the United States Securities Act of 1934 ("Rule 4-10(a)"). Based on technical studies internally performed in accordance with Rule 4-10(a), the estimated crude oil and gas reserves were 14.7 billion of barrels of crude oil as of December 31, 2007 and 15.5 billions as of December 31, 2006. These reserves may be increased based on adjustment by reviewing engineers, increases and developments and decreased based on production of the year. The estimate of such reserves could vary from one analyst to another. In addition, the results of drilling, testing and production subsequent to the date of the estimate are used for future reviews of these reserves.

NOTE 18—SEGMENT FINANCIAL INFORMATION:

PEMEX's primary business is the exploration and production of crude oil and natural gas and refining and marketing of petroleum products, conducted through four business segments: Pemex-Exploration and Production, Pemex-Refining, Pemex-Gas and Basic Petrochemicals and Pemex-Petrochemicals. Management makes decisions related to the operations of the consolidated business along these four strategic lines.

The primary sources of revenue for the segments are as described below:

- Pemex-Exploration and Production earns revenues from domestic crude oil sales, as well as from the export of crude oil, through PMI Group, to international markets. Export sales are made through PMI Group to approximately 25 major customers in various foreign markets. Less than half of PEMEX crude oil is sold domestically; however, these amounts are in large part sufficient to satisfy Mexican domestic demand.
- Pemex-Refining earns revenues from sales of refined petroleum products and derivatives. Most of Pemex-Refining's sales are to third parties and occur within the domestic market. The entity supplies the *Comisión Federal de*

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Electricidad (“CFE”) with a significant portion of its fuel oil production.
Pemex-Refining’s most important products are different types of gasoline.

- Pemex-Gas and Basic Petrochemicals earns revenues primarily from domestic sources. Pemex-Gas and Basic Petrochemicals also consumes high levels of its own natural gas production. Most revenues of this entity are obtained from the sale of ethane and butane gas.
- Pemex-Petrochemical is engaged in the sale of petrochemical products to the domestic market. Pemex-Petrochemicals offers a wide range of products that generate large revenues, the majority of which come from methane derivatives, ethane derivatives and aromatics and derivatives.

In making performance analyses for the entities, PEMEX’s management focuses on sales volumes and gross revenues as primary indicators of the performance analyses.

Income (loss) and identifiable assets for each segment have been determined before intersegment adjustments. Sales between segments are made at internal transfer prices established by PEMEX, which reflect international market prices.

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Following is the condensed financial information of these segments:

	Exploration and Production	Refining	Gas and Basic Petrochemicals	Petrochemicals	Corporate and Subsidiary Companies	Intersegment Eliminations	Total
<u>Year ended December 31, 2007</u>							
Sales -							
Trade.....	Ps. -	Ps. 430,382,930	Ps. 139,963,302	Ps. 21,701,729	Ps. 542,926,858	Ps. -	Ps. 1,134,974,819
Intersegment	912,295,482	42,229,528	82,940,711	35,942,074	247,993,773	(1,321,401,568)	-
Services income.....	-	-	-	-	1,880,032	(819,423)	1,060,609
Total net sales.....	912,295,482	472,612,458	222,904,013	57,643,803	792,800,663	(1,322,220,991)	1,136,035,428
Gross income.....	740,811,644	(81,024,508)	15,816,747	(6,559,693)	41,180,144	(34,854,648)	675,369,686
Operating income (loss)	707,401,828	(114,306,785)	7,335,910	(14,115,424)	5,850,043	(1,734,890)	590,430,682
Comprehensive financing cost	(25,561,647)	(5,764,552)	1,071,281	(1,181,167)	10,097,224	1,292,274	(20,046,587)
Net income (loss).....	19,966,387	(45,653,619)	4,958,173	(16,085,945)	(11,473,248)	29,980,683	(18,307,569)
Depreciation and amortization	57,262,960	10,159,674	3,437,370	1,091,848	639,866	-	72,591,718
Labor cost reserve	29,124,816	28,579,131	6,491,464	8,215,002	12,896,453	-	85,306,866
Taxes and duties	663,549,438	3,846,738	5,537,391	257,203	4,064,958	-	677,255,728
Acquisition of fixed assets	99,252,970	22,912,301	5,871,320	998,725	324,582	-	129,359,898
Total assets	1,237,968,403	417,393,498	133,970,702	79,872,062	2,331,376,672	(2,870,300,731)	1,330,280,606
Current assets	630,760,334	229,536,695	85,311,492	58,650,943	495,164,854	(1,070,863,531)	428,560,787
Investments in shares.....	342,538	157,094	1,095,666	-	612,696,004	(581,227,948)	33,063,354
Fixed assets.....	565,433,958	162,585,821	42,005,574	15,569,956	8,250,144	-	793,845,453
Current liabilities	191,867,210	148,709,748	33,463,623	8,896,698	929,478,616	(1,022,952,043)	289,463,852
Labor reserve.....	180,931,471	178,386,606	40,791,915	49,058,100	79,033,180	-	528,201,272
Total liability	998,713,758	377,308,387	85,452,634	59,275,500	2,262,119,197	(2,502,496,731)	1,280,372,745
Equity	239,254,644	40,085,112	48,518,068	20,596,562	69,257,475	(367,804,000)	49,907,861
<u>Year ended December 31, 2006</u>							
Sales -							
Trade.....	Ps. -	Ps. 406,963,236	Ps. 138,687,862	Ps. 21,638,776	Ps. 535,144,047	Ps. -	Ps. 1,102,433,921
Intersegment	890,012,141	46,242,429	83,058,212	9,654,394	171,981,054	(1,200,948,230)	-
Services income.....	-	-	-	-	1,707,386	(631,439)	1,075,947
Total net sales.....	890,012,141	453,205,665	221,746,074	31,293,170	708,832,487	(1,201,579,669)	1,103,509,868
Gross income.....	718,463,139	(52,193,884)	18,030,329	(4,925,440)	31,717,998	(25,840,484)	685,251,658
Operating income (loss)	690,607,335	(82,910,431)	10,720,768	(11,854,541)	(1,720,065)	(565,837)	604,277,229
Comprehensive financing cost	(24,174,018)	(9,026,219)	1,134,603	(4,173,330)	12,659,001	(266,662)	(23,846,625)
Net income (loss).....	75,888,386	(35,325,390)	6,311,661	(18,029,704)	54,656,089	(36,547,837)	46,953,205
Depreciation and amortization	51,819,623	8,723,393	3,529,726	902,845	696,602	-	65,672,189
Labor cost reserve	25,562,500	24,775,200	5,637,100	6,972,400	11,546,149	-	74,493,349
Taxes and duties	591,866,238	3,165,413	4,703,707	394,529	4,634,622	-	604,764,509
Acquisition of fixed assets	61,906,641	13,231,096	5,132,529	1,712,598	15,667,903	-	97,650,767
Total assets	1,096,349,650	356,909,402	133,753,202	72,279,723	2,038,713,342	(2,447,984,895)	1,250,020,424
Current assets	533,417,998	173,292,736	84,553,543	50,300,628	457,242,716	(899,414,425)	399,393,196
Investments in shares.....	330,752	157,094	1,967,913	-	491,078,954	(460,773,767)	32,760,946
Fixed assets.....	514,467,528	156,937,920	41,253,162	15,908,016	8,628,831	-	737,195,457
Current liabilities	84,578,731	113,869,248	38,595,497	11,677,253	787,977,256	(860,383,856)	176,314,129
Labor reserve.....	162,516,165	160,501,772	36,305,067	43,602,148	68,740,031	-	471,665,183
Total liability	805,563,141	322,204,631	84,445,277	55,768,854	1,984,483,183	(2,043,900,288)	1,208,564,798
Equity	290,786,509	34,704,770	49,307,958	16,510,869	54,230,161	(404,084,641)	41,455,626
<u>Year ended December 31, 2005</u>							
Sales -							
Trade.....	Ps. -	Ps. 381,355,382	Ps. 144,987,328	Ps. 21,826,900	Ps. 454,436,655	Ps. -	Ps. 1,002,606,265
Intersegment	773,336,701	41,307,675	89,170,404	9,518,438	131,997,076	(1,045,330,294)	-
Services income.....	-	-	-	-	1,875,001	(650,193)	1,224,808
Total net sales.....	773,336,701	422,663,057	234,157,732	31,345,338	588,308,732	(1,045,980,487)	1,003,831,073
Gross income.....	594,226,368	3,088,433	20,740,515	(5,601,679)	7,885,280	(6,451,743)	613,887,174
Operating income (loss)	567,556,903	(28,902,246)	10,678,648	(9,781,605)	(20,166,208)	20,317,888	539,703,380
Comprehensive financing cost	8,683,177	(3,859,422)	2,598,710	(3,550,361)	(13,145,650)	4,437,455	(4,836,091)
Net income (loss).....	(19,701,797)	(57,508,914)	7,213,898	(17,851,654)	(76,533,529)	82,024,014	(82,357,982)
Depreciation and amortization	42,648,709	8,662,918	3,857,966	1,075,044	750,720	-	56,995,357
Labor cost reserve	22,739,043	21,067,212	4,782,355	5,742,055	9,336,373	-	63,667,038
Taxes and duties	595,838,203	24,443,717	2,412,419	262,157	3,917,966	-	626,874,462
Acquisition of fixed assets	29,498,613	6,537,813	1,936,748	2,511,707	43,829,686	-	84,314,567
Total assets	910,762,474	320,419,181	104,721,683	55,842,991	1,624,736,468	(1,890,886,536)	1,125,596,261

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	Exploration and Production	Refining	Gas and Basic Petrochemicals	Petrochemicals	Corporate and Subsidiary Companies	Intersegment Eliminations	Total
Current assets	379,304,272	138,951,636	56,041,394	33,282,845	429,691,461	(721,191,173)	316,080,435
Investments in shares.....	227,313	157,094	1,276,801	-	231,359,791	(204,339,923)	28,681,076
Fixed assets.....	475,493,308	152,858,631	40,924,037	15,850,726	9,340,494	-	694,467,196
Current liabilities.....	123,657,961	114,490,526	21,971,433	53,748,694	554,475,788	(690,761,619)	177,582,783
Labor reserve.....	142,000,010	137,607,036	30,508,286	36,672,374	58,796,102	-	405,583,808
Total liability.....	747,717,710	303,672,915	59,003,711	90,957,975	1,639,794,045	(1,686,540,129)	1,154,606,227
Equity	163,044,885	16,746,308	45,717,987	(35,114,975)	(15,057,361)	(204,346,661)	(29,009,817)

NOTE 19—FISCAL REGIME:

On December 21, 2005, the Mexican Congress approved a new fiscal regime for PEMEX, which was published in the Official Gazette of the Federation, effective January 1, 2006.

Under this new fiscal regime, PEMEX's contributions remain established by the *Ley Federal de Derechos* ("Federal Duties Law"), except for the Excess Gain Duties (Crude Oil Gain Tax), which is established by the Federal Income Law. The fiscal regime for PEMEX applicable for 2006 and 2007 contemplated the following duties:

a. The Ordinary Hydrocarbons Duty - In 2006 and 2007, this duty applied a variable rate that depended on the price of Mexican crude oil for export. In 2006 and 2007, the rate ranged from 78.68% to 87.81% (depending on the price of Mexican crude oil).

The method of calculating this duty is the value of the extracted total production of crude oil and natural gas during the year minus certain permitted deductions (including investments, plus some costs, expenses and duties). During 2007, PEMEX made daily and weekly advance payments to the account of this duty, in the amount of Ps. 464,837,848 (Ps. 231,326,765 daily and Ps. 233,511,083 weekly). During 2006, PEMEX made daily and weekly advance payments to the account of this duty, in the amount of Ps. 541,916,001 (Ps. 269,596,338 daily and Ps. 272,319,663 weekly).

b. Hydrocarbon Duty for the Oil Revenues Stabilization Fund – This duty was applied at a rate between 1% and 10% of the value of the extracted crude oil production where the yearly weighted average crude oil export price for a certain year exceeds between US\$ 22.00 and US\$ 30.00 per barrel.

c. Extraordinary Duty on Crude Oil Exports – This duty was applied at a rate of 13.1% on the difference between the value realized for crude oil exports and the budgeted crude oil price of US\$ 42.80, times the annual export volume. This duty is to be credited against the Hydrocarbon Duty for the Oil Revenues Stabilization Fund. The income from this duty is designated to the states of Mexico via the Income of the Federative Entities Stabilization Fund.

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d. Excess Gains Revenue Duty- This duty was derogated in 2007, however during 2006, applied a rate of 6.5% to the difference between the realized value and the budgeted value of crude oil exports of US\$ 36.50. This duty is to be credited against the Hydrocarbon Duty to Fund Stabilization and, where necessary, against the Ordinary Hydrocarbon Duty.

e. Duty for the Fund for Scientific and Technological Research on Energy – This duty was applied at a rate of 0.05% to the value of the extracted production of crude oil and natural gas for the year. The revenues from this tax are designated for the *Instituto Mexicano del Petróleo* (“Mexican Petroleum Institute”) in accordance with the *Presupuesto de Egresos de la Federación* (“Federal Expenditure Budget”).

f. Duty for the Fiscal Monitoring of Oil Activities – This duty was applied at a rate of 0.003% to the value of extracted production of crude oil and natural gas for the year. The revenues from this tax are designated for the *Auditoria Superior de la Federación* (“Supreme Federal Audit”) in accordance with the Federal Expenditure Budget.

g. Additional Duty – This duty is applied if the actual production of crude oil in the years 2006, 2007 and 2008 is less than the target production, but only when the shortfall is not by reason of force majeure, act of god or energy policy.

h. Special Tax on Production and Services – In accordance with the regulations in effect, PEMEX is subject to the Special Tax on Production and Services (“IEPS”), which applies to the import and sale of gasoline and diesel. The IEPS is paid to SHCP monthly, after deducting the daily advance payments. The rates applicable to this tax depend on factors such as the type of product, price of reference, the region where one sells, additional freight and applicable commissions.

In 2005, increase in international prices of hydrocarbons and petroleum products caused the rate of the IEPS tax to be negative, which was absorbed by PEMEX. On January 1, 2006, the Federal Revenue Law was amended, allowing to PEMEX to credit the negative IEPS against other taxes and payments to which PEMEX is also subject. As a result of this PEMEX recognized in 2007 and 2006 revenue of approximately Ps. 72,137,000 and Ps. 57,330,998 (Ps. 55,256,000 nominal value), respectively, presented in the consolidated statement of operations within “Other revenues”. As of December 31, 2007, there was a negative balance of IEPS tax credit of Ps. 32,943,613 (see Note 6).

i. Hydrocarbon Income Tax (“IRP”) – This tax is calculated by applying a 30% rate on the excess of the total revenues minus the authorized deductions pursuant to the specific rules expressed by the SHCP.

For the years ended December 31, 2007 and 2006 PEMEX generated an IRP as follows:

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	2007	2006
Current IRP.....	Ps. 4,070,364	Ps. 3,705,184
Deferred IRP.....	1,867,292	1,031,619
	5,937,656	4,736,803
Inflation effect	92,711	178,056
Total IRP.....	Ps. 6,030,367	Ps. 4,914,859

In accordance with Article 7 of the Federal Revenue Law from January 1, 2007, Petróleos Mexicanos and the Subsidiary Entities, except Pemex-Exploration and Production, were required to make daily payments (including non-working days) of Ps. 3,314 to the account of the IRP during the fiscal year. On the first working day of every week of the fiscal year, PEMEX would have to pay Ps. 23,262. Through December 31, 2007, the daily and weekly payments made to the Federal Treasury totaled Ps. 2,442,496. As of December 31, 2007, Pemex has caused Ps. 3,431,142 of IRP.

The principal concepts that cause the deferred IRP are the following:

	2007	2006
Deferred asset IRP:		
Advance from customers.....	Ps. 491,424	Ps. 518,388
Provision for insurance.....	94,892	115,176
Provision for contingencies.....	19,918	11,831
Environmental reserve.....	63,508	85,255
Allowance for uncollectible	8,899	9,870
	678,641	740,520
Deferred liability IRP:		
Advance insurance.....	(2,692)	(7,314)
Properties, plants and properties	(5,552,588)	(3,855,675)
	(5,555,280)	(3,862,989)
Long term liability	Ps. (4,876,639)	Ps. (3,122,469)

j. Value Added Tax – For purposes of determining the Value Added Tax (“VAT”), PEMEX follows the criterion for excluding only the interests paid for institutions of credit and credit unions in accordance with the fraction V of the article 15 of the Regulation of Value Added Tax.

k. Income and Assets Taxes - Certain Subsidiary Companies are subject to the income tax law and the assets tax law.

For the years ended December 31, 2007, 2006 and 2005, the Subsidiary Companies incurred the following income tax:

	2007	2006	2005
Current income tax.....	Ps. 3,253,655	Ps. 4,771,281	Ps. 3,487,273
Deferred income tax.....	(27,414)	(166,237)	494,405
	Ps. 3,226,241	Ps. 4,605,044	Ps. 3,981,678

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The principal concepts that cause the Deferred Income Taxes are the following:

	<u>2007</u>	<u>2006</u>
Deferred asset income taxes:		
Losses of prior years	Ps. 653	Ps. 8,359
Deferred liability income taxes:		
Properties, plants and equipment	(1,535,911)	(1,483,062)
Long term liability	Ps. (1,535,258)	Ps. (1,474,703)

On October 1, 2007, a modification to the Federal Duties Law was published in the Official Gazette of the Federation. Effective January 1, 2008, the fiscal regime applicable to Pemex-Exploration and Production was modified.

NOTE 20—NEW ACCOUNTING PRONOUNCEMENTS

The CINIF has issued the following FRS, effective for years beginning after December 31, 2007, and which do not provide for earlier application:

- (a) **FRS B-10 “Effects of inflation”**- FRS B-10 supersedes Bulletin B-10 and its five amendments, as well as the related circulars and INIF. The principal guidelines established by this FRS are: (i) The use of *unidades de inversión* (“UDIs”) to determine the inflation for a given period; (ii) the elimination of inventory replacement costs as well as specific indexation for fixed assets, (iii) the requirement to recognize the effects of inflation only when operating in an inflationary economic environment (accumulated inflation equal to or higher than 26% in the most recent three-year period); and (iv) reclassification of the accounts of gain or loss from holding non-monetary assets (“RETANM”), monetary position gains or losses (“REPOMO”), and deficit/excess in equity restatement, to retained earnings, when the unrealized portion is not identified.

Management estimates that the initial effects of this new FRS will be a charge to retained earnings and a credit to surplus in the restatement of equity in the amount of Ps. 178,171,999, and will have no effect on assets, liabilities, equity or net income.

- (b) **FRS D-3 “Employee benefits”**- FRS supersedes Bulletin D-3, the portion applicable to Employee Statutory Profit Sharing (“ESPS”) of Bulletin D-4 and INIF. The principal guidelines established by this FRS are: (i) a maximum of five years for amortizing unrecognized/unamortized items, with the option to recognize immediately actuarial gains or losses in results of operations; (ii)

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the elimination of the recognition of an additional liability and related intangible asset and any related item as a separate element of equity; (iii) the inclusion severance benefits in results of operations; and (iv) the presentation of ESPS, including deferred ESPS, in the statement of income as ordinary operations. Additionally, FRS D-3 establishes that the asset and liability method required by FRS D-4 should be used for determining deferred ESPS, and that any effects arising from the change are to be recognized in retained earnings, with no restatement of prior years' financial statements.

As of date of these financial statements, management is still in the process of determining the initial effects of this new FRS.

- (c) **FRS D-4 “Tax on earnings”**- FRS supersedes Bulletin D-4 and Circulars 53 and 54. The principal guidelines established by this FRS are: (i) the reclassification of the cumulative income taxes effects resulting from the initial adoption of Bulletin D-4 in 2000 to retained earnings; (ii) the recognition of the *Impuesto al Activo* (“IMPAC”) as a tax credit (benefit), rather than as a tax prepayment; and (iii) the transfer of accounting treatment of ESPS incurred and deferred to FRS D-3, as discussed in paragraph (b) above.

Management estimates that the initial effects of this new FRS will not be material.

- (d) **FRS B-2 “Statement of cash flows”**- FRS supersedes Bulletin B-12 and paragraph 33 of Bulletin B-16. The principal guidelines established by this FRS are: (i) the replacement of the statement of changes in financial position with the statement of cash flows; (ii) the reporting of cash inflows and cash outflows in nominal currency units *i.e.* the effects of inflation are not included; (iii) the establishment of two alternative preparation methods (direct and indirect), without stating preference for either method. In addition, cash flows from operating activities are to be reported first, followed by cash flows from investing activities and finally, cash flows from financing activities; (iv) the reporting of captions of principal items as gross; and (v) the requirement of disclosure of the composition of those items considered cash equivalents.
- (e) **FRS B-15 “Translation of foreign currencies”**- FRS B-15 supersedes Bulletin B-15. The principal guidelines established by this FRS are: (i) the substitution of the integrated foreign operation and foreign entity concepts for determining recording currency, functional currency and reporting currency, requiring that translation be made based on the economic environment in

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which the entity operates, regardless of its dependency on the holding company; and (ii) the inclusion of translation procedures for those instances where the reporting currency is different from the functional currency.

NOTE 21 - SUBSEQUENT EVENTS:

On April 11, 2008, the average price of the crude oil for exportation was of US\$ 91.84 per barrel; this price increased by approximately 11.4 % as compared to the average price as of December 28, 2007 which was US\$ 82.44 per barrel.

On April 11, 2008, the exchange rate was Ps. 10.5503 per dollar, which is 2.1 % less than the exchange rate as of December 31, 2007, which was Ps.10.8662.

On April 8, 2008, the Mexican President sent to the Mexican Congress an Energy Reform Initiative.

The Energy Reform includes five fundamental initiatives:

- A new Organic Law for Petróleos Mexicanos.
- Modifications to the Organic Law of the Public Federal Administration.
- Creation of an oil commission, which would be decentralized entity under the *Secretaría de Energía* (Energy Ministry or “SENER”), with technical and operative autonomy.
- Extensive modifications to the *Ley Reglamentaria*, (“Regulatory Law”).
- Extensive modifications to the *Ley de la Comisión Reguladora de Energía* (“Law of the Regulatory Commission of Energy”).

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CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

AS OF MARCH 31, 2008 AND DECEMBER 31, 2007 AND

FOR THE THREE MONTH PERIOD ENDED MARCH 31, 2008 AND 2007

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CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

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PETRÓLEOS MEXICANOS, SUBSIDIARY ENTITIES AND SUBSIDIARY COMPANIES
CONDENSED CONSOLIDATED BALANCE SHEET AS OF
MARCH 31, 2008 AND DECEMBER 31, 2007
(in thousands of Mexican pesos and in the case of December 31, 2007
at purchasing power as of December 31, 2007)

	<u>2008</u> (unaudited)	<u>2007</u> (audited)
Current assets		
Cash and cash equivalents (note 4).....	Ps. 118,177,716	Ps. 170,997,240
Accounts receivable, net (note 5)	172,976,742	164,420,411
Inventories, net (note 6).....	99,070,126	93,143,136
Total Current assets.....	390,224,584	428,560,787
Investments in shares	30,945,873	33,063,354
Property, plant and equipment, net (note 7).....	815,380,527	793,845,453
Intangible asset from labor obligations	-	72,008,835
Other assets	10,629,496	2,802,177
Total assets.....	Ps. 1,247,180,480	Ps. 1,330,280,606
Short-term liabilities:		
Short-term debt.....	Ps. 90,602,440	Ps. 76,050,128
Suppliers	26,484,387	35,138,344
Other accounts payable	34,986,303	31,682,025
Taxes payable	83,124,674	146,593,355
Total short-term liabilities.....	235,197,804	289,463,852
Long-term liabilities:		
Long-term debt (note 8).....	413,589,621	424,828,472
Reserve for labor obligations.....	425,621,513	528,201,272
Reserve for abandonment and dismantling, provisions, diverse credits and others	53,626,110	31,467,252
Deferred taxes.....	6,479,922	6,411,897
Long-term liabilities.....	899,317,166	990,908,893
Total liabilities	1,134,514,970	1,280,372,745
Equity:		
Certificates of contributions "A"	96,957,993	96,957,993
Federal Government increase in equity of Subsidiary Entities..	147,264,289	144,457,629
Surplus in restatement of equity	-	178,531,795
Effect in equity from labor obligations.....	-	(51,759,539)
Derivative Financial instruments.....	3,241,003	(1,105,629)
Accumulated Results:		
From prior years.....	(138,050,524)	(298,866,819)
Net income (loss) for the three-month period and year	3,252,749	(18,307,569)
Total equity.....	112,665,510	49,907,861
Total liabilities and equity.....	Ps. 1,247,180,480	Ps. 1,330,280,606

The accompanying notes are an integral part of these condensed consolidated financial statements.

PETRÓLEOS MEXICANOS, SUBSIDIARY ENTITIES AND SUBSIDIARY COMPANIES
CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS
FOR THE THREE-MONTH PERIODS ENDED MARCH 31, 2008 AND 2007
(in thousands of Mexican pesos and in the case of March 31, 2007
at purchasing power as of December 31, 2007)

	<u>2008</u> (unaudited)	<u>2007</u> (unaudited)
Net sales:		
Domestic	Ps. 163,482,970	Ps. 135,915,618
Exports	157,695,119	106,616,557
Services income	285,202	270,640
	321,463,291	242,802,815
Cost of sales	123,581,982	90,550,125
Gross income	197,881,309	152,252,690
General expenses:		
Transportation and Distribution expenses	7,808,633	6,060,496
Administrative expenses	19,897,258	12,612,853
Total general expenses	27,705,891	18,673,349
Operating income	170,175,418	133,579,341
Other income, net	(35,873,108)	(5,243,412)
Comprehensive financing result, net	894,604	10,511,977
Participation in results of subsidiaries and associates	259,481	980,296
Income before taxes and duties.....	204,894,441	127,330,480
Taxes and duties	201,641,692	137,759,032
Net income (loss).....	Ps. 3,252,749	Ps. (10,428,552)

The accompanying notes are an integral part of these condensed consolidated financial statements.

PETRÓLEOS MEXICANOS, SUBSIDIARY ENTITIES AND SUBSIDIARY COMPANIES
CONDENSED CONSOLIDATED STATEMENTS OF CHANGES IN FINANCIAL POSITION
FOR THE THREE-MONTH PERIODS ENDED MARCH 31, 2008 AND 2007

(in thousands of Mexican pesos and in the case of March 31, 2007 at purchasing power as of December 31, 2007)

	<u>2008</u> (unaudited)	<u>2007</u> (unaudited)
<u>Operating activities</u>		
Net income (loss)	Ps. 3,252,749	Ps. (10,428,552)
Charges to operations not requiring the use of funds:		
Depreciation and amortization	20,958,810	15,613,549
Other non-cash flow items.....	148,708,825	20,448,690
Total charges to operations not requiring the use of funds	<u>172,920,384</u>	<u>25,633,687</u>
Funds from net income (loss)		
Changes in working capital:		
Accounts, notes receivable and other	(8,556,331)	4,606,788
Inventories	(5,926,990)	9,197,258
Suppliers	(8,653,957)	(11,709,054)
Other accounts and taxes payable.....	(168,383,690)	(17,684,809)
Total changes from working capital	<u>(191,520,968)</u>	<u>(15,589,817)</u>
Funds (used) in provided by operating activities	<u>(18,600,584)</u>	<u>10,043,870</u>
 Financing activities:		
Bank loans	28,258,967	-
Securities	2,876,041	6,059,267
Amortization of bank loans	(13,870,023)	-
Amortization of securities	(10,629,239)	(4,380,233)
Other items	(2,730,215)	2,767,629
Other equity transactions	2,806,660	-
Funds provided by financing activities.....	<u>6,712,191</u>	<u>4,446,663</u>
 Investing activities:		
Acquisition of property, plants and equipment	(42,493,884)	(27,765,400)
Sale of other permanent investments.....	1,562,753	1,854,606
Funds used in investing activities.....	<u>(40,931,131)</u>	<u>(25,910,794)</u>
 Net decrease in cash and cash equivalents.....	(52,819,524)	(11,420,261)
Cash and cash equivalents at the beginning of the year.....	<u>170,997,240</u>	<u>195,776,439</u>
Cash and cash equivalents at the end of the three months- periods ended.....	<u>Ps. 118,177,716</u>	<u>Ps. 184,356,178</u>

The accompanying notes are an integral part of these condensed consolidated financial statements.

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1. Basis of presentation

The condensed consolidated financial statements of Petróleos Mexicanos, its Subsidiary Entities and Subsidiary Companies (“PEMEX”) as of and for the three-month period ended March 31, 2008, are unaudited, while the balance sheet as of December 31, 2007 is audited. In the opinion of Management, all adjustments (mainly consisting in recurrent adjustments) that are necessary for a fair presentation of the condensed consolidated financial statements have been included.

The interim results are not necessary indicative of results for the entire year.

For the purposes of these unaudited interim condensed consolidated financial statements, certain information and disclosure that are usually included in the financial statements prepared under Mexican Financial Reporting Standard (FRS), have been condensed or omitted. These unaudited interim condensed consolidated financial statements should be read in conjunction with the audited consolidated financial statements and their notes, as of and for the year ended December 31, 2007.

2. Significant accounting policies

The accompanying condensed consolidated financial statements have been prepared in conformity with FRS as issued by the *Consejo Mexicano para la Investigación y Desarrollo de Normas de Información Financiera* (“CINIF”). The recognition of inflation followed the Financial Reporting Standard (“NIF”) 06-BIS “A” Section C, as issued by the Ministry of Finance and Public Credit (“SHCP”) and by the General Comptroller’s Office (“SFP”), which required PEMEX to adopt the Bulletin B-10, “Recognition of the inflation effects on the financial information” (“Bulletin B-10”), which was superseded in January 1, 2008 by the new FRS B-10 “Effects of inflation”. FRS B-10 superseded Bulletin B-10 and its five amendments, as well as the related circulars and INIF (Interpretation of Financial Reporting Standards) 2. The principal accounting principals set forth by the FRS are: (i) the change in the value of the Investment Unit (UDI) may be used for determining the inflation for a given period; (ii) the election to use inventory replacement costs as well as specific indexation for fixed assets, is eliminated; (iii) an entity is only required to recognize the effects of inflation when operating in an inflationary economic environment (accumulated inflation equal to or higher than 26% in the most recent three-year period); and (iv) the accounts of Gain or Loss from Holding Non-monetary Assets (RETANM-Spanish abbreviation), Monetary Position Gains or Losses (REPOMO-Spanish abbreviation), and Deficit/Excess in Equity Restatement, will be reclassified to retained earnings, when the unrealized portion is not identified.

3. Foreign currency position

As of March 31, 2008 and December 31, 2007, the condensed consolidated financial statements of PEMEX include monetary assets and liabilities in foreign currency as follows:

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	<u>Assets</u>	<u>Liabilities</u>	<u>Short position</u>	<u>Exchange rate</u>	<u>Amounts in pesos</u>
As of March 31, 2008:					
U.S. dollars	15,813,768	(38,195,869)	(22,382,101)	10.6482	(238,329,088)
Japanese Yen.....	-	(159,553,901)	(159,553,901)	0.10659	(17,006,850)
Pounds Sterling	590	(409,242)	(408,652)	21.13774	(8,637,980)
Euros	1,280,058	(4,492,430)	(3,212,372)	16.82416	(54,045,461)
Swiss Francs.....	0	(93)	(93)	8.3526	(777)
Net-short position before Foreign-currency hedging ...					<u>(318,020,156)</u>
As of December 31, 2007:					
U.S. dollars	16,950,060	(30,083,877)	(13,133,817)	10.8662	(142,714,682)
Japanese Yen.....	-	(142,217,370)	(142,217,370)	0.09730	(13,837,750)
Pounds Sterling	230	(402,411)	(402,181)	21.60740	(8,690,086)
Euros	9,371	(5,932,198)	(5,922,827)	15.87660	(94,034,355)
Swiss Francs.....	-	(260)	(260)	9.59570	(2,495)
Currency Danish crowns.....		(250)	(250)	2.00750	<u>(502)</u>
Net-short position before Foreign-currency hedging ...					<u>(259,279,870)</u>

4. Cash and Cash Equivalents

As of March 31, 2008 and December 31, 2007 cash and cash equivalents are as follows:

	<u>As of March 31, 2008</u>	<u>As of December 31, 2007</u>
Cash in banks	Ps. 37,503,529	Ps. 64,578,352
Other highly liquid instruments	80,674,187	106,418,888
	<u>Ps. 118,177,716</u>	<u>Ps. 170,997,240</u>

5. Accounts receivable, net

As of March 31, 2008 and December 31, 2007 the accounts receivable are as follows:

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	As of March 31, 2008	As of December 31, 2007
Trade-domestic	Ps. 57,984,457	Ps. 40,506,098
Trade-foreign	40,761,572	25,430,178
Rate negative IEPS	-	32,943,613
Advance payments to Federal Government of minimum guaranteed dividends.....	4,270,225	4,270,225
Employees and officers	3,804,559	3,648,372
Specific funds.....	12,274,241	11,858,575
Hydrocarbon excess extraction duties payment	319,791	-
Other accounts receivable	55,089,368	47,254,284
Less:		
Allowance for doubtful accounts	(1,527,471)	(1,490,934)
Total	Ps. 172,976,742	Ps. 164,420,411

6. Inventories

As of March 31, 2008 and December 31, 2007 inventories are as follows:

	As of March 31, 2008	As of December 31, 2007
Crude oil, refined products, derivatives and petrochemical products.....	Ps. 89,415,089	Ps. 87,971,050
Materials and supplies in stock	5,530,933	6,370,017
Materials and products in transit	5,416,145	148,376
Less:		
Allowance for slow moving and obsolete inventory.....	(1,292,041)	(1,346,307)
Total	Ps. 99,070,126	Ps. 93,143,136

7. Property, plant and equipment

As of March 31, 2008 and December 31, 2007 the balances of property, plant and equipment, net accumulated depreciation and amortization, are as follows:

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	As of March 31, 2008	As of December 31, 2007
Buildings	Ps. 47,922,174	Ps. 47,681,968
Wells	484,477,630	466,157,259
Plants	404,185,536	379,268,733
Drilling equipment	22,353,525	22,226,019
Furniture and equipment	36,437,611	36,440,294
Transportation equipment	13,642,693	14,146,501
Offshore platforms	162,927,768	160,543,843
Pipelines	300,878,923	296,304,941
	1,472,825,860	1,422,769,558
Accumulated depreciation	(787,103,826)	(760,177,709)
	685,722,034	662,591,849
Land	39,862,288	39,842,669
Fixed assets to be disposed of	725,675	690,454
Construction in progress	89,070,530	90,720,481
Total	Ps. 815,380,527	Ps. 793,845,453

The depreciation of fixed assets and amortization of wells at March 31, 2008 and December 31, 2007, recognized in cost and operating expenses, was Ps. 20,917,100 and Ps. 72,591,718, respectively.

8. Long-term debt

In the period from January 1 to March 31, 2008 and during 2007, the significant financing activities of Petróleos Mexicanos were as follows:

The Master Trust obtained US\$ 268,399 from credit lines guaranteed by export credit agencies to PIDIREGAS financial projects.

On January 16, 2008, the Master Trust issued, through an inter-company private placement, bonds in a total amount of US\$ 2,000,000 under the Medium Term Notes Program, Series A. These bonds were issued at the 3 months Libor rate plus 117 basis points, with maturity date in 2015 and were bought in their entirety by Petróleos Mexicanos.

On February 7, 2008, the F/163 Trust issued, through an inter-company private placement, bonds in the Mexican market in an amount of Ps.10,000,000 at the 91 days Cetes rate plus 34 basis points, with due date in 2013. These bonds are guaranteed by Petróleos Mexicanos.

On February 15, 2008, the Master Trust issued, through an inter-company private placement, bonds in a total amount of US\$ 1,500,000 under the Medium Term Notes Program, Series A. These bonds were issued at the 3 months Libor rate plus 121 basis points, with due date in 2017 and were bought in their entirety by Petróleos Mexicanos.

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On March 28, 2008, Petróleos Mexicanos contracted a Ps.10,000,000 credit line with a banking institution in the domestic market, at the 28 days THIE rate, plus 12 basis points, with due date on December 31, 2008.

On March 28, 2008, Petróleos Mexicanos, contracted a Ps.4,000,000 credit line with a banking institution in the domestic market, at the 28 days THIE rate, plus zero basis points, with due date on June 20, 2008.

On March 28, 2008, Petróleos Mexicanos, contracted a Ps.3,500,000 credit line with a banking institution in the domestic market, at the 28 days THIE rate, plus 0.075%, with due date on December 31, 2008.

During 2007, the Master Trust undertook the following financing activities for PIDIREGAS:

- a. The Master Trust obtained credit lines from export credit agencies totaling US\$ 1,002,629.
- b. During the second quarter of 2007, the Master Trust repurchased US\$ 1,139,696 of its debt securities with maturities between 2008 and 2027 in the open market. These securities were cancelled after their repurchase.
- c. On October 18, 2007, the Master Trust borrowed US\$ 2,500,000, (the total available amount) from its syndicated revolving credit facility dated September 14, 2007. This credit line may be used either by Petróleos Mexicanos or the Master Trust. The credit line consists of two tranches, A and B, with terms of three and five years, respectively, and bears interest at rates of LIBOR plus 20 basis points for tranche A and 25 basis points for tranche B; with maturities dates in 2010 and 2012, respectively. Each of the tranches may be extended twice, for a period of one year with the consent of the lender. This facility credit replaces the two previously syndicated revolving credit lines, each in the amount of US\$ 1,250,000.
- d. On October 22, 2007, the Master Trust issued debt in the amount of US\$ 2,000,000, of which US\$ 1,500,000 consisted of notes due in 2018 with a coupon rate of 5.75% and US\$ 500,000 consisted of bonds due in 2035 with a coupon rate of 6.625%,. The bond issuance was a second reopening of the Master Trust June 8, 2005 bond issuance.
- e. During the fourth quarter of 2007, the Master Trust repurchased US\$ 5,763,333 of notes in the open market, which represent part of its own outstanding U.S. dollar-denominated debt securities with maturities between 2008 and 2027, as well as certain amount of its U.S. dollar-denominated perpetual notes. These securities were cancelled after their repurchase.

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Various credit facilities require compliance with various operating covenants which, among other things, place restrictions on the following types of transactions:

- The sale of substantial assets essential for the continued operations of the business;
- Liens against assets; and
- Transfers, sales or assignments of rights to payment under contracts for the sale of crude oil or gas not yet earned, accounts receivable or other negotiable instruments.

9. Comprehensive loss

The comprehensive loss as of and for the three month periods ended March 31, 2008 and as of and for the year ended December 31, 2007 is set forth below:

	2008	2007
Net income (loss) for the period	Ps. 3,252,749	Ps. (18,307,569)
Effect of restatement as of the end of the period – net	(178,531,795)	18,638,402
Derivative financial instruments	4,346,632	656,699
Labor reserve effect	51,759,539	(3,432,792)
Comprehensive loss as of the end of the period and year	<u>Ps. (119,172,875)</u>	<u>Ps. (2,445,260)</u>

10. Commitments:

- a. During 2007, PEMEX purchased a new tanker, the Floating Process Storage and Offloading (FPSO) vessel. The basic function of this new vessel is providing for receipt and processing of crude oil from marine wells. The tanker separates oil and gas, in order to meet international API guidelines for exploration. Upon completion of this process, the tanker stores the product and distributes it to foreign clients' ships. The tanker has a storage capacity of 2 million barrels and a distribution capacity of 1.2 million barrels per day.

The investment in this vessel was US\$ 723,575, from which US\$ 6,317 was paid in the first quarter of 2008 and US\$ 352,996 was paid in 2007 and the remainder will be paid within the next 15 years.

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According to the contract, the future payments are estimated as follows:

	As of March 31, 2008	As of December 31, 2007
2008's remaining quarters	US\$ 18,950	US\$ 25,267
2009	25,267	25,267
2010	25,267	25,267
2011	25,267	25,267
2012	25,267	25,267
2013 and thereafter	244,244	244,244
Total	<u>US\$ 364,262</u>	<u>US\$ 370,579</u>

- b. PEMEX has entered into a nitrogen supply contract for the pressure maintenance program at the Cantarell field, during 2007; PEMEX entered an additional contract to supply nitrogen to the Ku-Maloob-Zaap field, and the commitment to this provider expires in the year 2027. At March 31, 2008 and December 31, 2007, the value of the nitrogen to be supplied during the term of the contract is approximately Ps.17,314,698 and Ps.18,314,382, respectively. In the event of the rescission of the contract and depending on the circumstances, PEMEX would be required to purchase the nitrogen production plant in accordance with the terms of the contract.

The estimated future payments are as follows:

	As of March 31, 2008	As of December 31, 2007
2008's remaining quarters	Ps. 1,293,639	Ps. 1,969,805
2009	1,662,412	1,695,836
2010	1,677,692	1,717,418
2011	1,687,932	1,721,866
2012	1,714,178	1,742,658
Over 5 years	9,278,845	9,466,799
Total	<u>Ps. 17,314,698</u>	<u>Ps. 18,314,382</u>

- c. During 2003 and thereafter, PEMEX entered into Financed Public Work Contracts ("FPWCs") (formerly known as Multiple Services Contracts or "MSCs"). In connection with these contracts, the contractor, at its own cost, has to administer and support the execution of the work in connection with the FPWCs, which are classified into categories of development, infrastructure and maintenance.

The estimated value of the FPWCs, as of March 31, 2008 and as of December 31, 2007 is as follows:

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Contracting Date	Block	March 31, 2008	December 31, 2007
February 9, 2004	Olmos	US\$ 343,574	US\$ 343,574
November 21, 2003	Cuervito	260,072	260,072
November 28, 2003	Misión	1,035,580	1,035,580
November 14, 2003	Reynosa-Monterrey	2,437,196	2,437,196
December 8, 2003	Fronterizo	264,977	264,977
December 9, 2004	Pandura-Anáhuac	900,392	900,392
March 23, 2005	Pirineo	645,295	645,295
April 3, 2007	Nejo	911,509	911,509
April 20, 2007	Monclova	433,501	433,501
Total		US\$ 7,232,096	US\$ 7,232,096

- d. PEMEX, through PMI, enters into sale contracts for crude oil with foreign companies in international markets. The terms and conditions of these contracts are specific to each customer, and the contract durations vary, including evergreen contracts and long-term contracts.

11. Contingencies

In the ordinary course of business, PEMEX is named in a number of lawsuits of various types. PEMEX evaluates the merit of each claim and assesses the likely outcome, accruing a contingent liability when an unfavorable decision is probable and the amount is reasonably estimable. Such contingent liabilities are mentioned below.

- (a) PEMEX is subject to the provisions of the *Ley General del Equilibrio Ecológico y la Protección al Ambiente* (“General Law on Ecological Equilibrium and Environmental Protection”). To comply with this law, environmental audits of PEMEX’s larger operating, storage and transportation facilities have been or are being conducted. Following the completion of such audits, PEMEX has signed various agreements with the *Procuraduría Federal de Protección al Ambiente* (Federal Attorney of Environmental Protection, or “PROFEPA”) to implement environmental remediation and improve environmental plans. Such plans contemplate remediation for environmental damages, as well as related investments for the improvement of equipment, maintenance, labor and materials.

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As of March 31, 2008 and as of December 31, 2007, the reserve for environmental remediation expenses totaled Ps. 2,093,440. This reserve is included in long-term liabilities in the condensed consolidated balance sheet.

- (b) As of March 31, 2008, PEMEX was involved in various civil, tax, criminal, administrative, labor, commercial and arbitration and lawsuits. Based on the information available, the amount claimed in connection with these lawsuits totaled approximately Ps. 37,512,783. At March 31, 2008, PEMEX had accrued a reserve of Ps. 10,479,170, for these contingent liabilities. Among these lawsuits, are the following:

- I. Pemex-Refining is a party to an arbitration proceeding (No. 11760/KGA) filed by CONPROCA, S.A. de C.V. (“CONPROCA”) before the International Chamber of Commerce, in which CONPROCA is seeking payment of US\$ 633,100 related to construction and maintenance services in the Cadereyta refinery. Pemex-Refining filed a counterclaim against CONPROCA in the amount of US\$ 907,000 (which includes the value added tax).

The arbitration panel notified the parties that it will issue an award on this matter on March 31, 2008. As of the date of these financial statements, such award has not been issued. Once it is issued, a hearing on damages will be held.

- II. In April 2004, Construcciones Industriales del Golfo, S.A. de C.V. filed a civil claim against Pemex-Exploration and Production, (exp. 40/2004-VII), for a total amount of Ps. 15,237 plus US\$ 219,584 for the removal of deposits in the Salamanca refinery. On September 28, 2007, a judgment was issued in favor of Pemex-Exploration and Production. The plaintiff filed an appeal against this judgment, which was denied on January 21, 2008. The plaintiff then filed a constitutional relief known as *amparo*, which is still pending.
- III. In December 2003, Unión de Sistemas Industriales, S. A. de C.V. filed a civil claim against Pemex-Refining (exp. 202/2003), seeking Ps. 393,095. The trial is in the evidentiary stages; expert evidence is still pending.
- IV. In December 2004, Corporación Mexicana de Mantenimiento Integral S. de R. L. de C. V. (“COMMISA”) filed an arbitration claim before the International Court of Arbitration of the International Chamber of Commerce (the “ICA”) against Pemex-Exploration and Production (IPC-01) for breach of a construction agreement in connection with two platforms in the Cantarell complex.

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On January 26, 2007, COMMISA filed a detailed claim seeking US\$ 292,043 and Ps. 37,537; and Pemex-Exploration and Production filed a detailed counterclaim seeking US\$ 125,897 and Ps. 41,513. On August 10, 2007, each party filed their responses to the claim and counterclaim, respectively. On September 10, 2007, both parties filed their replies, in which COMMISA modified its claim and is, as of the date of these financial statements, seeking US\$ 319,900 and Ps. 37,200 in damages. On October 10, 2007, the parties filed their rejoinders. A hearing was held during which each party presented its case to the panel and filed its evidence. On February 15, 2008, the parties filed their pleadings.

The final award is expected to be issued before May 31, 2008 in accordance with a resolution issued by the ICA on February 14, 2008.

- V. An arbitration proceeding before the ICA was filed by COMBISA, S. de R. L. de C. V. (“COMBISA”) against Pemex-Exploration and Production (IPC-22) seeking US\$ 235,770 for the alleged breach of a construction agreement in connection with three platforms in the Cantarell complex. Pemex-Exploration and Production responded to the claim and filed a counterclaim against COMBISA. On July 23, 2007, a final award was granted, pursuant to which COMBISA was ordered to pay US\$ 4,600 and Pemex-Exploration and Production was ordered to pay US\$ 61,300 as well as financial expenses and the corresponding value added tax. Both parties requested an additional decision to clarify this final award, on November 16, 2007. The ICA modified the award such that total amount owed to COMBISA was corrected and Pemex-Exploration and Production was ordered to pay US\$ 61,600 as well as financial expenses and the corresponding value added tax. The total amount owed to Pemex-Exploration and Production was ratified.

On January 30, 2008, Pemex-Exploration and Production and COMBISA executed a settlement agreement under which Pemex-Exploration and Production agreed to pay US\$ 84,579 (plus the value added tax) and COMBISA agreed to pay US\$ 4,594 plus the value added tax). This claim, which was initially for a total amount of US\$ 235,770, concluded with a payment of US\$ 91,983 to COMBISA.

- VI. COMMISA filed a claim before the ICA against Pemex-Exploration and Production (IPC-28) seeking approximately US\$ 142,400 and Ps. 40,199 for, among other things, the alleged breach of a contract (PEP-O-IT-136/08) related to two vessels the Bar Protector and Castoro 10, both of which are in the Cantarell complex. Pemex-Exploration and Production filed a counterclaim. On February 11, 2008, Pemex-Exploration and Production was notified of an award pursuant which Pemex-Exploration and Production was ordered to pay Ps. 10,928 and US\$ 75,075, plus the value added tax and US\$ 200 related to arbitration expenses.

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COMMISA filed a request to execute this award, which was notified to Pemex-Exploration and Production on March 24, 2008. As of the date of these financial statements, Pemex-Exploration and Production has not yet filed its answer to this request.

- VII. A civil claim was filed by Asociación de Transportistas al Servicio de Petróleos Mexicanos Clientes o Empresas Sustitutos, A. C. against Pemex-Refining (exp. 262/2005-II) seeking approximately Ps. 1,647,629 for damages in connection with the alleged breach of a tank truck transportation agreement. On March 7, 2008 a final hearing was held in which both parties filed their allegations. A final judgement is still pending.
- VIII. A civil claim was filed by Asociación de Transportistas al Servicio de Petróleos Mexicanos, Clientes o Empresas Sustitutos, A. C. against Pemex-Refining (exp. 271/2005-I) asserting that Pemex-Refining should authorize the plaintiff to replace tank trucks older than ten years in accordance with the tank truck transportation agreement mentioned in paragraph vii above. On January 23, 2008, a final hearing was held in which both parties filed their allegations. A final judgement is still pending.
- IX. A civil claim was filed by Asociación de Transportistas al Servicio de Petróleos Mexicanos, Clientes o Empresas Sustitutos, A. C. against Pemex-Refining, (295/2007), seeking a judicial judgment declaring the breach of a services agreement dated March 26, 1993 and damages, among others expenses.

On October 31, 2007, Pemex-Refining was summoned and a precautionary measure was granted to the plaintiff requesting Pemex-Refining to replace tank trucks and grant the appropriate authorizations. On November 5, 2007, Pemex-Refining filed a motion stating that the judge lacked jurisdiction, which was granted and the trial suspended. On March 5, 2008, a request for constitutional relief known as an *amparo* was filed by Pemex-Refining against the precautionary measure, which was accepted by the *Juzgado Quinto de Distrito en Materia Civil* (Fifth Civil District Court).

- X. A request for Constitutional relief known as an *amparo* was filed by Minera Carbonífera Río Escondido, S.A. de C.V. and Minerales Monclova, S.A. de C.V. for alleged violation of its constitutional rights due to the execution of development, infrastructure and maintenance works in non-associated gas fields under a public works contract (No. 414105826) and a modification of the *Ley Reglamentaria del Artículo 27 Constitucional en el Ramo del Petróleo* (the Regulatory Law to Article 27 of the Political Constitution Concerning Petroleum Affairs). The purpose of this contract was to explore

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non-associated gas in the same fields where the plaintiffs have their mining concessions.

The plaintiffs argue they have a right to exploit natural gas found in the fields located under their mining concessions. As of the date of these financial statements, a final judgment is still pending. Also a third arbitrator expert's opinion on Geology and a constitutional hearing are still pending.

- XI. An arbitration proceeding before the ICA was filed by Tejas Gas de Toluca, S. de R.L. de C.V. against Gas Natural México S.A. de C.V. ("GNM") and Pemex-Gas and Basic Petrochemicals seeking, among other things, compliance with a transportation agreement and its amendments as agreed in February, 2001 and November, 2001. This agreement was executed for the operation of the Palmillas-Toluca pipeline.

In February 2008, several hearings were held with the arbitration panel and the parties involved, during which a reconciliation of claims and counterclaims were presented. On February 26, 2008, the initial arbitration report was executed and a provisional arbitration calendar was agreed.

- XII. In connection with the claims filed by a group of Congressmen from the LIXth Legislature against Pemex-Exploration and Production related to the Financed Public Works Contracts program (FPWC), as of the date of these financial statements only one claim remains pending since Pemex-Exploration and Production obtained a favorable judgment in the other similar claims filed by these plaintiffs.

The remaining claim relates to the FPWC celebrated between Pemex-Exploration and Production and PTD Servicios Múltiples, S. de R.L. de C.V. ("PTD") for the Cuervito natural gas production block before the *Juzgado Noveno de Distrito en Materia Civil del Distrito Federal* (Ninth Civil District Court) in Mexico City. On December 12, 2007, Pemex-Exploration and Production was summoned after an appeal filed by PTD was denied. Pemex-Exploration and Production filed a motion arguing the lack of standing of the plaintiffs due to the termination of their positions as Congressmen. As of the date of these financial statements, the trial is in the evidentiary stage.

- XIII. In August 2007, a civil claim (12/2007) was filed by Leoba Rueda Nava against Petróleos Mexicanos and Pemex-Refining before the *Juzgado Decimocuarto de Distrito del Décimo Circuito* (Fourteenth District Court of the Tenth Circuit) in Coatzacoalcos, Veracruz. It included, among other things, civil liability and damages resulting from the pollution of land used to store oil waste in accordance with an agreement entered into by and among Leoba Rueda Nava, Petróleos Mexicanos and Pemex-Refining. The trial is

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in the evidentiary stage. Judicial inspection, confession and testimonial evidences have been filed. As of the date of these financial statements, the experts' opinions are still pending.

- XIV. Administrative proceedings before the Federal Commission of Competition (the "Commission"). On December 7, 2007, the Commission issued a resolution prohibiting Pemex-Refining from engaging in monopolistic practices in trading and distributing greases and lubricants in service stations, without specifically requesting a modification or termination of a license agreement. Pemex-Refining filed an *amparo* against this resolution, which is still pending.

In January 2008, the Commission requested Pemex-Refining to provide evidence related to the compliance of a resolution issued by the Commission in 2003 in connection with this same subject. Pemex-Refining informed the Commission that a suspension was granted to Bardahl de México, S. A. de C. V. ("Bardahl"), a competitor in the lubricants business, in several *amparos* to maintain the exclusivity right of the Mexclub trademark until a final resolution is issued.

- XV. Claims filed by Impulsora Jalisciense, S. A. de C. V. y Mexicana de Lubricantes, S. A. de C. V.

An *amparo* (1519/2005) was filed by Impulsora Jalisciense, S.A. de C.V., before the *Juzgado Quinto de Distrito en Materia Administrativa* (Fifth Administrative District Court) in the State of Jalisco in December 2005, in connection with a proposed model franchise agreement to be executed by Pemex-Refining. This proceeding has been joined with a pending proceeding filed by Bardahl, which requested protection against the execution of any resolutions ordering to stop the sale of lubricants manufactured by Bardahl within all service stations.

These *amparos* are suspended due to several objections filed by Bardahl. A constitutional hearing is still pending.

- XVI. A civil claim (28/2007) was filed by Mexicana de Lubricantes, S. A. de C. V. against Pemex-Refining on March 28, 2008, seeking, among other things, a judicial judgment declaring null and void any advance termination or cancellation of the following agreements executed between Mexicana de Lubricantes, S. A. de C. V. and Pemex-Refining: 1) License and Trademark contract; 2) Basic greases supply contract; and 3) Manufacture contract of lubricants and greases for Petróleos Mexicanos and the Subsidiary Entities. Pemex-Refining filed its response to this claim on April 10, 2008. Mexclub filed a motion arguing that the authorized representative of Pemex-Refining

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did not have the authority to represent Pemex-Refining. As of the date of these financial statements, a resolution is still pending..

The result of these proceedings is uncertain since their final resolution will be issued by the appropriate authorities.

12. Business segment information

PEMEX operates in different activities, since it is devoted to the exploration and production of crude oil and natural gas, as well as to the process and distribution of refined and petrochemical products. The main business segment information without considering the eliminations for the consolidated financial statements effects, is as follows:

	Exploration and Production	Refining	Gas and Basic Petrochemicals	Petrochemicals	Corporate and Subsidiary Companies	Eliminations	Consolidated balance
As of March 31, 2008 and for the quarter then ended							
Trade Income:							
External Customers	Ps.-	Ps.	Ps.	Ps.	Ps.	Ps.	Ps.
Intersegments	279,338,613	115,609,751	41,094,530	6,778,687	157,695,121	-	321,178,089
Income services	-	12,952,967	24,229,460	12,084,647	80,386,629	(408,992,316)	-
		-	-	-	454,380	(169,178)	285,202
Gain (loss) gross	237,146,746	(42,928,444)	2,772,501	(1,327,507)	11,509,160	(9,291,147)	197,881,309
Operating Gain	227,175,985	(53,775,565)	190,014	(5,006,985)	1,262,448	329,521	170,175,418
(loss)	22,615,144	(21,274,231)	993,642	(4,655,372)	4,623,493	950,073	3,252,749
Net gain (loss)	(5,966,680)	(1,047,115)	854,764	153,147	5,048,489	62,791	(894,604)
Comprehensive financing result							
Depreciation and amortization	17,168,300	2,402,500	903,800	287,600	154,900	-	20,917,100
Cost of labor reserve	10,575,498	11,132,973	2,373,174	3,179,994	4,883,379	-	32,145,018
Taxes and duties	199,177,191	1,063,428	484,035	66,725	850,313	-	201,641,692
Total							
Assets	Ps. 1,218,947,548	Ps. 390,984,004	Ps. 131,309,231	Ps. 74,252,951	Ps. 2,436,590,320	Ps. (3,004,903,577)	Ps. 1,247,180,477
Current assets	608,452,652	227,395,225	88,001,792	58,582,644	503,876,475	(1,096,084,204)	390,224,584
Investing in shares and Values	342,538	157,094	1,092,639	-	693,092,373	(663,738,771)	30,945,873
Fixed assets	587,146,357	162,884,861	41,886,644	15,373,790	8,088,875	-	815,380,527
Acquisitions of fixed assets	37,129,700	2,420,200	635,300	183,300	1,300		40,369,800
Short-term liabilities	165,830,391	163,231,235	31,808,592	11,057,639	956,364,681	(1,093,094,734)	235,197,804
Labor reserve	150,347,622	143,406,343	35,035,639	40,349,173	56,482,736	-	425,621,513
Total Liability	944,322,800	354,181,083	78,127,110	52,799,890	2,303,301,889	(2,598,217,802)	1,134,514,970
Equity	274,624,747	36,802,921	53,182,124	21,453,061	133,288,432	(406,685,775)	112,665,510

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	Exploration and Production	Refining	Gas and Basic Petrochemicals	Petrochemicals	Corporate and Subsidiary Companies	Eliminations	Consolidated balance
As of March 31, 2007 and for the quarter then ended							
Trade Income:							
External							
Customers	Ps. -	Ps. 96,416,832	Ps. 34,301,410	Ps. 5,197,375	Ps. 106,616,558	Ps. -	Ps. 242,532,175
Intersegments	186,758,327	9,109,291	20,208,226	8,254,369	40,547,363	(264,877,576)	-
Income services	-	-	-	-	427,778	(157,138)	270,640
Gain (loss) gross	148,700,253	(3,809,508)	5,492,320	(1,450,136)	10,981,985	(7,662,224)	152,252,690
Operating Gain							
(loss)	141,232,580	(11,525,191)	3,532,582	(2,936,824)	3,609,813	(333,619)	133,579,341
Net gain (loss)	(3,009,533)	(9,324,281)	2,678,586	(3,021,719)	(17,668,040)	19,916,435	(10,428,552)
Comprehensive							
financing result	(9,041,140)	(4,399,100)	218,758	(198,218)	2,907,723	-	(10,511,977)
Depreciation and							
amortization	12,218,000	2,079,100	921,000	230,500	164,900	-	15,613,500
Cost of labor							
reserve	7,123,031	6,888,298	1,574,785	2,007,823	3,068,099	-	20,662,036
Taxes and duties	135,571,457	560,484	1,333,854	61,343	231,894	-	137,759,032
As at December 31, 2007							
Total							
Assets	1,237,968,403	417,393,498	133,970,702	79,872,062	2,331,376,672	(2,870,300,731)	1,330,280,606
Acquisitions of							
fixed assets	99,252,970	22,912,301	5,871,320	998,725	324,582	-	129,359,898
Current assets	630,760,334	229,536,695	85,311,492	58,650,943	495,164,854	(1,070,863,530)	428,560,788
Investing							
in							
shares and							
Values	342,538	157,094	1,095,666	-	612,696,004	(581,227,948)	33,063,354
Fixed assets	565,433,958	162,585,821	42,005,574	15,569,956	8,250,144	-	793,845,453
Short-term							
liabilities	191,867,210	148,709,748	33,463,623	8,896,698	929,478,616	(1,022,952,043)	289,463,852
Labor reserve	180,931,471	178,386,606	40,791,915	49,058,100	79,033,180	-	528,201,272
Total Liabilities	998,713,758	377,308,387	85,452,634	59,275,500	2,262,119,197	(2,502,496,731)	1,280,372,745
Equity	239,254,644	40,085,112	48,518,068	20,596,562	69,257,475	(367,804,000)	49,907,861

U.S. \$40,000,000,000

Pemex Project Funding Master Trust

Medium-Term Notes, Series A, Due 1 Year or More from Date of Issue

unconditionally and irrevocably guaranteed by

Petróleos Mexicanos

(A Decentralized Public Entity of the Federal Government of the United Mexican States)



The Pemex Project Funding Master Trust (the "Issuer" or the "Master Trust"), a statutory trust organized under the laws of the State of Delaware, may offer from time to time its Medium-Term Notes, Series A, due 1 year or more from date of issue, as selected by the purchaser and agreed to by the Issuer, in an aggregate initial offering price not to exceed U.S. \$40,000,000,000 or its equivalent in other currencies or currency units, subject to increase by the Issuer (the "Notes"). The currency or currency unit of denomination and payment, form, interest rate, interest payment dates, issue price (and the U.S. dollar equivalent thereof, in the case of Notes denominated in other than U.S. dollars) and maturity date of any Note will be set forth in the related Final Terms ("Final Terms"). See "Description of Notes." The payment of principal of and premium (if any) and interest on the Notes will be unconditionally and irrevocably guaranteed by Petróleos Mexicanos (the "Guarantor"), a decentralized public entity of the Federal Government (the "Mexican Government") of the United Mexican States ("Mexico"). Petróleos Mexicanos' obligations as Guarantor are unconditionally and irrevocably guaranteed jointly and severally by Pemex-Exploración y Producción, Pemex-Refinación and Pemex-Gas y Petroquímica Básica (each, a "Subsidiary Guarantor" and, collectively, the "Subsidiary Guarantors"), each of which is a decentralized public entity of the Mexican Government. The Notes are not obligations of, or guaranteed by, Mexico.

The principal amount payable at or prior to maturity, the amount of interest payable and any premium payable with respect to the Notes may be determined by the difference in the price of crude oil on certain dates, or by some other index or indices, as set forth in the related Final Terms.

Unless a Redemption Commencement Date is specified in the applicable Final Terms, the Notes will not be redeemable prior to their Stated Maturity except in the event of certain changes in Mexican Withholding Taxes (as defined herein). If a Redemption Commencement Date is so specified, the Notes will be redeemable at the option of the Issuer at any time after such date as described herein. Unless otherwise specified in the applicable Final Terms, the Notes will not be subject to repayment at the option of the holder prior to their Stated Maturity.

The Notes will contain provisions regarding acceleration and future modifications to their terms that differ from those applicable to certain of the Issuer's and the Guarantor's other outstanding public external indebtedness issued prior to October 2004. Under these provisions, which are commonly referred to as "collective action clauses" and are described under "Description of Notes—Modification and Waiver," in certain circumstances, the Issuer and the Guarantor may amend the payment and certain other provisions of an issue of Notes with the consent of the holders of 75% of the aggregate principal amount of such Notes.

The Notes are being offered for sale in offshore transactions in reliance on Regulation S under the United States Securities Act of 1933, as amended (the "Securities Act"). A portion of the Notes may also be offered for sale in the United States pursuant to an available exemption from registration under the Securities Act. Unless otherwise specified in the applicable Final Terms, each Registered Note (as defined herein) offered hereby will be represented by one or more global Registered Notes without interest coupons (each, a "Global Note"), which will be deposited with, or on behalf of, The Depository Trust Company ("DTC") or with a common depository for Euroclear Bank S.A./N.V. as operator of the Euroclear Clearance System plc ("Euroclear") and Clearstream Banking, *société anonyme* ("Clearstream, Luxembourg"). Unless otherwise specified in the applicable Final Terms, Bearer Notes (as defined herein) will initially be represented by a temporary global Bearer Note, without interest coupons, which will be deposited with a common depository for Euroclear and Clearstream, Luxembourg. Such temporary global Bearer Note will be exchangeable for a permanent global Bearer Note or definitive Bearer Notes, as specified in the applicable Final Terms, on or after the Exchange Date therefor and after the requisite certifications as to non-U.S. beneficial ownership have been provided as described herein. See "Description of Notes—Form and Denomination." Except as described herein, Notes in definitive certificated form will not be issued in exchange for Global Notes or Bearer Notes in global form or interests therein. See "Description of Notes—Certificated Notes and Definitive Bearer Notes."

Application has been made to admit the Notes to listing on the Official List of the Luxembourg Stock Exchange and to trading on the Euro MTF market (the "Euro MTF"). No assurance can be given that the Notes will be sold or that an active trading market for the Notes will develop. This Offering Circular constitutes a Base Prospectus for the purposes of listing Notes on the Luxembourg Stock Exchange.

See "Risk Factors" on page 13 and "Currency Risks and Risks Associated with Indexed Notes" on page 55 for certain considerations relevant to an investment in the Notes.

THE NOTES HAVE NOT BEEN AND WILL NOT BE REGISTERED UNDER THE SECURITIES ACT OR ANY STATE SECURITIES LAWS AND MAY NOT BE OFFERED OR SOLD WITHIN THE UNITED STATES OR TO, OR FOR THE ACCOUNT OR BENEFIT OF, U.S. PERSONS EXCEPT PURSUANT TO AN EXEMPTION FROM, OR IN A TRANSACTION NOT SUBJECT TO, THE REGISTRATION REQUIREMENTS OF THE SECURITIES ACT AND APPLICABLE STATE SECURITIES LAWS. ACCORDINGLY, THE NOTES MAY BE OFFERED AND SOLD ONLY (A) TO "QUALIFIED INSTITUTIONAL BUYERS" (AS DEFINED IN RULE 144A UNDER THE SECURITIES ACT) IN COMPLIANCE WITH RULE 144A AND (B) PURSUANT TO OFFERS AND SALES THAT OCCUR OUTSIDE THE UNITED STATES IN COMPLIANCE WITH REGULATION S UNDER THE SECURITIES ACT. FOR CERTAIN RESTRICTIONS ON RESALE AND TRANSFER, SEE "OFFERING AND SALE" AND "NOTICE TO INVESTORS."

The information contained herein or in the offering circular is the exclusive responsibility of the Issuer, the Guarantor and the Subsidiary Guarantors (and not the Managing Trustee) and has not been reviewed or authorized by the Comisión Nacional Bancaria y de Valores ("CNBV") of Mexico. The characteristics of the offering will be notified to the CNBV solely for informative purposes and do not imply any certification as to the investment quality of the Notes, the solvency of the Issuer, the Guarantor or the Subsidiary Guarantors. The Notes may not be offered or sold in Mexico except through a private offering in accordance with article 8 (or any successor provision) of the Securities Market Law.

Offers to purchase Notes are being solicited, on a reasonable efforts basis, from time to time by the Agents on behalf of the Issuer. Notes may be sold to the Agents on their own behalf at negotiated discounts for resale as described above. The Issuer may also sell Notes directly on its own behalf or to or through other brokers or dealers. The Issuer reserves the right to withdraw, cancel or modify the offering contemplated hereby without notice. No termination date for the offering of the Notes has been established. The Issuer, or any Agent if it solicits the offer, may reject any offer to purchase Notes as a whole or in part. See "Offering and Sale."

Joint Arrangers

Citi

Credit Suisse

Agents

Citi

Credit Suisse

Goldman, Sachs & Co.

Goldman Sachs International

JPMorgan

Lehman Brothers

The Offering Circular is dated October 11, 2007. This Offering Circular may not be used for the purpose of listing the Notes on the Official List of the Luxembourg Stock Exchange and to trading on the Euro MTF after October 11, 2008.

This Offering Circular does not constitute an offer of, or an invitation by or on behalf of the Issuer, the Guarantor or the Subsidiary Guarantors to subscribe for or purchase any of the Notes. The distribution of this Offering Circular and the offering of the Notes in certain jurisdictions may be restricted by law. Persons into whose possession this Offering Circular comes are required by the Issuer, the Guarantor, the Subsidiary Guarantors and the Agents to inform themselves about and to observe any such restrictions. For a description of certain further restrictions on offers and sales of the Notes and distribution of this Offering Circular, see “Offering and Sale” and “Notice to Investors.”

The Issuer is a Delaware statutory trust established by *Petróleos Mexicanos* pursuant to the terms of a trust agreement dated as of November 10, 1998, as amended by Amendment No. 1 on November 17, 2004, Amendment No. 2 on December 22, 2004 and Amendment No. 3 on August 17, 2006, among The Bank of New York, as Managing Trustee, The Bank of New York (Delaware), as Delaware Trustee, and *Petróleos Mexicanos*, as sole beneficiary (the “Trust Agreement”). The Issuer was formed on November 10, 1998 by the filing of a certificate of trust with the Office of the Secretary of State of the State of Delaware. The Issuer is a financing vehicle for the long-term productive infrastructure projects of *Petróleos Mexicanos*, which are referred to by *Petróleos Mexicanos* and the Mexican Government as “PIDIREGAS.” The Delaware office of the Issuer is The Bank of New York (Delaware), White Clay Center, Newark, DE 19711; the office of the Managing Trustee of the Issuer is The Bank of New York, Corporate Trust, Global Structured Finance Unit, 101 Barclay Street, 21W, New York, NY 10286.

Petróleos Mexicanos was established by a decree of the Mexican Congress on June 7, 1938 as a result of the nationalization of the foreign-owned oil companies then operating in Mexico. *Petróleos Mexicanos* and its four subsidiary entities — *Pemex-Exploración y Producción* (Pemex-Exploration and Production), *Pemex-Refinación* (Pemex-Refining), *Pemex-Gas y Petroquímica Básica* (Pemex-Gas and Basic Petrochemicals) and *Pemex-Petroquímica* (Pemex-Petrochemicals) (collectively, the “Subsidiary Entities”) — comprise Mexico’s state oil and gas company. Each is a decentralized public entity of the Mexican Government and is a legal entity empowered to own property and carry on business in its own name. In addition, the results of a number of subsidiary companies that are listed in “Consolidated Structure of PEMEX” in the Form 20-F (as defined below) (such companies, the “Subsidiary Companies”), including the Issuer, are incorporated into the consolidated financial statements. *Petróleos Mexicanos*, the Subsidiary Entities and the consolidated Subsidiary Companies are collectively referred to as “PEMEX.” PEMEX’s executive offices are located at Avenida Marina Nacional No. 329, Colonia Huasteca, Mexico, D.F. 11311, Mexico. PEMEX’s telephone number is (5255) 1944-2500.

The Issuer, the Guarantor and the Subsidiary Guarantors (and not the Managing Trustee), having made all reasonable inquiries, confirm that (i) this Offering Circular contains all information in relation to the Issuer, the Guarantor, the Subsidiary Guarantors, PEMEX, Mexico and the Notes which is material in the context of the issue and offering of the Notes, (ii) there are no untrue statements of a material fact contained in it in relation to the Issuer, the Guarantor, the Subsidiary Guarantors, PEMEX, Mexico or the Notes, (iii) there is no omission to state a material fact which is necessary in order to make the statements made in it in relation to the Issuer, the Guarantor, the Subsidiary Guarantors, PEMEX, Mexico or the Notes, in light of the circumstances under which they were made, not misleading in any material respect, (iv) the opinions and intentions expressed in this Offering Circular with regard to the Issuer, the Guarantor, the Subsidiary Guarantors, PEMEX and Mexico are honestly held, have been reached after considering all relevant circumstances and are based on reasonable assumptions, and (v) all reasonable inquiries have been made by the Issuer, the Guarantor and the Subsidiary Guarantors to ascertain such facts and to verify the accuracy of all such information and statements. The Issuer, the Guarantor and the Subsidiary Guarantors (and not the Managing Trustee) accept responsibility accordingly.

The Notes have not been and will not be registered under the Securities Act and may include Notes in bearer form that are subject to U.S. tax law requirements. Subject to certain exceptions, the Notes may not be offered, sold or delivered within the United States or to U.S. persons.

No person has been authorized to give any information or to make any representations other than those contained in this Offering Circular and, if given or made, such information or representations must not be relied upon as having been authorized. This Offering Circular does not constitute an offer to sell or

the solicitation of an offer to buy any securities other than the securities to which it relates or any offer to sell or the solicitation of an offer to buy such securities in any circumstances in which such offer or solicitation is unlawful. Neither the delivery of this Offering Circular nor any sale made hereunder shall, under any circumstances, create any implication that there has been no change in the affairs of the Issuer or PEMEX since the date hereof or that the information contained herein is correct as of any time subsequent to its date.

This Offering Circular has been prepared by the Issuer and the Guarantor solely for use in connection with future offerings of the Notes, and the application to admit the Notes to listing on the Official List of the Luxembourg Stock Exchange and to have the Notes trade on the Euro MTF. This Offering Circular is personal to each offeree and does not constitute an offer to any other person or to the public generally to subscribe for or otherwise acquire the Notes. Distribution of this Offering Circular to any other person other than the offeree and any person retained to advise such offeree with respect to its purchase is unauthorized, and any disclosure of any of its contents, without the prior written consent of the Issuer and the Guarantor, is prohibited. Each prospective investor, by accepting delivery of this Offering Circular, agrees to the foregoing and to make no photocopies of this Offering Circular or any documents referred to herein.

PETROLEOS MEXICANOS, AS GUARANTOR, WILL FILE A NOTICE IN RESPECT OF THE OFFERING OF THE NOTES WITH THE CNBV OF MEXICO, WHICH IS A REQUIREMENT UNDER THE *LEY DEL MERCADO DE VALORES*, OR SECURITIES MARKET LAW, IN CONNECTION WITH AN OFFERING OF SECURITIES OUTSIDE OF MEXICO BY A MEXICAN ISSUER. SUCH NOTICE IS SOLELY FOR INFORMATIVE PURPOSES AND DOES NOT IMPLY ANY CERTIFICATION AS TO THE INVESTMENT QUALITY OF THE NOTES, THE SOLVENCY OF THE ISSUER, THE GUARANTOR OR THE SUBSIDIARY GUARANTORS OR THE ACCURACY OR COMPLETENESS OF THE INFORMATION CONTAINED HEREIN. FURTHERMORE, THE INFORMATION CONTAINED HEREIN IS THE EXCLUSIVE RESPONSIBILITY OF THE ISSUER, THE GUARANTOR AND THE SUBSIDIARY GUARANTORS (AND NOT THE MANAGING TRUSTEE) AND HAS NOT BEEN REVIEWED OR AUTHORIZED BY THE CNBV OF MEXICO. THE NOTES HAVE NOT BEEN REGISTERED IN THE REGISTRO NACIONAL DE VALORES (THE "REGISTRY") MAINTAINED BY THE CNBV AND, CONSEQUENTLY, MAY NOT BE OFFERED OR SOLD IN MEXICO EXCEPT THROUGH A PRIVATE OFFERING UNDER THE SECURITIES MARKET LAW. ANY MEXICAN INVESTOR WHO ACQUIRES THESE NOTES FROM TIME TO TIME MUST RELY ON ITS OWN EXAMINATION OF THE ISSUER, GUARANTOR AND SUBSIDIARY GUARANTORS.

IN CONNECTION WITH AN ISSUE OF NOTES OFFERED HEREBY, THE AGENT OR AGENTS SPECIFIED IN THE APPLICABLE FINAL TERMS MAY ENGAGE IN TRANSACTIONS THAT STABILIZE, MAINTAIN, OR OTHERWISE AFFECT THE PRICE OF THE NOTES, INCLUDING OVER-ALLOTMENT, STABILIZING AND SHORT-COVERING TRANSACTIONS IN THE NOTES, AND THE IMPOSITION OF A PENALTY BID, IN CONNECTION WITH SUCH ISSUANCE. FOR A DESCRIPTION OF THESE ACTIVITIES, SEE "OFFERING AND SALE."

IN CONNECTION WITH THE ISSUE OF ANY SERIES OF NOTES, THE AGENT (IF ANY) DISCLOSED AS THE STABILIZING MANAGER IN THE APPLICABLE FINAL TERMS, OR ANY PERSON ACTING FOR THE STABILIZING MANAGER, MAY OVER-ALLOT OR EFFECT TRANSACTIONS WITH A VIEW TO SUPPORTING THE MARKET PRICE OF SUCH NOTES AT A LEVEL HIGHER THAN THAT WHICH MIGHT OTHERWISE PREVAIL FOR A LIMITED TIME AFTER THE ISSUE DATE. HOWEVER, THERE MAY BE NO OBLIGATION ON THE STABILIZING MANAGER OR ANY AGENT OF THE STABILIZING MANAGER TO EFFECT THIS KIND OF TRANSACTION. SUCH STABILIZING, IF COMMENCED, MAY BE DISCONTINUED AT ANY TIME AND MUST BE BROUGHT TO AN END AFTER A LIMITED PERIOD. IN ADDITION, SUCH STABILIZING, IF COMMENCED, SHALL BE CARRIED OUT IN ACCORDANCE WITH ALL APPLICABLE LAWS AND REGULATIONS.

FOR NEW HAMPSHIRE RESIDENTS ONLY: NEITHER THE FACT THAT A REGISTRATION STATEMENT OR AN APPLICATION FOR A LICENSE HAS BEEN FILED UNDER CHAPTER 421-B OF

THE NEW HAMPSHIRE REVISED STATUTES WITH THE STATE OF NEW HAMPSHIRE NOR THE FACT THAT A SECURITY IS EFFECTIVELY REGISTERED OR A PERSON IS LICENSED IN THE STATE OF NEW HAMPSHIRE CONSTITUTES A FINDING BY THE SECRETARY OF STATE OF NEW HAMPSHIRE THAT ANY DOCUMENT FILED UNDER RSA 421-B IS TRUE, COMPLETE AND NOT MISLEADING. NEITHER ANY SUCH FACT NOR THE FACT THAT AN EXEMPTION OR EXCEPTION IS AVAILABLE FOR A SECURITY OR A TRANSACTION MEANS THAT THE SECRETARY OF STATE HAS PASSED IN ANY WAY UPON THE MERITS OR QUALIFICATIONS OF, OR RECOMMENDED OR GIVEN APPROVAL TO, ANY PERSON, SECURITY, OR TRANSACTION. IT IS UNLAWFUL TO MAKE, OR CAUSE TO BE MADE, TO ANY PROSPECTIVE PURCHASER, CUSTOMER, OR CLIENT ANY REPRESENTATION INCONSISTENT WITH THE PROVISIONS OF THIS PARAGRAPH.

AVAILABLE INFORMATION

Petróleos Mexicanos files periodic reports and other information with the United States Securities and Exchange Commission (the “SEC”). These reports, including the attached exhibits, and any reports or other information filed by Petróleos Mexicanos with the SEC are available at the SEC’s public reference room in Washington, D.C. Copies of these SEC filings may also be obtained at prescribed rates from the Public Reference Section of the SEC at Judiciary Plaza, 450 Fifth Street, N.W., Washington, D.C. 20549. Please call the SEC at 1-800-SEC-0330 for further information regarding the operation of the public reference rooms. In addition, electronic SEC filings of Petróleos Mexicanos are available to the public over the Internet at the SEC’s website at <http://www.sec.gov>. So long as any of the Notes are outstanding and are “restricted securities” within the meaning of Rule 144(a)(3) under the Securities Act of 1933, as amended (the “Securities Act”), if at any time Petróleos Mexicanos is neither a reporting company under Section 13 or Section 15(d) of the U.S. Securities Exchange Act of 1934, as amended (the “Exchange Act”), nor exempt from reporting pursuant to Rule 12g3-2(b) thereunder, Petróleos Mexicanos will be required under the Indenture referred to under “Description of Notes—General” to furnish to a holder of a Note and a prospective purchaser designated by such holder, upon the request of such holder in connection with a transfer or proposed transfer of such Note pursuant to Rule 144A, the information required to be delivered under Rule 144A(d)(4)(i) under the Securities Act.

DOCUMENTS INCORPORATED BY REFERENCE

The following documents filed by Petróleos Mexicanos with the SEC are incorporated by reference into this Offering Circular:

- Petróleos Mexicanos’ Annual Report on Form 20-F for the year ended December 31, 2006, as filed with the SEC on July 2, 2007 (the “Form 20-F”);
- Petróleos Mexicanos’ report relating to the unaudited condensed consolidated results of PEMEX for the six months ended June 30, 2007, furnished to the SEC on Form 6-K on October 10, 2007; and
- all of Petróleos Mexicanos’ annual reports on Form 20-F, and all reports on Form 6-K that are designated in such reports as being incorporated into this Offering Circular, filed with the SEC pursuant to Section 13(a), 13(c) or 15(d) of the Exchange Act after the date of this Offering Circular and prior to the termination of the offer of any issue of Notes hereunder.

The information incorporated by reference is considered to be part of this Offering Circular, and later information filed with the SEC will update and supersede this information.

Copies of the most recent audited annual and unaudited interim consolidated financial statements of PEMEX, as well as this Offering Circular (and any amendment or supplement hereto) and any Final Terms relating to any issue of Notes admitted to be listed on the Official List of the Luxembourg Stock Exchange and traded on the Euro MTF, will be available free of charge at the office of the Paying Agent and the Transfer Agent in Luxembourg. Such documents will also be available free of charge at the office of the Managing Trustee of the Issuer and at the principal executive office of the Trustee.

NOTICE TO INVESTORS

Because of the following restrictions, purchasers are advised to consult legal counsel prior to making any offer, resale, pledge or other transfer of the Notes offered hereby.

Each purchaser of Notes offered and sold in reliance on Rule 144A ("Rule 144A") will be deemed to have represented and agreed as follows (terms used herein that are defined in Rule 144A, Regulation D ("Regulation D") or Regulation S ("Regulation S") under the Securities Act, are used herein as defined therein):

- (a) The purchaser (1) is a qualified institutional buyer; (2) is aware that the sale to it is being made in reliance on Rule 144A; and (3) is acquiring such Notes for its own account or for the account of a qualified institutional buyer;
- (b) The purchaser understands that the Notes have not been registered under the Securities Act and may not be reoffered, resold, pledged or otherwise transferred except (A) (1) to a person who such purchaser reasonably believes is a qualified institutional buyer in a transaction meeting the requirements of Rule 144A; (2) in an offshore transaction meeting the requirements of Rule 903 or Rule 904 of Regulation S; (3) pursuant to an exemption from registration under the Securities Act provided by Rule 144 thereunder (if available); or (4) pursuant to an effective registration statement under the Securities Act and (B) in accordance with all other applicable securities laws;
- (c) Such Notes will bear a legend to the following effect unless the Issuer determines otherwise in compliance with applicable law:

THIS NOTE HAS NOT BEEN REGISTERED UNDER THE UNITED STATES SECURITIES ACT OF 1933, AS AMENDED (THE "SECURITIES ACT"), AND MAY NOT BE OFFERED, SOLD, PLEDGED OR OTHERWISE TRANSFERRED EXCEPT (A) TO A PERSON WHO THE TRANSFEROR REASONABLY BELIEVES IS A QUALIFIED INSTITUTIONAL BUYER WITHIN THE MEANING OF RULE 144A UNDER THE SECURITIES ACT ACQUIRING THE NOTES FOR ITS OWN ACCOUNT OR THE ACCOUNT OF A QUALIFIED INSTITUTIONAL BUYER IN A TRANSACTION MEETING THE REQUIREMENTS OF RULE 144A; (B) IN AN OFFSHORE TRANSACTION IN ACCORDANCE WITH RULE 903 OR RULE 904 OF REGULATION S UNDER THE SECURITIES ACT; (C) PURSUANT TO AN EXEMPTION FROM REGISTRATION PROVIDED BY RULE 144 UNDER THE SECURITIES ACT (IF AVAILABLE); OR (D) PURSUANT TO AN EFFECTIVE REGISTRATION STATEMENT UNDER THE SECURITIES ACT, IN EACH CASE IN ACCORDANCE WITH ANY APPLICABLE SECURITIES LAWS OF ANY STATE OF THE UNITED STATES OR ANY OTHER JURISDICTION;

- (d) The purchaser understands that such Notes will be represented by a Restricted Global Note (as defined herein). Before any interest in a Restricted Global Note may be offered, sold, pledged or otherwise transferred to a person who takes delivery in the form of an interest in a Regulation S Global Note, the transferor will be required to provide the Trustee with a written certification (in the form provided in the Indenture) as to compliance with the transfer restrictions referred to in clause (b)(2) or (b)(3) above.

The Notes will constitute "restricted securities" within the meaning of Rule 144(a)(3)(iv) under the Securities Act and any sale pursuant to Rule 144 will be subject to the requirements of that rule, including the holding period requirements. Because affiliates of the Issuer and the Guarantor will not be prohibited from purchasing and reselling the Notes, no representation can be made as to the availability of the exemption provided by Rule 144 under the Securities Act for the resale of the Notes.

CURRENCY OF PRESENTATION

References herein to “U.S. dollars,” “U.S. \$,” “dollars” or “\$” are to the lawful currency of the United States of America, references herein to “pesos” or “Ps.” are to the lawful currency of Mexico, references herein to “£” are to British pounds, and references to “Euro” or “€” are to the currency introduced at the start of the third stage of European Economic and Monetary Union pursuant to the treaty establishing the European Communities, as amended by the Treaty on European Union. The term “billion” as used in this Offering Circular means one thousand million.

This Offering Circular contains translations of certain peso amounts into U.S. dollars at specified rates solely for the convenience of the reader. These translations should not be construed as representations that the peso amounts actually represent the U.S. dollar amounts or could be converted into U.S. dollars at the rate indicated. Unless otherwise indicated, such U.S. dollar amounts have been translated from pesos at an exchange rate of Ps. 10.8810 = U.S. \$1.00, which is the exchange rate that the Ministry of Finance and Public Credit instructed Petróleos Mexicanos to use on December 31, 2006. On October 9, 2007, the noon buying rate for cable transfers in New York reported by the Federal Reserve Bank of New York was Ps. 10.8281 = U.S. \$1.00.

PRESENTATION OF FINANCIAL INFORMATION

The financial position and results of operation of the Issuer are consolidated with those of PEMEX, which maintains its financial statements and records in pesos. The Issuer does not publish non-consolidated financial statements. The Issuer, the Guarantor and the Subsidiary Guarantors believe that separate financial statements of the Issuer would not be material to you because (i) the Guarantor is an SEC reporting company and controls the Issuer, (ii) the Issuer has no independent operations, and (iii) the Guarantor has fully and unconditionally guaranteed the Issuer’s obligations under the Notes and the Subsidiary Guarantors have, jointly and severally, unconditionally guaranteed the Guarantor’s obligations under the Guaranties and the Subsidiary Guaranties (as defined below).

The audited consolidated financial statements of PEMEX as of December 31, 2005 and 2006 and for each of the three years in the period ended December 31, 2006 (the “Financial Statements”) are included in Item 18 of the Form 20-F. These consolidated financial statements were prepared in accordance with *Normas de Información Financiera* (Mexican Financial Reporting Standards or “Mexican FRS” or “NIFs”), and are presented in constant pesos with purchasing power at December 31, 2006.

The Financial Statements were reconciled to United States generally accepted accounting principles (“U.S. GAAP”). Mexican FRS differs in certain significant respects from U.S. GAAP; the differences that are material to the Financial Statements are described in Note 20 to the Financial Statements.

Interim summary consolidated financial data of PEMEX as of and for the six months ended June 30, 2006 and 2007, which are not audited and were prepared in accordance with Mexican FRS, are also included in Annex A to this Offering Circular. These unaudited interim consolidated data and all interim financial information presented in this Offering Circular are stated in constant pesos with purchasing power at June 30, 2007. As a result of Mexican inflation during the first six months of 2007, the purchasing power of one peso at December 31, 2006 is equivalent to the purchasing power of Ps. 1.005148 at June 30, 2007. Accordingly, the Financial Statements are not directly comparable to the unaudited interim consolidated data presented in Annex A to this Offering Circular or any applicable Final Terms, because they are stated in constant pesos as of different dates. In addition, no reconciliation of the consolidated interim financial information to U.S. GAAP has been prepared.

FORWARD-LOOKING STATEMENTS

This Offering Circular contains words, such as “believe,” “expect,” “anticipate” and similar expressions that identify forward-looking statements, which reflect PEMEX’s views about future events and financial performance. PEMEX has made forward-looking statements that address, among other things, its:

- drilling and other exploration activities;
- import and export activities;
- projected and targeted capital expenditures and other costs, commitments and revenues; and
- liquidity.

Actual results could differ materially from those projected in such forward-looking statements as a result of various factors that may be beyond PEMEX’s control. These factors include, but are not limited to:

- changes in international crude oil and natural gas prices;
- effects on PEMEX from competition;
- limitations on PEMEX’s access to sources of financing on competitive terms;
- significant economic or political developments in Mexico;
- developments affecting the energy sector; and
- changes in PEMEX’s regulatory environment.

Accordingly, you should not place undue reliance on these forward-looking statements. In any event, these statements speak only as of their dates, and PEMEX undertakes no obligation to update or revise any of them, whether as a result of new information, future events or otherwise.

SUMMARY OF THE OFFERING

Issuer:	Pemex Project Funding Master Trust (the “Issuer”), a statutory trust organized under the laws of Delaware.
Guarantor:	Petróleos Mexicanos (the “Guarantor”), a decentralized public entity of the Mexican Government.
Subsidiary Guarantors:	<i>Pemex-Exploración y Producción</i> (Pemex-Exploration and Production), <i>Pemex-Refinación</i> (Pemex-Refining), and <i>Pemex-Gas y Petroquímica Básica</i> (Pemex-Gas and Basic Petrochemicals), each a decentralized public entity of the Mexican Government (collectively, the “Subsidiary Guarantors” and each, a “Subsidiary Guarantor”).
Security:	Medium-Term Notes, Series A, Due 1 Year or More from Date of Issue (the “Notes”).
Guaranties:	The unconditional guarantee by the Guarantor of the Issuer’s obligation to pay principal of and premium (if any) and interest on the Notes (the “Guaranties”).
Subsidiary Guaranties:	The unconditional obligations of the Subsidiary Guarantors to be jointly and severally liable for the Guarantor’s obligations with respect to payment of principal of and premium (if any) and interest on the Notes (the “Subsidiary Guaranties”).
Form of Notes; Denominations:	Notes may be issued in registered form without interest coupons (“Registered Notes”) or in bearer form with or without interest coupons (“Bearer Notes”). Unless otherwise specified in the applicable Final Terms, Registered Notes of the same tranche and of like tenor sold in offshore transactions in reliance on Regulation S will be represented by one or more Registered Notes in global form (each, a “Regulation S Global Note”) which will be deposited with, or on behalf of, The Depository Trust Company (“DTC”) or with a common depositary, in each case for the account of Euroclear Bank S.A./N.V., as operator of the Euroclear Clearance System plc (“Euroclear”) and Clearstream Banking, <i>société anonyme</i> (“Clearstream, Luxembourg”). Unless otherwise specified in the applicable Final Terms, Registered Notes initially sold within the United States and eligible for resale in reliance on Rule 144A will be represented by one or more Registered Notes in global form (each, a “Restricted Global Note” and, together with any Regulation S Global Notes, the “Global Notes”), which will be deposited with, or on behalf of, DTC. Bearer Notes may only be sold in offshore transactions in reliance on Regulation S. Unless otherwise specified in the applicable Final Terms, Bearer Notes will initially be represented by a temporary Bearer Note in global form, without interest coupons, which will be deposited with a common depositary for Euroclear and Clearstream, Luxembourg. Such temporary Bearer Note in global form will be exchangeable for a permanent Bearer Note in global form or definitive Bearer Notes, as specified in the applicable Final Terms, on or after the 40 th day after the completion of the distribution of Notes constituting an identifiable tranche (the “Exchange Date”) and after the requisite certifications as to non-U.S. beneficial ownership have been provided as described herein. See “Description of Notes—Form and Denomination.” Except as described herein or as specified

in the applicable Final Terms, Notes in definitive certificated form will not be issued in exchange for a Global Note or Bearer Notes in global form or interests therein. Registered Notes may not be exchanged for Bearer Notes and, unless otherwise specified in the applicable Final Terms, Bearer Notes may not be exchanged for Registered Notes. Unless otherwise specified in the applicable Final Terms, Registered Notes will be issued in denominations of U.S. \$10,000 and integral multiples thereof and Bearer Notes will be issued in denominations of U.S. \$10,000 and U.S. \$100,000 (or, in each case, the approximate equivalent thereof in a specified currency or currency unit).

Amount of Notes

Outstanding at any Time:

Not to exceed U.S. \$40,000,000,000 (or its equivalent in other currencies or currency units) in aggregate initial offering price, subject to increase by the Issuer.

Currency of Denomination and Payment:

United States dollars or one or more foreign currencies or currency units (each, a "Specified Currency").

Maturities:

Maturities from 1 or more years from date of issue, as indicated in each Note and the applicable Final Terms.

Interest Rate:

Notes may bear interest at a fixed rate ("Fixed Rate Notes") or at a floating rate ("Floating Rate Notes") determined by reference to one or more base rates, which may be adjusted by a Spread and/or a Spread Multiplier (in each case, as defined herein), in each case as indicated in the Note and the applicable Final Terms.

Interest Payments:

Interest on the Notes will be payable on the dates specified therein and in the applicable Final Terms.

Interest Rate Computation:

Unless otherwise specified in the applicable Final Terms, interest on Fixed Rate Notes will be calculated on the basis of a 360-day year of twelve 30-day months (except as specified herein with respect to Fixed Rate Notes denominated in currencies other than U.S. dollars), and interest on Floating Rate Notes will be calculated on the basis of a daily interest factor computed by dividing the interest rate applicable to such day by 360 (or, in the case of Treasury Rate Notes (as defined herein), by the actual number of days in the year).

Redemption:

Except as described in "Tax Redemption" below, no Note will be subject to redemption prior to its maturity at the option of the Issuer unless so indicated in such Note and the applicable Final Terms.

Tax Redemption:

If, as a result of certain changes in Mexican law, the Issuer, the Guarantor or any Subsidiary Guarantor becomes obligated to pay Additional Amounts (as defined herein) in excess of the Additional Amounts that any of them would be obligated to pay if payments on any Notes or Guaranties were subject to withholding tax in Mexico at a rate of 10%, then, at the Issuer's option, such Notes may be redeemed at any time in whole, but not in part, at a price equal to 100% of the outstanding principal amount thereof, except as specified in the applicable Final Terms, plus accrued interest and any Additional Amounts due thereon to the date of such redemption. See "Description of Notes—Redemption—Tax Redemption."

Early Repayment:

No Note will be subject to repayment at the option of the holder prior to its maturity unless so indicated in such Note and the applicable Final Terms.

Assumption of Issuer's Obligations by the Guarantor:

The Guarantor may assume payment of the principal of, any premium and any interest on the Notes and the performance of the Issuer under every covenant of the Indenture and the Notes without the consent of the holders of the Notes.

Indexed Notes:

The principal amount payable at or prior to maturity, the amount of interest payable and any premium payable with respect to each Note may be determined by the difference in the price of crude oil on certain dates, or by some other index or indices, if and as indicated in such Note and the applicable Final Terms.

Offering Price:

At par, unless otherwise indicated in the applicable Final Terms.

Trustee:

Deutsche Bank Trust Company Americas

Status of the Notes:

The Notes will constitute direct, unsecured and unsubordinated Public External Indebtedness (as defined under "Description of Notes—Negative Pledge") of the Issuer and will at all times rank equally with each other and with all other present and future unsecured and unsubordinated Public External Indebtedness of the Issuer. See "Description of Notes—Ranking of Notes."

Status of the Guaranties:

The Guaranties and the Subsidiary Guaranties will constitute direct, unsecured and unsubordinated Public External Indebtedness of the Guarantor and each of the Subsidiary Guarantors, respectively, and will rank equally with each other and with all other present and future unsecured and unsubordinated Public External Indebtedness of the Guarantor and each of the Subsidiary Guarantors. The Guarantor currently has outstanding certain financial leases which will, with respect to the assets securing such financial leases, rank prior to the Guaranties.

Collective Action Clauses:

The Notes will contain provisions regarding acceleration and future modifications to their terms that differ from those applicable to certain of the Issuer's and the Guarantor's other outstanding Public External Indebtedness issued prior to the date hereof. Under these provisions, in certain circumstances, the Issuer and the Guarantor may amend the payment and certain other provisions of an issue of Notes with the consent of the holders of 75% of the aggregate principal amount of such Notes.

Governing Law:

State of New York.

Agents:

Citigroup Global Markets Inc.
Citigroup Global Markets Limited
Credit Suisse Securities (USA) LLC
Credit Suisse Securities (Europe) Limited
Goldman, Sachs & Co.
Goldman Sachs International
J.P. Morgan Securities Inc.
J.P. Morgan Securities Limited
Lehman Brothers Inc.
Lehman Brothers International (Europe)

Final Terms:

The Issuer will prepare the Final Terms for each issuance of Notes setting forth, among other things, certain information about the terms of such Notes and the offering and sale thereof. Such information may differ from that set forth herein and in all cases will supplement and, to the extent inconsistent herewith, supersede the information herein.

RISK FACTORS

You should carefully consider the following factors as well as the other information in this Offering Circular.

Risk Factors Related to the Operations of PEMEX

Crude oil and natural gas prices are volatile, and low crude oil and natural gas prices negatively affect PEMEX's income.

International crude oil and natural gas prices are subject to global supply and demand and fluctuate due to many factors beyond PEMEX's control. These factors include competition within the oil and natural gas industry and with other industries in supplying clients with competing commodities, international economic trends, exchange rate fluctuations, expectations of inflation, domestic and foreign government regulations, political and other events in major crude oil and natural gas producing and consuming nations and actions taken by Organization of the Petroleum Exporting Countries (OPEC) members and other crude oil exporting countries.

When international crude oil and natural gas prices are low, PEMEX earns less export sales revenue, and, therefore, earns less income because its costs remain roughly constant. Conversely, when crude oil and natural gas prices are high, PEMEX earns more export sales revenue and its income increases. As a result, future fluctuations in international crude oil and natural gas prices will directly affect PEMEX's results of operations and financial condition.

PEMEX is an integrated oil and gas company and is exposed to production, equipment and transportation risks.

PEMEX is subject to several risks that are common among oil and gas companies. These risks include production risks (fluctuations in production due to operational hazards, natural disasters or weather, accidents, etc.), equipment risks (relating to the adequacy and condition of PEMEX's facilities and equipment) and transportation risks (relating to the condition and vulnerability of pipelines and other modes of transportation).

More specifically, PEMEX's business is subject to the risks of explosions in pipelines, refineries, plants, drilling wells and other facilities, hurricanes in the Gulf of Mexico and other natural or geological disasters and accidents, fires and mechanical failures. The occurrence of any of these events could result in personal injuries, loss of life, equipment damage, and environmental damage and the resulting clean-up and repair expenses.

Although PEMEX has purchased insurance policies covering some of these risks, these policies may not cover all liabilities, and insurance may not be available for all risks. See "Item 4—Information on the Company—Business Overview—PEMEX Corporate Matters—Insurance" in the Form 20-F.

PEMEX has a substantial amount of debt that could adversely affect its financial health and results of operations.

PEMEX has a substantial amount of debt. At December 31, 2006, the total indebtedness of PEMEX, excluding accrued interest but including notes payable to contractors, was approximately U.S. \$52.2 billion, which is a 4.8% increase over its total indebtedness, excluding accrued interest but including notes payable to contractors, of U.S. \$49.8 billion at December 31, 2005. PEMEX's level of debt may not decrease in the near or medium term and may have an adverse effect on its financial condition and results of operations.

To service its debt, PEMEX has relied and may continue to rely on a combination of cash flows provided by operations, drawdowns under its available credit facilities and the incurrence of additional

indebtedness. Certain rating agencies have expressed concern regarding both the total amount of debt and the increase in the indebtedness of PEMEX over the last several years and its substantial unfunded reserve for retirement pensions and seniority premiums. Due to its heavy tax burden, PEMEX has resorted to financings to fund its capital investment projects. Any lowering of the credit ratings of PEMEX may have adverse consequences on its ability to access the financial markets and/or its cost of financing. Although since December 2006 PEMEX has financed its investment in PIDIREGAS capital expenditures with its own resources through inter-company private placements (see “Item 5—Operating and Financial Review and Prospects—Liquidity and Capital Resources—Commitments for Capital Expenditures and Sources of Funding” in the Form 20-F), it has relied and will continue to rely primarily on debt to finance its investment in capital expenditures. If PEMEX is unable to obtain financing on terms that are favorable, this may hamper its ability to obtain further financing, and, as a result, PEMEX may not be able to make the capital expenditures needed to maintain its current production levels and increase Mexico’s hydrocarbon reserves, which may adversely affect its financial health and results of operation. See “—*PEMEX must make significant capital expenditures to maintain its current production levels and increase Mexico’s hydrocarbon reserves. Mexican Government budget cuts, reductions in PEMEX’s income and inability to obtain financing may limit PEMEX’s ability to make capital investments*” below and “Item 5—Operating and Financial Review and Prospects—Liquidity and Capital Resources—Financing Activities—2006 Financing Activities” in the Form 20-F.

PEMEX’s compliance with environmental regulations in Mexico could result in material adverse effects on its results of operations.

A wide range of general and industry-specific Mexican federal and state environmental laws and regulations apply to PEMEX’s operations. Numerous Mexican Government agencies and departments issue rules and regulations which are often difficult and costly to comply with and which carry substantial penalties for non-compliance. This regulatory burden increases PEMEX’s costs because it requires PEMEX to make significant capital expenditures and limits PEMEX’s ability to extract hydrocarbons, resulting in lower revenues. For an estimate of PEMEX’s accrued environmental liabilities, see “Item 4—Information on the Company—Environmental Regulation—Environmental Liabilities” in the Form 20-F.

PEMEX publishes less U.S. GAAP financial information than U.S. companies are required to file with the U.S. Securities and Exchange Commission.

PEMEX prepares its financial statements according to Mexican FRS. Mexican FRS differs in certain significant respects from U.S. GAAP. See “Item 3—Key Information—Selected Financial Data” in the Form 20-F and Note 20 to the Financial Statements. As a foreign issuer, PEMEX is not required to prepare quarterly U.S. GAAP financial information, and it therefore generally prepares a reconciliation of its net income and equity under Mexican FRS to U.S. GAAP as well as explanatory notes and additional disclosure requirements under U.S. GAAP on a yearly basis only. As a result, there may be less or different publicly available information about PEMEX than there is about U.S. issuers.

Risk Factors Related to the Relationship between PEMEX and the Mexican Government

The Mexican Government controls PEMEX; it could limit PEMEX’s ability to satisfy its external debt obligations, and the Mexican Government could privatize PEMEX.

Petróleos Mexicanos is a decentralized public entity of the Mexican Government, and therefore the Mexican Government controls PEMEX, as well as its annual budget, which is approved by the Mexican Congress. However, the financing obligations of PEMEX do not constitute obligations of and are not guaranteed by the Mexican Government. The Mexican Government has the power to intervene directly or indirectly in PEMEX’s commercial and operational affairs. Intervention by the Mexican Government could adversely affect PEMEX’s ability to make payments under any securities issued or guaranteed by PEMEX, including the Notes.

The Mexican Government’s agreements with international creditors may affect PEMEX’s external debt obligations, including the Guaranties and the Subsidiary Guaranties. In certain past debt

restructurings of the Mexican Government, Petróleos Mexicanos' external indebtedness was treated on the same terms as the debt of the Mexican Government and other public sector entities. In addition, Mexico has entered into agreements with official bilateral creditors to reschedule public sector external debt. Mexico has not requested restructuring of bonds or debt owed to multilateral agencies.

The Mexican Government would have the power, if federal law and the *Constitución Política de los Estados Unidos Mexicanos* (the Political Constitution of the United Mexican States) were amended, to privatize or transfer all or a portion of Petróleos Mexicanos and the Subsidiary Entities or their assets. A privatization could adversely affect production, cause a disruption in PEMEX's workforce and its operations, and cause PEMEX to default on certain obligations, including the Notes. See also "*Considerations Related to Mexico*" below.

Petróleos Mexicanos and the Subsidiary Entities pay special taxes, duties and dividends to the Mexican Government.

The Mexican Government taxes Petróleos Mexicanos and the Subsidiary Entities heavily. In 2006, approximately 55% of the sales revenues of Petróleos Mexicanos and the Subsidiary Entities were used to pay taxes to the Mexican Government. The Mexican Congress determines the rates of taxes and duties applicable to Petróleos Mexicanos and the Subsidiary Entities from year to year depending on a variety of factors. For further information, see "Item 4—Information on the Company—Taxes and Duties" and "Item 5—Operating and Financial Review and Prospects—General—IEPS Tax, Excess Gains Duty, Hydrocarbon Duties and Other Taxes" in the Form 20-F.

The Mexican Government has entered into agreements with other nations to limit production.

Although Mexico is not a member of OPEC, in the past it has entered into agreements with OPEC and non-OPEC countries to reduce global crude oil supply. PEMEX does not control the Mexican Government's international affairs and the Mexican Government could agree with OPEC or other countries to reduce PEMEX's crude oil production or exports in the future. A reduction in PEMEX's oil production or exports could reduce its revenues. For more information, see "Item 5—Operating and Financial Review and Prospects—Export Agreements" in the Form 20-F.

The Mexican Government has imposed price controls in the domestic market on PEMEX's products.

Since 2003, the Mexican Government has imposed price controls on the sales of natural gas and liquefied petroleum gas ("LPG"). In September 2005 and January 2007, the Mexican Government set a ceiling price for sales of natural gas and LPG, respectively, sold by PEMEX in the domestic market and, as a result, PEMEX was not able to pass on all of the increases in the prices of its product purchases to its customers in the domestic market. PEMEX does not control the Mexican Government's domestic policies and the Mexican Government could impose additional price controls in the domestic market on natural gas LPG or other petroleum products in the future. The imposition of such price controls would reduce the revenues of PEMEX. For more information, see "Item 4—Information on the Company—Business Overview—Gas and Basic Petrochemicals—Pricing Decrees" in the Form 20-F.

The Mexican nation, not PEMEX, owns the hydrocarbon reserves in Mexico.

The Political Constitution of the United Mexican States provides that the Mexican nation, not PEMEX, owns the petroleum and all hydrocarbon reserves located in Mexico. Although Mexican law gives Pemex-Exploration and Production the exclusive right to exploit Mexico's hydrocarbon reserves, it does not preclude the Mexican Congress from changing current law and assigning some or all of these rights to another company. Such an event would adversely affect PEMEX's ability to generate income.

Information on Mexico's hydrocarbon reserves is based on estimates, which are uncertain and subject to revisions.

The information on oil, gas and other reserves set forth in the Form 20-F is based on estimates. Reserves valuation is a subjective process of estimating underground accumulations of crude oil and natural gas that cannot be measured in an exact manner; the accuracy of any reserve estimate depends on the quality and reliability of available data, engineering and geological interpretation and subjective judgment. Additionally, estimates may be revised based on subsequent results of drilling, testing and production. Therefore, proved reserve estimates may differ materially from the ultimately recoverable quantities of crude oil and natural gas. Pemex-Exploration and Production revises its estimates of Mexico's hydrocarbon reserves annually, which may result in material revisions to PEMEX's estimates of Mexico's hydrocarbon reserves.

PEMEX must make significant capital expenditures to maintain its current production levels and increase Mexico's hydrocarbon reserves. Mexican Government budget cuts, reductions in PEMEX's income and inability to obtain financing may limit PEMEX's ability to make capital investments.

PEMEX invests funds to increase the amount of extractable hydrocarbon reserves in Mexico. PEMEX also continually invests capital to enhance its hydrocarbon recovery ratio and improve the reliability and productivity of its infrastructure. PEMEX's ability to make these capital expenditures is limited by the substantial taxes that it pays and cyclical decreases in its revenues primarily related to lower oil prices. In addition, budget cuts imposed by the Mexican Government and the availability of financing may also limit PEMEX's ability to make capital investments. For more information, see "Item 4—Information on the Company—History and Development—Capital Expenditures and Investments" in the Form 20-F.

PEMEX may claim some immunities under the Foreign Sovereign Immunities Act and Mexican law, and your ability to sue or recover may be limited.

Petróleos Mexicanos and the Subsidiary Entities are decentralized public entities of the Mexican Government. Accordingly, you may not be able to obtain a judgment in a U.S. court against them unless the U.S. court determines that they are not entitled to sovereign immunity with respect to that action. However, the Guarantor and the Subsidiary Guarantors have irrevocably submitted to the jurisdiction of the federal courts (or, if jurisdiction in federal courts is not available, to the jurisdiction of state courts) located in the Borough of Manhattan in The City of New York and, to the extent permitted by law, waived immunity from the jurisdiction of these courts in connection with any action based upon the Notes, the Guaranties or the Subsidiary Guaranties brought by any holder of Notes.

You should know, however, that the Guarantor and the Subsidiary Guarantors have reserved the right to plead immunity under the Foreign Sovereign Immunities Act of 1976 (the "Immunities Act") in actions brought against them under the U.S. federal securities laws or any state securities laws. Unless the Guarantor and the Subsidiary Guarantors waive their immunity against such actions, you could obtain a U.S. court judgment against one of them only if a U.S. court were to determine that they are not entitled to sovereign immunity under the Immunities Act with respect to that action.

In addition, Mexican law does not allow attachment prior to judgment or attachment in aid of execution upon a judgment by Mexican courts upon the assets of the Guarantor or any of the Subsidiary Guarantors. As a result, your ability to enforce judgments against the Guarantor and the Subsidiary Guarantors in the courts of Mexico may be limited. PEMEX also does not know whether Mexican courts would enforce judgments of U.S. courts based on the civil liability provisions of the U.S. federal securities laws. Therefore, even if you were able to obtain a U.S. judgment against the Guarantor or one or more of the Subsidiary Guarantors, you might not be able to obtain a judgment in Mexico that is based on that U.S. judgment. Moreover, you may not be able to enforce a judgment against the property of the Guarantor or a Subsidiary Guarantor in the United States except under the limited circumstances specified in the Foreign Sovereign Immunities Act. Finally, if you were to bring an action in Mexico

seeking to enforce the obligations of the Guarantor and the Subsidiary Guarantors under the Guaranties or Subsidiary Guaranties, satisfaction of those obligations may be made in pesos, pursuant to the laws of Mexico.

PEMEX's directors and officers reside outside the United States. Substantially all of PEMEX's assets and those of its directors and officers are located outside the United States. As a result, you may not be able to effect service of process on PEMEX's directors or officers within the United States.

Considerations Related to Mexico

Economic conditions and government policies in Mexico may have a material impact on PEMEX's operations.

A deterioration in Mexico's economic condition, social instability, political unrest or other adverse social developments in Mexico could adversely affect PEMEX's business and financial condition. Those events could also lead to increased volatility in the foreign exchange and financial markets, thereby affecting PEMEX's ability to obtain and service foreign debt. In addition, the Mexican Government may cut spending in the future. These cuts could adversely affect PEMEX's business, financial condition and prospects. In the past, Mexico has experienced several periods of slow or negative economic growth, high inflation, high interest rates, currency devaluation and other economic problems. These problems may reemerge in the future, and could adversely affect PEMEX's business and its ability to service its debt, including the Notes.

Changes in exchange rates or in Mexico's exchange control laws may hamper the ability of PEMEX to service its foreign currency debt.

While the Mexican Government does not currently restrict the ability of Mexican companies or individuals to convert pesos into dollars or other currencies, in the future, the Mexican Government could impose a restrictive exchange control policy, as it has done in the past. PEMEX cannot assure you that the Mexican Government will maintain its current policies with regard to the peso or that the peso's value will not fluctuate significantly in the future. The peso has been subject to significant devaluations against the U.S. dollar in the past and may be subject to significant fluctuations in the future. Mexican Government policies affecting the value of the peso could prevent PEMEX from paying its foreign currency obligations.

Most of PEMEX's debt is denominated in U.S. dollars, as is all of the debt of Pemex Finance, Ltd., a Cayman Islands company with limited liability established to issue securities backed by crude oil receivables sold through PEMEX's subsidiary P.M.I. Comercio Internacional, S.A. de C.V. ("PMI" and together with P.M.I. Trading, Ltd. and their affiliates, the "PMI Group") to provide financing for investments in certain of PEMEX's largest capital expenditures for PIDIREGAS. In the future, PEMEX may incur additional indebtedness denominated in U.S. dollars or other currencies. Declines in the value of the peso relative to the U.S. dollar or other currencies may increase PEMEX's interest costs in pesos and result in foreign exchange losses.

For information on historical peso/U.S. dollar exchange rates, see "Item 3—Key Information—Exchange Rates" in the Form 20-F.

Political conditions in Mexico could materially and adversely affect Mexican economic policy and, in turn, PEMEX's operations.

Political events in Mexico may significantly affect Mexican economic policy and, consequently, PEMEX's operations. Presidential and federal congressional elections in Mexico were held on July 2, 2006. On December 1, 2006, Felipe de Jesús Calderón Hinojosa, a member of the National Action Party, formally assumed office as the new President of Mexico. As a result of these elections, no political party holds a simple majority in either house of the Mexican Congress. It is not certain how the policies of the

new administration and a possible lack of alignment between the President of Mexico and the Mexican Congress may affect PEMEX.

Other Risk Factors

If PEMEX is not able to adequately implement the requirements of Section 404 of the Sarbanes-Oxley Act of 2002 and is the subject of sanctions or investigation, PEMEX's results of operations and its ability to provide timely and reliable financial information may be adversely affected.

Changing laws, regulations and standards relating to corporate governance and public disclosure, including the Sarbanes-Oxley Act of 2002 and related regulations implemented by the SEC and the Public Company Accounting Oversight Board, or PCAOB, are creating uncertainty for public companies and foreign issuers, increasing legal and financial compliance costs and making some activities more time consuming. PEMEX will be evaluating its internal controls over financial reporting to allow management to report on, and its registered independent public accounting firm to attest to, its internal controls over financial reporting. PEMEX will be performing the system and process evaluation and testing (and any necessary remediation) required to comply with the management certification and auditor attestation requirements of Section 404 of the Sarbanes-Oxley Act of 2002, which for the management's report, PEMEX is required to comply within its annual report which PEMEX will file in 2008 for its 2007 fiscal year, and, for the auditor's attestation report, PEMEX is required to include in the annual report which will be filed in 2009 for the 2008 fiscal year. As a result, PEMEX will incur substantial additional expenses and diversion of management's time. While PEMEX expects to be able to fully implement the requirements relating to internal controls and all other aspects of Section 404 by its deadline, PEMEX cannot be certain as to the timing of completion of its evaluation, testing and any remediation actions or the impact of the same on its operations since there is presently no precedent available by which to measure compliance adequacy. If PEMEX is not able to implement the requirements of Section 404 in a timely manner or with adequate compliance, PEMEX might be subject to sanctions or investigation by regulatory authorities such as the SEC or the PCAOB. Any such action could adversely affect PEMEX's financial results. In addition, if PEMEX fails to develop and maintain effective internal controls and procedures, PEMEX may be unable to provide the financial information in a timely and reliable manner.

Considerations Related to the Notes

The Notes are subject to restrictions on resales and transfers.

The Notes have not been registered under the Securities Act or any state securities laws and may not be offered or sold within the United States or to, or for the account or benefit of, U.S. persons except pursuant to an exemption from, or in a transaction not subject to, the registration requirements of the Securities Act and applicable state securities laws. Accordingly, the Notes may be offered and sold only (a) to "Qualified Institutional Buyers" (as defined in Rule 144A under the Securities Act) in compliance with Rule 144A; (b) pursuant to offers and sales that occur outside the United States in compliance with Regulation S under the Securities Act; (c) pursuant to an exemption from registration provided by Rule 144 under the Securities Act (if available); or (d) pursuant to an effective registration statement under the Securities Act, in each case in accordance with any applicable securities laws of any state of the United States or any other jurisdiction. For certain restrictions on resale and transfer, see "Offering and Sale" and "Notice to Investors."

There is no prior market for the Notes; if one develops, it may not be liquid. In addition, a listing of the Notes on a securities exchange cannot be guaranteed.

There currently is no market for the Notes. PEMEX cannot promise that such a market will develop or if it does develop, that it will continue to exist. If a market for the Notes were to develop, prevailing interest rates and general market conditions could affect the price of the Notes. This could cause the Notes to trade at prices that may be lower than their principal amount or their initial offering price.

In addition, although application has been made to admit the Notes to listing on the Official List of the Luxembourg Stock Exchange and to trading on the Euro MTF, the Notes issued under this program may not be so listed and traded. Moreover, even if a tranche of Notes is so listed and traded at the time of issuance, the Issuer may decide to delist the Notes and/or seek an alternative listing for such Notes on another stock exchange, although there can be no assurance that such alternative listing will be obtained.

The Notes will contain provisions that permit the Issuer to amend the payment terms of a series of Notes without the consent of all holders.

The Notes will contain provisions regarding acceleration and voting on amendments, modifications and waivers, which are commonly referred to as "collective action clauses." Under these provisions, certain key terms of a series of the Notes may be amended, including the maturity date, interest rate and other payment terms, without the consent of the holders. See "Description of Notes—Modification and Waiver."

The Notes provide a number of exceptions to the obligations to gross-up for Mexican withholding taxes and do not include a gross-up provision for United States withholding taxes.

Payments under the Notes are subject to withholding or deduction for Mexican taxes. The Notes currently provide that the Issuer or, as the case may be, the Guarantor or the relevant Subsidiary Guarantor, will be required to pay such Additional Amounts as may be necessary in order to compensate holders of the Notes for any such withholding or deduction, subject to certain conditions. These conditions include, among others, the satisfaction by the holders of certain certification or similar requirements necessary to demonstrate that they are eligible for a reduced rate of Mexican withholding tax. If you are not able or willing to comply with one or more of these requirements or if you otherwise fit into one of the Notes' exceptions to the obligation of the Issuer, the Guarantor or the relevant Subsidiary Guarantor to pay such Additional Amounts, you may receive an amount which is less than the amount stated to be due and payable on the Notes.

The Notes are the obligations of the Issuer, a Delaware statutory trust that acts as a financing vehicle for the Guarantor. The Issuer and the Guarantor believe that payments on the Notes are not currently subject to any such U.S. withholding tax or similar deduction. If such a tax were to be imposed, the Notes do not require the Issuer to compensate holders of the Notes for any such withholding or deduction.

USE OF PROCEEDS

Unless otherwise indicated in the applicable Final Terms, the net proceeds from the issuance of the Notes offered hereby will be used by the Issuer to finance PEMEX's investment program. For more information on PEMEX's investment program, see "Item 4—Information on the Company—Capital Expenditures and Investments" in the Form 20-F.

SELECTED FINANCIAL DATA

The selected financial data set forth below should be read in conjunction with, and are qualified in their entirety by reference to the Financial Statements. The selected financial data set forth below as of and for the five years ended December 31, 2006 have been derived from the Financial Statements, which were audited by PricewaterhouseCoopers, S.C., an independent registered public accounting firm. The selected financial data set forth below as of and for the six months ended June 30, 2006 and 2007 have been derived from PEMEX's condensed consolidated interim financial statements, which were not audited.

The Financial Statements for the years ended December 31, 2002, 2003, 2004 and 2005 were prepared in accordance with Mexican Generally Accepted Accounting Principles ("Mexican GAAP"). The Financial Statements for the year ended December 31, 2006 and the condensed consolidated interim financial data were prepared in accordance with Mexican FRS, which replaced Mexican GAAP, although this change had no accounting implications for PEMEX in 2006 or for the first six months of 2007. In this document, unless otherwise stated, the term Mexican FRS means (1) Mexican GAAP for periods ending prior to January 1, 2006 and (2) NIFs for periods ending on or after January 1, 2006. See "Item 5—Operating and Financial Review and Prospects—Recently Issued Accounting Standards" in the Form 20-F. Beginning January 1, 2003, PEMEX recognized the effects of inflation in accordance with Governmental Standard GS-06 BIS "A" Section C, which requires the adoption of Bulletin B-10, "Recognition of the Effects of Inflation on Financial Information," under Mexican FRS ("Bulletin B-10"). As a result of the provisions of Bulletin B-10, PEMEX's Financial Statements have been restated for the years ended December 31, 2002, 2003, 2004 and 2005, in order to present its results for each of these years on the same basis and purchasing power as its results for the year ended December 31, 2006 with respect to the recognition of the effects of inflation. Consequently, the amounts shown in the Financial Statements are expressed in thousands of constant Mexican pesos as of December 31, 2006. The December 31, 2006 restatement factors applied to the financial statements at December 31, 2002, 2003, 2004 and 2005 were 1.1760, 1.1310, 1.0752 and 1.0405, respectively, which correspond to inflation from January 1, 2002, 2003, 2004 and 2005 through December 31, 2006, respectively, based on the national consumer price index, or "NCPI." See Note 2b. to the Financial Statements in the Form 20-F for a summary of the effects of adoption of Bulletin B-10 and Notes 2h., 2m., 2n., 2o. and 2x. to the Financial Statements in the Form 20-F for a discussion of the inflation accounting rules applied as a result of the adoption of Bulletin B-10. As discussed above, the consolidated interim financial data set forth below is stated in constant pesos with purchasing power as of June 30, 2007, and not as of December 31, 2006 as is the case with the information presented for the five years ended December 31, 2006. Accordingly, the consolidated interim financial information presented below for the six months ended June 30, 2006 and 2007 is not directly comparable to the information presented for the five years ended December 31, 2006 or the Financial Statements because they are stated in constant pesos as of different dates. In addition, no reconciliation of the consolidated interim financial information to U.S. GAAP has been prepared.

Mexican FRS differs in certain significant respects from U.S. GAAP. The principal differences between PEMEX's net income and equity under U.S. and Mexican FRS are described in Note 20 to the Financial Statements and "Item 5—Operating and Financial Review and Prospects—U.S. GAAP Reconciliation" in the Form 20-F.

Selected Financial Data of PEMEX

	Year Ended December 31, ⁽¹⁾⁽²⁾					
	2002	2003	2004	2005	2006	2006 ⁽⁴⁾
	(in millions of constant pesos as of December 31, 2006) ⁽³⁾					(in millions of U.S. dollars)
Income Statement Data						
Amounts in accordance with Mexican FRS:						
Net sales ⁽⁵⁾	Ps.582,306	Ps.707,374	Ps.831,769	Ps.966,284	Ps.1,062,495	\$ 97,647
Total revenues ⁽⁵⁾	582,205	710,724	843,763	978,601	1,132,236	104,056
Total revenues net of the						
IEPS Tax.....	443,726	604,321	784,943	957,567	1,132,236	104,056
Operating income.....	334,466	415,726	489,437	518,970	581,348	53,428
Comprehensive financing cost..	7,057	34,770	7,578	4,661	22,983	2,112
Net income (loss) for the period.....	(27,795)	(45,970)	(27,413)	(79,374)	45,252	4,159
Balance Sheet Data (end of period)						
Amounts in accordance with Mexican FRS:						
Cash and cash equivalents.....	51,598	82,945	91,256	125,724	188,684	17,341
Total assets.....	868,309	956,248	1,018,792	1,084,818	1,204,734	110,719
Long-term debt.....	224,672	343,394	436,358	521,924	505,474	46,455
Total long-term liabilities.....	616,968	749,523	831,893	941,634	994,854	91,430
Equity (deficit).....	117,521	51,870	35,851	(27,959)	39,954	3,672
Amounts in accordance with U.S. GAAP:						
Total revenues net of IEPS						
Tax.....	443,726	604,321	780,302	957,564	1,129,349	103,791
Operating income net of IEPS						
Tax.....	189,472	279,203	435,156	516,025	655,141	60,210
Comprehensive financing (cost) income.....	(9,557)	(30,325)	2,239	(11,341)	(17,494)	(1,608)
Net income (loss) for the period.....	(36,946)	(74,997)	(13,990)	(76,900)	54,667	5,024
Total assets.....	860,435	922,318	981,673	1,040,628	1,179,919	108,438
Equity (deficit).....	19,376	(50,240)	(52,530)	(116,561)	(22,054)	(2,027)
Other Financial Data						
Amounts in accordance with Mexican FRS:						
Depreciation and Amortization.....	38,245	45,856	45,051	54,931	63,293	5,817
Investments in fixed assets at cost ⁽⁶⁾	107,413	76,756	80,708	86,600	100,856	9,269

(1) Includes Petróleos Mexicanos, the Subsidiary Entities and the Subsidiary Companies (including the Issuer and, for U.S. GAAP purposes, Pemex Finance, Ltd.). For Mexican FRS purposes, beginning with the year ended December 31, 2005, the financial position and results of Pemex Finance, Ltd. is included. For Mexican FRS and U.S. GAAP purposes, beginning with the year ended December 31, 2003, the financial position and results of Fideicomiso F/163 and RepCon Lux, S.A. are included.

(2) Mexican FRS differs from U.S. GAAP. For the most significant differences between U.S. GAAP and Mexican FRS affecting the Financial Statements, see Note 20 to the Financial Statements "Item 5—Operating and Financial Review and Prospects—U.S. GAAP Reconciliation" in the Form 20-F.

(3) The Financial Statements for each of the five years ended December 31, 2006 were prepared in accordance with Mexican FRS, including the recognition of the effects of inflation in accordance with Bulletin B-10.

(4) Translations into U.S. dollars of amounts in pesos have been made at the established exchange rate for accounting purposes of Ps. 10.8810 = U.S. \$1.00 at December 31, 2006. Such translations should not be construed as a representation that the peso amounts have been or could be converted into U.S. dollar amounts at the foregoing or any other rate.

(5) Includes the Special Tax on Production and Services, the "IEPS Tax" as part of the sales price of the products sold, except in 2006, when the IEPS Tax was negative.

(6) Includes investments in fixed assets and capitalized interest. For 2003, it excludes certain expenditures charged to the oil field exploration and depletion reserve. See Note 2e. to the Financial Statements included and "Item 5—Operating and Financial Review and Prospects—Liquidity and Capital Resources" in the Form 20-F.

Source: PEMEX's Financial Statements.

Selected Financial Data of PEMEX (continued)

Six Months Ended June 30, ⁽¹⁾⁽²⁾⁽³⁾					
	2006		2007		2007 ⁽⁴⁾
	(in millions of constant pesos as of June 30, 2007)			(in millions of U.S. dollars)	
Income Statement Data					
Amounts in accordance with Mexican FRS:					
Net sales ⁽⁵⁾	Ps.	543,192	Ps.	512,526	\$ 47,480
Total revenues ⁽⁵⁾		572,131		549,726	50,926
Total revenues net of the IEPS Tax		572,131		549,726	50,926
Operating income ⁽⁶⁾		317,151		277,440	25,702
Comprehensive financing cost..		27,049		14,737	1,365
Net Income for the period		20,127		26,968	2,498
Balance Sheet Data (end of period)					
Amounts in accordance with Mexican FRS:					
Cash and cash equivalents		101,621		172,624	15,992
Total assets		1,157,696		1,248,090	115,622
Long-term debt ⁽⁷⁾		570,186		476,863	44,176
Total long-term liabilities		1,019,716		993,336	92,022
Equity		(10,610)		72,299	6,698
Other Financial Data					
Depreciation and Amortization		30,800		31,916	2,957

(1) Unaudited.

(2) Includes Petróleos Mexicanos, the Subsidiary Entities and the Subsidiary Companies (including the Issuer).

(3) The consolidated interim financial data were prepared in accordance with Mexican FRS, including the recognition of the effect of inflation in accordance with Bulletin B-10.

(4) Convenience translations into U.S. dollars of amounts in pesos have been made at the established exchange rate of Ps. 10.7946 = U.S. \$1.00 at June 30, 2007. Such translations should not be construed as a representation that the peso amounts have been or could be converted into U.S. dollar amounts at the foregoing or any other rate.

(5) Includes the IEPS Tax, which is described in "Item 5— Operating and Financial Review and Prospects —IEPS Tax, Excess Gains Duty, Hydrocarbon Duties and Other Taxes" in the Form 20-F, as part of the sales price of the products sold.

(6) Equal to net sales minus total costs and operating expenses.

(7) Includes maturities longer than twelve months of documented debt (Petróleos Mexicanos, the Issuer, the Mexican Trust F/163, Pemex Finance, Ltd., and Repcon Lux, S.A.), notes payable to contractors.

Source: PEMEX's interim financial statements.

THE ISSUER

The Issuer was organized as a statutory trust under Delaware law pursuant to the Trust Agreement. The Bank of New York acts as Managing Trustee and The Bank of New York (Delaware) acts as Delaware trustee of the Issuer. The Issuer's purpose, as set forth in the Trust Agreement, is to administer certain financial resources earmarked for PIDIREGAS, which are described below.

Petróleos Mexicanos is the sole beneficiary of the Issuer and controls the Issuer in all of its activities. As set forth below, the Issuer is dependent on payments by the Guarantor and Subsidiary Guarantors in respect of indebtedness incurred by the Issuer.

PIDIREGAS Projects

Under Mexico's General Law of Public Debt, a PIDIREGAS must be a long-term productive infrastructure project which is:

- related to an economic activity identified as a priority by the Mexican Government,
- expected to generate funds sufficient to repay the financing incurred for the project, and
- previously approved by the Mexican Government.

The Guarantor or a Subsidiary Guarantor negotiates and enters into turn-key and other contracts including construction and acquisition contracts in connection with PIDIREGAS. PEMEX subsequently delegates to the Issuer the payment obligations under the related project contracts and transfers any funds obtained through related financing transactions. Accordingly, upon receipt by PEMEX of invoices under the project contracts, the Guarantor instructs the Issuer to make payment to the appropriate contractors.

Financings for PIDIREGAS are either entered into by the Guarantor and assigned to the Issuer or arranged by the Guarantor and entered into directly by the Issuer, as is the case with the Notes. In either case, funds obtained through these financings are transferred to The Bank of New York as Managing Trustee, whose decisions are, in turn, dictated by Petróleos Mexicanos. All payments under financings entered into by or assigned to the Issuer are unconditionally guaranteed by Petróleos Mexicanos. The Subsidiary Guarantors jointly and severally guarantee Petróleos Mexicanos' payment obligations under its guaranties of these financings.

The Issuer has been consolidated with PEMEX in the Financial Statements and in the unaudited interim financial information set forth in Annex A to this Offering Circular.

Assignment and Indemnity Agreement

Under an Assignment and Indemnity Agreement dated November 10, 1998, as amended by Amendment No. 1 on August 17, 2006, among Petróleos Mexicanos, The Bank of New York and the Subsidiary Guarantors, Petróleos Mexicanos and the Subsidiary Guarantors have assumed certain obligations of the Issuer with respect to the liabilities incurred or assumed by the Issuer in connection with PIDIREGAS. These obligations include:

- the obligation of the Guarantor to guarantee the repayment of the debt obligations undertaken by the Issuer to finance PIDIREGAS;
- the obligation of the Guarantor and the particular Subsidiary Guarantor that is sponsoring a PIDIREGAS to make payments to the Issuer as may be necessary for the Issuer to fulfill its payment obligations in respect of any financing that the Issuer has entered into in connection with the PIDIREGAS; and

- the joint and several obligations of the Guarantor and each of the Subsidiary Guarantors to indemnify the Issuer with respect to any liability incurred by the Issuer in connection with PIDIREGAS.

Liquidity and Capital Resources

Petróleos Mexicanos makes decisions to draw-down funds under PIDIREGAS-related financings on the basis of the short-term obligations of the Issuer under PIDIREGAS contracts. The Issuer invests any excess liquidity in short-term investments, including interest-bearing deposits at Banco de México and other foreign banks.

At December 31, 2006, cash and cash equivalents of the Issuer totaled U.S. \$2.01 billion, its total assets were U.S. \$42.07 billion, its long-term indebtedness totaled U.S. \$37.54 billion, its short-term indebtedness (including interest payable of U.S. \$0.53 billion) totaled U.S. \$3.39 billion and its other liabilities totaled U.S. \$1.14 billion (including accounts payable to contractors of U.S. \$0.96 billion and derivative instruments with a fair value of U.S. \$0.03 billion), of which short-term liabilities totaled U.S. \$0.15 billion.

At June 30, 2007, cash and cash equivalents of the Issuer totaled U.S. \$3.35 billion, its total assets were U.S. \$48.40 billion, its long-term indebtedness totaled U.S. \$43.46 billion, its short-term indebtedness (including interest payable of U.S. \$0.54 billion) totaled U.S. \$4.16 billion and its other liabilities totaled U.S. \$0.75 billion (including accounts payable to contractors of U.S. \$0.62 billion and derivative instruments with a fair value of U.S. \$0.04 billion), of which short-term liabilities totaled U.S. \$0.09 billion.

The assets of the Issuer consist primarily of the funds it receives through various PIDIREGAS financings incurred directly or indirectly by the Issuer, earnings from the short-term investment of its excess liquidity and its rights to receive payment from the Guarantor and the Subsidiary Guarantors.

Future amortization of the Issuer's outstanding indebtedness of U.S. \$47.1 billion at June 30, 2007 is scheduled as follows:

Issuer Indebtedness Amortization Schedule						
Maturities						
2007	2008	2009	2010	2011	Over 5 years	Total
(in millions of U.S. dollars)						
U.S. \$1,842.42	U.S. \$3,978.43	U.S. \$4,559.56	U.S. \$4,618.42	U.S. \$4,295.15	U.S. \$27,785.91	U.S. \$47,079.89

SUBSIDIARY GUARANTORS

The Subsidiary Guarantors—Pemex-Exploration and Production, Pemex-Refining and Pemex-Gas and Basic Petrochemicals—are decentralized public entities of Mexico, which were created by the Mexican Congress on July 17, 1992 out of operations that had previously been directly managed by Petróleos Mexicanos. Each of the Subsidiary Guarantors is a legal entity empowered to own property and carry on business in its own name. The executive offices of each of the Subsidiary Guarantors are located at Avenida Marina Nacional No. 329, Colonia Huasteca, México, D.F. 11311, México.

The *Ley Orgánica de Petróleos Mexicanos y Organismos Subsidiarios* (the Organic Law of Petróleos Mexicanos and Subsidiary Entities) allocates the operating functions of Petróleos Mexicanos among the Subsidiary Entities, each of which is a 100% subsidiary of Petróleos Mexicanos. The principal objectives of the Subsidiary Guarantors, as noted in Article 3 of the Organic Law of Petróleos Mexicanos and Subsidiary Entities, are as follows:

- Pemex-Exploration and Production explores for and exploits crude oil and natural gas and transports, stores and markets these hydrocarbons;
- Pemex-Refining refines petroleum products and derivatives that may be used as basic industrial raw materials and stores, transports, distributes and markets these products and derivatives; and
- Pemex-Gas and Basic Petrochemicals processes natural gas, natural gas liquid and artificial gas derivatives and stores, transports, distributes and markets these hydrocarbons and derivatives that may be used as basic industrial raw materials.

For further information about the legal framework governing the Subsidiary Guarantors, see “Item 4—Information on the Company—Organizational Laws” in the Form 20-F. Copies of the Organic Law of Petróleos Mexicanos and Subsidiary Entities will be available at the specified offices of Deutsche Bank Trust Company Americas and the paying agent and transfer agent in Luxembourg.

The Subsidiary Guarantors have been consolidated with PEMEX in the Financial Statements and in the interim financial information set forth in Annex A. See Note 21 to the Financial Statements for the condensed balance sheets, statements of operations and statements of cash flow for the Subsidiary Guarantors. None of the Subsidiary Guarantors publish their own financial statements.

The following is a brief description of each Subsidiary Guarantor.

Pemex-Exploration and Production

Pemex-Exploration and Production is entrusted with the exploration of crude oil and natural gas in Mexican territory. Pemex-Exploration and Production explores for and produces crude oil and natural gas, primarily in the northeastern and southeastern regions of Mexico and offshore in the Gulf of Mexico. In nominal peso terms, PEMEX increased its capital investment in exploration and production activities by 15.2% in 2006, and PEMEX continued financing an array of programs to expand production capacity and efficiency. As a result of its investments in previous years, PEMEX's total hydrocarbon production reached a level of approximately 4,434 thousand barrels of oil equivalent per day in 2006. Pemex-Exploration and Production's crude oil production decreased by 2.3% from 2005 to 2006, averaging 3,256 thousand barrels per day in 2006. Pemex-Exploration and Production's natural gas production (excluding natural gas liquids) decreased by 11.2% from 2005 to 2006, averaging 5,356 million cubic feet per day in 2006. Exploration drilling activity decreased by 6.8%, from 74 exploratory wells in 2005 to 69 exploratory wells in 2006. Development drilling activity decreased by 12.1%, from 668 development wells in 2005 to 587 development wells in 2006. In 2006, PEMEX completed the drilling of 656 wells. PEMEX's drilling activity in 2006 was focused on increasing the production of non-associated gas and light oil production in the Burgos, Veracruz and Macuspana regions.

PEMEX's offshore drilling efforts in 2006 led to significant discoveries of non-associated gas fields and light and extra-light crude oil resources, particularly in the Southwestern Marine region. PEMEX's current challenge with respect to these discoveries is their development in the following years.

For further information regarding Pemex-Exploration and Production and its estimates of Mexico's reserves, see "Item 4—Information on the Company—Exploration and Production" in the Form 20-F.

Pemex-Refining

Pemex-Refining converts crude oil into gasoline, jet fuel, diesel, fuel oil, asphalts and lubricants. It also distributes and markets most of these products throughout Mexico, where it experiences a significant demand for its refined products. Pemex-Refining's atmospheric distillation refining capacity remained constant at approximately 1,540 thousand barrels per day during 2006. In 2006, Pemex-Refining produced 1,330 thousand barrels per day of refined products, as compared to 1,338 thousand barrels per day of refined products in 2005.

For further information about Pemex-Refining, see "Item 4—Information on the Company—Refining" in the Form 20-F.

Pemex-Gas and Basic Petrochemicals

Pemex-Gas and Basic Petrochemicals processes wet natural gas in order to obtain dry natural gas, LPG and other natural gas liquids. Furthermore, it transports, distributes and sells natural gas and **LPG** throughout Mexico and produces and sells several basic petrochemical feedstocks, which are used by Pemex-Refining or Pemex-Petrochemicals. In 2006, Pemex-Gas and Basic Petrochemicals' total sour natural gas processing capacity remained constant at approximately 4,503 million cubic feet per day. Pemex-Gas and Basic Petrochemicals processed 3,203 million cubic feet per day of sour natural gas in 2006, a 1.6% increase from the 3,153 million cubic feet per day of sour natural gas processed in 2005. It produced 436 thousand barrels per day of natural gas liquids in 2006, remaining constant from natural gas liquid production in 2005. It also produced 3,445 million cubic feet per day of dry gas in 2006, a 9.5% increase from the 3,147 million cubic feet per day produced in 2005. For further information about Pemex-Gas and Basic Petrochemicals, see "Item 4—Information on the Company—Gas and Basic Petrochemicals" in the Form 20-F.

DESCRIPTION OF NOTES

General

The Notes are to be issued under an Indenture (the “Indenture”), dated as of December 30, 2004, among the Issuer, the Guarantor and Deutsche Bank Trust Company Americas, as trustee (the “Trustee”). The following summaries of certain provisions of the Indenture and the Notes do not purport to be complete and are subject to, and are qualified in their entirety by reference to, all of the provisions of the Indenture and the Notes, including the definitions therein of certain terms. Wherever particular defined terms of the Indenture are referred to, such defined terms are incorporated herein by reference. Capitalized terms not otherwise defined herein shall have the meanings given to them in the Indenture or the Notes.

The particular terms of each issue of Notes, including the purchase price, currency or currency unit of denomination and payment, Stated Maturity (as defined below), form, interest rate, interest payment dates, and, if applicable, redemption, repayment and index provisions, will be set forth for each such issue in the Notes and the applicable Final Terms. With respect to any particular Note, the description of the Notes herein is qualified in its entirety by reference to, and to the extent inconsistent therewith is superseded by, such Notes and the applicable Final Terms.

The Notes are limited to an aggregate initial offering price of U.S. \$40,000,000,000 or its equivalent in other currencies or currency units. The foregoing limit, however, may be increased by the Issuer if in the future it determines that it may wish to sell additional Notes.

The issuance of the Notes has been duly authorized by the managing trustee of the Issuer and the board of directors of the Guarantor, provided that additional authorization of the board of directors of the Guarantor will be necessary in order to issue Notes after December 31, 2007.

Unless previously redeemed, a Note will mature on the date (the “Stated Maturity”) from 1 or more years from its date of issue that is specified on the face thereof and the applicable Final Terms.

Each Note will be denominated in U.S. dollars or in one or more foreign currencies or currency units (each, a “Specified Currency”) as shall be specified in such Note and the applicable Final Terms. Unless otherwise specified in the Notes and the applicable Final Terms, payments on the Notes will be made in the applicable Specified Currency, except in the circumstances specified under “—Foreign Currency Notes and Indexed Notes” below. The Final Terms for each issue of Foreign Currency Notes will include additional information with respect to exchange rates applicable to the currency or currency unit specified therein, any relevant foreign exchange controls and any relevant foreign currency risk.

Unless otherwise indicated in the applicable Final Terms, each Note, except any Indexed Note, will bear interest at a fixed rate or at a rate determined by reference to LIBOR or the Treasury Rate, as adjusted by the Spread and/or Spread Multiplier, if any, applicable to such Note. See “—Interest Rate” below.

The Notes may be issued as Original Issue Discount Notes. “Original Issue Discount Note” means (i) a Note, including any Note having an interest rate of zero, that has a stated redemption price at maturity that exceeds its issue price (each as defined for U.S. federal income tax purposes) by at least 0.25% of such stated redemption price at maturity, multiplied by the number of complete years from the issue date to the Stated Maturity for such Note and (ii) any other Note designated by the Issuer as issued with original issue discount for U.S. federal income tax purposes, as disclosed in the applicable Final Terms.

The Notes may be issued as Indexed Notes (as defined below), the principal amount of which payable on or prior to Stated Maturity, the amount of interest payable on which and/or any premium payable with respect to which will be determined by reference to the difference in the price of crude oil on

certain specified dates or by some other index or indices. See “—Foreign Currency Notes and Indexed Notes” below.

The Indenture does not limit the aggregate amount of debt securities that may be issued thereunder and provides that debt securities may be issued thereunder from time to time in one or more series.

The Issuer has agreed to maintain Paying Agents and Transfer Agents in the Borough of Manhattan, The City of New York, and in the City of London. The Issuer has initially appointed the Trustee at its corporate trust office in New York as principal Paying Agent, Transfer Agent, Authenticating Agent and Registrar for all Registered Notes and the Trustee at its corporate trust office in London as principal Paying Agent and Authenticating Agent for all Bearer Notes. The Transfer Agent will keep a register in which, subject to such reasonable regulations as the Issuer may prescribe, the Issuer will provide for the registration of the Notes and the registration of transfers of the Notes. For so long as any Notes are outstanding, the Issuer shall maintain a Paying Agent and a Transfer Agent for the Notes in a city in Western Europe (which, for so long as any Notes are listed on the Official List of the Luxembourg Stock Exchange and traded on the Euro MTF, and the rules of such Exchange so require, shall include a Paying Agent and Transfer Agent in Luxembourg), and, for so long as any Registered Notes are outstanding, the Issuer shall maintain a Paying Agent and Transfer Agent in The City of New York. See “—Payment of Principal and Interest” below.

Ranking of Notes and Guaranties

The Notes will constitute direct, unsecured and unsubordinated Public External Indebtedness (as defined under “—Negative Pledge” below) of the Issuer and will at all times rank equally with each other. The payment obligations of the Issuer under the Notes will, except as may be provided by applicable law and subject to “—Negative Pledge” below, at all times rank equally with all other present and future unsecured and unsubordinated Public External Indebtedness of the Issuer. The payment of principal of and interest on the Notes will be unconditionally guaranteed by the Guarantor pursuant to the Guaranties, and the Guarantor’s payment obligations under the Guaranties will be guaranteed, jointly and severally, by the Subsidiary Guarantors pursuant to the Subsidiary Guaranty Agreement and the Certificates of Designation (as defined below) delivered by the Guarantor to each Subsidiary Guarantor designating the Guaranties and the Indenture as subject to the Subsidiary Guaranty Agreement. See “—Guaranties” below. The Guaranties and the Subsidiary Guaranties will constitute direct, unsecured and unsubordinated Public External Indebtedness of the Guarantor and the Subsidiary Guarantors, respectively, and will, except as may be provided by applicable law and subject to “—Negative Pledge” below, at all times rank equally with each other and with all other present and future unsecured and unsubordinated Public External Indebtedness of the Guarantor and the Subsidiary Guarantors, respectively. The Notes are not obligations of, or guaranteed by, Mexico.

Form and Denomination

Notes may be issued in registered form without interest coupons (“Registered Notes”) or in bearer form, with or without interest coupons (“Bearer Notes”), as specified in the applicable Final Terms and as described below.

Unless otherwise specified in the applicable Final Terms, Registered Notes will be issued in denominations of U.S. \$10,000 and integral multiples thereof and Bearer Notes will be issued in denominations of U.S. \$10,000 and U.S. \$100,000 (or, in each case, the approximate equivalent thereof in a specified currency or currency unit).

Registered Notes will be issued in the forms described below, unless otherwise specified in the applicable Final Terms.

Registered Notes of the same tranche and tenor initially sold outside the United States in compliance with Regulation S will be represented by one or more Registered Notes in global form (collectively, a

“Regulation S Global Note”) which will be (a) deposited with the Trustee in New York as custodian for DTC and will be registered in the name of a nominee of DTC, for the accounts of Euroclear and Clearstream, Luxembourg or (b) deposited with a common depositary for Euroclear and Clearstream, Luxembourg and registered in the name of such common depositary or its nominee, for the accounts of Euroclear and Clearstream, Luxembourg (DTC or such other depositary, a “Depositary”).

Registered Notes of the same tranche or tenor initially sold within the United States and eligible for resale in reliance on Rule 144A will be represented by one or more Registered Notes in global form (collectively, a “Restricted Global Note” and, together with the Regulation S Global Note, the “Global Notes”) which will be deposited upon issuance with the Trustee in New York as custodian for DTC and will be registered in the name of DTC or a nominee of DTC for credit to an account of a direct or indirect participant in DTC as described below. The Restricted Global Notes (and any Certificated Notes (as defined herein) issued in exchange therefor) will be subject to certain restrictions on transfer set forth under “Notice to Investors.”

On or prior to the 40th day after the completion of the distribution (as certified to the Trustee by the relevant Agent) of all Notes of an identifiable tranche (the “Restricted Period”), a beneficial interest in a Regulation S Global Note may be transferred to a person who takes delivery in the form of an interest in a Restricted Global Note of the same tranche and like tenor, but only upon receipt by the Trustee of a written certification from the transferor (in the form provided in the Indenture) to the effect that such transfer is being made to a person whom the transferor reasonably believes is purchasing for its own account or accounts as to which it exercises sole investment discretion and that such person and each such account is a qualified institutional buyer within the meaning of Rule 144A, in each case in a transaction meeting the requirements of Rule 144A and in accordance with all applicable securities laws of the states of the United States (a “Restricted Global Note Certification”). After the last day of the Restricted Period, such certification requirement will no longer apply to such transfers. Beneficial interests in a Restricted Global Note may be transferred to a person in the form of an interest in a Regulation S Global Note of the same tranche and of like tenor, whether before, on or after the end of the Restricted Period, but only upon receipt by the Trustee of a written certification from the transferor (in the form(s) provided in the Indenture) to the effect that such transfer is being made in accordance with Rule 903 or Rule 904 of Regulation S or (if available) Rule 144 under the Securities Act (a “Regulation S Global Note Certification”). Any beneficial interest in a Global Note that is transferred to a person who takes delivery in the form of an interest in another Global Note of the same tranche and of like tenor will, upon transfer, cease to be an interest in such Global Note and become an interest in such other Global Note and, accordingly, will thereafter be subject to all transfer restrictions and other procedures applicable to beneficial interests in such other Global Note for as long as it remains such an interest.

Unless otherwise specified in the applicable Final Terms, Bearer Notes of the same tranche and tenor will initially be represented by a temporary global Bearer Note, without interest coupons, which will be deposited with a common depositary for Euroclear and Clearstream, Luxembourg. Such temporary global Bearer Note will be exchangeable for a permanent global Bearer Note (such permanent global Bearer Note, together with a temporary global Bearer Note, a “Global Bearer Note”), without interest coupons, or definitive Bearer Notes, with coupons, as specified in the applicable Final Terms, on or after the 40th day after the completion of the distribution (as certified to the Trustee by the relevant Agent) of the identifiable tranche of which such Notes constitute a part (the “Exchange Date”), as notified to the Trustee in writing by the relevant Agents, *provided* that with respect to each beneficial interest in the portion of such temporary global Bearer Note to be exchanged, (i) the participant in Euroclear or Clearstream, Luxembourg, as the case may be, through which such beneficial interest is held has delivered to Euroclear or Clearstream, Luxembourg, as the case may be, an Owner Tax Certification (as defined below), and (ii) Euroclear or Clearstream, Luxembourg, as the case may be, has delivered to the Trustee a Depositary Tax Certification (as defined below) in the form required by the Indenture.

No interest or principal payable in respect of any beneficial interest in a temporary global Bearer Note will be paid until the certification requirements described above have been satisfied with respect to such beneficial interest. Delivery of an Owner Tax Certification by a participant in Euroclear or Clearstream, Luxembourg shall constitute an irrevocable instruction by such participant to Euroclear or Clearstream,

Luxembourg, as the case may be, to exchange on the applicable Exchange Date the beneficial interest covered by such certificate for such definitive Bearer Notes or interest in a permanent global Bearer Note as such participant may specify consistent with the Indenture and the applicable Final Terms.

As described above, no payment will be made on any temporary global Bearer Note and no exchange of a beneficial interest in a temporary global Bearer Note for a definitive Bearer Note or an interest in a permanent global Bearer Note may occur until (i) the person entitled to receive such interest or Bearer Note furnishes Euroclear or Clearstream, Luxembourg, as the case may be, a written certification (an “Owner Tax Certification”) and (ii) Euroclear or Clearstream, Luxembourg, as the case may be, delivers to the Trustee a written certification (a “Depository Tax Certification”), in each case in the form required by the Indenture, to the effect that such person (1) is not a United States person (as defined below under “Limitations on Issuance of Bearer Notes”), (2) is a foreign branch of a United States financial institution purchasing for its own account or for resale, or is a United States person who acquired the Note through such a financial institution and who holds the Note through such financial institution on the date of certification, provided in either case that such financial institution certifies that it agrees to comply with the requirements of Section 165(j)(3)(A), (B) or (C) of the Internal Revenue Code of 1986, as amended (the “Code”), and the United States Treasury Regulations thereunder, or (3) is a financial institution holding for purposes of resale during the restricted period (as defined in United States Treasury Regulations Section 1.163-5(c)(2)(i)(D)(7)). A financial institution described in clause (3) of the preceding sentence (whether or not also described in clause (1) or (2)) must certify that it has not acquired the Note for purposes of resale directly or indirectly to a United States person or to a person within the United States or its possessions.

The following legend will appear on all permanent global Bearer Notes and definitive Bearer Notes and any coupons with respect thereto: “Any United States person who holds this obligation will be subject to limitations under the United States income tax laws, including the limitations provided in sections 165(j) and 1287(a) of the United States Internal Revenue Code of 1986, as amended.” The sections referred to in the legend provide that, with certain exceptions, a United States taxpayer will not be permitted to deduct any loss, and will not be eligible for capital gain treatment with respect to any gain, realized on a sale, exchange or redemption of a Bearer Note or coupon.

Global Notes

A Global Note may not be transferred except as a whole by its Depository to a nominee of such Depository or by a nominee of such Depository to such Depository or another nominee of such Depository or by such Depository or any such nominee to a successor of such Depository or a nominee of such successor.

Upon the issuance of a Global Note or a Global Bearer Note, DTC, Euroclear or Clearstream, Luxembourg, as the case may be, will credit, on its book-entry registration and transfer system, the respective principal amounts of the Notes represented by such Global Note or such Global Bearer Note to the accounts of institutions that have accounts with DTC, Euroclear or Clearstream, Luxembourg, as the case may be (“participants”). The accounts to be credited shall be designated by the underwriters or agents of such Notes or by the Issuer, if such Notes are offered and sold directly by the Issuer. Ownership of beneficial interests in a Global Note or a Global Bearer Note will be limited to participants or persons that may hold interests through participants. Ownership of beneficial interests in such Global Note or such Global Bearer Note will be shown on, and the transfer of that ownership will be effected only through, records maintained by DTC, Euroclear or Clearstream, Luxembourg, as the case may be (with respect to interests of participants), or by participants or persons that hold through participants (with respect to interests of persons other than participants). The laws of some states require that certain purchasers of securities take physical delivery of such securities in definitive form. Such limits and such laws may impair the ability to transfer beneficial interests in a Global Note or Global Bearer Note.

So long as a Depository, or its nominee, is the holder of a Global Note or Global Bearer Note, such Depository or its nominee, as the case may be, will be considered the sole registered owner or holder of the Notes represented by such Global Note or Global Bearer Note for all purposes under the Indenture.

Except as set forth below under “—Certificated Notes and Definitive Bearer Notes,” owners of beneficial interests in a Global Note or Global Bearer Note will not be entitled to have Notes represented by such Global Note or such Global Bearer Note registered in their names, will not receive or be entitled to receive physical delivery of Notes of such tranche in definitive form and will not be considered the owners or holders thereof under the Indenture.

Payments of principal of and premium (if any) and interest on Notes registered in the name of or held by a Depositary or its nominee will be made to such Depositary or its nominee, as the case may be, as the registered owner or the holder of the Global Note or Global Bearer Note representing such Notes. None of the Issuer, the Guarantor, the Subsidiary Guarantors or the Trustee will have any responsibility or liability for any aspect of the records relating to or payments made on account of beneficial ownership interests in a Global Note or Global Bearer Note or for maintaining, supervising or reviewing any records relating to such beneficial ownership interests.

The Issuer expects that DTC, Euroclear or Clearstream, Luxembourg, as the case may be, upon receipt of any payment of principal of or premium (if any) or interest in respect of a Global Note or Global Bearer Note, will credit immediately participants’ accounts with payments in amounts proportionate to their respective beneficial ownership interests in the principal amount of such Global Note or Global Bearer Note as shown on the records of DTC, Euroclear or Clearstream, Luxembourg, as the case may be. The Issuer also expects that payments by participants to owners of beneficial interests in such Global Note or Global Bearer Note held through such participants will be governed by standing instructions and customary practices, as is now the case with securities held for the accounts of customers in bearer form or registered in “street name,” and will be the responsibility of such participants.

Certificated Notes and Definitive Bearer Notes

If DTC or any other Depositary is at any time unwilling or unable to continue as depositary and a successor depositary is not appointed by the Issuer within 90 days after the Issuer receives notice from such depositary to that effect, the Issuer will issue Notes in definitive, registered form (“Certificated Notes”) in exchange for interests in the relevant Global Note or Notes. In addition, the Issuer may determine that any Global Note will be exchanged for Certificated Notes, upon 10 days’ prior written notice to the relevant Depositary. In the case of Certificated Notes issued in exchange for a Restricted Global Note, such certificates will bear, and be subject to, the legend referred to under “Notice to Investors.”

Neither the Trustee nor any Transfer Agent will be required to register the transfer or exchange of any Certificated Notes for a period of 15 days preceding any interest payment date, or register the transfer or exchange of any Certificated Notes previously called for redemption.

Certificated Notes may be presented for registration of transfer, or for exchange for new Certificated Notes of authorized denominations, at the corporate trust office of the Trustee in the Borough of Manhattan, The City of New York, or at the office of any Transfer Agent. Upon the transfer, exchange or replacement of Certificated Notes bearing a restrictive legend, or upon specific request for removal of such legend, the Issuer will deliver only Certificated Notes that bear such legend, or will refuse to remove such legend, as the case may be, unless there is delivered to the Issuer such satisfactory evidence, which may include an opinion of New York counsel, as may reasonably be required by the Issuer, that neither the legend nor the restrictions on transfer set forth therein are required to ensure compliance with the provisions of the Securities Act. In the case of a transfer of less than the principal amount of any Certificated Note, a new Certificated Note will be issued to the transferee in respect of the amount transferred and another Certificated Note will be issued to the transferor in respect of the portion not transferred. Such new Notes will be available within three Business Days at the corporate trust office of the Trustee in New York or at the office of any Transfer Agent.

No service charge will be made for any registration of transfer or exchange of Notes, but the Issuer or the Trustee may require payment of a sum sufficient to cover any stamp tax or other governmental duty payable in connection therewith.

Unless otherwise specified in the applicable Final Terms, if either Euroclear or Clearstream, Luxembourg is closed for a continuous period of 14 days (other than by reason of holidays, statutory or otherwise) or announces an intention to cease business permanently, the Issuer will issue Bearer Notes in definitive form, with interest coupons ("Definitive Bearer Notes") in exchange for any Bearer Notes in global form, subject to the certification requirements set forth in such Notes. Definitive Bearer Notes of one denomination may be presented for exchange for definitive Bearer Notes of another authorized denomination against surrender of the relevant definitive Bearer Notes at the office of any Transfer Agent located outside the United States. New definitive Notes will be available for delivery within three Business Days at the offices of such Transfer Agent outside the United States.

Replacement of Notes

Notes that become mutilated, destroyed, stolen or lost will be replaced upon delivery to the Trustee of the Notes, or delivery to the Issuer, the Guarantor and the Trustee of evidence of the loss, theft or destruction thereof satisfactory to the Issuer, the Guarantor and the Trustee. In the case of a lost, stolen or destroyed Note, an indemnity satisfactory to the Trustee, the Issuer and the Guarantor may be required at the expense of the holder of such Note before a replacement Note will be issued. Upon the issuance of any new Note, the Issuer may require the payment of a sum sufficient to cover any tax or other governmental charge that may be imposed in relation thereto and any other expenses (including the fees and the expenses of the Trustee, its counsel and its agents) connected therewith.

Redemption

Redemption at the Option of the Issuer

Unless otherwise specified in the Notes and the applicable Final Terms, the Notes will not be subject to any sinking fund. Unless a Redemption Commencement Date is specified in the Notes and the applicable Final Terms, the Notes will not be redeemable prior to their Stated Maturity, except as specified under "—Tax Redemption" below. If a Redemption Commencement Date is so specified with respect to any Note, such Note and the applicable Final Terms will also specify one or more redemption prices (expressed as a percentage of the principal or face amount of such Note) ("Redemption Prices") and the redemption period or periods ("Redemption Periods") during which such Redemption Prices shall apply. Unless otherwise specified in the Notes and the applicable Final Terms, any such Note shall be redeemable at the option of the Issuer at any time in whole or from time to time in part in increments of U.S. \$10,000 (or the approximate equivalent thereof in a Specified Currency other than U.S. dollars) on or after such specified Redemption Commencement Date at the specified Redemption Price applicable to the Redemption Period during which such Note is to be redeemed, together with interest accrued to the redemption date, on notice given not less than 60 days prior to the redemption date.

Tax Redemption

An issue of Notes may be redeemed at the option of the Issuer in whole, but not in part, at any time, together, if applicable, with interest accrued to but excluding the date fixed for redemption, at par, except as specified in the applicable Final Terms, or in the case of Notes issued with original issue discount, at an amount to be specified in the applicable Final Terms, on giving not less than 30 nor more than 60 days' notice to the holders of such Notes (which notice shall be irrevocable), if (i) the Issuer or the Guarantor certifies to the Trustee immediately prior to the giving of such notice that it has or will become obligated to pay Additional Amounts in excess of the Additional Amounts that it would be obligated to pay if payments (including payments of interest) on such Notes (or payments under the Guaranties with respect to interest on the Notes) were subject to a tax at a rate of 10%, as a result of any change in, or amendment to, or lapse of, the laws, rules or regulations of Mexico or any political subdivision or any taxing authority thereof or therein affecting taxation, or any change in, or amendment to, an official interpretation or application of such laws, rules or regulations, which change or amendment becomes effective on or after the date of issuance of such Notes and (ii) prior to the publication of any notice of redemption, the Issuer shall deliver to the Trustee a certificate signed by the Issuer or the Guarantor stating that the obligation referred to in (i) above cannot be avoided by the Issuer or the Guarantor, as the

case may be, taking reasonable measures available to it, and the Trustee shall be entitled to accept such certificate as sufficient evidence of the satisfaction of the condition precedent set out in (i) above in which event it shall be conclusive and binding on the holders of such Notes; *provided* that no such notice of redemption shall be given earlier than 90 days prior to the earliest date on which the Issuer or the Guarantor, as the case may be, would be obligated but for such redemption to pay such Additional Amounts were a payment in respect of such Notes or Guaranties then due and, at the time such notice is given, such obligation to pay such Additional Amounts remains in effect.

Repayment at the Option of the Holder

Unless otherwise specified in the applicable Final Terms and Notes, the Notes will not be subject to repayment at the option of the holder prior to the Stated Maturity. If so specified in the Final Terms relating to any Note and such Note, such Note will be repayable at the option of the holder on a date or dates specified prior to its Stated Maturity (each, an “Optional Repayment Date”) at the price or prices set forth in such Note and in such Final Terms, if any, together with accrued interest to the Optional Repayment Date. The Note and any applicable forms must be tendered to the Issuer at least 30 but not more than 45 days prior to an Optional Repayment Date. Any such tender for repayment is irrevocable. The repayment option may be exercised by the holder for less than the entire principal or face amount of the Note provided that the amount outstanding after repayment is an authorized denomination.

Assumption of Issuer’s Obligations by the Guarantor

The Guarantor may at any time directly assume payment of the principal of, and any premium and any interest on, any issue of the Notes and the performance of the Issuer of its obligations under such Notes and every covenant of the Indenture with respect to such Notes without the consent of the holders of the Notes, *provided* that after giving effect to such assumption, no Event of Default shall have occurred and be continuing. Upon such an assumption, the Guarantor shall execute a supplemental indenture evidencing such assumption, and the Issuer shall thereafter be released from its obligations under the Indenture and under such Notes as obligor on such Notes.

Interest Rate

Unless otherwise specified in the applicable Final Terms and Note, each Note will bear interest from its date of issue or from the most recent Interest Payment Date (or, if such Note is a Floating Rate Note and the Interest Reset Period is daily or weekly, from the day following the most recent Regular Record Date) to which interest on such Note has been paid or duly provided for at the fixed rate per annum, or at the rate per annum determined pursuant to the interest rate formula stated therein and in the applicable Final Terms, until the principal thereof is paid or made available for payment. Interest will be payable on each Interest Payment Date and at maturity as specified under “Payment of Principal and Interest” below.

Unless otherwise specified in the applicable Final Terms and Note, each Note will bear interest at either (a) a fixed rate (such Note, a “Fixed Rate Note”) or (b) a variable rate (such Note, a “Floating Rate Note”) determined by reference to an interest rate basis, which may be adjusted by adding or subtracting the Spread and/or multiplying by the Spread Multiplier. The “Spread” is the number of basis points specified in the applicable Final Terms and Note as being applicable to the interest rate for such Note and the “Spread Multiplier” is the percentage specified in the applicable Final Terms and Note as being applicable to the interest rate for such Note. A Floating Rate Note may also have either or both of the following: (a) a maximum numerical interest rate limitation, or ceiling, on the rate of interest which may accrue during any interest period (a “Maximum Rate”); and (b) a minimum numerical interest rate limitation, or floor, on the rate of interest which may accrue during any interest period (a “Minimum Rate”). “Market Day” means (a) with respect to any Note (other than any LIBOR Note) denominated in U.S. dollars, any Business Day in The City of New York, (b) with respect to any Note denominated in a Specified Currency other than U.S. dollars, any day (i) that is a Business Day in the financial center of the country issuing the Specified Currency or, in the case of euro, a day on which the Trans-European Automated Real-Time Settlement Express Transfer (“TARGET”) System is operating and a day on which commercial banks are open for dealings in euro deposits in the London interbank market, (ii) on which

banking institutions in such financial center are carrying out transactions in such Specified Currency and (iii) that is a London Banking Day (as defined below) and (c) with respect to any LIBOR Note, a London Banking Day. "Business Day," when used with respect to any particular location, means each Monday, Tuesday, Wednesday, Thursday or Friday which is not a day on which banking institutions are authorized or obligated by law to close in such location. "London Banking Day" means any day on which dealings in deposits in U.S. dollars are transacted in the London interbank market. "Index Maturity" means, with respect to a Floating Rate Note, the period to maturity of the instrument or obligation on which the interest rate formula is based, as specified in the applicable Final Terms and Note. Unless otherwise specified in the applicable Final Terms, Deutsche Bank Trust Company Americas will be the calculation agent (the "Calculation Agent") with respect to Floating Rate Notes.

The applicable Final Terms relating to a Fixed Rate Note will designate a fixed rate of interest per annum payable on such Note and the Interest Payment Dates with respect to such Note.

The applicable Final Terms relating to a Floating Rate Note will designate an interest rate basis (the "Interest Rate Basis") for such Floating Rate Note. The Interest Rate Basis for each Floating Rate Note will be: (a) LIBOR, in which case such Note will be a LIBOR Note; (b) the Treasury Rate, in which case such Note will be a Treasury Rate Note; or (c) such other interest rate basis as is set forth in such Final Terms. The Final Terms for a Floating Rate Note will also specify, if applicable, the Calculation Agent, the Exchange Rate Agent, the Index Maturity, the Spread and/or Spread Multiplier, the Maximum Rate, the Minimum Rate, the Initial Interest Rate, the Interest Payment Dates, the Regular Record Dates, the Calculation Dates, the Interest Determination Dates, the Interest Reset Period and the Interest Reset Dates with respect to such Note.

The rate of interest on each Floating Rate Note will be reset and become effective daily, weekly, monthly, quarterly, semi-annually or annually or otherwise as specified in the applicable Final Terms and Note (each, an "Interest Reset Period"); *provided* that (a) if so specified in the Note and applicable Final Terms, the interest rate in effect from the date of issue to the first Interest Reset Date with respect to a Floating Rate Note will be the Initial Interest Rate set forth in the Note and the applicable Final Terms and (b) unless otherwise specified in the Note and the applicable Final Terms, the interest rate in effect for the ten days immediately prior to maturity of a Note will be that in effect on the tenth day preceding such maturity. Unless otherwise specified in the applicable Final Terms and Note, the interest reset date ("Interest Reset Date") will be, in the case of Floating Rate Notes which reset daily, each Market Day; in the case of Floating Rate Notes (other than Treasury Rate Notes) which reset weekly, the Wednesday of each week; in the case of Treasury Rate Notes which reset weekly, the Tuesday of each week; in the case of Floating Rate Notes which reset monthly, the third Wednesday of each month; in the case of Floating Rate Notes which reset quarterly, the third Wednesday of March, June, September and December; in the case of Floating Rate Notes which reset semi-annually, the third Wednesday of two months of each year as specified in the Note and the applicable Final Terms; and in the case of Floating Rate Notes which reset annually, the third Wednesday of one month of each year as specified in the Note and the applicable Final Terms. If any Interest Reset Date for any Floating Rate Note would otherwise be a day that is not a Market Day with respect to such Floating Rate Note, the Interest Reset Date for such Floating Rate Note shall be postponed to the next day that is a Market Day with respect to such Floating Rate Note, except that, in the case of a LIBOR Note, if such Market Day is in the next succeeding calendar month, such Interest Reset Date shall be the next preceding Market Day.

Unless otherwise specified in the applicable Final Terms, Interest Determination Dates will be as set forth below. The Interest Determination Date pertaining to an Interest Reset Date for a LIBOR Note (the "LIBOR Interest Determination Date") will be the second Market Day preceding such Interest Reset Date. The Interest Determination Date pertaining to an Interest Reset Date for a Treasury Rate Note (the "Treasury Interest Determination Date") will be the day of the week in which such Interest Reset Date falls on which Treasury bills would normally be auctioned. Treasury bills are usually sold at auction on the Monday of each week, unless that day is a legal holiday, in which case the auction is usually held on the following Tuesday, except that such auction may be held on the preceding Friday. If, as the result of a legal holiday, an auction is so held on the preceding Friday, such Friday will be the Treasury Interest Determination Date pertaining to the Interest Reset Date occurring in the next succeeding week.

All percentages resulting from any calculations referred to in this Offering Circular will be rounded, if necessary, to the nearest one hundred-thousandth of a percentage point, with five one-millionths of a percentage point rounded upward (e.g., 9.876545% (or .09876545) being rounded to 9.87655% (or .0987655)), and all Specified Currency amounts used in or resulting from such calculations will be rounded to the nearest cent (with one-half cent rounded upward) or approximate equivalent in Specified Currencies other than U.S. dollars.

In addition to any Maximum Rate which may be applicable to any Floating Rate Note pursuant to the above provisions, the interest rate on Floating Rate Notes will in no event be higher than the maximum interest rate permitted by New York law, as the same may be modified by United States law of general application. Under present New York law, the maximum rate of interest is 25% per annum on a simple interest basis, with certain exceptions. The limit may not apply to Floating Rate Notes in which U.S. \$2,500,000 or more has been invested.

Upon the request of the holder of any Floating Rate Note, the Calculation Agent will provide the interest rate then in effect, and, if determined, the interest rate that will become effective on the next Interest Reset Date with respect to such Floating Rate Note. The Calculation Agent's determination of any interest rate will be final and binding in the absence of manifest error.

The Trustee shall notify the Luxembourg Stock Exchange of the Interest Payment Dates, the applicable interest rate and the amount of interest payable on each Interest Payment Date for each issue of Floating Rate Notes listed on such Exchange and traded on the Euro MTF by no later than the beginning of the relevant Interest Reset Date relating to such Notes.

LIBOR Notes

LIBOR Notes will bear interest at the interest rates (calculated with reference to LIBOR and the Spread and/or Spread Multiplier, if any), and will be payable on the dates, specified on the face of the LIBOR Note and in the applicable Final Terms.

Unless otherwise indicated in the applicable Final Terms and Note, LIBOR with respect to any Interest Reset Date will be determined by the Calculation Agent in accordance with the following provisions:

(i) On the relevant LIBOR Interest Determination Date, LIBOR will be determined on the basis of the offered rate for deposits in U.S. dollars having the specified Index Maturity, commencing on the second Market Day immediately following such LIBOR Interest Determination Date, that appears on the display designated as page "LIBOR01" on Reuters (or any successor service) ("Reuters") (or such other page as may replace the LIBOR01 page on that service for the purpose of displaying London interbank offered rates of major banks or such other service or services as may be nominated by the British Bankers' Association for the purpose of displaying London interbank offered rates for U.S. dollar deposits) (the "Reuters Screen LIBOR01 Page") as of 11:00 a.m., London time, on such LIBOR Interest Determination Date.

(ii) With respect to a LIBOR Interest Determination Date on which no offered rate for the applicable Index Maturity appears on the Reuters Screen LIBOR01 Page as described in (i) above, LIBOR will be determined on the basis of the rates at approximately 11:00 a.m., London time, on such LIBOR Interest Determination Date at which deposits in U.S. dollars having the specified Index Maturity are offered to prime banks in the London interbank market by four major banks in the London interbank market selected by the Calculation Agent (after consultation with the Issuer) commencing on the second Market Day immediately following such LIBOR Interest Determination Date and in a principal amount of not less than U.S. \$1,000,000 (or its approximate equivalent in a Specified Currency other than U.S. dollars) that in the Issuer's judgment is representative for a single transaction in such market at such time (a "Representative Amount"). The Calculation Agent will request the principal London office of each of such banks to provide a quotation of its rate. If at least two such quotations are provided, LIBOR with respect to such

Interest Reset Date will be the arithmetic mean of such quotations. If fewer than two such quotations are provided, LIBOR with respect to such Interest Reset Date will be the arithmetic mean of the rates quoted at approximately 11:00 a.m., New York City time, on such LIBOR Interest Determination Date by three major banks in The City of New York, selected by the Calculation Agent (after consultation with the Issuer), for loans in U.S. dollars to leading European banks having the specified Index Maturity commencing on the Interest Reset Date and in a Representative Amount; *provided* that if fewer than three banks selected as aforesaid by the Calculation Agent are quoting as mentioned in this sentence, LIBOR with respect to such Interest Reset Date will be the LIBOR in effect on such LIBOR Interest Determination Date.

Treasury Rate Notes

Treasury Rate Notes will bear interest at the interest rates (calculated with reference to the Treasury Rate and the Spread and/or Spread Multiplier, if any) and will be payable on the dates specified on the face of the Treasury Rate Note and in the applicable Final Terms. Unless otherwise specified in the applicable Final Terms and Note, the “Calculation Date” with respect to a Treasury Interest Determination Date will be the tenth day after such Treasury Interest Determination Date or, if such day is not a Market Day, the next succeeding Market Day.

Unless otherwise indicated in the applicable Final Terms and Note, “Treasury Rate” means, with respect to any Interest Reset Date, the rate for the auction on the relevant Treasury Interest Determination Date of direct obligations of the United States (“Treasury Bills”) having the Index Maturity specified on the face of such Note or in the applicable Final Terms, as such rate appears on Reuters page USAUCTION10 (or any other page as may replace such page on such service) or page USAUCTION11 (or any other page as may replace such page on such service). In the event that such rate does not appear by 3:00 p.m., New York City time, on the Calculation Date pertaining to such Treasury Interest Determination Date, then the Treasury Rate for such Interest Reset Date shall be the “Investment Rate” (expressed as a bond equivalent yield, on the basis of a year of 365 or 366 days, as applicable, and applied on a daily basis) as announced by the United States Department of the Treasury for the auction held on such Treasury Interest Determination Date, currently available on the worldwide web at: <http://www.treasurydirect.gov/RI/OFBills>. In the event that the results of the auction of Treasury Bills having the Index Maturity specified on the face of the Note and in the applicable Final Terms are not published or reported as provided above by 3:00 p.m., New York City time, on such Calculation Date or if no such auction is held on such Treasury Interest Determination Date, then the Treasury Rate shall be calculated by the Calculation Agent and shall be the rate for such Treasury Interest Determination Date for the issue of Treasury Bills with a remaining maturity closest to the specified Index Maturity (expressed as a bond equivalent yield, on the basis of a year of 365 or 366 days, as applicable, and applied on a daily basis) as published in H.15(519), under the heading “U.S. government securities—Treasury bills (secondary market).” In the event that the foregoing rates do not so appear or are not so published by 3:00 p.m., New York City time, on the Calculation Date pertaining to such Treasury Interest Determination Date, then the Treasury Rate for such Interest Reset Date shall be the rate for such Treasury Interest Determination Date for the issue of Treasury bills with a remaining maturity closest to the specified Index Maturity, as published in H.15 Daily Update or another recognized electronic source used for the purpose of displaying such rate, under the heading “U.S. government securities—Treasury bills (secondary market).” In the event that the foregoing rates do not so appear or are not so published by 3:00 p.m., New York City time, on the Calculation Date pertaining to such Treasury Interest Determination Date, then the Treasury Rate shall be calculated by the Calculation Agent and shall be a yield to maturity (expressed as a bond equivalent yield, on the basis of a year of 365 or 366 days, as applicable, and applied on a daily basis) of the arithmetic mean of the secondary market bid rates, at approximately 3:30 p.m., New York City time, on such Treasury Interest Determination Date, quoted by three leading primary United States government securities dealers selected by the Calculation Agent with the approval of the Issuer (such approval not to be unreasonably withheld) for the issue of Treasury Bills with a remaining maturity closest to the specified Index Maturity; *provided* that if the dealers selected as aforesaid by the Calculation Agent with the approval of the Issuer (such approval not to be unreasonably withheld) are not quoting as mentioned in this sentence, the Treasury Rate for such Interest Reset Date shall be the Treasury Rate in effect on such Treasury Interest Determination Date.

Payment of Principal and Interest

Interest on Registered Notes will be payable to the person in whose name a Note is registered at the close of business on the Regular Record Date next preceding each Interest Payment Date; *provided* that interest payable at maturity will be payable to the person to whom principal shall be payable; and *provided, further*, that any payment of interest on Global Notes shall be made to the applicable Depositary or its nominee, as the registered owner of the Global Note representing such Notes. Unless otherwise specified in the Note or the applicable Final Terms, the first payment of interest on any Note originally issued between a Regular Record Date and an Interest Payment Date will be made on the Interest Payment Date following the next succeeding Regular Record Date to the registered owner on such next succeeding Regular Record Date. Unless otherwise indicated in the applicable Final Terms and Note, the "Regular Record Date" with respect to any Note shall be the date 15 calendar days prior to each Interest Payment Date, whether or not such date shall be a Business Day.

Payment of principal (and premium, if any) and any interest due with respect to any Registered Note at Stated Maturity will be made in immediately available funds to the person in whose name such Note is registered upon surrender of such Note at the corporate trust office of the Trustee in the Borough of Manhattan, The City of New York, or at the specified office of any other Paying Agent, provided that the Registered Note is presented to the Paying Agent in time for the Paying Agent to make such payments in such funds in accordance with its normal procedures. Payments of principal (and premium, if any) and any interest in respect of Registered Notes to be made other than at Stated Maturity or upon redemption will be made by check mailed on or before the due date for such payments to the address of the person entitled thereto as it appears in the Security Register; *provided* that (a) the applicable Depositary, as holder of the Global Notes, shall be entitled to receive payments of interest by wire transfer of immediately available funds, (b) a holder of U.S. \$10,000,000 (or the approximate equivalent thereof in a Specified Currency other than U.S. dollars) in aggregate principal or face amount of Notes having the same Interest Payment Date shall be entitled to receive payments of interest by wire transfer to an account maintained by such holder at a bank located in the United States as may have been appropriately designated by such person to the Trustee in writing no later than the relevant Regular Record Date and (c) to the extent that the holder of a Registered Note issued and denominated in a Specified Currency other than U.S. dollars elects to receive payment of principal and interest at Stated Maturity in such Specified Currency, such payment, except in circumstances described in the applicable Final Terms, shall be made by wire transfer of immediately available funds to an account specified in writing not less than 15 days prior to Stated Maturity by the holder to the Trustee. Unless such designation is revoked, any such designation made by such holder with respect to such Notes shall remain in effect with respect to any future payments with respect to such Notes payable to such holder.

Principal of (and premium, if any, on) a Bearer Note shall be payable by check or wire transfer upon presentation and surrender of such Note at an office of a Paying Agent located outside the United States and its possessions, as defined herein, or at such other offices or agencies located outside the United States and its possessions as the Issuer shall have appointed for the purpose pursuant to the Indenture. Such Paying Agents shall initially be Deutsche Bank AG, London Branch and Deutsche Bank Luxembourg S.A. Interest on Bearer Notes shall be payable by check or wire transfer to the holder of each coupon appertaining to such Note in the amount determined in accordance with such coupon, on or after the due date of such payment as set forth in such coupon, upon presentation and surrender thereof at the offices of the Paying Agents set forth on the reverse of such coupon or at such other offices or agencies located outside the United States and its possessions as the Issuer shall have appointed pursuant to the Indenture.

Unless otherwise indicated in the applicable Final Terms and Note, and except as provided below, interest will be payable, in the case of Floating Rate Notes which reset daily, weekly or monthly, on the third Wednesday of each month or on the third Wednesday of March, June, September and December of each year (as indicated in the applicable Final Terms and Note); in the case of Floating Rate Notes which reset quarterly, on the third Wednesday of March, June, September and December of each year; in the case of Floating Rate Notes which reset semi-annually, on the third Wednesday of the two months of each year specified in the applicable Final Terms and Note; and in the case of Floating Rate Notes which

reset annually, on the third Wednesday of the month specified in the applicable Final Terms and Note (each, an “Interest Payment Date”), and in each case, at maturity.

Payments of interest on any Fixed Rate Note or Floating Rate Note with respect to any Interest Payment Date will include interest accrued to but excluding such Interest Payment Date; *provided that*, unless otherwise specified in the applicable Final Terms and Note, if the Interest Reset Dates with respect to any Floating Rate Note are daily or weekly, interest payable on such Note on any Interest Payment Date, other than interest payable on the date on which principal on any such Note is payable, will include interest accrued to but excluding the day following the next preceding Regular Record Date.

With respect to a Floating Rate Note, accrued interest from the date of issue or from the last date to which interest has been paid is calculated by multiplying the principal or face amount of such Floating Rate Note by an accrued interest factor. Such accrued interest factor is computed by adding the interest factor calculated for each day from the date of issue, or from the last date to which interest has been paid, to but excluding the date for which accrued interest is being calculated. Unless otherwise specified in the applicable Final Terms and Note, the interest factor (expressed as a decimal) for each such day is computed by dividing the interest rate (expressed as a decimal) applicable to such date by 360, in the case of LIBOR Notes, or by the actual number of days in the year, in the case of Treasury Rate Notes. Unless otherwise specified in the applicable Final Terms and Note, interest on Fixed Rate Notes denominated in U.S. Dollars will be computed on the basis of a 360-day year of twelve 30-day months and interest on Fixed Rate Notes denominated in all other currencies will be computed on the basis of the actual number of days in the relevant period for which interest is being calculated (the “Calculation Period”) from and including the date from which interest begins to accrue to but excluding the date on which it falls due, divided by the product of the number of days in the interest period during which such Calculation Period falls (including the first such day but excluding the last) and the number of interest periods normally ending in any year.

If any Interest Payment Date (other than the Stated Maturity) for any Floating Rate Note would otherwise be a day that is not a Market Day, such Interest Payment Date shall be the succeeding Market Day, except that, in the case of a LIBOR Note, if such Market Day is in the next succeeding calendar month, such Interest Payment Date shall be the next preceding Market Day. If the Stated Maturity for any Fixed Rate Note or Floating Rate Note or the Interest Payment Date for any Fixed Rate Note falls on a day which is not a Business Day in the place of payment, payment of principal (and premium, if any) and interest with respect to such Note will be made on the next succeeding Business Day in the place of payment with the same force and effect as if made on the due date and no interest on such payment will accrue from and after such due date.

Foreign Currency Notes and Indexed Notes

If any Note is to be denominated in a Specified Currency other than U.S. dollars (each such Note, a “Foreign Currency Note”), certain provisions with respect thereto will be set forth in the applicable Note and in the related Final Terms, which will specify the foreign currency or currency unit in which the principal, premium, if any, and interest with respect to such Note are to be paid, along with any other terms relating to the non-U.S. dollar denomination.

If the principal of or premium (if any), interest, Additional Amounts or other amounts on any Note is payable in a Specified Currency other than U.S. dollars and such Specified Currency is not available due to the imposition of exchange controls or other circumstances beyond the control of the Issuer, or is no longer used by the government of the country issuing such currency or for settlement of transactions by public institutions of or within the international banking community, the Issuer will be entitled to satisfy its obligations to the holder of such Notes by making such payment in U.S. dollars on the basis of the noon buying rate in The City of New York for cable transfers in such Specified Currency as certified for customs purposes by the Federal Reserve Bank of New York (the “Exchange Rate”) for such Specified Currency on the second New York Business Day prior to the applicable payment date or, if the Exchange Rate is not then available, on the basis of the most recently available Exchange Rate. In the event no Exchange Rate is published for such currency, then the payment in U.S. dollars shall be made based on the rate

given by the relevant central bank for buying such currency or, if no such rate is available, the rate shall be the average of rates given to the Trustee by internationally recognized commercial banks selected by the Trustee in consultation with the Issuer which regularly engage in foreign currency dealings for buying such currency. The Exchange Rate, or the rate as so determined, is referred to herein as the "Market Exchange Rate." Any payment made under such circumstances in U.S. dollars where the required payment is due in other than U.S. dollars will not constitute an Event of Default under the Notes.

Payments of principal and any premium, interest, Additional Amounts or other amounts to holders of a Foreign Currency Note who hold the Note through DTC will be made in U.S. dollars. However, any DTC holder of a Foreign Currency Note may elect to receive payments by wire transfer in the Specified Currency other than U.S. dollars by delivering a written notice to the DTC participant through which it holds its beneficial interest, not later than the record date, in the case of an interest payment, or at least 15 calendar days before the maturity date, specifying wire transfer instructions to an account denominated in the specified currency. The DTC participant must notify DTC of the election and wire transfer instructions on or before the twelfth New York business day before the applicable payment of the principal.

If so specified in a Foreign Currency Note and the applicable Final Terms, and except as provided in the next following paragraph, payments of principal and any premium, interest, Additional Amounts or other amounts with respect to such Note will be made in U.S. dollars if the holder of such Note on the relevant Regular Record Date or at Stated Maturity, as the case may be, has transmitted a written request for such payment in U.S. dollars to the Trustee and the applicable Paying Agent on or prior to such Regular Record Date or the date 15 days prior to Stated Maturity, as the case may be. Such request may be in writing (mailed or hand delivered) or by facsimile transmission. Any such request made with respect to any Registered

Note by a holder will remain in effect with respect to any further payments of principal and any premium, interest, Additional Amounts or other amounts with respect to such Registered Note payable to such holder, unless such request is revoked on or prior to the relevant Regular Record Date or the date 15 days prior to Stated Maturity, as the case may be. Holders of Foreign Currency Notes that are registered in the name of a broker or nominee should contact such broker or nominee to determine whether and how an election to receive payments in U.S. dollars may be made.

The U.S. dollar amount to be received by a holder of a Foreign Currency Note who elects to receive payment in U.S. dollars will be based on the highest bid quotation in The City of New York received by the Exchange Rate Agent (as defined below) as of 11:00 a.m., New York City time, on the second Business Day in New York next preceding the applicable payment date from three recognized foreign exchange dealers (one of which may be the Exchange Rate Agent) for the purchase by the quoting dealer of the Specified Currency for U.S. dollars for settlement on such payment date in the aggregate amount of the Specified Currency payable to all holders of Notes electing to receive dollar payments and at which the applicable dealer commits to execute a contract. If three such bid quotations are not available on the second Business Day in New York preceding the date of payment of principal or any premium, interest, Additional Amounts or other amounts with respect to any Note, such payment will be made in the Specified Currency. All currency exchange costs associated with any payment in U.S. dollars on any such Foreign Currency Note will be borne by the holder thereof by deductions from such payment of such currency exchange being effected on behalf of the holder by the Exchange Rate Agent. Unless otherwise specified in the applicable Final Terms, the Trustee will be the exchange rate agent (the "Exchange Rate Agent") with respect to Foreign Currency Notes.

Unless otherwise specified in the applicable Final Terms, Foreign Currency Notes will provide that, in the event of an official redenomination of the Specified Currency, the obligations of the Issuer with respect to payments on such Notes shall, in all cases, be deemed immediately following such redenomination to provide for payment of that amount of the redenominated Specified Currency representing the amount of such obligations immediately before such redenomination.

All determinations referred to above made by the Exchange Rate Agent shall, in the absence of manifest error, be conclusive for all purposes and binding on holders of the Notes and the Issuer, and the Exchange Rate Agent shall have no liability therefor.

The Issuer may from time to time offer Notes ("Indexed Notes"), the principal amount of which is payable on or prior to Stated Maturity, the amount of interest payable on which and/or any premium payment with respect to which will be determined with reference to an index or indices (e.g., the difference in price of crude oil on certain dates or any other index or indices). The Final Terms relating to such Indexed Notes and such Indexed Notes will set forth the method by and the terms on which the amount of principal (payable on or prior to Stated Maturity), interest and/or any premium will be determined, any additional tax consequences to the holder of such Note, a description of certain risks associated with investment in such Note and other information relating to such Note.

Introduction of a Single European Currency

On January 1, 1999, the European Community introduced the single European currency known as the euro in the 11 participating member states of the European Economic and Monetary Union (the "EMU"). A participating member state is a member state of the European Community that has adopted the euro as its legal currency according to the Treaty of Rome of March 25, 1957, as amended by the Single European Act of 1986 and the Treaty on European Union, signed in Maastricht, The Netherlands on February 1, 1992. During a transition period from January 1, 1999 to December 31, 2001, the former national currencies of those 11 member states continued to be legal tender in their country of issue, at rates irrevocably fixed on December 3, 1998.

The European Community completed the final stage of its economic and monetary union on January 1, 2002, when euro notes and coins became available and participating member states withdrew their national currencies. It is not possible to predict how the EMU may affect the value of the Notes or the rights of holders of such Notes. Each prospective investor in the Notes that may be affected by the EMU is responsible for informing himself or herself about the EMU and the effects it may have on his or her contemplated investment and assumes for himself or herself the associated investment risks.

If so specified in the applicable Final Terms, the Issuer may at its option, and without the consent of the holders of such Notes or any coupons appertaining thereto or the need to amend the Notes or the Indenture, redenominate the Notes issued in the currency of a country that subsequently participates in the EMU in a manner with similar effect to the final stage of such EMU, into euro. The provisions relating to any such redenomination will be contained in the applicable Final Terms.

Guaranties

Guaranty. Pursuant to the Indenture, the Guarantor has unconditionally guaranteed the due and punctual payment of all amounts payable by the Issuer in respect of the Notes, as and when the same shall become due and payable, whether at maturity, by declaration of acceleration or otherwise.

Subsidiary Guaranties. Pursuant to a guaranty agreement dated July 29, 1996 (the "Subsidiary Guaranty Agreement"), among the Guarantor and the Subsidiary Guarantors, each of the Subsidiary Guarantors will be jointly and severally liable with the Guarantor for all payment obligations incurred by the Guarantor under any international financing agreement entered into by the Guarantor and designated by the Guarantor as entitled to the benefit of the Subsidiary Guaranty Agreement in a certificate of designation in accordance with the Subsidiary Guaranty Agreement. Each of the Indenture and the Guaranties will be so designated by the Subsidiary Guarantors in certificates of designation (the "Certificates of Designation"), to benefit from the Subsidiary Guaranty Agreement. Accordingly, each of the Subsidiary Guarantors will be unconditionally liable for the Guarantor's obligations under its guarantee of all amounts payable by the Issuer in respect of the Notes, as and when the same shall become due and payable, whether at maturity, by declaration of acceleration or otherwise. Under the terms of the Subsidiary Guaranty Agreement, each Subsidiary Guarantor will be jointly and severally liable for the full amount of each payment under the Guaranties. Although the Subsidiary Guaranty Agreement may be

terminated in the future, the Subsidiary Guaranties will remain in effect with respect to all obligations designated prior to such termination until all amounts payable with respect to such obligations have been paid in full, including the entire principal of and interest and premium, if any, on the Notes. Any amendment to the Subsidiary Guaranty Agreement which would affect the rights of any party to or beneficiary of any designated international financing agreement (including the Guaranties and the Indenture) will be valid only with the consent of each such party or beneficiary (or percentage of parties or beneficiaries) as would be required to amend such agreement.

Additional Amounts

The Issuer, or in the case of a payment by the Guarantor or a Subsidiary Guarantor, such guarantor, will pay to the holder of any Note such additional amounts ("Additional Amounts") as may be necessary in order that every net payment made by the Issuer, the Guarantor or a Subsidiary Guarantor in respect of such Note, after deduction or withholding for or on account of any present or future tax, assessment or other governmental charge imposed upon or as a result of such payment by Mexico or any political subdivision or taxing authority thereof or therein ("Mexican Withholding Taxes") will not be less than the amount then due and payable on such Notes. The foregoing obligation to pay Additional Amounts, however, will not apply to:

(a) any Mexican Withholding Taxes that would not have been imposed or levied on a holder of Notes but for the existence of any present or former connection between the holder of such Notes and Mexico or any political subdivision or territory or possession thereof or area subject to its jurisdiction, including, without limitation, such holder of Notes (i) being or having been a citizen or resident thereof, (ii) maintaining or having maintained an office, permanent establishment or branch therein, or (iii) being or having been present or engaged in trade or business therein, except for a connection solely arising from the mere ownership of, or receipt of payment under, such Notes;

(b) except as otherwise provided, any estate, inheritance, gift, sales, transfer, or personal property or similar tax, assessment or other governmental charge;

(c) any Mexican Withholding Taxes that are imposed or levied by reason of the failure by the holder of Registered Notes to comply with any certification, identification, information, documentation, declaration or other reporting requirement that is required or imposed by a statute, treaty, regulation, general rule or administrative practice as a precondition to exemption from, or reduction in the rate of, the imposition, withholding or deduction of any Mexican Withholding Taxes; *provided* that at least 60 days prior to (i) the first payment date with respect to which the Issuer, the Guarantor or any Subsidiary Guarantor shall apply this clause (c) and, (ii) in the event of a change in such certification, identification, information, documentation, declaration or other reporting requirement, the first payment date subsequent to such change, the Issuer, the Guarantor or any Subsidiary Guarantor, as the case may be, shall have notified the Trustee in writing that the holders of Registered Notes will be required to provide such certification, identification, information or documentation, declaration or other reporting;

(d) any Mexican Withholding Taxes imposed at a rate in excess of 4.9%, in the event that such holder has failed to provide on a timely basis, at the reasonable request of the Issuer, information or documentation (not described in clause (c) above) concerning such holder's eligibility, if any, for benefits under an income tax treaty to which Mexico is a party that is in effect, that is necessary to determine the appropriate rate of deduction or withholding of Mexican taxes under any such treaty; *provided* this clause (d) shall not require holders of Bearer Notes to identify themselves;

(e) any Mexican Withholding Taxes that would not have been so imposed but for the presentation by the holder of such Note for payment on a date more than 15 days after the date on which such payment became due and payable or the date on which payment thereof is duly provided for, whichever occurs later;

(f) any payment on such Note to any holder who is a fiduciary or partnership or other than the sole beneficial owner of any such payment, to the extent that a beneficiary or settlor with respect to such fiduciary, a member of such a partnership or the beneficial owner of such payment would not have been entitled to the Additional Amounts had such beneficiary, settlor, member or beneficial owner been the holder of such Note; or

(g) any withholding tax or deduction imposed on a payment to an individual pursuant to European Council Directive 2003/48/EC or any other European Union directive implementing the conclusions of the ECOFIN Council meeting of November 26-27, 2000 on the taxation of savings income, or any law implementing or complying with, or introduced in order to conform to, such a directive or presented for payment by or on behalf of a holder who would have been able to avoid such withholding or deduction by presenting the relevant Note to another Paying Agent in a Member State of the European Union.

All references herein to principal and interest in respect of Notes shall, unless the context otherwise requires, be deemed to mean and include all Additional Amounts, if any, payable in respect thereof as set forth in the first paragraph of this Additional Amounts section and in paragraphs (a) through (g) above.

Notwithstanding the foregoing, the limitations on the Issuer's, the Guarantor's and the Subsidiary Guarantors' obligation to pay Additional Amounts set forth in clauses (c) and (d) above shall not apply if the provision of the certification, identification, information, documentation, declaration or other evidence described in such clauses (c) and (d) would be materially more onerous, in form, in procedure or in the substance of information disclosed, to a holder or beneficial owner of a Note (taking into account any relevant differences between United States and Mexican law, regulation or administrative practice) than comparable information or other applicable reporting requirements imposed or provided for under U.S. federal income tax law (including the Convention for the Avoidance of Double Taxation and the Prevention of Fiscal Evasion with Respect to Taxes on Income, and a Protocol thereto, both signed on September 18, 1992, as amended by Additional Protocols signed on September 8, 1994 and November 26, 2002), regulations (including proposed regulations) and administrative practice. In addition, the limitations on the Issuer's, the Guarantor's and the Subsidiary Guarantors' obligation to pay Additional Amounts set forth in clauses (c) and (d) above shall not apply if Article 195, Section II, paragraph a) of the Mexican Income Tax Law (or a substantially similar successor of such provision) is in effect, unless (i) the provision of the certification, identification, information, documentation, declaration or other evidence described in clauses (c) and (d) is expressly required by statute, regulation, general rules or administrative practice in order to apply Article 195, Section II, paragraph a) (or a substantially similar successor of such provision), the Issuer, the Guarantor or the Subsidiary Guarantors cannot obtain such certification, identification, information, documentation, declaration or evidence, or satisfy any other reporting requirements, on its own through reasonable diligence and the Issuer, the Guarantor or the Subsidiary Guarantors otherwise would meet the requirements for application of Article 195, Section II, paragraph a) (or such successor of such provision) or (ii) in the case of a holder or beneficial owner of a Note that is a pension fund or other tax-exempt organization, such holder or beneficial owner would be subject to Mexican Withholding Taxes at a rate less than that provided by Article 195, Section II, paragraph a) if the information, documentation or other evidence required under clause (d) above were provided. In addition, clause (c) or (d) above shall not be construed to require that a non-Mexican pension or retirement fund, a non-Mexican tax-exempt organization or a non-Mexican financial institution or any other holder or beneficial owner of a Note register with the *Secretaría de Hacienda y Crédito Público* (the "Ministry of Finance and Public Credit") for the purpose of establishing eligibility for an exemption from or reduction of Mexican Withholding Taxes.

The Issuer, the Guarantor or the applicable Subsidiary Guarantor, as the case may be, will, upon written request, provide the Trustee, the holders and the Paying Agents with a duly certified or authenticated copy of an original receipt of the payment of Mexican Withholding Taxes which the Issuer, the Guarantor or the Subsidiary Guarantor has withheld or deducted in respect of any payments made under or with respect to the Notes or the Guaranties of the Notes, as the case may be.

In the event that Additional Amounts actually paid with respect to any Notes pursuant to the preceding paragraph are based on rates of deduction or withholding of Mexican Withholding Taxes in excess of the appropriate rate applicable to the holder of such Notes, and, as a result thereof, such holder is entitled to make a claim for a refund or credit of such excess, then such holder shall, by accepting such Notes, be deemed to have assigned and transferred all right, title and interest to any such claim for a refund or credit of such excess to the Issuer, the Guarantor or a Subsidiary Guarantor, as the case may be. However, by making such assignment, the holder makes no representation or warranty that the Issuer, the Guarantor or such Subsidiary Guarantor will be entitled to receive such claim for a refund or credit and incurs no other obligation with respect thereto.

Negative Pledge

So long as any Note remains outstanding, the Guarantor will not create or permit to subsist, and will not permit the Issuer, the Guarantor's Subsidiaries or the Subsidiary Guarantors or any of their respective Subsidiaries to create or permit to subsist, any Security Interest upon the whole or any part of its or their crude oil or receivables in respect of crude oil to secure (i) any of its or their Public External Indebtedness; (ii) any of its or their Guarantees in respect of Public External Indebtedness; or (iii) the Public External Indebtedness or Guarantees in respect of Public External Indebtedness of any other person; without at the same time or prior thereto securing the Notes equally and ratably therewith or providing such other Security Interest for the Notes as shall be approved by the holders of at least 66 2/3% in aggregate principal amount of the Outstanding (as defined in the Indenture) Notes; *provided* that the Issuer, the Guarantor and its Subsidiaries, and the Subsidiary Guarantors and any of their respective Subsidiaries, may create or permit to subsist a Security Interest upon its or their receivables in respect of crude oil if (i) on the date of creation of such Security Interest the aggregate of (a) the amount of principal and interest payments secured by Oil Receivables due during such calendar year in respect of Receivables Financings entered into or before such date, (b) the total amount of revenues during such calendar year from the sale of crude oil or natural gas transferred, sold, assigned or otherwise disposed of in Forward Sales (other than Governmental Forward Sales) entered into on or before such date and (c) the total amount of payments of the purchase price of crude oil, natural gas or Petroleum Products foregone during such calendar year as a result of all Advance Payment Arrangements entered into on or before such date, shall not exceed in such calendar year U.S. \$4,000,000,000 (or its equivalent in other currencies) less the amount of Governmental Forward Sales during that calendar year, (ii) the aggregate amount outstanding in all currencies at any one time under all Receivables Financings, Forward Sales (other than Governmental Forward Sales) and Advance Payment Arrangements shall not exceed U.S. \$12,000,000,000 (or its equivalent in other currencies) and (iii) the Guarantor has given a certificate to the Trustee certifying that on the date of creation of such Security Interest there is no default under any Financing Document (as defined in the Indenture) resulting from a failure to pay principal or interest.

For this purpose:

"Advance Payment Arrangement" means any transaction involving the receipt by the Issuer, the Guarantor, the Subsidiary Guarantors or any of their Subsidiaries of payment of the purchase price of crude oil or gas or Petroleum Products not yet earned by performance.

"External Indebtedness" means Indebtedness which is payable, or at the option of its holder may be paid, (i) in a currency or by reference to a currency other than the currency of Mexico, (ii) to a person resident or having its head office or its principal place of business outside Mexico and (iii) outside the territory of Mexico.

"Forward Sale" means any transaction involving the transfer, sale, assignment or other disposition by the Issuer, the Guarantor, the Subsidiary Guarantors or any of their Subsidiaries of any right to payment under a contract for the sale of crude oil or gas not yet earned by performance, or any interest therein, whether in the form of an account receivable, negotiable instrument or otherwise.

“Governmental Forward Sale” means a Forward Sale to (i) Mexico or Banco de México or (ii) the Bank for International Settlements or another multilateral monetary authority or central bank or treasury of a sovereign state.

“Guarantee” means any obligation of a person to pay the Indebtedness of another person, including without limitation:

- (i) an obligation to pay or purchase such Indebtedness; or
- (ii) an obligation to lend money or to purchase or subscribe for shares or other securities or to purchase assets or services in order to provide funds for the payment of such Indebtedness; or
- (iii) any other agreement to be responsible for such Indebtedness.

“Indebtedness” means any obligation (whether present or future, actual or contingent) for the payment or repayment of money which has been borrowed or raised (including money raised by acceptances and leasing).

“Oil Receivables” means amounts payable to the Issuer, the Guarantor, the Subsidiary Guarantors or any of their Subsidiaries in respect of the sale, lease or other provision of crude oil or gas, whether or not yet earned by performance.

“Person” means any individual, company, corporation, firm, partnership, joint venture, association, organization, state or agency of a state or other entity, whether or not having a separate legal personality.

“Petroleum Products” means the derivatives and by-products of crude oil and gas (including Basic Petrochemicals).

“Public External Indebtedness” means any External Indebtedness which is in the form of, or represented by, notes, bonds or other securities which are for the time being quoted, listed or ordinarily dealt in on any stock exchange.

“Receivables Financings” means any transaction resulting in the creation of a Security Interest on Oil Receivables to secure new External Indebtedness incurred by, or the proceeds of which are paid to or for the benefit of, the Issuer, the Guarantor, any Subsidiary Guarantor or any of their Subsidiaries.

“Security Interest” means any mortgage, pledge, lien, hypothecation, security interest or other charge or encumbrance, including without limitation any equivalent thereof created or arising under the laws of Mexico.

“Subsidiary” means, in relation to any person, any other person (whether or not now existing) which is controlled directly or indirectly by, or more than 50 percent of whose issued equity share capital (or equivalent) is then held or beneficially owned by, the first person and/or any one or more of the first person's Subsidiaries, and “control” means the power to appoint the majority of the members of the governing body or management of, or otherwise to control the affairs and policies of, that person.

The negative pledge does not restrict the creation of Security Interests over any assets of the Issuer, the Guarantor or the Subsidiary Guarantors or any of their respective Subsidiaries other than crude oil and receivables in respect of crude oil. Under Mexican law, all domestic reserves of crude oil belong to Mexico and not to PEMEX, but the Guarantor and the Subsidiary Guarantors have been established with the exclusive purpose of exploiting the Mexican petroleum and gas reserves, including the production of oil and gas, oil products and basic petrochemicals. In addition, the negative pledge does not restrict the creation of Security Interests to secure obligations of the Issuer, the Guarantor, the Subsidiary Guarantors or their Subsidiaries payable in pesos. Further, the negative pledge does not restrict the creation of Security Interests to secure any type of obligation (e.g., commercial bank borrowings)

regardless of the currency in which it is denominated, other than obligations similar to the Notes (e.g., issuances of debt securities).

Events of Default; Waiver and Notice

If any of the following events (each, an “Event of Default”) occurs and is continuing with respect to an issue of Notes, the Trustee, if so requested in writing by holders of at least one-fifth in principal amount of the Notes of such issue then outstanding, shall give notice to the Issuer that such Notes are, and they shall immediately become, due and payable at their principal amount together with accrued interest:

(a) *Non-Payment:* default is made in payment of principal (or any part thereof) of or premium, if any, or any interest on, or any sinking fund payment with respect to, any of such Notes when due and such failure continues, in the case of non-payment of principal or any sinking fund payment for seven days, and of interest or premium for fourteen days after the due date; or

(b) *Breach of Other Obligations:* the Issuer or Guarantor defaults in performance or observance of or compliance with any of its other obligations set out in such Notes or Guaranties or (insofar as it concerns such Notes or Guaranties) the Indenture which default is incapable of remedy or, if capable of remedy, is not remedied within 30 days after written notice of such default shall have been given to the Issuer, the Guarantor and the Subsidiary Guarantors by the Trustee; or

(c) *Cross-Default:* default by the Issuer, the Guarantor or any of the Guarantor’s Material Subsidiaries (as defined below) or the Subsidiary Guarantors or any of them or any of their respective Material Subsidiaries in the payment of the principal of, or interest on, any Public External Indebtedness (as defined under “—Negative Pledge” above) of, or guaranteed by, the Issuer, the Guarantor or any of the Guarantor’s Material Subsidiaries or the Subsidiary Guarantors or any of them or any of their respective Material Subsidiaries, in an aggregate principal amount exceeding U.S. \$40,000,000 or its equivalent, when and as the same shall become due and payable, if such default shall continue for more than the period of grace, if any, originally applicable thereto; or

(d) *Enforcement Proceedings:* a distress or execution or other legal process is levied or enforced or sued out upon or against any substantial part of the property, assets or revenues of the Issuer, the Guarantor or any of the Guarantor’s Material Subsidiaries or the Subsidiary Guarantors or any of them or any of their respective Material Subsidiaries and is not discharged or stayed within 60 days of having been so levied, enforced or sued out; or

(e) *Security Enforced:* an encumbrancer takes possession or a receiver, manager or other similar officer is appointed of the whole or any substantial part of the undertaking, property, assets or revenues of the Issuer, the Guarantor or any of the Guarantor’s Material Subsidiaries or the Subsidiary Guarantors or any of them or any of their respective Material Subsidiaries; or

(f) *Insolvency:* the Issuer, the Guarantor or any of the Guarantor’s Material Subsidiaries or the Subsidiary Guarantors or any of them or any of their respective Material Subsidiaries becomes insolvent or is generally unable to pay its debts as they mature or applies for or consents to or suffers the appointment of an administrator, liquidator, receiver or similar officer of the Issuer, the Guarantor or any of the Guarantor’s Material Subsidiaries or the Subsidiary Guarantors or any of them or any of their respective Material Subsidiaries or the whole or any substantial part of the undertaking, property, assets or revenues of the Issuer, the Guarantor or any of the Guarantor’s Material Subsidiaries or the Subsidiary Guarantors or any of them or any of their respective Material Subsidiaries or takes any proceeding under any law for a readjustment or deferment of its obligations or any part of them for insolvency, bankruptcy, reorganization, dissolution or liquidation or makes or enters into a general assignment or an

arrangement or composition with or for the benefit of its creditors or stops or threatens to cease to carry on its business or any substantial part of its business; or

(g) *Winding-up:* an order is made or an effective resolution passed for winding up the Issuer, the Guarantor or any of the Guarantor's Material Subsidiaries or the Subsidiary Guarantors or any of them or any of their respective Material Subsidiaries; or

(h) *Moratorium:* a general moratorium is agreed or declared in respect of any External Indebtedness (as defined under "—Negative Pledge" above) of the Issuer, the Guarantor or any of the Guarantor's Material Subsidiaries or the Subsidiary Guarantors or any of them or any of their respective Material Subsidiaries; or

(i) *Authorization and Consents:* any action, condition or thing (including the obtaining or effecting of any necessary consent, approval, authorization, exemption, filing, license, order, recording or registration) at any time required to be taken, fulfilled or done in order (i) to enable the Issuer lawfully to enter into, exercise its rights and perform and comply with its obligations under such Notes or the Indenture, (ii) to enable the Guarantor lawfully to enter into, exercise its rights and perform and comply with its obligations under the Guaranties relating to such Notes, the Indenture or the Subsidiary Guaranty Agreement in relation to such Notes and related Guaranties, (iii) to enable any of the Subsidiary Guarantors lawfully to enter into, perform and comply with its obligations under the Subsidiary Guaranty Agreement in relation to such Notes, the related Guaranties or the Indenture and (iv) to ensure that those obligations are legally binding and enforceable, is not taken, fulfilled or done within 30 days of its being so required; or

(j) *Illegality:* it is or becomes unlawful for (i) the Issuer to perform or comply with one or more of its obligations under any of such Notes or the Indenture, (ii) the Guarantor to perform or comply with any of its obligations under the Indenture, the Guaranties or the Subsidiary Guaranty Agreement with respect to such Notes, the related Guaranties or the Indenture, or (iii) the Subsidiary Guarantors or any of them to perform or comply with one or more of its obligations under the Subsidiary Guaranty Agreement with respect to such Notes, the related Guaranties or the Indenture; or

(k) *Control:* the Guarantor ceases to be a decentralized public entity of the Mexican Government or the Mexican Government shall otherwise cease to control the Guarantor or any Subsidiary Guarantor; or the Issuer, the Guarantor or any of the Subsidiary Guarantors is dissolved, disestablished or suspends its respective operations, and such dissolution, disestablishment or suspension of operations is material in relation to the business of the Issuer, the Guarantor and the Subsidiary Guarantors taken as a whole; or the Guarantor and the Subsidiary Guarantors cease to be the entities which have the exclusive right and authority to conduct on behalf of Mexico the activities of exploration, exploitation, refining, transportation, storage, distribution and first-hand sale of crude oil and exploration, exploitation, production and first-hand sale of gas, as well as the transportation and storage inextricably linked with such exploitation and production; or the Issuer ceases to be controlled by the Guarantor; or

(l) *Disposals:*

(i) the Guarantor ceases to carry on all or a substantial part of its business, or sells, transfers or otherwise disposes (whether voluntarily or involuntarily) of all or substantially all of its assets (whether by one transaction or a series of transactions whether related or not) other than (A) solely in connection with the implementation of the Organic Law of Petróleos Mexicanos and Subsidiary Entities or (B) to a Subsidiary Guarantor; or

(ii) any Subsidiary Guarantor ceases to carry on all or a substantial part of its business, or sells, transfers or otherwise disposes (whether voluntarily or involuntarily) of all or substantially all of its assets (whether by one transaction or a series of

transactions whether related or not) and such cessation, sale, transfer or other disposal is material in relation to the business of the Guarantor and the Subsidiary Guarantors taken as a whole; or

(m) *Analogous Events*: any event occurs which under the laws of Mexico has an analogous effect to any of the events referred to in paragraphs (d) to (g) above; or

(n) *Guaranties*: the Guaranties or the Subsidiary Guaranty Agreement is not (or is claimed by the Guarantor or any of the Subsidiary Guarantors not to be) in full force and effect.

“Material Subsidiaries” means, at any time, (i) each of the Subsidiary Guarantors and (ii) any Subsidiary of the Guarantor or any of the Subsidiary Guarantors having, as of the end of the most recent fiscal quarter of the Guarantor, total assets greater than 12% of the total assets of the Guarantor, the Subsidiary Guarantors and their Subsidiaries on a consolidated basis. As of the date of this Offering Circular, there were no Material Subsidiaries other than the Subsidiary Guarantors and the Issuer.

After any such acceleration has been made, but before a judgment or decree for the payment of money due based on acceleration has been obtained by the Trustee, the holders of a majority in aggregate principal amount of the Notes of such issue then outstanding may rescind and annul such acceleration in writing if all Events of Default, other than the non-payment of the principal of such Notes that have become due solely by such declaration of acceleration, have been cured or waived as provided in the Indenture.

The holders of a majority in principal amount of the Outstanding Notes of any issue may on behalf of the holders of such Notes waive any past default and any Event of Default arising therefrom, provided that a default not theretofore cured in the payment of the principal of or premium or interest on such Notes or in respect of a covenant or provision in the Indenture the modification of which would constitute a Reserved Matter (as defined below), may be waived only by a percentage of holders of Outstanding Notes of such issue that would be sufficient to effect a modification, amendment, supplement or wavier of such matter.

Purchase of Notes

The Issuer, the Guarantor or any of the Subsidiary Guarantors may at any time purchase Notes at any price in the open market, in privately negotiated transactions or otherwise. Notes so purchased by the Issuer, the Guarantor or any Subsidiary Guarantor may be held, resold or surrendered to the Trustee for cancellation.

Modification and Waiver

The Issuer and the Trustee may modify, amend or supplement the terms of the Notes of any issue or the Indenture in any way, and the holders of a majority in aggregate principal amount of the Notes of any issue may make, take or give any request, demand, authorization, direction, notice, consent, waiver or other action that the Indenture or the Notes allow a holder to make, take or give, when authorized: (1) at a meeting of holders that is properly called and held by the affirmative vote, in person or by proxy (authorized in writing), of the holders of a majority in aggregate principal or face amount of the Outstanding Notes of that issue that are represented at the meeting; or (2) with the written consent of the holders of the majority (or of such other percentage as stated in the text of the Notes of that issue with respect to the action being taken) in aggregate principal amount of the Outstanding Notes of that issue.

However, under provisions which are commonly referred to as “collective action clauses,” without the consent of the holders of not less than 75% in aggregate principal amount of the Outstanding Notes of each issue affected thereby, no action may: (1) change the governing law with respect to the Indenture, the Guaranty, the Subsidiary Guaranties or the Notes of that issue; (2) change the submission to jurisdiction of New York courts, the obligation to appoint and maintain an Authorized Agent in the Borough

of Manhattan, The City of New York or the waiver of immunity provisions in the Notes of that issue; (3) amend the Events of Default in connection with an exchange offer for the Notes of that issue; (4) change the ranking of the Notes of that issue; or (5) change the definition of “Outstanding” with respect to the Notes of that issue.

Further, without (A) the consent of each holder of Outstanding Notes of each issue affected thereby or (B) the consent of the holders of not less than 75% in aggregate principal amount of the Outstanding Notes of each issue affected thereby, and (in the case of this clause (B) only) the certification by the Guarantor or the Issuer to the Trustee that the modification, amendment, supplement or waiver is sought in connection with a General Restructuring (as defined below) by Mexico, no such modification, amendment or supplement may: (1) change the due date for any payment of, principal (if any) of or premium (if any) or interest on Notes of that issue; (2) reduce the principal or face amount of Notes of that issue, the portion of the principal or face amount that is payable upon acceleration of the maturity of Notes of that issue, the interest rate on the Notes of that issue or the premium (if any) payable upon redemption of the Notes of that issue; (3) shorten the period during which the Issuer is not permitted to redeem the Notes of that issue or permit the Issuer to redeem Notes of that issue prior to maturity, if, prior to such action, the Issuer is not permitted to do so except as permitted in each case under “—Tax Redemption” above; (4) change the coin or currency in which, or the required places at which, any principal of or premium or interest on Notes of that issue is payable; (5) modify the Guaranty of the Notes of that issue or the Subsidiary Guaranty Agreement in any manner adverse to the holder of any of the Notes of that issue; (6) change the obligation of the Issuer, the Guarantor or any Subsidiary Guarantor to pay Additional Amounts with respect to the Notes of that issue; (7) reduce the percentage of the principal amount of the Notes of that issue, the vote or consent of the holders of which is necessary to modify, amend or supplement the Indenture or the Notes of that issue or the related Guaranties or to take other action provided therein, or (8) modify the provisions in the Indenture relating to waiver of compliance with certain provisions thereof or waiver of certain defaults, or to change the quorum requirements for a meeting of holders of the Notes, in each case except to increase any related percentage or to provide that certain other provisions of the Indenture cannot be modified or waived without the consent of the holder of each Outstanding Note of that issue affected by such action.

A “General Restructuring” by Mexico means a request made by Mexico for one or more amendments or one or more exchange offers by Mexico, each of which affects a matter that would (if made to a term or condition of the Notes) constitute any of the matters described in clauses (1) through (8) in the immediately preceding paragraph or clauses (1) through (5) of the paragraph next preceding such paragraph (each, a “Reserved Matter”), and that applies to either (1) at least 75% of the aggregate principal amount of outstanding External Market Debt of Mexico that will become due and payable within a period of five years following the date of such request or exchange offer or (2) at least 50% of the aggregate principal amount of External Market Debt of Mexico outstanding at the time of such request or exchange offer. For the purposes of determining the existence of a General Restructuring, the principal amount of External Market Debt that is the subject of any such request for amendment by Mexico shall be added to the principal amount of External Market Debt that is the subject of a substantially contemporaneous exchange offer by Mexico. As used herein, “External Market Debt” means Indebtedness of the Mexican Government (including debt securities issued by the Mexican Government) which is payable or at the option of its holder may be paid in a currency other than the currency of Mexico, excluding any such Indebtedness that is owed to or guaranteed by multilateral creditors, export credit agencies and other international or governmental institutions.

In determining whether the holders of the requisite principal amount of the Outstanding Notes of an issue have consented to any amendment, modification, supplement or waiver, whether a quorum is present at a meeting of holders of the Outstanding Notes of an issue or the number of votes entitled to be cast by each holder of a Note in respect of such Note at any such meeting, Notes owned, directly or indirectly, by Mexico or any public sector instrumentality of Mexico (including the Issuer, the Guarantor or any Subsidiary Guarantor) shall be disregarded and deemed not to be Outstanding, except that, in determining whether the Trustee shall be protected in relying upon any such consent, amendment, modification, supplement or waiver, only Notes which a responsible officer of the Trustee actually knows to be so owned shall be so disregarded. As used in this paragraph, “public sector instrumentality” means

Banco de México, any department, ministry or agency of the federal government of Mexico or any corporation, trust, financial institution or other entity owned or controlled by the federal government of Mexico or any of the foregoing, and “control” means the power, directly or indirectly, through the ownership of voting securities or other ownership interests or otherwise, to direct the management of or elect or appoint a majority of the board of directors or other persons performing similar functions in lieu of, or in addition to, the board of directors of a corporation, trust, financial institution or other entity.

If and for so long as Notes of an issue are listed on the Official List of the Luxembourg Stock Exchange and traded on the Euro MTF, and the rules of such Exchange so require, in the case of any such amendment, modification or waiver in respect of such Notes effected pursuant to the terms of the Indenture (excluding amendments or modifications with respect to the curing of any ambiguity or curing, correcting or supplementing any defective provision of the Indenture or the Notes of all issues) the Issuer will prepare a supplement to this Offering Circular. In addition, a notice regarding any such amendment, modification or waiver will be published in a newspaper of general circulation in Luxembourg or on the website of the Luxembourg Stock Exchange.

The Issuer and the Trustee may, without the vote or consent of any holder of the Notes of an issue, modify or amend the Indenture or the Notes of that issue for the purpose of: (1) adding to the covenants of the Issuer or the Guarantor for the benefit of the holders of the Notes of that issue; (2) surrendering any right or power conferred upon the Issuer or the Guarantor; (3) securing the Notes of that issue pursuant to the requirements of the Indenture or otherwise; (4) curing any ambiguity or curing, correcting or supplementing any defective provision of the Indenture or the Notes of that issue or the Guaranties; (5) amending the Indenture or the Notes of that issue in any manner which the Issuer and the Trustee may determine and that will not adversely affect the rights of any holder of the Notes of that issue in any material respect; (6) reflecting the succession of another corporation to the Issuer or the Guarantor and the successor corporation’s assumption of the covenants and obligations of the Issuer or the Guarantor, as the case may be, under the Notes of that issue and the Indenture; or (7) modifying, eliminating or adding to the provisions of the Indenture to the extent necessary to qualify the Indenture under the Trust Indenture Act or under any similar U.S. federal statute enacted in the future or adding to the Indenture other provisions that are expressly permitted by the Trust Indenture Act.

The consent of the holders is not necessary under the Indenture to approve the particular form of any proposed amendment, modification, supplement or waiver. It is sufficient if the consent approves the substance of the proposed amendment, modification, supplement or waiver. After an amendment, modification or waiver under the Indenture becomes effective, the Issuer or the Guarantor will mail to the holders a notice briefly describing the amendment, modification or waiver. However, the failure to give this notice to all the holders, or any defect in the notice, will not impair or affect the validity of the amendment, modification, supplement or waiver.

Meetings

The Indenture has provisions for calling a meeting of the holders of the Notes. Under the Indenture, the Trustee may call a meeting of the holders of any issue of Notes at any time. The Issuer, the Guarantor or holders of at least 10% of the aggregate principal amount of any issue of Notes may also request a meeting of the holders of such Notes by sending a written request to the Trustee detailing the proposed action to be taken at the meeting.

At any meeting of the holders of the Notes to act on a matter that is not a Reserved Matter, a quorum exists if the holders of a majority of the aggregate principal amount Outstanding of any issue of Notes are present or represented. At any meeting of the holders of the Notes to act on a matter that is a Reserved Matter, a quorum exists if the holders of 75% of the aggregate principal amount Outstanding of that issue of Notes are present or represented, provided that if the consent of each such holder is required to act on such Reserved Matter, then a quorum exists only if the holders of 100% of the aggregate principal amount Outstanding of that issue of Notes are present or represented.

Any holders' meeting that has properly been called and that has a quorum can be adjourned from time to time by those who are entitled to vote a majority of the aggregate principal amount Outstanding of that issue of Notes represented at the meeting. The adjourned meeting may be held without further notice.

Any resolution passed, or decision made, at a holders' meeting that has been properly held in accordance with the Indenture is binding on all holders of the Notes.

Further Issues

The Issuer may from time to time without the consent of any holder of the Notes of any issue create and issue additional Notes having the same terms and conditions as Notes previously issued (or the same except for the issue date, the first payment of interest or the issue price), which additional Notes may be consolidated to form a single series with the Outstanding Notes of that issue, *provided* that such additional Notes do not have, for purposes of U.S. federal income taxation, a greater amount of original issue discount than the original Notes of such issue have as of the date of the issue of such additional Notes.

Repayment of Monies; Prescription

Any monies paid by the Issuer, the Guarantor or any Subsidiary Guarantor to the Trustee for the payment of the principal of or premium, if any, or interest on any Notes and remaining unclaimed at the end of two years after such principal or interest shall have become due and payable and shall have been paid to the Trustee by the Issuer, the Guarantor or any Subsidiary Guarantor, shall then be repaid to the Issuer upon its written request, and the holders of such Notes will thereafter look only to the Issuer, the Guarantor and the Subsidiary Guarantors for payment thereof. Unless otherwise required by applicable law, the right to receive principal of any Notes or premium, if any, or interest thereon will become void at the end of five years after the due date thereof.

Governing Law, Jurisdiction and Waiver of Immunity

The Indenture and the Notes will be governed by and construed in accordance with the laws of the State of New York, except that the authorization and execution of such documentation by the Guarantor shall be governed by the laws of Mexico. The payment obligations of the Guarantor under the Guaranties and the payment obligations of the Subsidiary Guarantors under the Subsidiary Guaranties will be governed by and construed in accordance with the laws of the State of New York.

The Guarantor and each of the Subsidiary Guarantors will appoint the Consul General of Mexico in New York City and his successors as their authorized agent (the "Authorized Agent") upon whom process may be served in any action based upon the Notes, the Guaranties, the Subsidiary Guaranties or the Indenture which may be instituted in any federal court (or, if jurisdiction in federal court is not available, state court) in the Borough of Manhattan, The City of New York, by the holder of any Note, and the Issuer, the Guarantor, each Subsidiary Guarantor and the Trustee will each irrevocably submit to the jurisdiction of any such court in respect of any such action and will irrevocably waive any objection which it may now or hereafter have to the laying of venue of any such action in any such court, and the Guarantor and each of the Subsidiary Guarantors will waive any right to which it may be entitled on account of residence or domicile. The Guarantor and each of the Subsidiary Guarantors reserve the right to plead sovereign immunity under the Immunities Act with respect to actions brought against them under U.S. federal securities laws or any state securities laws, and the Guarantor's and each of the Subsidiary Guarantors' appointment of the Consul General as its agent for service of process will not extend to such actions. In the absence of a waiver of immunity by the Guarantor and each of the Subsidiary Guarantors with respect to such actions, it would not be possible to obtain a United States judgment in such an action against the Guarantor or such Subsidiary Guarantor unless a U.S. court were to determine that the Guarantor or such Subsidiary Guarantor is not entitled under the Immunities Act to sovereign immunity with respect to such action. However, even if a United States judgment could be obtained in any such action under the Immunities Act, it may not be possible to obtain in Mexico a judgment based on such a

United States judgment. Moreover, execution upon property of the Guarantor or a Subsidiary Guarantor located in the United States to enforce a judgment obtained under the Immunities Act may not be possible except under the limited circumstances specified in the Immunities Act.

Article 27 of the Political Constitution of the United Mexican States, Articles 6 and 13 of the General Law on National Patrimony (and other related articles), Articles 1, 2, 3, 4 (and related articles) of the Regulatory Law, Articles 15, 16 and 19 of the Regulations to the Regulatory Law, Articles 1, 2, 3, 4 (and other related articles) of the Organic Law of Petróleos Mexicanos and Subsidiary Entities and Article 4 of the Federal Code of Civil Procedure of Mexico provide, *inter alia*, that (i) attachment prior to judgment, attachment in aid of execution or execution of a final judgment may not be ordered by Mexican courts against property of the Guarantor or any Subsidiary Guarantor, (ii) all domestic petroleum and hydrocarbon resources (whether solid, liquid, gas or intermediate form) are permanently and inalienably vested in Mexico (and, to that extent, subject to immunity); (iii) (a) the exploration, exploitation, refining, transportation, storage, distribution and first-hand sale of crude oil, (b) the exploration, exploitation, production and first-hand sale of gas, as well as the transportation and storage inextricably linked with such exploitation and production, and (c) the production, storage, transportation, distribution and first-hand sale of the derivatives of petroleum (including petroleum products) and of gas used as basic industrial raw materials and that constitute “basic petrochemicals” (the “Petroleum Industry”) are reserved exclusively to Mexico (and, to that extent, assets related thereto are entitled to immunity); and (iv) the public entities created and appointed by the Federal Congress of Mexico to conduct, control, develop and operate the Petroleum Industry of Mexico are the Guarantor and the Subsidiary Guarantors (and, therefore, they are entitled to immunity with respect to such exclusive rights and powers). *As a result, notwithstanding the Guarantor’s and the Subsidiary Guarantors’ waiver of immunity described in the preceding paragraph, Mexican law specifies that attachment in aid of execution may not be ordered against the Guarantor, the Subsidiary Guarantors and their assets and, as a result, may restrict the ability to enforce judgments against them.*

Trustee, Paying Agent and Transfer Agent

Deutsche Bank Trust Company Americas will be the Trustee under the Indenture. The corporate trust office of the Trustee is located at 60 Wall Street, 27th Floor, New York, New York 10005. Deutsche Bank Trust Company Americas has also been appointed as Paying Agent and Transfer Agent under the Indenture, at its offices specified above. Paying Agents and Transfer Agents are agents of the Issuer and do not have the duties of a trustee with respect to the holders of the Notes. For so long as any notes are listed on the Official List of the Luxembourg Stock Exchange and traded on the Euro MTF, the Issuer will maintain a Paying Agent and a Transfer Agent in Luxembourg.

The Trustee may resign at any time or may be removed by the Issuer at any time. If the Trustee resigns, is removed or becomes incapable of acting as Trustee or if a vacancy occurs in the office of the Trustee for any cause, a successor Trustee shall be appointed in accordance with the provisions of the Indenture.

In the ordinary course of their respective businesses, Deutsche Bank Trust Company Americas and its affiliates have engaged, and may in the future engage, in investment banking activities and commercial banking activities with the Issuer and PEMEX, and have provided, and may in the future provide, investment advisory and corporate trust services to the Issuer and PEMEX.

Notices

Notices to holders of Registered Notes will be sent by mail to their respective addresses appearing in the register maintained by the Trustee. In addition, if and for so long as the Notes are listed on the Official List of the Luxembourg Stock Exchange and traded on the Euro MTF, and the rules of such Exchange so require, such notices will be published either in a daily newspaper of general circulation in Luxembourg (expected to be the *D’Wort*), or on the website of such Exchange (www.bourse.lu). If publication as aforesaid is not practicable, notice will be validly given if made in accordance with the rules

of the Luxembourg Stock Exchange. Any such notice shall be deemed to have been given on the later of the date of such publication and the fourth calendar day after the date of mailing.

Notices to holders of Bearer Notes will be valid if published in a daily newspaper having general circulation in London (expected to be the *Financial Times*) or, if publication in such newspaper is not practicable, in another leading daily English language newspaper having general circulation in Europe approved by the Trustee. In addition, if and so long as the Notes are listed on the Official List of the Luxembourg Stock Exchange and traded on the Euro MTF, and the rules of such Exchange so require, notices to holders of Bearer Notes will be published either in a leading newspaper having general circulation in Luxembourg (expected to be the *D'Wort*) or on the website of such Exchange (www.bourse.lu). Notices will, if published more than once or on different dates, be deemed to have been given on the date of the first publication in either both of such newspapers or in the first such newspaper and the Luxembourg Stock Exchange website as provided above. Holders of coupons shall be deemed for all purposes to have notice of the contents of any notice to the holders of the related Bearer Notes.

LIMITATIONS ON ISSUANCE OF BEARER NOTES

In compliance with United States federal tax laws and regulations, Bearer Notes (including temporary global Bearer Notes), other than Bearer Notes with a maturity not exceeding one year from the date of issue, may not be offered or sold during the restricted period (as defined in United States Treasury Regulations Section 1.163-5(c)(2)(i)(D)(7)) within the United States or its possessions or to United States persons (each as defined below) other than to an office located outside the United States or its possessions of a U.S. financial institution (as defined in Section 1.165-12(c)(1) of the U.S. Treasury regulations), purchasing for its own account, that provides a certificate stating that it agrees to comply with the requirements of Section 165(j)(3)(A), (B) or (C) of the Code, and the U.S. Treasury regulations thereunder, or to certain other persons described in Section 1.163-5(c)(2)(i)(D)(1)(iii)(B) of the U.S. Treasury regulations. Moreover, such Bearer Notes may not be delivered within the United States or its possessions in connection with their sale during the restricted period. No Bearer Note (other than a temporary global Bearer Note) may be delivered, nor may interest be paid on any Bearer Note, until receipt by the Issuer of (i) a Depositary Tax Certification in the case of temporary global Bearer Notes or (ii) an Owner Tax Certification in all other cases as described above under “Description of Notes—Form and Denomination.”

For purposes of the limitations on the issuance of Bearer Notes, “United States Person” means any citizen or resident of the United States, any corporation, partnership or other entity created or organized in or under the laws of the United States, any estate the income of which is subject to U.S. federal income taxation regardless of its source, or any trust if (i) a U.S. court is able to exercise primary supervision over the trust’s administration and (ii) one or more United States Persons have the authority to control all of the trust’s substantial decisions. “United States” means the United States of America (including the States thereof and the District of Columbia) and “possessions” of the United States include Puerto Rico, the U.S. Virgin Islands, Guam, American Samoa, Wake Island and the Northern Mariana Islands.

IMPORTANT CURRENCY INFORMATION

Unless otherwise specified in the applicable Final Terms, purchasers are required to pay for Notes in the Specified Currency in immediately available funds. Currently, there are limited facilities in the United States for conversion of U.S. dollars into foreign currencies or currency units and vice versa, and it is believed that only a limited number of U.S. banks offer foreign currency checking or savings account facilities in the United States. However, if requested by a prospective purchaser of Notes denominated in a Specified Currency other than U.S. dollars, an Agent soliciting the offer to purchase may at its discretion arrange for the conversion of U.S. dollars into such Specified Currency to enable the purchaser to pay for such Notes. Any request must be made by the date determined by such Agent. Each such conversion will be made by such Agent on such terms and subject to such conditions, limitations and charges as such Agent may from time to time establish in accordance with its regular foreign exchange practice. All costs of exchange will be borne by purchasers of the Notes.

For purposes of determining whether the holders of the requisite principal amount of Outstanding Notes have taken or authorized any action under the Indenture, the principal amount of a Note denominated in a Specified Currency other than U.S. dollars at any time outstanding shall be deemed to be the U.S. dollar equivalent, determined on the basis of the Market Exchange Rate as of the Issue Date of such Note, of the principal amount of such Note.

CURRENCY RISKS AND RISKS ASSOCIATED WITH INDEXED NOTES

Exchange Rates and Exchange Controls

An investment in a Note denominated in a Specified Currency other than the currency of the country in which a purchaser is resident or the currency (including any currency unit) in which a purchaser conducts its primary business (the “home currency”) or where principal of or interest on Notes is payable by reference to a Specified Currency index other than an index relating to the home currency entails significant risks that are not associated with a similar investment in a security denominated in the home currency. Such risks include, without limitation, the possibility of significant changes in rates of exchange between the home currency and the Specified Currency and the possibility of the imposition or modification of foreign exchange controls by either the United States or foreign governments. Such risks generally depend on factors over which the particular country has no control, such as economic, financial, political and military events and the supply of and demand for the relevant currencies. In recent years, rates of exchange for certain currencies have been highly volatile, and such volatility may be expected in the future. Fluctuations in any particular exchange rate that have occurred in the past are not necessarily indicative, however, of fluctuations in the exchange rate that may occur during the term of any Note. Depreciation of the Specified Currency in which a Note is denominated against the relevant home currency would result in a decrease in the effective home currency-equivalent yield of such Note below its interest rate, in the home currency-equivalent value of the principal payable at maturity of such Note and generally in the home currency-equivalent market value of such Note and could result in a loss to the investor on a home currency basis.

Foreign exchange rates can either be fixed by sovereign governments or float. Exchange rates of most economically developed nations are permitted to fluctuate in value relative to the U.S. dollar. National governments, however, rarely voluntarily allow their currencies to float freely in response to economic forces. Sovereign governments in fact use a variety of techniques, such as intervention by a country’s central bank or imposition of regulatory controls or taxes, to affect the rate of exchange of their currencies. Governments may also issue a new currency to replace an existing currency or alter the exchange rate or relative exchange characteristics by devaluation or revaluation of a currency. Thus, a special risk in purchasing Notes that are denominated in a foreign currency or currency unit is that the U.S. dollar equivalent yields of such Notes could be affected by governmental actions which could change or interfere with theretofore freely determined currency valuations, fluctuations in response to other market forces and the movement of the currencies across borders.

Governments have from time to time imposed, and may in the future impose, exchange controls that could affect the availability of a Specified Currency for making payments with respect to a Note. There can be no assurance that exchange controls will not restrict or prohibit payments in any currency or currency unit. Even if there are no actual exchange controls, it is possible that on a payment date with respect to any particular Note, the Specified Currency for such Note would not be available to the Issuer to make payments then due. In that event, the Issuer will make such payments in the manner set forth below under “Payment Currency.”

THIS OFFERING CIRCULAR AND ANY FINAL TERMS HERETO DO NOT DESCRIBE ALL THE RISKS OF AN INVESTMENT IN NOTES DENOMINATED IN A CURRENCY (INCLUDING ANY CURRENCY UNIT) OTHER THAN A PROSPECTIVE PURCHASER’S HOME CURRENCY AND THE ISSUER, THE GUARANTOR AND THE SUBSIDIARY GUARANTORS DISCLAIM ANY RESPONSIBILITY TO ADVISE PROSPECTIVE PURCHASERS OF SUCH RISKS AS THEY EXIST AT THE DATE OF THIS OFFERING CIRCULAR AND AS SUCH RISKS MAY CHANGE FROM TIME TO TIME. PROSPECTIVE PURCHASERS SHOULD CONSULT THEIR OWN FINANCIAL AND LEGAL ADVISORS AS TO THE RISKS ENTAILED BY AN INVESTMENT IN NOTES DENOMINATED IN A CURRENCY (INCLUDING ANY CURRENCY UNIT) OTHER THAN THEIR PARTICULAR HOME CURRENCY. SUCH NOTES ARE NOT AN APPROPRIATE INVESTMENT FOR PERSONS WHO ARE UNSOPHISTICATED WITH RESPECT TO FOREIGN CURRENCY TRANSACTIONS.

Unless otherwise provided, Notes denominated in a Specified Currency other than the U.S. dollar or euro will not be sold in, or to residents of, the country of the Specified Currency in which such Notes are denominated. The information set forth in this Offering Circular and any Final Terms is directed to prospective purchasers who are United States residents. The Issuer, the Guarantor and the Subsidiary Guarantors disclaim any responsibility to advise prospective purchasers who are residents of countries other than the United States with respect to any matters that may affect the purchase, holding or receipt of payments of principal of or interest on Notes. Such persons should consult their own legal and financial advisors with regard to such matters.

The Final Terms relating to each Foreign Currency Note may contain information concerning relevant historical exchange rates for the applicable Specified Currency, a description of such currency or currencies and any exchange controls affecting such currency or currencies. The information therein concerning exchange rates and exchange controls, if any, is furnished as a matter of information only and should not be regarded as indicative of the range of or trends in fluctuations in exchange rates or of exchange controls that may be imposed in the future. The Issuer, the Guarantor and the Subsidiary Guarantors disclaim any responsibility to advise prospective purchasers of changes in such exchange rates or exchange controls after the date of any such Final Terms.

Payment Currency

Except as set forth below, if payment on a Note is required to be made in a Specified Currency other than U.S. dollars and on a payment date with respect to such Note such currency or currency unit is unavailable due to the imposition of exchange controls or other circumstances beyond the Issuer's control, or is no longer used by the government of the country issuing such currency or currency unit or for the settlement of transactions by public institutions of or within the international banking community, then all such payments due on such payment date shall be made in U.S. dollars. The amount so payable on any payment date in such foreign currency or currency unit shall be converted into U.S. dollars at a rate determined by the Exchange Rate Agent as of the second Business Day prior to the date on which such payment is due on the basis of the most recently available Market Exchange Rate for such currency or currency unit, or as otherwise specified in the applicable Final Terms. Any payment made under such circumstances in U.S. dollars will not constitute an Event of Default under the Notes.

All determinations referred to above made by the Exchange Rate Agent shall be confirmed by the Issuer (except to the extent expressly provided herein or in the applicable Final Terms) and, in the absence of manifest error, shall be conclusive for all purposes and binding on holders of the Notes, and the Exchange Rate Agent shall have no liability therefor.

Unless otherwise specified in the applicable Final Terms, Notes denominated in a Specified Currency other than U.S. dollars will provide that, in the event of an official redenomination of the Specified Currency, the obligations of the Issuer with respect to payments on such Notes shall, in all cases, be deemed immediately following such redenomination to provide for payment of that amount of the redenominated Specified Currency representing the amount of such obligations immediately before such redenomination.

Foreign Currency Judgments; Immunity from Attachment

The Notes and Guaranties will be governed by and construed in accordance with the laws of the State of New York. See "Description of Notes—Governing Law, Jurisdiction and Waiver of Immunity." Courts in the United States customarily have not rendered judgments for money damages denominated in any currency other than U.S. dollars. New York statutory law provides, however, that in an action based on an obligation denominated in a currency other than U.S. dollars, a court shall render a judgment or decree in the foreign currency of the underlying obligation and that the judgment or decree shall be converted into U.S. dollars at the exchange rate prevailing on the date of entry of the judgment or decree. It is not known whether the foregoing New York statutory law would be applied (a) in any action based on an obligation denominated in a currency unit or (b) by a Federal court sitting in the State of New York.

Under the Mexican Monetary Law, payments which should be made in Mexico in foreign currency, whether by agreement or upon judgment of a Mexican court, may be discharged in pesos at a rate of exchange for pesos into the relevant foreign currency prevailing at the time of payment. In addition, Mexican law specifies that attachment in aid of execution may not be ordered against the Guarantor, the Subsidiary Guarantors and their assets and, as a result, the ability of investors to realize upon judgments in the courts of Mexico may be limited. See “Description of Notes—Governing Law, Jurisdiction and Waiver of Immunity.”

Risks Associated with Indexed Notes

An investment in Indexed Notes may entail significant risks that are not associated with a similar investment in a debt instrument that has a fixed principal amount, is denominated in U.S. dollars and bears interest at either a fixed rate or a floating rate determined by reference to nationally published interest rate references. The risks of a particular Indexed Note will depend on the terms of such Indexed Note, but may include, without limitation, the possibility of significant changes in the prices of securities, currencies, intangibles, goods, articles or commodities or of other objective price, economic or other measures making up the relevant index (the “Underlying Assets”). Such risks generally depend on factors over which the Issuer has no control, such as economic and political events and the supply of and demand for the Underlying Assets. In recent years, currency exchange rates and prices for various Underlying Assets have been highly volatile, and such volatility may be expected in the future. Fluctuations in any such rates or prices that have occurred in the past are not necessarily indicative, however, of fluctuations that may occur during the term of any Indexed Note.

In considering whether to purchase Indexed Notes, investors should be aware that the calculation of amounts payable in respect of Indexed Notes may involve reference to prices which are published solely by third parties or entities which are not subject to regulation under the laws of the United States.

THIS OFFERING CIRCULAR AND ANY FINAL TERMS HERETO DO NOT DESCRIBE ALL THE RISKS OF AN INVESTMENT IN INDEXED NOTES AND THE ISSUER, THE GUARANTOR AND THE SUBSIDIARY GUARANTORS DISCLAIM ANY RESPONSIBILITY TO ADVISE PROSPECTIVE PURCHASERS OF SUCH RISKS AS THEY EXIST AT THE DATE OF THIS OFFERING CIRCULAR OR AS SUCH RISKS MAY CHANGE FROM TIME TO TIME. THE RISK OF LOSS AS A RESULT OF THE LINKAGE OF PRINCIPAL OR INTEREST PAYMENTS ON INDEXED NOTES TO AN INDEX AND TO THE UNDERLYING ASSETS CAN BE SUBSTANTIAL. PROSPECTIVE PURCHASERS SHOULD CONSULT THEIR OWN FINANCIAL AND LEGAL ADVISORS AS TO THE RISKS ENTAILED BY AN INVESTMENT IN INDEXED NOTES. AN INDEXED NOTE IS NOT AN APPROPRIATE INVESTMENT FOR PERSONS WHO ARE UNSOPHISTICATED WITH RESPECT TO TRANSACTIONS IN THE UNDERLYING ASSETS OF ANY INDEX RELEVANT TO THAT INDEXED NOTE.

CLEARING AND SETTLEMENT

Arrangements will be made with each of DTC, Euroclear and Clearstream, Luxembourg to facilitate initial issuance of Global Notes deposited with, or on behalf of, DTC (“DTC Global Notes”). See “Description of Notes—Form and Denomination.” Transfers within DTC, Euroclear and Clearstream, Luxembourg will be made in accordance with the usual rules and operating procedures of the relevant system. Cross-market transfers between investors who hold or who will hold DTC Global Notes through DTC and investors who hold or will hold DTC Global Notes through Euroclear and/or Clearstream, Luxembourg will be effected in DTC through the respective depositaries of Euroclear and Clearstream, Luxembourg. Each Regulation S Global Note and each Restricted Global Note deposited with DTC will have a different CUSIP or CINS number.

DTC

DTC has advised the Issuer as follows: DTC is a limited-purpose trust company organized under the laws of the State of New York, a “banking organization” within the meaning of the New York Banking Law, a member of the Federal Reserve System, a “clearing corporation” within the meaning of the New York Uniform Commercial Code and a “clearing agency” registered pursuant to the provisions of Section 17A of the Exchange Act. DTC was created to hold securities for its participating organizations (“DTC Participants”) and to facilitate the clearance and settlement of securities transactions between DTC Participants through electronic book-entry changes in accounts of the DTC Participants, thereby eliminating the need for physical movement of certificates. DTC Participants include securities brokers and dealers, brokers, banks, trust companies and clearing corporations and may include certain other organizations. Indirect access to the DTC system is also available to others such as banks, brokers, dealers and trust companies that clear through or maintain a custodial relationship with a DTC Participant, either directly or indirectly (“Indirect DTC Participants”).

Under the rules, regulations and procedures creating and affecting DTC and its operations (the “Rules”), DTC is required to make book-entry transfers between DTC Participants on whose behalf it acts with respect to the Notes and is required to receive and transmit distributions of principal of and interest on the Notes. DTC Participants and Indirect DTC Participants with which investors have accounts with respect to the Notes similarly are required to make book-entry transfers and receive and transmit such payments on behalf of their respective investors.

Because DTC can only act on behalf of DTC Participants, who in turn act on behalf of Indirect DTC Participants and certain banks, the ability of a person having a beneficial interest in a Note held in DTC to transfer or pledge such interest to persons or entities that do not participate in the DTC system, or otherwise take actions in respect of such interest, may be affected by the lack of a physical certificate of such interest. The laws of some states of the United States require that certain persons take physical delivery of securities in definitive form. Consequently, the ability to transfer beneficial interests in a Note held in DTC to such persons may be limited.

DTC has advised the Issuer that it will take any action permitted to be taken by a holder of Notes (including, without limitation, the presentation of Notes for exchange as described above) only at the direction of one or more participants to whose account with DTC interests in the relevant Notes are credited, and only in respect of such portion of the aggregate principal amount of the Notes as to which such participant or participants has or have given such direction. However, in certain circumstances, DTC will exchange the DTC Global Notes held by it for Certificated Notes, which it will distribute to its participants and which, if representing interests in the Restricted Global Note, will be legended as set forth under “Notice to Investors.” See “Description of Notes—Certificated Notes and Definitive Bearer Notes.”

Euroclear

Euroclear was created in 1968 to hold securities for participants of Euroclear and to clear and settle transactions between Euroclear participants through simultaneous electronic book-entry delivery against

payment, thus eliminating the need for physical movement of certificates and risk from lack of simultaneous transfers of securities and cash. Transactions may now be settled in many currencies, including United States dollars and Japanese yen. Euroclear provides various other services, including securities lending and borrowing and interfaces with domestic markets in several countries generally similar to the arrangements for cross-market transfers with DTC described below.

Euroclear is operated by Euroclear Bank S.A./N.V. (the “Euroclear Operator”), under contract with Euroclear Clearance System plc, a U.K. corporation (“Euroclear”). The Euroclear Operator conducts all operations, and all Euroclear securities clearance accounts and Euroclear cash accounts are accounts with the Euroclear Operator, not Euroclear. The Euroclear Operator establishes policy for Euroclear on behalf of Euroclear participants. Euroclear participants (“Euroclear Participants”) include banks (including central banks), securities brokers and dealers and other professional financial intermediaries and may include the Agents. Indirect access to Euroclear is also available to other firms that clear through or maintain a custodial relationship with a Euroclear participant, either directly or indirectly. Euroclear is an indirect participant in DTC.

The Euroclear Operator is a Belgian bank. The Belgian Banking Commission and the National Bank of Belgium regulate and examine the Euroclear Operator.

The Terms and Conditions Governing Use of Euroclear (the “Euroclear Terms and Conditions”) and the related Operating Procedures of Euroclear and applicable Belgian law govern securities clearance accounts and cash accounts with the Euroclear Operator. Specifically, these terms and conditions govern:

- transfers of securities and cash within Euroclear;
- withdrawal of securities and cash from Euroclear; and
- receipts of payments with respect to securities in Euroclear.

All securities in Euroclear are held on a fungible basis without attribution of specific certificates to specific securities clearance accounts. The Euroclear Operator acts under the terms and conditions only on behalf of Euroclear Participants and has no record of or relationship with persons holding securities through Euroclear Participants.

Distributions with respect to Notes held beneficially through Euroclear will be credited to the cash accounts of Euroclear Participants in accordance with the Euroclear Terms and Conditions, to the extent received by the Euroclear Operator and by Euroclear.

Clearstream, Luxembourg

Clearstream Banking, société anonyme (“Clearstream, Luxembourg”), was incorporated as a limited liability company under Luxembourg law. Clearstream, Luxembourg is owned by Cedel International, société anonyme, and Deutsche Börse AG. The shareholders of these two entities are banks, securities dealers and financial institutions.

Clearstream, Luxembourg holds securities for its customers and facilitates the clearance and settlement of securities transactions between Clearstream, Luxembourg customers through electronic book-entry changes in accounts of Clearstream, Luxembourg customers, thus eliminating the need for physical movement of certificates. Clearstream, Luxembourg provides to its customers, among other things, services for safekeeping, administration, clearance and settlement of internationally traded securities, securities lending and borrowing and collateral management. Clearstream, Luxembourg interfaces with domestic markets in a number of countries. Clearstream, Luxembourg has established an electronic bridge with the Euroclear Operator to facilitate settlement of trades between Clearstream, Luxembourg and Euroclear.

As a registered bank in Luxembourg, Clearstream, Luxembourg is subject to regulation by the Luxembourg Commission for the Supervision of the Financial Sector. Clearstream, Luxembourg customers ("Clearstream, Luxembourg Participants") are recognized financial institutions around the world, including underwriters, securities brokers and dealers, banks, trust companies and clearing corporations. In the United States, Clearstream, Luxembourg customers are limited to securities brokers and dealers and banks, and may include the Agents for the Notes. Other institutions that maintain a custodial relationship with a Clearstream, Luxembourg customer may obtain indirect access to Clearstream, Luxembourg. Clearstream, Luxembourg is an indirect participant in DTC.

Distributions with respect to the Notes held beneficially through Clearstream, Luxembourg will be credited to cash accounts of Clearstream, Luxembourg Participants in accordance with its rules and procedures, to the extent received by Clearstream, Luxembourg.

Initial Settlement in Relation to DTC Global Notes

Upon the issuance of a DTC Global Note, DTC or its custodian will credit, on its internal system, the respective principal amount of the individual beneficial interests represented by such DTC Global Note to the accounts of persons who have accounts with DTC. Such accounts initially will be designated by or on behalf of the relevant Agent or the Issuer, in the case of a Note sold directly by the Issuer. Ownership of beneficial interests in a DTC Global Note will be limited to DTC Participants, including Euroclear and Clearstream, Luxembourg, or Indirect DTC Participants. Ownership of beneficial interests in DTC Global Notes will be shown on, and the transfer of that ownership will be effected only through, records maintained by DTC or its nominee (with respect to interests of DTC Participants) and the records of DTC Participants (with respect to interests of Indirect DTC Participants).

Euroclear and Clearstream, Luxembourg will hold omnibus positions on behalf of their participants through customers' securities accounts for Euroclear and Clearstream, Luxembourg on the books of their respective depositaries, which in turn will hold such positions in customers' securities accounts in such depositaries' names on the books of DTC.

Investors that hold their interests in a DTC Global Note through DTC will follow the settlement practices applicable to global bond issues. Investors' securities custody accounts will be credited with their holdings against payment in same-day funds on the settlement date.

Investors that hold their interests in a DTC Global Note through Euroclear or Clearstream, Luxembourg accounts will follow the settlement procedures applicable to conventional eurobonds in registered form. The interests will be credited to the securities custody accounts on the settlement date against payment in same-day funds.

Secondary Market Trading in Relation to DTC Global Notes

Since the purchaser determines the place of delivery, it is important to establish at the time of the trade where both the purchaser's and the seller's accounts are located to ensure that settlement can be made on the desired value date. Although DTC, Euroclear and Clearstream, Luxembourg have agreed to the following procedures in order to facilitate transfers of interests in a Regulation S Global Note and a Restricted Global Note among participants of DTC, Euroclear and Clearstream, Luxembourg, they are under no obligation to perform or continue to perform such procedures, and such procedures may be discontinued at any time. Neither the Issuer nor the Trustee, any Paying Agent or the Registrar will have any responsibility for the performance by DTC, Euroclear or Clearstream, Luxembourg or their respective participants or indirect participants of their respective obligations under the rules and procedures governing their operations.

Trading between DTC Participants

Secondary market trading between DTC Participants will be settled using the procedures applicable to global bond issues in same-day funds.

Trading between Euroclear and/or Clearstream, Luxembourg Participants

Secondary market trading between Euroclear Participants and/or Clearstream, Luxembourg Participants will be settled using the procedures applicable to conventional eurobonds in same-day funds.

Trading between DTC Sellers and Euroclear or Clearstream, Luxembourg Purchasers

When interests are to be transferred from the account of a DTC Participant to the account of a Euroclear Participant or a Clearstream, Luxembourg Participant, the purchaser will send instructions to Euroclear or Clearstream, Luxembourg through a Euroclear Participant or a Clearstream, Luxembourg Participant, as the case may be, at least one business day prior to settlement. The Euroclear Operator or Clearstream, Luxembourg will instruct its respective depositary to receive such interest against payment. Payment will then be made by the depositary to the DTC Participant's account against delivery of the interest in the relevant DTC Global Note. After settlement has been completed, the interest will be credited to the respective clearing system, and by the clearing system, in accordance with its usual procedures, to the Euroclear Participant's or Clearstream, Luxembourg Participant's account. The securities credit will appear the next day (European time) and the cash debit will be back-valued to, and the interest on the DTC Global Note will accrue from, the value date (which would be the preceding day, when settlement occurred in New York). If settlement is not completed on the intended value date (*i.e.*, the trade fails), the Euroclear or Clearstream, Luxembourg cash debit will be valued instead as of the actual settlement date.

Euroclear Participants and Clearstream, Luxembourg Participants will need to make available to the relevant clearing system the funds necessary to process same-day funds settlement. The most direct means of doing so is to preposition funds for settlement, either from cash on-hand or existing lines of credit, as such Participants would for any settlement occurring with Euroclear or Clearstream, Luxembourg. Under this approach, such Participants may take on credit exposure to the Euroclear Operator or Clearstream, Luxembourg until the interests in the relevant DTC Global Note are credited to their accounts one day later.

As an alternative, if the Euroclear Operator or Clearstream, Luxembourg has extended a line of credit to a Euroclear Participant or a Clearstream, Luxembourg Participant, as the case may be, such Participant may elect not to preposition funds and allow the credit line to be drawn upon to finance settlement. Under this procedure, Euroclear Participants or Clearstream, Luxembourg Participants purchasing interests in a DTC Global Note would incur overdraft charges for one day, assuming they cleared the overdraft when the interests in the relevant DTC Global Note were credited to their accounts. However, interest on the relevant DTC Global Note would accrue from the value date. Therefore, in many cases the investment income on the interest in the relevant DTC Global Note earned during that one-day period may substantially reduce or offset the amount of such overdraft charges, although this result will depend on each participant's particular cost of funds.

Since settlement takes place during New York business hours, DTC Participants can employ their usual procedures for transferring global bonds to the respective depositaries of Euroclear or Clearstream, Luxembourg for the benefit of Euroclear Participants or Clearstream, Luxembourg Participants. The sale proceeds will be available to the DTC seller on the settlement date. Thus, to DTC Participants, a cross-market sale transaction will settle no differently from a trade between two DTC Participants.

Trading between Euroclear or Clearstream, Luxembourg Sellers and DTC Purchasers

Due to time zone differences in their favor, Euroclear Participants and Clearstream, Luxembourg Participants may employ their customary procedures for transactions in which interests in a DTC Global Note are to be transferred by the relevant clearing system, through its respective depositary, to a DTC Participant at least one business day prior to settlement. In these cases, Euroclear or Clearstream, Luxembourg will instruct its respective depositary to deliver the interest in the relevant DTC Global Note to the DTC Participant's account against payment. The payment will then be reflected in the account of the Euroclear Participant or Clearstream, Luxembourg Participant the following day, and receipt of the cash proceeds in the Euroclear Participant's or Clearstream, Luxembourg Participant's account would be back-valued to the value date (which would be the preceding day, when settlement occurred in New York). Should the Euroclear Participant or Clearstream, Luxembourg Participant have a line of credit in its respective clearing system and elect to be in debit in anticipation of receipt of the sale proceeds in its account, the back-valuation will extinguish any overdraft charges incurred over that one-day period. If settlement is not completed on the intended value date (*i.e.*, the trade fails), receipt of the cash proceeds in the Euroclear Participant's or Clearstream, Luxembourg Participant's account would instead be valued as of the actual settlement date.

Finally, day traders that use Euroclear or Clearstream, Luxembourg to purchase interests in a DTC Global Note from DTC Participants for delivery to Euroclear Participants or Clearstream, Luxembourg Participants should note that these trades will automatically fail on the sale side unless affirmative action is taken. At least three techniques should be readily available to eliminate this potential problem:

- borrowing through Euroclear or Clearstream, Luxembourg for one day (until the purchase side of the day trade is reflected in their Euroclear or Clearstream, Luxembourg accounts) in accordance with the clearing system's customary procedures;
- borrowing the interests in the DTC Global Note in the United States from a DTC Participant no later than one day prior to settlement, which would give sufficient time for the Notes to be reflected in their Euroclear or Clearstream, Luxembourg account in order to settle the sale side of the trade; or
- staggering the value date for the buy and sell sides of the trade so that the value date for the purchase from the DTC Participant is at least one day prior to the value date for the sale to the Euroclear Participant or Clearstream, Luxembourg Participant.

Initial Settlement and Secondary Market Trading in relation to Bearer Notes and Global Notes deposited with the Common Depositary

Initial settlement in Euroclear and Clearstream, Luxembourg and secondary market trading between Euroclear Participants and/or Clearstream, Luxembourg Participants will be settled using the procedures applicable to conventional eurobonds.

TAXATION

The following summary contains a description of the principal Mexican and U.S. federal income tax considerations that may be relevant to the ownership and disposition of Notes, but it does not purport to be a comprehensive description of all of the tax considerations that may be relevant to a decision to purchase or dispose of Notes. This summary is based on the federal U.S. and Mexican tax laws in effect on the date of this Offering Circular. These laws are subject to change. Any change could apply retroactively and could affect the continued validity of this summary. This summary does not describe any tax consequences arising under the laws of any state, locality or taxing jurisdiction other than Mexico and the United States.

To ensure compliance with IRS Circular 230, each potential investor is hereby notified that: (a) any discussion of U.S. federal tax issues contained or referred to in this memorandum or any document referred to herein is no intended or written to be used, and cannot be used, by such potential investor for the purpose of avoiding penalties that may be imposed on them under the U.S. Internal Revenue Code; (b) such discussion is written for use in connection with the promotion or marketing of the transactions or matters addressed herein; and (c) each potential investor should seek advice based on their particular circumstances from an independent tax advisor.

This summary does not describe all of the tax considerations that may be relevant to a prospective holder's situation, particularly if such holder is subject to special tax rules. Each prospective holder or beneficial owner of Notes should consult its tax advisor as to the Mexican, United States or other tax consequences of the ownership and disposition of the Notes, including the effect of any foreign, state or local tax laws.

The United States and Mexico entered into a Convention for the Avoidance of Double Taxation and the Prevention of Fiscal Evasion with Respect to Taxes on Income, and a Protocol thereto, both signed on September 18, 1992 and amended by additional Protocols signed on September 8, 1994 and November 26, 2002 (the "Tax Treaty"). This summary describes the provisions of the Tax Treaty that may affect the taxation of certain U.S. holders of Notes. The United States and Mexico have also entered into an agreement that covers the exchange of information with respect to tax matters.

Mexico has also entered into tax treaties with various other countries (most of which are in effect) and is negotiating tax treaties with various other countries. These tax treaties may have effects on holders of Notes. This summary does not discuss the consequences (if any) of such treaties.

Mexican Taxation

This summary of certain Mexican federal tax considerations refers only to prospective holders of Notes that are not residents of Mexico for Mexican tax purposes and that will not hold the Notes or a beneficial interest therein through a permanent establishment for tax purposes in Mexico (any such non-resident holder a "Foreign Holder"). For purposes of Mexican taxation, an individual is a resident of Mexico if he/she has established his/her domicile in Mexico, unless he/she has a place of residence in another country as well, in which case such individual will be considered a resident of Mexico for tax purposes, if such individual has his/her center of vital interest in Mexico; an individual would be deemed to maintain his/her center of vital interest in Mexico if, among other things, (i) more than 50% of his/her total income for the calendar year results from Mexican sources, or (ii) his/her principal center of professional activities is located in Mexico. A legal entity is a resident of Mexico if it maintains the principal place of its management in Mexico or has established its effective management in Mexico. A Mexican national is presumed to be a resident of Mexico unless such person can demonstrate the contrary. If a legal entity or individual has a permanent establishment for tax purposes in Mexico, such legal entity or individual shall be required to pay taxes in Mexico on income attributable to such permanent establishment in accordance with Mexican federal tax law.

Taxation of Interest and Principal. Under existing Mexican laws and regulations, payments of principal under the Notes, made by the Issuer, the Guarantor or a Subsidiary Guarantor, to a Foreign Holder, will not be subject to any taxes or duties imposed or levied by or on behalf of Mexico.

Pursuant to the Mexican Income Tax Law and to rules issued by the Ministry of Finance and Public Credit applicable to PEMEX, payments of interest (or amounts deemed to be interest) made by the Issuer, the Guarantor or the Subsidiary Guarantors in respect of the Notes to Foreign Holders will be subject to a Mexican withholding tax imposed at a rate of 4.9% if, as expected: (i) the Notes are placed outside of Mexico by a bank or broker dealer in a country with which Mexico has a valid tax treaty in effect, (ii) the Notes are registered with the Special Section of the Registry and evidence of such registration is timely filed with the Ministry of Finance and Public Credit, (iii) the Guarantor timely files with the Ministry of Finance and Public Credit (a) certain information related to the Notes and this Offering Circular and (b) information representing that no party related to the Guarantor, directly or indirectly, is the effective beneficiary of five percent (5%) or more of the aggregate amount of each such interest payment, and (iv) the Guarantor or the Subsidiary Guarantor maintains records that evidence compliance with (iii)(b) above. If these requirements are not satisfied, the applicable withholding tax rate will be higher.

Under the Tax Treaty, the Mexican withholding tax rate is 4.9% for certain holders that are residents of the United States (within the meaning of the Tax Treaty) under certain circumstances contemplated therein.

Payments of interest made by the Issuer, the Guarantor or a Subsidiary Guarantor in respect of the Notes to a non-Mexican pension or retirement fund will be exempt from Mexican withholding taxes, provided that any such fund: (i) is duly established pursuant to the laws of its country of origin and is the effective beneficiary of the interest paid, (ii) is exempt from income tax in respect of such payments in such country, and (iii) is registered with the Ministry of Finance and Public Credit for that purpose.

Additional Amounts. The Issuer, the Guarantor and the Subsidiary Guarantors have agreed, subject to specified exceptions and limitations, to pay Additional Amounts to the holders of the Notes in respect of the Mexican withholding taxes mentioned above. If the Issuer, the Guarantor or a Subsidiary Guarantor pays Additional Amounts in respect of such Mexican withholding taxes, any refunds received with respect to such Additional Amounts will be for the account of the Issuer, the Guarantor or such Subsidiary Guarantor, as the case may be. See “Description of Notes—Additional Amounts.”

Holders or beneficial owners of Notes may be requested to provide certain information or documentation necessary to enable the Issuer, the Guarantor or a Subsidiary Guarantor to establish the appropriate Mexican withholding tax rate applicable to such holders or beneficial owners. In the event that the specified information or documentation concerning the holder or beneficial owner, if requested, is not provided on a timely basis, the obligation of the Issuer, the Guarantor or such Subsidiary Guarantor as the case may be, to pay Additional Amounts will be limited. See “Description of Notes—Additional Amounts.”

Taxation of Dispositions. Capital gains resulting from the sale or other disposition of the Notes by a Foreign Holder will not be subject to Mexican income or other similar taxes.

Transfer and Other Taxes. There are no Mexican stamp, registration, or similar taxes payable by a Foreign Holder in connection with the purchase, ownership or disposition of the Notes. A Foreign Holder of Notes will not be liable for Mexican estate, gift, inheritance or similar tax with respect to the Notes.

U.S. Federal Income Taxation

The following discussion summarizes certain U.S. federal income tax considerations that may be relevant to a holder of a Note. Except for the discussion under “—Non U.S Holders” and “—Information Reporting and Backup Withholding,” the discussion generally applies only to a holder of Notes that is an individual who is a citizen or resident of the United States, or a domestic corporation, or any other person

that is subject to U.S. federal income tax on a net income basis in respect of an investment in the Notes (a “U.S. holder”).

This summary is based on laws, regulations, rulings and decisions now in effect, all of which are subject to change. This summary deals only with U.S. holders that will hold Notes as capital assets, and does not address tax considerations applicable to investors that may be subject to special tax rules, such as banks, tax-exempt entities, insurance companies, dealers in securities or currencies, certain short-term holders of Notes, traders in securities electing to mark to market, persons that hedge their exposure in the Notes or that will hold Notes as a position in a “straddle” or conversion transaction, or as part of a “synthetic security” or other integrated financial transaction or persons that have a “functional currency” other than the U.S. dollar. U.S. holders should be aware that the U.S. federal income tax consequences of holding the Notes may be materially different for investors described in the previous sentence, including as a result of recent changes in law applicable to investors with short-term holding periods or that engage in hedging transactions.

Special U.S. federal income tax considerations, if any, relevant to a particular issue of Notes, including any Indexed Notes, will be provided in the applicable Final Terms.

Investors should consult their own tax advisors in determining the tax consequences to them of holding Notes, including the application to their particular situation of the U.S. federal income tax considerations discussed below, as well as the application of state, local, foreign or other tax laws.

Taxation of Interest and Additional Amounts. A U.S. holder will be taxed on the gross amount of payments of “qualified stated interest” (as defined below under “—Original Issue Discount”) and Additional Amounts (*i.e.*, without reduction for Mexican withholding taxes, determined utilizing the appropriate Mexican withholding tax rate applicable to the U.S. holder) on a Note as ordinary income at the time that such payments are accrued or are received (in accordance with the U.S. holder’s method of tax accounting). If such payments are made with respect to a Foreign Currency Note, the amount of interest income realized by a U.S. holder that uses the cash method of tax accounting will be the U.S. dollar value of the Specified Currency payment based on the exchange rate in effect on the date of receipt, regardless of whether the payment in fact is converted into U.S. dollars. A U.S. holder that uses the accrual method of accounting for tax purposes will accrue interest income on the Note in the relevant foreign currency and translate the amount accrued into U.S. dollars based on the average exchange rate in effect during the interest accrual period (or portion thereof within the U.S. holder’s taxable year), or, at the accrual basis U.S. holder’s election, at the spot rate of exchange on the last day of the accrual period (or the last day of the U.S. holder’s taxable year within such accrual period if the accrual period spans more than one taxable year), or at the spot rate of exchange on the date of receipt, if such date is within five business days of the last day of the accrual period. A U.S. holder that makes such election must apply it consistently to all debt instruments from year to year and cannot change the election without the consent of the Internal Revenue Service (the “IRS”). A U.S. holder that uses the accrual method of accounting for tax purposes will recognize foreign currency gain or loss, as the case may be, on the receipt of an interest payment made with respect to a Foreign Currency Note if the exchange rate in effect on the date the payment is received differs from the rate applicable to a previous accrual of that interest income. This foreign currency gain or loss will be treated as ordinary income or loss but generally will not be treated as an adjustment to interest income received on the Note.

Mexican withholding taxes paid at the appropriate rate applicable to the U.S. holder will be treated as foreign income taxes eligible for credit against such U.S. holder’s U.S. federal income tax liability, subject to generally applicable limitations and conditions, or, at the election of such U.S. holder, for deduction in computing such U.S. holder’s taxable income. Interest and Additional Amounts will constitute income from sources without the United States for U.S. foreign tax credit purposes. The calculation of foreign tax credits and, in the case of a U.S. holder that elects to deduct foreign taxes, the availability of deductions, involves the application of rules that depend on a U.S. holder’s particular circumstances. U.S. holders should consult their own tax advisors regarding the availability of foreign tax credits and the treatment of Additional Amounts.

Purchase of Notes and Basis. A U.S. holder's tax basis in a Note generally will equal the cost of such Note to such holder, increased by any amounts includible in income by the holder as original issue discount and market discount and reduced by any amortized premium (each as described below) and any payments other than payments of qualified stated interest made on such Note. In the case of a Foreign Currency Note, the cost of such Note to a U.S. holder will be the U.S. dollar value of the foreign currency purchase price on the date of purchase. In the case of a Foreign Currency Note that is traded on an established securities market, a cash basis U.S. holder (and, if it so elects, an accrual basis U.S. holder) will determine the U.S. dollar value of the cost of such Note by translating the amount paid at the spot rate of exchange on the settlement date of the purchase. The amount of any subsequent adjustments to a U.S. holder's tax basis in a Note in respect of original issue discount, market discount and premium denominated in a Specified Currency will be determined in the manner described under "—Original Issue Discount" and "—Premium and Market Discount" below. The conversion of U.S. dollars to a Specified Currency and the immediate use of the Specified Currency to purchase a Foreign Currency Note generally will not result in taxable gain or loss for a U.S. holder.

Taxation of Dispositions. Upon the sale, exchange or retirement of a Note, a U.S. holder generally will recognize gain or loss equal to the difference between the amount realized on the sale, exchange or retirement (less any accrued qualified stated interest, which will be taxable as such) and the U.S. holder's adjusted tax basis in such Note. If a U.S. holder receives a currency other than the U.S. dollar in respect of the sale, exchange or retirement of a Note, the amount realized will be the U.S. dollar value of the specified currency received calculated at the exchange rate in effect on the date the instrument is disposed of or retired. In the case of a Foreign Currency Note that is traded on an established securities market, a cash basis U.S. holder, and if it so elects, an accrual basis U.S. holder will determine the U.S. dollar value of the amount realized by translating such amount at the spot rate on the settlement date of the sale. The election available to accrual basis U.S. holders in respect of the purchase and sale of Foreign Currency Notes traded on an established securities market, discussed above, must be applied consistently to all debt instruments from year to year and cannot be changed without the consent of the IRS.

Except as discussed below with respect to market discount, Short-Term Notes (as defined below) and foreign currency gain or loss, gain or loss recognized by a U.S. holder generally will be long-term capital gain or loss if the U.S. holder has held the Note for more than one year at the time of disposition. Net long-term capital gain recognized by an individual U.S. holder is subject to a more favorable tax rate than ordinary income or net short-term capital gain.

Gain or loss recognized by a U.S. holder on the sale, exchange or retirement of a Foreign Currency Note generally will be treated as ordinary income or loss to the extent that the gain or loss is attributable to changes in exchange rates during the period in which the holder held such Note. This foreign currency gain or loss will not be treated as an adjustment to interest income received on the Notes.

Original Issue Discount. U.S. holders of Original Issue Discount Notes generally will be subject to the special tax accounting rules for obligations issued with original issue discount ("OID") provided by the Code, and certain regulations promulgated thereunder (the "OID Regulations"). U.S. holders of such Notes should be aware that, as described in greater detail below, they generally must include OID in ordinary gross income for U.S. federal income tax purposes as it accrues, generally in advance of the receipt of cash attributable to that income.

In general, each U.S. holder of an Original Issue Discount Note, whether such holder uses the cash or the accrual method of tax accounting, will be required to include in ordinary gross income the sum of the "daily portions" of OID on the Note for all days during the taxable year that the U.S. holder owns the Note. The daily portions of OID on an Original Issue Discount Note are determined by allocating to each day in any accrual period a ratable portion of the OID allocable to that accrual period. Accrual periods may be any length and may vary in length over the term of an Original Issue Discount Note, provided that no accrual period is longer than one year and each scheduled payment of principal or interest occurs on either the final day or the first day of an accrual period. In the case of an initial holder, the amount of OID on an Original Issue Discount Note allocable to each accrual period is determined by (a) multiplying the

“adjusted issue price” (as defined below) of the Original Issue Discount Note at the beginning of the accrual period by the yield to maturity of such Original Issue Discount Note (appropriately adjusted to reflect the length of the accrual period) and (b) subtracting from that product the amount (if any) of qualified stated interest (as defined below) allocable to that accrual period. The yield to maturity of a Note is the discount rate that causes the present value of all payments on the Note as of its original issue date to equal the issue price of such Note. The “adjusted issue price” of an Original Issue Discount Note at the beginning of any accrual period will generally be the sum of its issue price (generally including accrued interest, if any) and the amount of OID allocable to all prior accrual periods, reduced by the amount of all payments other than payments of qualified stated interest (if any) made with respect to such Note in all prior accrual periods. The term “qualified stated interest” generally means stated interest that is unconditionally payable in cash or property (other than debt instruments of the issuer) at least annually during the entire term of an Original Issue Discount Note at a single fixed rate of interest or, subject to certain conditions, based on one or more interest indices. In the case of an Original Issue Discount Note that is a Floating Rate Note, both the “yield to maturity” and “qualified stated interest” will generally be determined for these purposes as though the Original Issue Discount Note will bear interest in all periods at a fixed rate generally equal to the rate that would be applicable to the interest payments on the Note on its date of issue or, in the case of certain Floating Rate Notes, the rate that reflects the yield that is reasonably expected for the Note. (Additional rules may apply if interest on a Floating Rate Note is based on more than one interest index.) As a result of this “constant yield” method of including OID in income, the amounts includible in income by a U.S. holder in respect of an Original Issue Discount Note denominated in U.S. dollars generally are lesser in the early years and greater in the later years than the amounts that would be includible on a straight-line basis. All payments on an Original Issue Discount Note (other than payments of qualified stated interest) will generally be viewed first as payments of previously-accrued OID (to the extent thereof), with payments attributed first to the earliest-accrued OID, and then as payments of principal.

A U.S. holder generally may make an irrevocable election to include in its income its entire return on a Note (*i.e.*, the excess of all remaining payments to be received on the Note, including payments of qualified stated interest, over the amount paid by such U.S. holder for such Note) under the constant-yield method described above. For Notes purchased at a premium or bearing market discount in the hands of the U.S. holder, a U.S. holder making such election will also be deemed to have made the election (discussed below in “—Premium and Market Discount”) to amortize premium or to accrue market discount in income currently on a constant-yield basis.

In the case of an Original Issue Discount Note that is also a Foreign Currency Note, a U.S. holder should determine the U.S. dollar amount includible in income as OID for each accrual period by (a) calculating the amount of OID allocable to each accrual period in the Specified Currency using the constant-yield method described above, and (b) translating the amount of the Specified Currency so derived at the average exchange rate in effect during that accrual period (or portion thereof within a U.S. holder’s taxable year) or, at the U.S. holder’s election (as described above under “—Payments of Interest and Additional Amounts”), at the spot rate of exchange on the last day of the accrual period (or the last day of the U.S. holder’s taxable year within such accrual period if the accrual period spans more than one taxable year), or at the spot rate of exchange on the date of receipt, if such date is within five business days of the last day of the accrual period. Because exchange rates may fluctuate, a U.S. holder of an Original Issue Discount Note that is also a Foreign Currency Note may recognize a different amount of OID income in each accrual period than would the holder of an otherwise similar Original Issue Discount Note denominated in U.S. dollars. Upon the receipt of an amount attributable to OID (whether in connection with a payment of an amount that is not qualified stated interest or the sale or retirement of the Original Issue Discount Note), a U.S. holder will recognize ordinary income or loss measured by the difference between the amount received (translated into U.S. dollars at the exchange rate in effect on the date of receipt or on the date of disposition of the Original Issue Discount Note, as the case may be) and the amount accrued (using the exchange rate applicable to such previous accrual).

A subsequent U.S. holder of an Original Issue Discount Note that purchases the Note at a cost less than its remaining redemption amount (as defined below), or an initial U.S. holder that purchases an Original Issue Discount Note at a price other than the Note’s issue price, also generally will be required to

include in gross income the daily portions of OID, calculated as described above. However, if the U.S. holder acquires the Original Issue Discount Note at a price greater than its adjusted issue price, such holder may reduce its periodic inclusions of OID income to reflect the premium paid over the adjusted issue price. The “remaining redemption amount” for a Note is the total of all future payments to be made on the Note other than payments of qualified stated interest.

Floating Rate Notes generally will be treated as “variable rate debt instruments” under the OID Regulations. Accordingly, the stated interest on a Floating Rate Note generally will be treated as “qualified stated interest” and such a Note will not have OID solely as a result of the fact that it provides for interest at a variable rate. If a Floating Rate Note does not qualify as a “variable rate debt instrument”, such Note will be subject to special rules (the “Contingent Payment Regulations”) that govern the tax treatment of debt obligations that provide for contingent payments (“Contingent Debt Obligations”). A detailed description of the tax considerations relevant to United States holders of any such Notes will be provided in the applicable Final Terms.

Certain of the Notes may be subject to special redemption, repayment or interest rate reset features, as indicated in the applicable Final Terms. Notes containing such features, may be subject to special rules that differ from the general rules discussed above. Purchasers of Notes with such features should carefully examine the applicable Final Terms and should consult their own tax advisors with respect to such Notes since the tax consequences with respect to such features, and especially with respect to OID, will depend, in part, on the particular terms of the purchased Notes.

Premium and Market Discount. A U.S. holder of a Note that purchases the Note at a cost greater than its remaining redemption amount (as defined in the third preceding paragraph) will be considered to have purchased the Note at a premium, and may elect to amortize such premium (as an offset to interest income), using a constant-yield method, over the remaining term of the Note. Such election, once made, generally applies to all bonds held or subsequently acquired by the U.S. holder on or after the first taxable year to which the election applies and may not be revoked without the consent of the IRS. A U.S. holder that elects to amortize such premium must reduce its tax basis in a Note by the amount of the premium amortized during its holding period. Original Issue Discount Notes purchased at a premium will not be subject to the OID rules described above. In the case of premium in respect of a Foreign Currency Note, a U.S. holder should calculate the amortization of such premium in the specified currency. Amortization deductions attributable to a period reduce interest payments in respect of that period and therefore are translated into U.S. dollars at the exchange rate used by the U.S. holder for such interest payments. Exchange gain or loss will be realized with respect to amortized bond premium on such a Note based on the difference between the exchange rate on the date or dates such premium is recovered through interest payments on the Note and the exchange rate on the date on which the U.S. holder acquired the Note. With respect to a U.S. holder that does not elect to amortize bond premium, the amount of bond premium will be included in the U.S. holder’s tax basis when the Note matures or is disposed of by the U.S. holder. Therefore, a U.S. holder that does not elect to amortize such premium and that holds the Note to maturity generally will be required to treat the premium as capital loss when the Note matures.

If a U.S. holder of a Note purchases the Note at a price that is lower than its remaining redemption amount, or in the case of an Original Issue Discount Note, its adjusted issue price, by at least 0.25% of its remaining redemption amount multiplied by the number of remaining whole years to maturity, the Note will be considered to have “market discount” in the hands of such U.S. holder. In such case, gain realized by the U.S. holder on the disposition of the Note generally will be treated as ordinary income to the extent of the market discount that accrued on the Note while held by such U.S. holder. In addition, the U.S. holder could be required to defer the deduction of a portion of the interest paid on any indebtedness incurred or maintained to purchase or carry the Note. In general terms, market discount on a Note will be treated as accruing ratably over the term of such Note, or, at the election of the holder, under a constant yield method. Market discount on a Foreign Currency Note will be accrued by a U.S. holder in the specified currency. The amount includible in income by a U.S. holder in respect of such accrued market discount will be the U.S. dollar value of the amount accrued, generally calculated at the exchange rate in effect on the date that the Note is disposed of by the U.S. holder.

A U.S. holder may elect to include market discount in income on a current basis as it accrues (on either a ratable or constant-yield basis), in lieu of treating a portion of any gain realized on a sale of a Note as ordinary income. If a U.S. holder elects to include market discount on a current basis, the interest deduction deferral rule described above will not apply. Any accrued market discount on a Foreign Currency Note that is currently includible in income will be translated into U.S. dollars at the average exchange rate for the accrual period (or portion thereof within the U.S. holder's taxable year). Any such election, if made, applies to all market discount bonds acquired by the taxpayer on or after the first day of the first taxable year to which such election applies and is revocable only with the consent of the IRS.

Short-Term Notes. The rules set forth above will also generally apply to Notes having maturities of not more than one year ("Short-Term Notes"), but with certain modifications.

First, the OID Regulations treat *none* of the interest on a Short-Term Note as qualified stated interest (but instead treat such interest payments as part of the Short-Term Note's stated redemption price at maturity, thereby giving rise to OID). Thus, all Short-Term Notes will be Original Issue Discount Notes. OID will be treated as accruing on a Short-Term Note ratably, or at the election of a U.S. holder, under a constant yield method.

Second, a U.S. holder of a Short-Term Note that uses the cash method of tax accounting and is not a bank, securities dealer, regulated investment company or common trust fund, and does not identify the Short-Term Note as part of a hedging transaction, will generally not be required to include OID in income on a current basis. Such a U.S. holder may not be allowed to deduct all of the interest paid or accrued on any indebtedness incurred or maintained to purchase or carry such Note until the Stated Maturity of the Note or its earlier disposition in a taxable transaction. In addition, such a U.S. holder will be required to treat any gain realized on a sale, exchange or retirement of the Note as ordinary income to the extent such gain does not exceed the OID accrued with respect to the Note during the period the U.S. holder held the Note. Notwithstanding the foregoing, a cash-basis U.S. holder of a Short-Term Note may elect to accrue OID in income on a current basis (in which case the limitation on the deductibility of interest described above will not apply). A U.S. holder using the accrual method of tax accounting and certain cash-basis U.S. holders (including banks, securities dealers, regulated investment companies and common trust funds) generally will be required to include OID on a Short-Term Note in income on a current basis.

Third, any U.S. holder (whether cash or accrual basis) of a Short-Term Note can elect to accrue the "acquisition discount", if any, with respect to the Note on a current basis. If such an election is made, the OID rules will not apply to the Note. Acquisition discount is the excess of the remaining redemption amount of the Note at the time of acquisition over the purchase price. Acquisition discount will be treated as accruing ratably or, at the election of the U.S. holder, under a constant-yield method based on daily compounding.

Finally, the market discount rules will not apply to a Short-Term Note.

Indexed Notes and Other Notes Providing for Contingent Payments. Special rules govern the tax treatment of debt obligations that provide for contingent payments ("contingent debt obligations"). These rules generally require accrual of interest income on a constant-yield basis in respect of a contingent debt obligation at a yield determined at the time of issuance of the obligation, and may require adjustments to such accruals when any contingent payments are made. A detailed description of the tax considerations relevant to U.S. holders of any contingent debt obligations will be provided in the applicable Final Terms.

Non-U.S. Holders. The following summary applies to holders who are not U.S. holders for U.S. federal income tax purposes.

For non-U.S. holders, the interest income derived from the Notes generally will be exempt from U.S. federal income taxes, including withholding tax. However, to receive this exemption non U.S. holders

may be required to satisfy certification requirements, which are described below under the heading “—Information Reporting and Backup Withholding,” to establish that one is not a U.S. holder.

Even if the holder is not a U.S. holder, U.S. federal income taxation may still apply to any interest income derived in respect of the Notes if (i) the holder is an insurance company carrying on a U.S. insurance business, within the meaning of the Internal Revenue Code, or (ii) the holder has an office or other fixed place of business in the United States that receives the interest and the holder earns the interest in the course of operating (1) a banking, financing or similar business in the United States or (2) a corporation the principal business of which is trading in stock or securities for its own account, and certain other conditions exist.

If a holder is not a U.S. holder, any gain realized on a sale or exchange of Notes generally will be exempt from U.S. federal income tax, including withholding tax, unless (i) such income is effectively connected with the holder's conduct of a trade or business in the United States; or (ii) in the case of gain, a holder is an individual holder and is present in the United States for 183 days or more in the taxable year of the sale, and either (1) the holder's gain is attributable to an office or other fixed place of business that the holder maintains in the United States or (2) the holder has a tax home in the United States.

U.S. federal estate tax will not apply to a Note held by an individual holder who at the time of death is a non-resident alien.

Information Reporting and Backup Withholding. The Paying Agent will be required to file information returns with the IRS with respect to payments made to certain U.S. holders of Notes. In addition, certain U.S. holders may be subject to backup withholding tax in respect of such payments if they do not provide their taxpayer identification numbers to the Paying Agent. Persons holding Notes who are not U.S. holders may be required to comply with applicable certification procedures to establish that they are not U.S. holders in order to avoid the application of such information reporting requirements and backup withholding tax.

European Union Savings Directive. Under European Council Directive 2003/48/EC on the taxation of savings income, each member state of the European Union (a "Member State") is required to provide to the tax authorities of another Member State details of payments of interest or other similar income paid by a person within its jurisdiction to an individual resident in that other Member State; however, for a transitional period, Austria, Belgium and Luxembourg will instead apply a withholding system in relation to such payments, deducting tax at rates rising over time to 35 per cent, unless during such period they elect otherwise.

The transitional period is to terminate at the end of the first full fiscal year following agreement by certain non-EU countries to the exchange of information relating to such payments.

A number of non-EU countries, and certain dependent or associated territories of certain Member States, have agreed to adopt similar measures (either provision of information or transitional withholding) in relation to payments made by a person within its jurisdiction to an individual resident in a Member State. In addition, the Member States have entered into reciprocal provision of information or transitional withholding arrangements with certain of those dependent or associated territories in relation to payments made by a person in a Member State to an individual resident in one of those territories.

OFFERING AND SALE

The following is subject to change in the applicable Final Terms. Further, the Agents who have agreed to purchase Notes from the Issuer will be specified in the applicable Final Terms.

Subject to the terms and conditions set forth in the Amended and Restated Distribution Agreement, dated as of February 11, 2005, as amended (the “Distribution Agreement”), the Notes are being offered on a continuing basis by the Issuer through Citigroup Global Markets, Inc., Citigroup Global Markets Limited, Credit Suisse Securities (USA) LLC, Credit Suisse Securities (Europe) Limited, Goldman, Sachs & Co., Goldman Sachs International, J.P. Morgan Securities Inc., J.P. Morgan Securities Limited, Lehman Brothers Inc. and Lehman Brothers International (Europe) (the “Agents”), who have agreed to use reasonable efforts to solicit purchases of the Notes. The Issuer will have the sole right to accept offers to purchase Notes and may reject any proposed purchase of Notes as a whole or in part. The Agents shall have the right, in their discretion reasonably exercised, to reject any offer to purchase Notes, as a whole or in part. The Issuer will pay the Agents a commission in the amount agreed between the Agents and the Issuer for sales made through them as Agents.

The Issuer may also sell Notes to the Agents as principals for their own accounts at a discount to be agreed upon at the time of sale. Such Notes may be resold at prevailing market prices, or at prices related thereto, at the time of such resale, as determined by the Agents. The Issuer reserves the right to sell Notes directly on its own behalf or, subject to certain conditions set forth in the Distribution Agreement, through or to brokers or dealers (acting as principal or agent) other than the Agents. No commission will be payable to the Agents on any Notes sold directly by the Issuer. The commission arrangements for agency sales through, or principal sales to, such other brokers or dealers will be agreed between the Issuer and such other brokers or dealers at the time of sale.

Notes may also be sold by the Agents to or through dealers who may resell to investors. The Agents may pay all or part of their discount or commission to such dealers.

United States

Notes in bearer form are subject to U.S. tax law requirements and may not be offered, sold or delivered within the United States or its possessions or to a U.S. person, except in certain transactions permitted by U.S. tax regulations. Terms used in this paragraph have the meanings given to them by the Code and regulations thereunder.

The Notes have not been and will not be registered under the Securities Act and may not be offered or sold within the United States or to, or for the account or benefit of, U.S. persons (as defined in Regulation S) except in certain transactions exempt from, or not subject to, the registration requirements of the Securities Act.

In connection with an offering of Notes, the Agents may purchase and sell the Notes in the open market. These transactions may include over-allotment and stabilizing transactions and purchases to cover short positions created by the Agents in connection with the offering. Stabilizing transactions consist of certain bids or purchases for the purpose of preventing or retarding a decline in the market price of the Notes; and short positions created by the Agents involve the sale by the Agents of a greater number of Notes than they are required to purchase from the Issuer in the offering. The Agents also may impose a penalty bid, whereby selling concessions allowed to broker-dealers in respect of the securities sold in the offering may be reclaimed by the Agents if such Notes are repurchased by the Agents in stabilizing or covering transactions. These activities may stabilize, maintain or otherwise affect the market price of the Notes, which may be higher than the price that might otherwise prevail in the open market; and these activities, if commenced, may be discontinued at any time. These transactions may be effected in the over-the-counter market or otherwise.

The Issuer has been advised by each of the Agents that any offering or sale of Notes by such Agent will be (a) if such Notes are to be offered in the United States or to U.S. persons, only to institutions which such Agent reasonably believes are qualified institutional buyers in reliance on Rule 144A under the Securities Act and (b) if such Notes are to be offered outside of the United States, only to certain persons in offshore transactions in reliance on Regulation S under the Securities Act and in accordance with applicable law. Any offer or sale of Notes in reliance on Rule 144A will be made by broker-dealers who are registered as such under the Exchange Act.

With respect to Notes offered to non-U.S. persons in offshore transactions in reliance on Regulation S, each Agent has acknowledged and agreed that, except as permitted by the Distribution Agreement, it will not offer, sell or deliver any Notes (whether as principal or agent) (i) as part of their distribution at any time or (ii) otherwise, until 40 days after the completion of the distribution (as certified to the Trustee by the relevant Agent) of the identifiable tranche of which such Notes are a part, within the United States or to, or for the account or benefit of, U.S. persons.

In addition, until the expiration of the 40-day period referred to above, an offer or sale of Notes within the United States by a dealer that is not participating in the offering may violate the registration requirements of the Securities Act.

Terms used in the four preceding paragraphs have the meanings given them by Regulation S and Rule 144A under the Securities Act.

The Issuer has agreed to restrictions similar to those described above with regard to sales made by it.

European Economic Area

In relation to each Member State of the European Economic Area which has implemented the Prospectus Directive other than France (each, a "Relevant Member State"), each Agent has represented and agreed that with effect from and including the date on which the Prospectus Directive is implemented in that Relevant Member State (the "Relevant Implementation Date") it has not made and will not make an offer of the Notes of any tranche to the public in that Relevant Member State prior to the date of publication of a prospectus in relation to such Notes which has been approved by the competent authority in that Relevant Member State or, where appropriate, approved in another Relevant Member State and notified to the competent authority in that Relevant Member State, all in accordance with the Prospectus Directive, except that it may, with effect from and including the Relevant Implementation Date, make an offer of such Notes to the public in that Relevant Member State at any time:

- (a) to any legal entity which is authorized or regulated to operate in the financial markets or, if not so authorized or regulated, whose corporate purpose is solely to invest in securities;
- (b) to any legal entity which has two or more of (1) an average of at least 250 employees during the last financial year; (2) a total balance sheet of more than €43,000,000 and (3) an annual net turnover of more than €50,000,000, as shown in its last annual or consolidated accounts; or
- (c) in any other circumstances which do not require the publication by the Issuer of a prospectus pursuant to Article 3 of the Prospectus Directive.

For the purposes of this provision, the expression an "offer of Notes to the public" in relation to the Notes of any tranche in any Relevant Member State means the communication in any form and by any means of sufficient information on the terms of the offer and the Notes to be offered so as to enable an investor to decide to purchase or subscribe for such Notes as the same may be varied in that Member State by any measure implementing the Prospectus Directive in that Member State, and the expression "Prospectus Directive" means Directive 2003/71/EC and includes any relevant implementing measure in each Relevant Member State.

The above selling restriction is in addition to any other selling restrictions set out below.

France

The Notes may not be offered or sold, directly or indirectly, to the public in France and none of this Offering Circular, which has not been submitted to the clearance procedure of the *Autorité des marchés financiers*, any Final Terms or any other offering materials relating to the Notes may be released, issued or distributed or caused to be released, issued or distributed, directly or indirectly, to the public in France, or used in connection with any for subscription, exchange or sale of the Notes to the public in France. Any offers, sales and distributions may be made in France only in accordance with Article L. 411-2 of the *Code monétaire et financier*, and in particular to (i) qualified investors (*investisseurs qualifiés*) and/or to (ii) a restricted circle of investors (*cercle restreint d'investisseurs*), in each case investing for their own account, as defined in Articles L. 411-2, D. 411-1, D. 411-2, D. 734-1, D. 744-1, D. 754-1 and D. 764-1 of the *Code monétaire et financier*. The Notes may be resold to the public in France only in compliance with Articles L. 411-1, L. 411-2, L. 412-1 and L. 621-8 to L. 621-8-3 of the *Code monétaire et financier*.

Italy

Each Agent has acknowledged and agreed that the offering of the Notes has not been cleared by the Italian Securities Exchange Commission (*Commissione Nazionale per le Società e la Borsa*, the “CONSOB”) pursuant to Italian securities legislation and, accordingly, has represented and agreed that the Notes may not and will not be offered, sold or delivered, nor may or will copies of this Offering Circular or any other documents relating to the Notes or the program be distributed in Italy, except in circumstances which are exempted from the rules on solicitation of investments pursuant to Article 100 of Legislative Decree No. 58 of February 24, 1998 (the “Financial Service Act”) and Article 33, first paragraph, of CONSOB Regulation No. 11971 of May 14, 1999, as amended.

Each Agent has represented and agreed that any offer, sale or delivery of the Notes or distribution of copies of this Offering Circular or any other document relating to the Notes or the program in Italy may and will be effected in accordance with all Italian securities, tax, exchange control and other applicable laws and regulations, and, in particular, will be: (i) made by an investment firm, bank or financial intermediary permitted to conduct such activities in Italy in accordance with the Financial Services Act, Legislative Decree No. 385 of September 1, 1993, as amended (the “Italian Banking Law”), CONSOB Regulation No. 11522 of July 1, 1998, as amended, and any other applicable laws and regulations; (ii) in compliance with Article 129 of the Italian Banking Law and the implementing guidelines of the Bank of Italy, pursuant to which the issue or the offer of securities in Italy is conditioned upon obtaining authorization from the Bank of Italy; and (iii) in compliance with any other applicable notification requirement or limitation which may be imposed by CONSOB or the Bank of Italy.

Any investor purchasing the Notes under the program is solely responsible for ensuring that any offer or resale of the Notes it purchased under the program occurs in compliance with applicable laws and regulations.

This Offering Circular and the information contained therein is intended only for the use of its recipient and is not to be distributed to any third party resident or located in Italy for any reason. No person resident or located in Italy other than the original recipients of this document may rely on it or its content.

In addition to the above (which shall continue to apply to the extent not inconsistent with the implementing measures of the Prospectus Directive in Italy), after the implementation of the Prospectus Directive in Italy, the restrictions, warranties and representations set out under the heading “European Economic Area” above shall apply to Italy.

Switzerland

The Notes will not be listed on the SWX Swiss Exchange and this Offering Circular does not, therefore, constitute a prospectus within the meaning of Art. 652a or 1156 of the Swiss Code of Obligations or in accordance with the Listing Rules of the SWX Swiss Exchange.

United Kingdom

Each Agent has represented, warranted and agreed that:

- (i) it has only communicated or caused to be communicated and will only communicate or cause to be communicated any invitation or inducement to engage in investment activity (within the meaning of section 21 of the Financial Services and Markets Act 2000 (the “FSMA”)) received by it in connection with the issue or sale of any such Notes in circumstances in which section 21(1) of the FSMA does not apply to the Issuer or the Guarantor; and
- (ii) it has complied and will comply with all applicable provisions of the FSMA with respect to anything done by it in relation to such Notes in, from or otherwise involving the United Kingdom.

Mexico

Each Agent has represented and agreed that it has not offered and will not offer the Notes publicly in Mexico and that it has not and will not distribute this Offering Circular or any other materials relating to the Notes publicly in Mexico. The Guarantor has filed an application to register the Notes in the Special Section of the Registry. Registration of the Notes in the Special Section of the Registry does not imply any certification as to the investment quality of the Notes, the solvency of the Issuer, the Guarantor or the Subsidiary Guarantors or the accuracy or completeness of the information contained in this Offering Circular. Furthermore, the information contained in this Offering Circular has not been reviewed or authorized by the CNBV of Mexico. The Notes have not been registered in the Securities Section of the Registry and, consequently, may not be offered or sold publicly in Mexico. Any Mexican investor who acquires these Notes from time to time must rely on its own examination of the Issuer, Guarantor and Subsidiary Guarantors.

Hong Kong

Each Agent has acknowledged and agreed, on behalf of itself and its respective selling agent, if any, that (a) it has not offered or sold and will not offer or sell in Hong Kong, by means of any document, any Notes other than to persons whose ordinary business it is to buy or sell shares or debentures (whether as principal or agent) or in circumstances which do not constitute an offer to the public within the meaning of the Companies Ordinance (Cap. 32) of Hong Kong; and (b) it has not issued or had in its possession for the purpose of issue and will not issue or have in its possession for the purpose of issue any invitation, advertisement or document relating to the Notes in Hong Kong (except if permitted to do so under the securities laws of Hong Kong) other than with respect to Notes intended to be disposed of to persons outside Hong Kong or only to “professional investors” within the meaning of the Securities and Future Ordinance (Cap. 571) of Hong Kong and any rules made thereunder.

Japan

Each Agent has acknowledged and agreed that the Notes have not been registered under the Securities and Exchange Law of Japan and, in connection with the offering of the Notes offered hereby,

are not being offered or sold and may not be offered or sold, directly or indirectly, in Japan or to, or for the account of, any resident of Japan or to others for offering or sale, directly or indirectly, in Japan or to, or for the account of, any resident of Japan, except (i) pursuant to an exemption from the registration requirements of the Securities and Exchange Law of Japan and (ii) in compliance with any other applicable requirements of Japanese law. As part of the offering, the Agents may offer Notes in Japan to a list of 49 offerees in accordance with the above provisions.

Singapore

This Offering Circular has not been registered as a prospectus with the Monetary Authority of Singapore. Accordingly, each Agent has represented, warranted and agreed that it has not circulated or distributed nor will it circulate or distribute this Offering Circular and any other document or material in connection with the offer or sale, or invitation for subscription or purchase, of any Notes nor has it offered or sold or caused such Notes to be made the subject of an invitation for subscription or purchase and will not offer or sell such Notes or cause such Notes to be made the subject of an invitation for subscription or purchase, whether directly or indirectly, to persons in Singapore other than under circumstances in which such offer, sale or invitation does not constitute an offer or sale, or invitation for subscription or purchase, of such Notes to the public in Singapore.

General

No action has been or will be taken in any jurisdiction that would permit a public offering of the Notes, or the possession, circulation or distribution of this Offering Circular, any Final Terms or any other material relating to the Issuer or the Notes, in any jurisdiction where action for such purpose is required. Accordingly, the Notes may not be offered or sold, directly or indirectly, nor may this Offering Circular, any Final Terms or any other offering material or advertisements in connection with the Notes be distributed or published in or from any country or jurisdiction except under circumstances that will result in compliance with any applicable rules and regulations of any such country or jurisdiction.

Purchasers of Notes may be required to pay stamp taxes and other charges in accordance with the laws and practices of the country of purchase in addition to the offering price and accrued interest, if any, set forth in the Final Terms with respect to such Notes.

Application has been made to admit the Notes to listing on the Official List of the Luxembourg Stock Exchange and to trading on the Euro MTF.

Each of the Agents may from time to time perform various investment and/or commercial banking services for the Issuer, the Guarantor or the Subsidiary Guarantors in the ordinary course of their business and receive separate fees for the provision of such services.

The Issuer, the Guarantor and the Subsidiary Guarantors have agreed to indemnify the Agents against certain liabilities in connection with the offering of the Notes, including liabilities under the Securities Act.

VALIDITY OF THE NOTES

The validity under New York law of the Notes, and the Guaranties and the Subsidiary Guaranty Agreement will be passed upon by Cleary Gottlieb Steen & Hamilton LLP, New York counsel for the Issuer, the Guarantor and the Subsidiary Guarantors, and by Sullivan & Cromwell LLP or such other counsel as is specified in the applicable Final Terms as New York counsel for the Agents. Certain legal matters governed by Mexican law will be passed upon by the General Counsel of the Guarantor, and by Ritch Mueller, S.C., special Mexican counsel for the Agents. Certain legal matters governed by Delaware Law will be passed upon by Richards, Layton & Finger, P.A., special Delaware counsel to the Issuer.

PUBLIC OFFICIAL DOCUMENTS AND STATEMENTS

The information included under the heading “Item 3—Key Information “Exchange Rates” and “Item 4—Information on the Company—United Mexican States” in the Form 20-F has been extracted or derived from a publication of or sourced from Mexico or one of its agencies or instrumentalities. Other information included herein has been extracted, derived or sourced from official publications of PEMEX, which is a governmental agency of Mexico, and is included herein on the authority of such publication or source as a public official document of Mexico. The Issuer takes responsibility for having accurately reproduced any such information from the respective public official document of Mexico. All other information herein is included as a public official statement made on the authority of the Director General of the Guarantor, Jesús Reyes Heróles González Garza.

RECENT DEVELOPMENTS

The following discussion of PEMEX's recent results should be read in conjunction with the Form 20-F, in particular, "Item 4—Information on the Company" and "Item 5—Operating and Financial Review and Prospects" in the Form 20-F and the Financial Statements.

Exchange Rates

On October 9, 2007, the noon buying rate for cable transfers in New York reported by the Federal Reserve Bank of New York was Ps. 10.8281 = U.S. \$1.00.

Capitalization of PEMEX

The following table sets forth the capitalization of PEMEX, at December 31, 2006 and June 30, 2007, as calculated in accordance with Mexican FRS. The figures are not directly comparable because they are stated in constant pesos as of different dates; however, no material difference would result from a restatement of the figures to constant pesos at June 30, 2007, as the inflation for the six-month period was 0.5%.

	At December 31, 2006	At June 30, 2007 ⁽¹⁾⁽²⁾	
	(millions of constant pesos as of December 31, 2006)	(millions of constant pesos or U.S. dollars as of June 30, 2007)	
Long-term external debt.....	Ps. 441,641	Ps. 379,912	U.S.\$ 35,195
Long-term domestic debt.....	63,833	96,951	8,981
Total long-term debt ⁽³⁾	Ps. 505,474	Ps. 476,863	U.S.\$ 44,176
Certificates of Contribution "A" ⁽⁴⁾	Ps. 93,445	Ps. 93,926	U.S.\$ 8,701
Mexican Government increase in equity of Subsidiary Entities ⁽⁵⁾	128,468	129,177	11,967
Surplus in the restatement of equity.....	154,101	159,918	14,815
Effect on equity from labor obligations....	(46,576)	(46,816)	(4,337)
Effect of derivative financial instruments ⁽⁶⁾	(1,698)	(1,607)	(149)
Accumulated losses.....	(333,038)	(289,267)	(26,797)
Net income (loss) for the period ⁽⁶⁾	45,252	26,968	2,498
Total equity.....	39,954	72,299	6,698
Total capitalization.....	Ps. 545,428	Ps. 549,162	U.S.\$ 50,874

Notes: Numbers may not total due to rounding.

- (1) Unaudited. Convenience translations into U.S. dollars of amounts in pesos have been made at the established exchange rate of Ps. 10.7946 = U.S. \$1.00 at June 30, 2007. Such translations should not be construed as a representation that the peso amounts have been or could be converted into U.S. dollar amounts at the foregoing or any other rate.
- (2) As of the date of the filing of this document, there has been no material change in the capitalization of PEMEX since June 30, 2007, except for PEMEX's undertaking of new financings as disclosed under "Liquidity and Capital Resources—Recent Financing Activities" in this Annex.
- (3) Total long-term debt does not include short-term indebtedness of Ps. 63,841 million at December 31, 2006 and Ps. 71,926 million at June 30, 2007. See "Item 5—Operating and Financial Review and Prospects—Liquidity and Capital Resources—2006 Financing Activities" in the Form 20-F and "Recent Developments—Liquidity and Capital Resources—Recent Financing Activities" in Annex A to this Offering Circular.

- (4) Equity instruments held by the Mexican Government.
- (5) In the first six months of 2006, the equity of the Subsidiary Entities increased by Ps. 2.7 million. This increase in equity was derived mainly from amounts that the Mexican Government transferred to Petróleos Mexicanos on various dates during 2006 as reimbursements of the excess gains revenue duty paid by PEMEX during the year. See "Item 5—Operating and Financial Review and Prospects—Liquidity and Capital Resources—Equity Structure and Certificates of Contribution 'A'" in the Form 20-F and Note 15 to the Financial Statements.
- (6) The income for June 30, 2007 relates to the income for the six-month period then ended.
- Sources: *Financial Statements. Petróleos Mexicanos for unaudited interim information.*

Results of Operations of Petróleos Mexicanos, the Subsidiary Entities and the Subsidiary Companies – First Six Months of 2007 Compared to First Six Months of 2006

The interim financial information set forth below has been derived from the unaudited condensed consolidated interim financial data of PEMEX for the six-month periods ended June 30, 2006 and 2007, which has been reported by PEMEX to the CNBV in Mexico. The consolidated interim financial information set forth below was prepared in accordance with Mexican FRS, and the information contained herein does not contain all of the information and disclosures normally included in interim financial statements prepared in accordance with Mexican FRS. This unaudited condensed consolidated interim financial information was not reconciled to U.S. GAAP.

	Six months ended June 30,		
	2006 ⁽¹⁾	2007 ^{(1) (2)}	
	(millions of constant pesos as of June 30, 2007 of U.S. dollars)		
Net sales			
Domestic	Ps. 272,909	Ps. 278,846	U.S.\$ 25,832
Export	<u>270,283</u>	<u>233,680</u>	<u>21,648</u>
Total	543,192	512,526	47,480
Other revenues (net)	<u>28,939</u>	<u>37,200</u>	<u>3,446</u>
Total revenues ⁽³⁾	572,131	549,726	50,926
Costs and operating expenses	226,041	235,086	21,778
Comprehensive financing result ⁽⁴⁾	<u>27,049</u>	<u>14,737</u>	<u>1,365</u>
Income before taxes and duties	319,041	299,903	27,783
Taxes and duties			
Hydrocarbon extraction duties and other	<u>298,914</u>	<u>272,935</u>	<u>25,284</u>
Total	<u>298,914</u>	<u>272,935</u>	<u>25,284</u>
Net income (loss) for the period	<u>Ps. 20,127</u>	<u>Ps. 26,968</u>	<u>U.S.\$ 2,499</u>

- (1) Unaudited.
- (2) Convenience translations into U.S. dollars of amounts in pesos have been made at the established exchange rate of Ps. 10.7946 = U.S. \$1.00 at June 30, 2007. 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.
- (3) Includes the IEPS Tax, which is described in "Item 5—Operating and Financial Review and Prospects—IEPS Tax, Excess Gains Duty, Hydrocarbon Duties and Other Taxes" in the Form 20-F, as part of Other Revenues, net in 2006 and 2007, when the IEPS Tax rate was negative.
- (4) Includes exchange rate losses in the amount of Ps. 15,691 million in the first six months of 2006 and exchange rate gains in the amount of Ps. 158 million in the first six months of 2007.

Source: *Petróleos Mexicanos.*

Sales

During the first six months of 2007, total sales were Ps. 512.5 billion, representing a decrease of 6.0% from total sales in the first six months of 2006 of Ps. 543.2 billion. Total sales revenue did not include the IEPS Tax in either the first half of 2006 or the first half of 2007 because the IEPS Tax rate was

negative during both periods. The decrease in total sales resulted primarily from a 13.5% decrease in export sales in the first six months of 2007 (which is described below under “—Export Sales”).

Domestic Sales

Domestic sales increased by 2.2% in the first six months of 2007, from Ps. 272.9 billion in the first six months of 2006 to Ps. 278.8 billion in the first six months of 2007, due to a 2.3% increase in sales of petroleum products, a 7.7% increase in petrochemical sales and a 0.7% increase in natural gas sales. Sales of natural gas increased by 0.7% in the first six months of 2007, from Ps. 40.4 billion in the first six months of 2006 to Ps. 40.7 billion in the first six months of 2007, due to an increase in the volume of sales. Domestic sales of petroleum products increased by 2.3% in the first six months of 2007, from Ps. 220.7 billion in the first six months of 2006 to Ps. 225.7 billion in the first six months of 2007, primarily due to an increase in sales prices of gasoline and diesel, as well as an increase in sales volumes. Domestic petrochemical sales (including sales of certain by-products of the petrochemical production process) increased by 5.1%, from Ps. 11.8 billion in the first six months of 2006 to Ps. 12.4 billion in the first six months of 2007, due to an increase in domestic prices.

Export Sales

In the first six months of 2007, total consolidated export sales (with dollar-denominated export revenues translated to pesos at the exchange rate on the date on which the export sale was made) decreased by 13.5%, from Ps. 270.3 billion in the first six months of 2006 to Ps. 233.7 billion in the first six months of 2007. Excluding the trading activities of the PMI Group, export sales by the Subsidiary Entities to the PMI Group and third parties decreased by 12.6%, from Ps. 230.4 billion in the first six months of 2006 to Ps. 201.4 billion in the first six months of 2007. In dollar terms, excluding the trading activities of the PMI Group, export sales (which are dollar-denominated) decreased by 9.8% in the first six months of 2007, from U.S. \$20.4 billion in the first six months of 2006 to U.S. \$18.4 billion in the first six months of 2007. This decrease was mainly the result of a 2.4% decrease in crude oil export prices for export sales by the Subsidiary Entities to the PMI Group and a 10% decrease in the volume of crude oil export sales.

The trading and export activities of the PMI Group generated additional marginal revenues of Ps. 32.3 billion in the first six months of 2007, as compared to Ps. 39.9 billion in the first six months of 2006, due to a decrease in prices. This decrease was mainly the result of a 1.6% decrease in crude oil export prices.

Crude oil sales by Pemex-Exploration and Production to PMI for export accounted for 87.8% of export sales (excluding the trading activities of the PMI Group) in the first six months of 2007, as compared to 90.3% in the first six months of 2006. These crude oil sales decreased in peso terms by 15.0% in the first six months of 2007, from Ps. 208.1 billion in the first six months of 2006 to Ps. 176.8 billion in the first six months of 2007, and decreased in dollar terms by 12.0% in the first six months of 2007, from U.S. \$18.4 billion in the first six months of 2006 to U.S. \$16.2 billion in the first six months of 2007. The weighted average price per barrel of crude oil that Pemex-Exploration and Production sold to PMI for export in the first six months of 2007 was U.S. \$52.06, 2.4% lower than the weighted average price of U.S. \$53.33 per barrel in the first six months of 2006.

Export sales of petroleum products by Pemex-Refining and Pemex-Gas and Basic Petrochemicals to the PMI Group and third parties represented 8.9% of export sales (excluding the trading activities of the PMI Group) in the first six months of 2006 and represented 10.4% in the first six months of 2007. Export sales of petroleum products decreased by 0.5%, from 20.7 billion in the first six months of 2006 to Ps. 20.6 billion in the first six months of 2007, primarily due to a decrease in the volume of sales of PEMEX's principal petroleum products, such as jet fuel, naphtha and virgin stock. In dollar terms, export sales of petroleum products increased by 5.6% from U.S. \$1.8 billion in the first six months of 2006 to U.S. \$1.9 billion in the first six months of 2007.

Export sales of natural gas represented 0.1% of total export sales (excluding the trading activities of the PMI Group) in the first six months of 2006, as compared to 1.2% in the first six months of 2007.

Petrochemical products accounted for the remainder of export sales in the first six months of 2006 and 2007. Export sales of petrochemical products (including certain by-products of the petrochemical process) decreased by 14.3%, from Ps. 1.4 billion in the first six months of 2006 to Ps. 1.2 billion in the first six months of 2007. In dollar terms, export sales of petrochemical products (including certain by-products of the petrochemical process) decreased by 8.6% in the first six months of 2007, from U.S. \$125.2 million in the first six months of 2006 to U.S. \$114.4 million in the first six months of 2007, primarily due to a decrease in the volume of monoethylene exports.

Other Revenues and Expenses

Other revenues, net, increased by Ps. 8.3 billion, from a net revenue of Ps. 28.9 billion in the first six months of 2006 to a net revenue of Ps. 37.2 billion in the first six months of 2007, primarily as a result of the marking to market the Repsol shares owned by PEMEX.

Costs and Operating Expenses

Costs of sales, distribution and administrative expenses increased by 4.0%, from Ps. 226.0 billion in the first six months of 2006 to Ps. 235.1 billion in the first six months of 2007. This increase was primarily due to an increase in product purchases, mainly gasoline, diesel and liquefied gas, an increase in costs associated with the labor reserve for pension obligations and an increase in the value of crude oil and petroleum product inventories.

Comprehensive Financing Result

Under Mexican FRS, comprehensive financing result reflects interest income (including gains and losses on certain derivative instruments), interest expense, foreign exchange gain or loss and the gain or loss attributable to the effects of inflation on monetary liabilities and assets. A substantial portion of PEMEX's indebtedness (78.9% at June 30, 2007) is denominated in U.S. dollars, so a depreciation of the peso against the U.S. dollar results in foreign exchange loss and higher peso-denominated interest expense.

In the first six months of 2007, comprehensive financing result decreased by 45.6%, from Ps. 27.0 billion in the first six months of 2006 to Ps. 14.7 billion in the first six months of 2007, primarily as a result of the following:

- The appreciation of the peso against the U.S. dollar in the first six months of 2007 in comparison to a depreciation of the peso in the same period of 2006 resulted in a Ps. 15.9 billion decrease in net foreign exchange losses, from a net loss of Ps. 15.7 billion in the first six months of 2006 to a net gain of Ps. 0.2 billion in the first six months of 2007.
- In the first six months of 2006 and 2007, PEMEX's average monetary liabilities exceeded its average monetary assets, resulting in a net gain in monetary position. The net gain in monetary position, which amounted to Ps. 2.1 billion in the first six months of 2007, was Ps. 0.6 billion, or 22.2%, less than the net gain in monetary position in the first six months of 2006 of Ps. 2.7 billion, due to a decrease in the inflation rate (from 0.7% in the first six months of 2006 to 0.5% in the first six months of 2007).
- Net interest and financial products expense increased by 20.6% in the first six months of 2007, from Ps. 14.1 billion in the first six months of 2006 to Ps. 17.0 billion in the first six months of 2007, primarily as a result of repurchases by the Master Trust of approximately \$1.1 billion of its debt securities and losses arising from derivative transactions entered into by RepCon Lux, S.A.

Taxes and Duties

Hydrocarbon extraction duties and other duties and taxes decreased by 8.7%, from Ps. 298.9 billion in the first six months of 2006 to Ps. 272.9 billion in the first six months of 2007, largely due to a decrease in crude oil exports. Taxes and duties represented 53.3% of total sales in the first six months of 2007, as compared to 55.0% in the first six months of 2006.

Income/(Loss)

In the first six months of 2007, PEMEX reported net income of Ps. 27.0 billion on Ps. 549.7 billion in total revenues, as compared with a net income of Ps. 20.1 billion on Ps. 572.1 billion in total revenues in the first six months of 2006. The 34.3% increase in net income from the first six months of 2006 to the first six months of 2007 resulted primarily from a Ps. 26.0 billion decrease in taxes and duties, a Ps. 8.3 billion increase in other net revenues and a Ps. 12.3 billion decrease in comprehensive financing cost, which more than offset a Ps. 39.8 billion decrease in operating income, in each case as compared to the first six months of 2006.

Liquidity and Capital Resources

Commitments for Capital Expenditures and Sources of Funding

A number of our financing agreements contain restrictions on (a) PEMEX's ability to create liens on its assets to secure external indebtedness, subject to certain exceptions, (b) PEMEX's ability to enter into forward sales of crude oil or natural gas, receivables financings and advance payment arrangements, subject to certain baskets, and (c) PEMEX's ability to merge or consolidate with other entities or sell all or substantially all of its assets. In addition, a number of our financing agreements, including the Notes, contain events of default, including an event of default if the Mexican Government ceases to control Petróleos Mexicanos or any of the Subsidiary Guarantors ceases to have the exclusive right and authority to conduct the Petroleum Industry on behalf of Mexico. At September 30, 2007, PEMEX was not in default on any of its financing agreements.

Recent Financing Activities

During the period from June 1 to September 30, 2007 the Master Trust obtained U.S. \$42.4 million in nominal terms from export credit agencies for use in financing PIDIREGAS. In addition, PEMEX participated in the following activities:

- on June 22, 2007, the Master Trust issued through an inter-company private placement U.S. \$2,000,000,000 of Floating Rate Notes due in 2020, under its Medium-Term Note Program Series A; all of the notes were purchased by Petróleos Mexicanos;
- on July 27, 2007, the Master Trust issued through an inter-company private placement U.S. \$1,000,000,000 of Floating Rate Notes due in 2023, under its Medium-Term Note Program Series A; all of the notes were purchased by Petróleos Mexicanos; and
- on August 24, 2007, the Master Trust issued through an inter-company private placement U.S. \$1,000,000,000 of Floating Rate Notes due in 2023, under its Medium-Term Note Program Series A; all of the notes were purchased by Petróleos Mexicanos.

The inter-company private placements described above did not increase our consolidated net indebtedness.

In addition, on September 7, 2007 Petróleos Mexicanos and the Master Trust entered into a revolving credit agreement with a group of international financial institutions providing for up to U.S. \$2.5

billion in two tranches, which mature in September 2010 and September 2012; this facility replaces a U.S. \$1.25 billion revolving credit agreement dated May 3, 2006 and a U.S. \$1.25 billion revolving credit agreement dated July 15, 2005 and contains improved financial terms; borrowings under the new facility may be made only by the Master Trust and are guaranteed by Petróleos Mexicanos.

On October 10, 2007, the Master Trust launched two sets of tender offers. In the first, the Master Trust is offering to purchase for cash any and all of the outstanding principal amounts of the debt securities issued by the Master Trust listed in the table below ("Any and All Tender Offers"), on the terms and subject to the conditions set forth in its offer to purchase dated October 10, 2007 and the accompanying letter of transmittal.

Series of Securities	Outstanding Principal Amount
8.00% Notes due 2011	U.S.\$ 737,434,000
7.375% Notes due 2014	1,553,409,000
5.750% Notes due 2015	1,721,490,000
9 ¼% Guaranteed Bonds due 2018	335,427,000
8.625% Bonds due 2022	784,244,000
8.625% Guaranteed Bonds due 2023	240,655,000
9.50% Guaranteed Bonds due 2027	580,158,000

In the second, the Master Trust is offering to purchase for cash a portion of the outstanding principal amounts of the debt securities issued by the Master Trust listed in the two following tables (the "Partial Tender Offers" and, together with the Any and All Tender Offers, the "Offers"), on the terms and subject to the conditions set forth in its offer to purchase dated October 10, 2007 and the accompanying letter of transmittal. The Offers are a part of PEMEX's ongoing efforts to manage its external liabilities.

Fixed Rate Securities Series of Securities	Outstanding Principal Amount	Principal Purchase Amount
8.50% Notes due 2008	U.S. \$ 945,405,000	U.S.\$ 114,000,000
6.125% Notes due 2008	733,675,000	89,000,000
9¾% Guaranteed Notes due 2008	474,023,000	57,000,000
7.875% Notes due 2009	912,154,000	110,000,000
9.125% Notes due 2010	929,618,000	112,000,000

Floating Rate Notes and Perpetual Bonds Series of Securities	Outstanding Principal Amount	Principal Purchase Amount
Guaranteed Floating Rate Notes due 2009	U.S. \$ 460,000,000	U.S.\$ 56,000,000
7.75% Guaranteed Perpetual Bonds	1,740,402,000	210,000,000
Guaranteed Floating Rate Notes due 2010	1,396,495,000	169,000,000
Guaranteed Floating Rate Notes due 2012	687,141,000	83,000,000

For a description of PEMEX's commitments for capital expenditures and sources of funding, see "Item 5—Operating and Financial Review and Prospects—Liquidity and Capital Resources" in the Form 20-F.

Business Overview

Set forth below is selected summary operating data relating to PEMEX.

	Six months ended June 30,	
	2006	2007
Operating Highlights		
<i>Production</i>		
Crude oil (tbpd).....	3,337	3,162
Natural gas (mmcfpd)	5,188	5,925
Refined products (tbpd)	1,556	1,566
Petrochemicals ⁽¹⁾ (mt)	5,415	6,122
<i>Monthly average crude oil exports</i>		
<i>(tbpd)</i>		
Olmecca	234	202
Isthmus	89	31
Maya ⁽²⁾	1,585	1,485
Total.....	1,908	1,718
<i>Value of crude oil exports</i>		
<i>(value in millions of U.S.</i>		
<i>dollars)</i>		
	18,369	16,299
<i>Monthly average PEMEX crude oil</i>		
<i>export prices per barrel⁽³⁾</i>		
Olmecca	U.S. \$64.72	U.S. \$62.65
Isthmus	57.28	57.82
Maya.....	51.29	50.86
Weighted average price ⁽⁴⁾	53.16	52.32
<i>Monthly average West Texas</i>		
<i>intermediate crude oil average</i>		
<i>price per barrel⁽⁵⁾</i>		
	U.S. \$66.90	U.S. \$ 61.53

Notes: Numbers may not total due to rounding.

tbpd = thousands of barrels per day; mmcfpd = millions of cubic feet per day; mtpy = thousands of tons per year

(1) Excludes ethane and butane gases.

(2) Subject to adjustment to reflect the percentage of water in each shipment.

(3) Average price during period indicated based on billed amounts.

(4) On October 9, 2007, the weighted average price of PEMEX's crude oil export mix was U.S. \$67.54 per barrel.

(5) On October 9, 2007, the West Texas Intermediate crude oil spot price was U.S. \$80.26 per barrel.

Sources: June 2006 and June 2007 Indicadores Petroleros and P.M.I. Comercio Internacional, S.A. de C.V.

Gas and Basic Petrochemicals

Pricing Decrees

On September 26, 2007, President Felipe Calderón issued an executive decree requiring the Ministry of Finance and Public Credit, the Ministry of Economy, the Ministry of Energy and the *Comisión Reguladora de Energía* (the Energy Regulatory Commission) to suspend the periodic update mechanisms and increases in tariffs and prices of electricity for residential use, unleaded gasoline, diesel gas and LPG. The *Procuraduría Federal del Consumidor* (Federal Consumer Commission) will oversee final distributors' compliance with the price controls. This decree became effective on September 28, 2007 and will expire on December 31, 2007.

Environmental Regulation

Pemex's Internal Monitoring

Pipeline Explosions

In September 2007, PEMEX reported explosions in its natural gas, crude oil and LPG pipelines in the State of Veracruz. The explosions were deliberately caused by a series of detonated bombs. The People's Revolutionary Army claimed responsibility for the attack. Natural gas supply was immediately suspended in the areas where pipelines were damaged and several communities were evacuated. PEMEX and local authorities were able to contain and extinguish the fires caused by the explosions. PEMEX repaired the damaged pipelines to re-establish normal supply of crude oil, natural gas and LPG one week and a half later.

Taxes and Duties

New Fiscal Regime for PEMEX

On October 1, 2007, a modification to the *Ley Federal de Derechos* (Federal Duties Law) was published in the *Diario Oficial de la Federación* (Official Gazette of the Federation). Effective January 1, 2008, the fiscal regime applicable to Pemex-Exploration and Production will be modified as follows:

- **Ordinary Hydrocarbons Duty:** The applicable rate for this duty will decrease from 74.0% in 2008, to 73.5% in 2009, to 72.5% in 2010, to 72.0% in 2011 and to 71.5% in 2012. Under the current regime, this portion is variable and fluctuates between 78.68% and 87.81%, depending on the weighted average of Mexican crude oil export prices during each year. The rate of the Ordinary Hydrocarbons Duty allocated to Mexican states will increase from 76.6% to 85.31%. In addition, the portion of the Ordinary Hydrocarbons Duty that will be assigned to Municipalities located on the border or coast where hydrocarbons are exported will gradually increase by a factor of .00042 to .00047 in 2012.
- **Duty for the Fund for Scientific and Technological Research on Energy:** The rate will increase from 0.15% of the value of extracted crude oil and natural gas production for 2008 to 0.65% in 2012. In 2009, it will decrease to 0.30%, 0.40% in 2010 and 0.50% in 2011. Under the current regime, a fixed rate of 0.05% is applied to the value of extracted crude oil and natural gas production for the year.
- **Sole Hydrocarbons Duty:** For this new duty, a floating annual rate is applied to the value of the extracted crude oil and natural gas from abandoned fields or fields that are in the process of being abandoned. Rates will fluctuate between 37% and 57%, depending on the weighted average Mexican crude oil export price.

- **Additional Duty:** This duty, which is applied if and only if annual crude oil production is below target production according to the applicable formula, is eliminated under the new fiscal regime.

Directors, Senior Management and Employees

On July 17, 2007, Petróleos Mexicanos and the Petroleum Workers' Union executed a new collective bargaining agreement that became effective on August 1, 2007. The terms of the new agreement provide for a 4.25% increase in wages and a 1.6% increase in other benefits. By its terms, the new collective bargaining agreement is scheduled to expire on July 31, 2009.

Legal Proceedings

In the normal course of business, PEMEX is named in a number of lawsuits of various types. PEMEX evaluates the merit of each claim and assesses the likely outcome, accruing a contingent liability when an unfavorable decision is probable and the amount is reasonable estimable. Other than as disclosed below, PEMEX does not believe a materially unfavorable outcome is probable for any known or pending lawsuits or threatened litigation for which PEMEX has not made any accruals.

In December 2004, Corporación Mexicana de Mantenimiento Integral, S. de R.L. de C.V. ("COMMISA") filed a claim before the International Chamber of Commerce (the "ICA") against Pemex-Exploration and Production for, among other things, the breach of a construction agreement in connection with two platforms in the Cantarell complex. On January 26, 2007, COMMISA filed a claim seeking U.S. \$292 million and Ps. 37.5 million and Pemex-Exploration and Production filed a detailed counterclaim seeking U.S. \$125.9 million and Ps. 41.5 million. On August 10, 2007, each party filed their responses to the claim and counterclaim, respectively. On September 10, 2007, both parties filed their replies, in which COMMISA modified its claim and is, as of the date of this Offering Circular, seeking U.S. \$319.9 million and Ps. 37.2 million in damages. The parties are required to file their rejoinders before October 10, 2007.

In January 2005, COMBISA, S. de R.L. de C.V. ("COMBISA") filed a claim before the ICA against Pemex-Exploration and Production seeking approximately U.S. \$235.8 million plus interest for, among other things, the breach of a construction agreement in connection with three platforms in the Cantarell complex. In April 2005, Pemex-Exploration and Production responded to the claim and filed a counterclaim against COMBISA, seeking approximately U.S. \$12.3 million. On July 23, 2007 a final award was made. COMBISA was ordered to pay U.S. \$4.6 million and Pemex-Exploration and Production was ordered to pay U.S. \$61.3 million as well as financial expenses and the corresponding value added tax. Both parties requested an additional decision to clarify this final award, which decision, as of the date of this Offering Circular, is still pending.

In February 2005, COMMISA filed a claim before the ICA against Pemex-Exploration and Production seeking approximately U.S. \$142.4 million and Ps. 40.2 million for, among other things, the breach of an agreement in connection with two vessels in the Cantarell complex. In May 2005, Pemex-Exploration and Production responded to the claim and filed a counterclaim against COMMISA, seeking approximately U.S. \$2.1 million and Ps. 488,000. On September 6, 2007, the proceeding to furnish additional evidence concluded. A final decision is still pending as of the date of this Offering Circular.

Tejas Gas de Toluca, S. de R. L. de C. V. commenced an arbitration proceeding against Gas Natural México S. A. de C. V. ("GNM") and Pemex-Gas and Basic Petrochemicals, seeking compliance with a Memorandum of Understanding and its annexes entered into in connection with the construction and operation of the Palmillas-Toluca pipeline as well as for the execution of a transportation agreement. As of the date of this Offering Circular, the arbitration panel has been formed, but the initial arbitration report is still pending.

In August 2007, a civil claim was filed by Leoba Rueda Nava against Petróleos Mexicanos and Pemex-Refining before the *Juzgado Decimocuarto de Distrito del Décimo Circuito* (Fourteenth District Court of the Tenth Circuit) in Coatzacoalcos, Veracruz seeking approximately Ps. 1,200 million for, among other things, civil liability and damages resulting from the pollution of land used to store oil waste in accordance with an agreement entered into in 1987 by and among Leoba Rueda Nava, Petróleos Mexicanos and Pemex-Refining.

A request for constitutional relief known as an *amparo* was filed by Minera Carbonífera Río Escondido, S.A. de C.V. and Minerales Monclova, S.A. de C.V. against several officers of PEMEX and Pemex-Exploration and Production, claiming that a certain construction contract is unconstitutional because the officers who executed the agreement did not have the appropriate authority. As of the date of this Offering Circular, a final judgment is still pending.

United Mexican States

The following information regarding Mexico should be read in conjunction with “Item 4—Information on the Company—United Mexican States” in the Form 20-F.

The Economy

Gross Domestic Product

According to preliminary figures, Mexico's gross domestic product (“GDP”) grew by 2.7% in real terms during the second quarter of 2007, as compared with the same period of 2006. The transportation, storage and communications sector grew by 7.3%; the financial services, insurance and real estate sector grew by 4.8%; the electricity, gas and water sector grew by 4.1%; the community, social and personal services sector grew by 2.0%; the agriculture, livestock, fishing and forestry sector grew by 2.0%; the commerce, hotels and restaurants sector grew by 1.9%; the construction sector grew by 1.6%; the mining, petroleum and gas sector grew by 1.0%; and the manufacturing sector grew by 0.2%, each in real terms, as compared with the same period of 2006.

Prices and Wages

Inflation (as measured by the change in the national consumer price index) for the first eight months of 2007 was 1.42%, 0.02 percentage points lower than inflation for the same period of 2006.

Interest Rates

During the first eight months of 2007, interest rates on 28-day Treasury bills (“Cetes”) averaged 7.12% and interest rates on 91-day Cetes averaged 7.28%, as compared with average rates on 28-day Cetes of 7.27% and interest rates on 91-day Cetes of 7.35%, during the same period of 2006. On September 18, 2007, the 28-day Cetes rate was 7.22% and the 91-day Cetes rate was 7.37%.

Financial System

Central Bank and Monetary Policy

During the first seven months of 2007, the M1 money supply (defined as bills and coins held by the public, plus checking accounts denominated in local currency and foreign currency, plus interest-bearing deposits denominated in pesos and operated by debit cards) increased by 2.4% in real terms, as compared to the same period of 2006. In addition, checking account deposits denominated in pesos increased by 4.1% in real terms during the first seven months of 2007, as compared to the same period of 2006.

During the first seven months of 2007, financial savings increased by 6.7% in real terms, as compared to the same period of 2006. Savings generated by Mexican residents increased by 5.9% in real terms and savings generated by non-residents increased by 29.5% in real terms during the first seven months of 2007, each as compared to the same period of 2006.

At September 20, 2007, the monetary base totaled Ps. 406.3 billion, a 9.7% nominal decrease from the level of Ps. 449.8 billion at December 29, 2006. *Banco de México* estimates that the monetary base will total approximately Ps. 505.3 billion at December 31, 2007.

External Sector of the Economy

Foreign Trade

During the first seven months of 2007, according to preliminary figures, Mexico registered a trade deficit of U.S. \$5.8 billion, as compared with a surplus of U.S. \$0.2 billion for the same period of 2006. Merchandise exports increased by 5.7% during the first seven months of 2007, to U.S. \$150.6 billion, as compared to U.S. \$142.5 billion for the same period of 2006. During the first seven months of 2007, petroleum exports decreased by 5.3%, while non-petroleum exports increased by 7.9%, each as compared with the same period of 2006.

During the first seven months of 2007, according to preliminary figures, total imports grew by 9.9% to U.S. \$156.3 billion, as compared with U.S. \$142.3 billion for the same period of 2006. During the first seven months of 2007, imports of intermediate goods increased by 8.5%, imports of capital goods increased by 11.6% and imports of consumer goods increased by 15.7%, each as compared with the first seven months of 2006.

Balance of International Payments

According to preliminary figures, during 2006, Mexico's current account registered a deficit of U.S. \$2.4 billion, as compared to a deficit of U.S. \$4.9 billion registered in 2005. The capital account registered a deficit of U.S. \$2.2 billion in 2006, as compared to a U.S. \$12.8 billion surplus in 2005. Net foreign investment in Mexico, as recorded in the balance of payments, totaled U.S. \$20.5 billion in 2006 and was composed of direct foreign investment inflows totaling U.S. \$19.2 billion—and foreign portfolio investment (including securities placed abroad) inflows totaling U.S. \$1.3 billion.

According to preliminary figures, during the first six months of 2007, Mexico's current account registered a deficit of U.S. \$3.8 billion, as compared to a surplus of U.S. \$848 million during the same period of 2006. The capital account registered a surplus of U.S. \$7.1 billion in the first six months of 2007, as compared with a U.S. \$8.5 billion surplus for the same period of 2006. Net foreign investment in Mexico, as recorded in the balance of payments, totaled U.S. \$19.2 billion during the first six months of 2007 and was composed of direct foreign investment inflows totaling U.S. \$13.2 billion and foreign portfolio investment (including securities placed abroad) inflows totaling U.S. \$6.0 billion.

At September 14, 2007, Mexico's international reserves totaled U.S. \$72.3 billion, an increase of U.S. \$4.6 billion from the level at December 29, 2006. The net international assets of *Banco de México* totaled U.S. \$81.1 billion at September 14, 2007, an increase of U.S. \$4.8 billion from the level at December 29, 2006.

Direct Foreign Investment in Mexico

According to preliminary figures, during the first six months of 2007, direct foreign investment in Mexico notified to the National Foreign Investment Commission totaled approximately U.S. \$9.4 billion.

Public Finance

Revenues and Expenditures—Taxation

On September 14, 2007, the Mexican Congress passed a fiscal reform bill containing various amendments to the Mexican tax law. The reforms are expected to result in additional public sector revenues of approximately Ps. 120.0 billion in 2008, or about 1.1% of GDP. The Mexican Government intends to allocate the additional tax revenues resulting from the fiscal reform primarily to social expenditures and infrastructure investment. The reform should also lessen the Mexican Government's reliance on PEMEX's revenues to some extent, and should enable PEMEX to increase its investment expenditures.

Key elements of the tax reform include:

- A new tax on cash deposits will become effective on July 1, 2008, and will be imposed at the rate of 2% on cash deposits that exceed the cumulative monthly amount of Ps. 25,000. This tax, which is intended to subject payments made in the informal sector of the economy to the tax system, can be credited against the value added and income taxes, retained earnings tax and other federal contributions. Neither loan repayments nor remittances made through electronic transfers or checking orders will be subject to this new tax. Purchases of cashier's checks paid in cash are not exempt from this tax.
- A new corporate tax (*impuesto empresarial a tasa única*) will become effective on January 1, 2008, and will impose a minimum tax equal to 16.5% of a corporation's sales revenues (less certain deductions, including wages, social security contributions and certain investment expenditures) in 2008, 17.0% in 2009 and 17.5% in 2010 and thereafter. This new tax replaces the current Asset Tax and is intended to discourage tax evasion.
- A new federal sales tax on diesel and gasoline, to be phased in over an 18-month period, was enacted. The revenues from this sales tax will be directed to Mexican states and municipalities to fund spending on roads and other infrastructure and to fund environmental programs.
- A new excise tax on gambling and lottery winning was enacted.
- Amendments to the federal fiscal code were made to strengthen auditing and control procedures and amendments to the federal law of budget and fiscal responsibility were made to promote reductions in expenditures by the Mexican Government and government-owned companies.

GENERAL INFORMATION

1. The Notes have been accepted for clearance and settlement in DTC's book-entry settlement system. The Notes have been accepted for clearance through Clearstream, Luxembourg and Euroclear. The appropriate CUSIP, Common Code(s) and International Securities Identification Number(s), as applicable, with respect to each issue of Notes will be set forth in the Final Terms relating thereto. All payments of principal and interest with respect to DTC Global Notes denominated in a currency other than U.S. dollars and registered in the name of DTC's nominee, will be converted to U.S. dollars unless the relevant participants in DTC elect to receive such payment of principal or interest in that other currency.

2. So long as the Notes are listed under the program on the Official List of the Luxembourg Stock Exchange and traded on the Euro MTF, they will be freely transferable and negotiable in accordance with the rules of the Luxembourg Stock Exchange, subject, however, to the limitations set forth under "Notice to Investors," "Limitations on the Issuance of Bearer Notes" and "Offering and Sale."

3. On October 11, 2007, the Issuer authorized the issue of up to U.S. \$40,000,000,000 of Notes. The Guarantor obtained the authorization of its board of directors on August 29, 2007, and of the Ministry of Finance and Public Credit on October 11, 2007, to guaranty up to U.S. \$40,000,000,000 of Notes and has obtained all necessary consents, approvals and authorizations in Mexico in connection with the issue of, and performance of its rights and obligations under, the Notes, including the registration of the Indenture and the forms of Notes and the Guaranties attached to the Indenture; *provided* that in connection with each issue of Notes under the program, the Guarantor will obtain the authorization of the Ministry of Finance and Public Credit of the terms of such issue and will register the Notes, Guaranties and other necessary documentation with the Ministry of Finance and Public Credit. The Guarantor is obliged and has undertaken to register the Notes with the Special Section of the Registry. The board of directors of each of Pemex-Refining, Pemex-Gas and Basic Petrochemicals and Pemex-Exploration and Production authorized the signing of the Subsidiary Guaranty Agreement on June 19, 1996 and June 25, 1996.

4. Except as disclosed herein, there has been no material adverse change in the financial position of the Issuer, the Guarantor or the Subsidiary Guarantors since the date of the latest audited financial statements incorporated by reference herein.

5. None of the Issuer, the Guarantor or any of the Subsidiary Guarantors is involved in any litigation or arbitration proceedings relating to claims or amounts which are material in the context of the issue of the Notes. None of the Issuer, the Guarantor or any of the Subsidiary Guarantors are aware of any such litigation or arbitration proceedings pending or threatened.

6. The Guarantor and the Subsidiary Guarantors are decentralized public entities of the Mexican Government. None of the directors and executive officers of the Guarantor and the Subsidiary Guarantors are residents of the United States, and all or a substantial portion of the assets of the Guarantor and the Subsidiary Guarantors and such persons are located outside the United States. It may not be possible for investors to effect service of process within the United States upon the Guarantor and the Subsidiary Guarantors or such persons or to enforce against any of them, in United States courts, judgments obtained in United States courts predicated upon the civil liability provisions of the federal securities laws of the United States.

7. Copies of the latest annual report and consolidated accounts of PEMEX, including the Issuer and each of the Subsidiary Guarantors (which are consolidated with those of PEMEX) and copies of the Trust Agreement, as amended, establishing the Issuer may be obtained, and copies of the Organic Law of Petróleos Mexicanos and Subsidiary Entities (constituting the Guarantor and its Subsidiary Entities) and of the Indenture, incorporating the form of Notes and the Guaranties, and the Subsidiary Guaranty Agreement will be available, free of charge during usual business hours on any day (except Saturday and

Sunday and legal holidays) at the specified offices of each of the Paying Agents, so long as any of the Notes are outstanding. Neither the Issuer nor any of the Subsidiary Guarantors publish their own financial statements and none of them plans to publish interim or annual financial statements. The Guarantor publishes interim consolidated financial statements in Spanish on a regular basis, and summaries of these interim consolidated financial statements in English are available, free of charge, at the office of the Paying and Transfer Agent in Luxembourg. The summary for the six months ended June 30, 2007 is incorporated by reference herein.

8. The principal offices of PricewaterhouseCoopers, S.C., independent registered public accounting firm and auditors of PEMEX for fiscal years ended December 31, 2002, 2003, 2004, 2005 and 2006 are located at Mariano Escobedo 573, Col. Rincón del Bosque, 11580 Mexico, D.F.

9. The Mexican Government is not legally or otherwise liable for obligations incurred by the Issuer or PEMEX.

10. Under Mexican law, all domestic hydrocarbon reserves are permanently and inalienably vested in Mexico and Mexico can exploit such hydrocarbon reserves only through the Guarantor and the Subsidiary Guarantors.

11. Article 27 of the Constitution, Articles 1, 2, 3 and 4 (and related Articles) of the Regulatory Law, Articles 15, 16 and 19 of the Regulations to the Regulatory Law, Articles 6 and 13 (and other related Articles) of the General Law on National Patrimony, Articles 1, 2, 3 and 4 (and other related Articles) of the Organic Law of Petróleos Mexicanos and Subsidiary Entities and Article 4 of the Federal Code of Civil Procedure of Mexico, set forth, *inter alia*, that (i) attachment prior to judgment, attachment in aid of execution and execution of a final judgment may not be ordered by Mexican courts against property of the Guarantor or any Subsidiary Guarantor, (ii) all domestic petroleum and hydrocarbon resources (whether solid, liquid, gas or intermediate form) are permanently and inalienably vested in Mexico (and, to that extent, subject to immunity), (iii) (a) the exploration, exploitation, refining, transportation, storage, distribution and first-hand sale of crude oil, (b) the exploration, exploitation, production and first-hand sale of natural gas, as well as the transportation and storage inextricably linked with such exploitation and production, and (c) the production, transportation, storage, distribution and first-hand sale of the derivatives of petroleum (including petroleum products) and of gas used as basic industrial raw materials and that constitute "Basic Petrochemicals" (the "Petroleum Industry"), are reserved exclusively to Mexico (and, to that extent, assets related thereto are entitled to immunity); and (iv) the public entities created and appointed by the Federal Congress of Mexico to conduct, control, develop and operate the Petroleum Industry of Mexico are the Guarantor and the Subsidiary Guarantors (and, therefore, they are entitled to immunity in respect of such exclusive rights and powers). Except for the rights of immunity granted to the Guarantor and the Subsidiary Guarantors by the above mentioned provisions, neither the Guarantor nor the Subsidiary Guarantors nor their respective properties or assets has any immunity in Mexico from jurisdiction of any court or from set-off or any legal process (whether through process or notice, or otherwise).

12. In the event that proceedings are brought in Mexico seeking performance of the obligations of the Guarantor or the Subsidiary Guarantors in Mexico, pursuant to the Monetary Law of Mexico, the Guarantor or any of the Subsidiary Guarantors may discharge its obligations by paying any sum due in a currency other than Mexican currency, in Mexican currency at the rate of exchange prevailing in Mexico on the date when payment is made. Banco de México currently determines such rate every business day and publishes it in the *Diario Oficial* on the following business day in Mexico.

13. All Bearer Notes and coupons will bear the following legend:

Any United States person who holds this obligation will be subject to limitations under the United States income tax laws, including the limitations provided in Sections 165(j) and 1287(a) of the United States Internal Revenue Code of 1986, as amended.

FORM OF FINAL TERMS

(to be completed by the Issuer and the Relevant Agent)

Final Terms No. _
To Offering Circular dated [DATE]



Pemex Project Funding Master Trust

**U.S. \$40,000,000,000
Medium-Term Notes, Series A**

[Currency and Amount] [Description of Notes] [due]
Issue price: []

unconditionally guaranteed by
Petróleos Mexicanos

[AGENT NAME(S)]

The date of this Final Terms is [].

These Final Terms are issued to give details of a tranche of notes (the “Notes”) to be issued by the Pemex Project Funding Master Trust (the “Issuer”), pursuant to a program for the issuance of up to U.S. \$40,000,000,000 of Medium-Term Notes, Series A (the “Program”). It is supplementary to, and should be read in conjunction with, the Offering Circular issued in relation to the Program dated [DATE].

These Final Terms do not constitute, and may not be used for the purposes of, an offer or solicitation by anyone in any jurisdiction in which such offer or solicitation is not authorized or to any person to whom it is unlawful to make such offer or solicitation, and no action is being taken to permit an offering of the Notes or the distribution of this Final Terms in any jurisdiction where such action is required.

THE NOTES HAVE NOT BEEN AND WILL NOT BE REGISTERED UNDER THE U.S. SECURITIES ACT OF 1933, AS AMENDED (THE “SECURITIES ACT”) OR ANY STATE SECURITIES LAWS [AND THE NOTES COMPRISE BEARER NOTES THAT ARE SUBJECT TO U.S. TAX LAW REQUIREMENTS]. THE NOTES MAY NOT BE [OFFERED OR SOLD/OFFERED, SOLD OR DELIVERED] WITHIN THE UNITED STATES OR TO, OR FOR THE ACCOUNT OR BENEFIT OF, U.S. PERSONS (AS DEFINED IN REGULATION S UNDER THE SECURITIES ACT (“REGULATION S”)) EXCEPT PURSUANT TO AN EXEMPTION FROM, OR IN A TRANSACTION NOT SUBJECT TO, THE REGISTRATION REQUIREMENTS OF THE SECURITIES ACT AND APPLICABLE STATE SECURITIES LAWS. ACCORDINGLY, THE NOTES MAY BE [OFFERED AND SOLD] [OFFERED, SOLD AND DELIVERED] ONLY [(A) TO QUALIFIED INSTITUTIONAL BUYERS (AS DEFINED IN RULE 144A UNDER THE SECURITIES ACT); (B)] PURSUANT TO OFFERS AND SALES THAT OCCUR OUTSIDE THE UNITED STATES IN COMPLIANCE WITH REGULATION S UNDER THE SECURITIES ACT; (C) PURSUANT TO AN EXEMPTION FROM REGISTRATION PROVIDED BY RULE 144 UNDER THE SECURITIES ACT (IF AVAILABLE); OR (D) PURSUANT TO AN EFFECTIVE REGISTRATION STATEMENT UNDER THE SECURITIES ACT, IN EACH CASE IN ACCORDANCE WITH ANY APPLICABLE SECURITIES LAWS OF ANY STATE OF THE UNITED STATES OR ANY OTHER JURISDICTION]. FOR A DESCRIPTION OF THESE AND CERTAIN FURTHER RESTRICTIONS ON OFFERS AND SALES OF THE NOTES AND DISTRIBUTION OF THIS FINAL TERMS, SEE “OFFERING AND SALE” AND “NOTICE TO INVESTORS” IN THE OFFERING CIRCULAR.

The Notes will contain provisions regarding acceleration and future modifications to their terms that differ from those applicable to certain of the Issuer’s and the Guarantor’s other outstanding public external indebtedness issued prior to the date hereof. Under these provisions, in certain circumstances, the Issuer and the Guarantor may amend the payment and certain other provisions of an issue of Notes with the consent of the holders of 75% of the aggregate principal amount of such Notes. See “Description of Notes—Modification and Waiver” in the Offering Circular.

[Set out any additions or variations to the selling restrictions].

Description of Notes

The following items under this heading “Description of Notes” are the particular terms which relate to the tranche of the Notes that is the subject of this Final Terms.

[Include whichever of the following apply to the relevant Tranche of Notes]

- | | | |
|-----|---|--|
| 1. | Series No. | [Number] |
| 2. | Principal Amount: | [Amount] |
| 3. | Issue Price: | [Price] |
| 4. | Issue Date: | [Date] |
| 5. | Form of Notes: | [Registered Notes/Bearer Notes] |
| 6. | Authorized Denomination(s): | [Currency and amount(s)] |
| 7. | Specified Currency: | [Currency of denomination] |
| 8. | Specified Principal Payment
Currency: | [Currency] |
| 9. | Specified Interest Payment
Currency: | [Currency] |
| 10. | Stated Maturity Date (Fixed Interest
Rate and Zero Coupon): | [Dates] |
| 11. | Stated Maturity Month
(Variable Interest Rate): | [Month and year] |
| 12. | Interest Basis: | [Fixed Rate Note/Floating Rate Note/Zero
Coupon Note] |
| 13. | Interest Commencement Date (if different
from the Issue Date): | [Date] |
| 14. | Fixed Rate Notes: | |
| | (a) Interest Rate: | []% per annum |
| | (b) Interest Payment Date(s): | [Date(s)] |
| 15. | Floating Rate Notes: | |
| | (a) Interest Rate Basis: | [LIBOR] [Treasury Rate] [Other] |

- | | | |
|-----|--------------------------------------|--|
| (b) | Primary Source for LIBOR Quotations: | [Reuters Page LIBOR01] |
| (c) | Indexed Maturity: | [Number of months, weeks or days] |
| (d) | Interest Reset Dates: | [Dates] |
| (e) | Interest Determination Dates: | [Specify if other than as provided in Offering Circular] |
| (f) | Interest Payment Dates: | [Dates] |
| (g) | Calculation Agent: | [Trustee] [Specify any Other] |
- 16.** Basis of Calculation of Floating Interest Rate where Offering Circular provisions do not apply: [Give details]
- 17.** Other Floating Interest Rate Terms:
- | | | |
|-----|--|---------------------|
| (a) | Minimum Interest Rate: | []% per annum |
| (b) | Maximum Interest Rate: | []% per annum |
| (c) | Spread: | [+/-[]% per annum] |
| (d) | Spread Multiplier(s): | [Specify] |
| (e) | Variable Rate Day Count Fraction(s) if not actual/360: | [Fraction] |
| (f) | Initial Interest Rate: | []% per annum |
- 18.** Discount Notes:
- | | | |
|-----|----------------|--|
| (a) | Accrual Yield: | [Yield] |
| (b) | Basis: | [Specify if other than as provided in Offering Circular] |
- 19.** Redemption at the option of the Issuer: Yes/No
- | | | |
|-----|---|---|
| (a) | Amount: | [All or less than all and, if less than all, minimum amounts] |
| (b) | Redemption Commencement Date: | [Date(s)] |
| (c) | Redemption Price(s) for each Redemption Period: | [Specify] |

- 20.** Repayment at the option of the holders: Yes/No
- (a) Deposit Period: [Specify other maximum and minimum number of days for deposit period]
- (b) Amount: [All or less than all and, if less than all, minimum amounts]
- (c) Date(s): [Date(s)]
- (d) Repayment Price: [Price and other details]
- (e) Withdrawal of Notes: [No] [Give details]
- 21.** Indexed Notes: [Specify relevant details]
- 22.** Principal Payment Dates and Amount of each Installment for Amortizing Notes: [Specify]
- 23.** Additional provisions relating to the Notes: [Give details]
- 26.** Option to Elect Payments in Other than Specified Currency: Yes/No

Other Relevant Terms

- 1.** (i) Listing: on the Luxembourg Stock Exchange Yes/No
(ii) Trading: on the Euro MTF market
- 2.** Syndicated: Yes/No
- 3.** If Syndicated:
- (a) Lead Agents: [Name]
- (b) Stabilizing Agent(s): [Name]
- 4.** Commissions and Concessions: [Specify]
- 5.** Codes:
- (a) Common Code: [Number]
- (b) ISIN: [Number]
- (c) CUSIP: [Number] [Restricted Global Note]
[Number] [Regulation S Global Note]
- (d) CINS: [Number] [Restricted Global Note]
[Number] [Regulation S Global Note]
- (e) Other: [Specify]

- | | | |
|-----|--|--|
| 6. | Identity of Agent(s): | [Names] |
| 7. | Provisions for Bearer Notes: | |
| | (a) Exchange Date: | [None/Date] |
| | (b) Permanent Global Note: | Yes/No |
| | (c) Definitive Bearer Notes: | Yes/No |
| 8. | Provisions for Registered Notes: | |
| | (a) Rule 144A eligible: | Yes/No |
| | (b) Regulation S Global Note deposited with or on behalf of DTC: | Yes/No |
| | (c) Restricted Global Note deposited with or on behalf of DTC: | Yes/No |
| | (d) Regulation S Global Note deposited with Common Depositary: | Yes/No |
| 9. | Use of Proceeds (if different from Offering Circular): | [Specify] |
| 10. | Details of any additional Risk Factors: | [] |
| 11. | Details of any additional Selling Restrictions: | [Insert the restrictions relating to the Specified Currency of the Notes or the jurisdiction(s) in which Notes are to be offered if not contained in, or if varied from, the Offering Circular.] |
| 12. | [Additional Information]: | [Set out] |

[Supplemental Offering Circular Information]

The Offering Circular is hereby supplemented with the following information, which shall be deemed to be incorporated in, and to form part of, the Offering Circular.]

[Set out any additional disclosure and, if applicable, an indication as to where it should be inserted into the Offering Circular.]

General Information

The Issuer accepts responsibility for the information it has provided in these Final Terms.

The Notes are being issued under the program of U.S. \$40,000,000,000 Medium-Term Notes, Series A of the Issuer. Application has been made to admit the notes of this tranche to listing on the Official List of the Luxembourg Stock Exchange and to trading on the Euro MTF. The date of the commencement of the Medium-Term Notes program pursuant to which these Notes are being offered was July 31, 2000, as amended on November 14, 2001, December 3, 2002, February 11, 2005, February 23, 2007 and October 11, 2007.

No person has been authorized to give any information or to make any representations other than those contained in this Offering Circular and related Final Terms hereto and, if given or made, such information or representations must not be relied upon as having been authorized. This Offering Circular and any related Final Terms hereto do not constitute an offer to sell or the solicitation of an offer to buy any securities other than the securities to which it relates or any offer to sell or the solicitation of an offer to buy such securities in any circumstances in which such offer or solicitation is unlawful. Neither the delivery of this Offering Circular nor any sale made hereunder shall, under any circumstances, create any implication that there has been no change in the affairs of the Master Trust, Petróleos Mexicanos or the Subsidiary Entities since the date hereof or that the information contained herein is correct as of any time subsequent to its date.

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U.S. \$40,000,000,000

Pemex Project Funding Master Trust

**Medium-Term Notes, Series A
Due 1 Year or More
from Date of Issue**

guaranteed by
Petróleos Mexicanos
(a Decentralized Public Entity of the Federal
Government of the United Mexican States)

**Citi
Credit Suisse
Goldman, Sachs & Co.
Goldman Sachs International
JPMorgan
Lehman Brothers**

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Pemex Project Funding Master Trust

**Unconditionally Guaranteed by
Petróleos Mexicanos**

U.S. \$1,000,000,000 5.75% Notes due 2018

U.S. \$500,000,000 6.625% Bonds due 2038

Issued Under U.S. \$40,000,000,000 Medium-Term Notes Program, Series A



FINAL TERMS NO. 8

May 28, 2008

Joint Lead Managers and Joint Bookrunners

HSBC

JP Morgan

Lehman Brothers
