Press Release No. 74
Mexico City, December 6th, 2021

The Ministry of Finance and Public Credit announces a strategy to support the Petróleos Mexicanos' long term sustainability

Petróleos Mexicanos (PEMEX or the Company) carries a strategic importance for Mexico, not only because of its crucial role in providing goods and services for the population, but also because of its importance for regional economic activity and job creation in the southeast of the country. In this region, oil-related economic activity represents more than half of the total economy and employs more than 1.3 million people.

PEMEX is a profitable public asset, in addition to being the largest taxpayer in the country. Given the profitability of the Company, which in the third quarter of 2021 reported EBITDA margin of 34%, it is of paramount importance for the Federal Government to maintain said profitability and ensure the sustainability of the Company in the long term.

Despite the numerous challenges faced by the Company, the Ministry of Finance and Public Credit (MoF) has prioritized three major structural challenges that in recent years deteriorated the financial situation of the Company and its production capabilities: i) a high tax burden, much higher than any oil company in the world; ii) a high debt burden and cash flow requirements to cover financial cost; and, iii) lack of resources to carry out the capital expenditures to maintain production levels.

In light of this, the Mexican Government has taken action to enact permanent structural changes in the Company, in order to achieve three main objectives:

- Reduce the Company's tax burden, specifically the Shared Utility Right (Derecho de Utilidad Compartida or DUC) to reduce it from 52% to 40%, in contrast to other oil companies with lower overall tax rates.

- Reduce the Company's debt burden through capital injections from the Federal Government, using surplus liquidity.
- Reduce refinancing risk with the use and leveraging of capital injections from the Federal Government, for liability management operations.

In this context, today PEMEX announces a tender offer and liability management operation primarily to target the short and middle portion of the Company's yield curve, with the objective of reducing refinancing risk and the overall debt. In this transaction, PEMEX will offer the holders of dollar denominated bonds maturing between 2024 and 2030 the option to exchange for a combination of new 10-year bonds and cash, and will offer to buy back bonds maturing between 2044 and 2060. Accordingly, the Federal Government will carry out a capital injection for a total up to US$ 3.5 billion.

With this transaction, the MoF and PEMEX expect to achieve: i) a reduction of PEMEX's external market debt; ii) an improvement of the maturity profile of the Company by extending its short- and medium-term amortizations; and, iii) a repurchase of certain bonds of the Company trading below par as well as reduce the financial cost of the company for the following years. The transaction does not intend to refinance the maturities of 2022 and 2023, given the commitment by the MoF to ensure budgetary allocations for additional capital injections to PEMEX in order to cover said maturities.

Looking toward the second half of this administration, and as reflected in the aforementioned transaction, we aim for a stronger coordination between the MoF and PEMEX with the objective of improving the financial position of the Company.

Additionally, the following measures are already in place and/or are expected to be implemented in the coming months:

I. The reformulation of the business plan that includes the detailed actions necessary to strengthen PEMEX's financial position in the medium and long term, as well as to prepare the Company for the challenges the energy sector will face in the following years.

II. The implementation of financial mechanisms and structures to allow for: i) Public Sector co-investment in exploration and extraction projects to ensure the availability of a robust production platform; and, ii) improvement of the Company's debt structure

III. Recent changes in the Company's corporate structure and management, aimed at achieving the plan's objectives, as well as achieving the necessary consensus within and outside the Company.

Finally, it is important to highlight that the transaction announced does not have an impact on public spending or on the Expenditure Budget. PEMEX continues to be a productive state-owned enterprise under Mexican law, and the Federal Government's support and capital injections do not involve undertaking any obligations to creditors of PEMEX. Mexico maintains a solid fiscal position and strong macroeconomic fundamentals, so the support to PEMEX does not compromise the sustainability of public finances, or the availability of resources for this administration's strategic and social programs.

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This announcement is not an offer to buy or sell, or a solicitation of an offer to buy or sell PEMEX securities. Any offer to sell or buy PEMEX securities will be made only by PEMEX pursuant to the appropriate offering documents, and any offer to sell PEMEX securities will be limited to qualified institutional buyers and non-U.S. Persons.

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