

**PETRÓLEOS MEXICANOS, SUBSIDIARY ENTITIES
AND SUBSIDIARY COMPANIES
CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2014, 2013 AND 2012**

Petróleos Mexicanos, Subsidiary Entities and Subsidiary Companies

**Consolidated financial statements
December 31, 2014, 2013 and 2012**

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REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

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

We have audited the accompanying consolidated statements of financial position of Petróleos Mexicanos, Subsidiary Entities and Subsidiary Companies ("PEMEX") as of December 31, 2014 and 2013, and the related consolidated statements of comprehensive income, changes in equity (deficit), and cash flows for the years then ended. These consolidated financial statements are the responsibility of PEMEX's management. Our responsibility is to express an opinion on these consolidated financial statements based on our audits.

We conducted our audits in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall presentation of the financial statements. We believe that our audits provide a reasonable basis for our opinion.

As discussed in Note 1 to these consolidated financial statements, on December 20, 2013, the "Energy Reform Decree" was published, which establishes, among other things, that the Mexican Government will carry out the exploration and extraction of hydrocarbons and will maintain ownership and control over productive state-owned companies that are formed. On August 11, 2014, the Leyes Secundarias (Secondary Legislation) to such Decree was published, which includes, among other dispositions, the Petróleos Mexicanos Law, which establishes that Petróleos Mexicanos will be transformed from a decentralized public entity to a productive state-owned company, with legal personality of its own. On November 18, 2014, the Board of Directors of Petróleos Mexicanos approved the proposal for PEMEX's corporate reorganization, which sets forth the first stages of the transformation and creation of the productive state-owned subsidiaries described in Note 1, without any modification to the consolidated entity of Petróleos Mexicanos. As of the date of these consolidated financial statements, none of the new productive state-owned companies described in Note 1 has concluded the transformation and creation process.

As mentioned in paragraphs e) and f) of Note 10 to the consolidated financial statements, and as a result of the Energy Reform Decree, PEMEX will transfer the ownership of certain exploration and extraction rights, as well as transportation of natural gas assets, with a carrying value as of December 31, 2014 of 105.3 billion pesos. PEMEX will be compensated for these assets at fair value in accordance with the terms prescribed by the Secretaría de Energía (Ministry of Energy). At the date of these consolidated financial statements, no assets have been transferred, and, consequently, no adjustments have been made.

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of Petróleos Mexicanos, Subsidiary Entities and Subsidiary Companies as of December 31, 2014 and 2013, and the results of their operations and cash flows for the years then ended, in conformity with International Financial Reporting Standards as issued by the International Accounting Standards Board.

CASTILLO MIRANDA Y COMPAÑÍA, S. C.



C.P.C. Bernardo Soto Peñafiel

México City,
April 29, 2015

Petróleos Mexicanos, Subsidiary Entities and Subsidiary Companies

**Consolidated statements of financial position
as of December 31, 2014 and 2013
(Figures stated in thousands, except as noted)**

	<u>Note</u>	<u>2014</u>	<u>2013</u>
Assets			
Current assets:			
Cash and cash equivalents	5	Ps. 117,988,528	Ps. 80,745,719
Accounts receivable and other	6	114,422,967	122,512,011
Inventories	7	49,938,656	56,914,500
Available-for-sale financial assets	8	5,414,574	17,728,571
Derivative financial instruments	13	<u>1,562,556</u>	<u>6,741,640</u>
Total current assets		<u>289,327,281</u>	<u>284,642,441</u>
Non-current assets			
Permanent investments in associates	9	22,014,760	16,779,501
Wells, pipelines, properties, plant and equipment, net	10	1,783,374,138	1,721,578,741
Deferred taxes	17	4,142,618	2,493,162
Restricted cash	5	6,884,219	7,701,798
Other assets	11	<u>22,625,264</u>	<u>14,194,710</u>
Total non-current assets		<u>1,839,040,999</u>	<u>1,762,747,912</u>
Total assets		<u>Ps. 2,128,368,280</u>	<u>Ps. 2,047,390,353</u>
Liabilities			
Current liabilities			
Current portion of long-term debt	12	Ps. 145,866,217	Ps. 90,676,943
Suppliers		116,178,295	106,745,193
Accounts and accrued expenses payable		12,235,005	14,194,719
Derivative financial instruments	13	17,459,740	6,284,482
Taxes and duties payable	17	<u>42,420,090</u>	<u>41,289,495</u>
Total current liabilities		<u>334,159,347</u>	<u>259,190,832</u>
Long-term liabilities			
Long-term debt	12	997,384,286	750,563,471
Employee benefits	14	1,474,088,528	1,119,207,870
Provisions for sundry creditors	15	78,422,943	69,209,398
Other liabilities		7,718,088	7,405,724
Deferred taxes	17	<u>4,315,942</u>	<u>27,059,698</u>
Total long-term liabilities		<u>2,561,929,787</u>	<u>1,973,446,161</u>
Total liabilities		<u>Ps. 2,896,089,134</u>	<u>Ps. 2,232,636,993</u>

Petróleos Mexicanos, Subsidiary Entities and Subsidiary Companies

**Consolidated statements of financial position (continued)
as of December 31, 2014 and 2013
(Figures stated in thousands, except as noted)**

	<u>Note</u>	<u>2014</u>	<u>2013</u>
From previous page		<u>Ps. 2,896,089,134</u>	<u>Ps. 2,232,636,993</u>
Equity (deficit)	18		
Controlling interest:			
Certificates of Contribution "A"		134,604,835	114,604,835
Mexican Government contributions to Petróleos Mexicanos		43,730,591	115,313,691
Legal reserve		1,002,130	1,002,130
Accumulated other comprehensive result		(394,594,466)	(129,065,629)
Accumulated losses:			
Deficit from prior years		(287,605,549)	(117,739,916)
Net loss for the year		<u>(265,203,213)</u>	<u>(169,865,633)</u>
Total controlling interest		(768,065,672)	(185,750,522)
Total non-controlling interest		<u>344,818</u>	<u>503,882</u>
Total equity (deficit)		<u>(767,720,854)</u>	<u>(185,246,640)</u>
Total liabilities and equity (deficit)		<u>Ps. 2,128,368,280</u>	<u>Ps. 2,047,390,353</u>

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

Petróleos Mexicanos, Subsidiary Entities and Subsidiary Companies

Consolidated statements of comprehensive income
For the years ended December 31, 2014, 2013 and 2012
(Figures stated in thousands, except as noted)

	Note	2014	2013	2012
Net sales:				
Domestic		Ps. 944,997,979	Ps. 910,187,634	Ps. 867,036,701
Export		630,291,313	687,677,634	772,699,053
Services income		<u>11,438,582</u>	<u>10,339,357</u>	<u>7,176,286</u>
		1,586,727,874	1,608,204,625	1,646,912,040
Cost of sales	3-g	<u>865,280,480</u>	<u>839,615,173</u>	<u>832,490,574</u>
Gross Income		721,447,394	768,589,452	814,421,466
Other revenues and expenses, net	19	37,552,397	90,135,685	209,018,963
General expenses:				
Transportation, distribution and sale expenses		32,182,666	32,448,436	28,488,283
Administrative expenses		<u>111,337,114</u>	<u>98,654,472</u>	<u>89,612,849</u>
Operating income		<u>615,480,011</u>	<u>727,622,229</u>	<u>905,339,297</u>
Financing income		3,014,187	8,735,699	2,531,791
Financing cost		51,559,060	39,586,484	46,010,543
Derivative financial instruments (cost) income, net	13	(9,438,570)	1,310,973	(6,257,648)
Exchange (loss) gain, net	13	<u>(76,999,161)</u>	<u>(3,951,492)</u>	<u>44,845,661</u>
		(134,982,604)	(33,491,304)	(4,890,739)
Profit sharing in associates	9	<u>34,368</u>	<u>706,710</u>	<u>4,797,607</u>
Income before taxes, duties and other		<u>480,531,775</u>	<u>694,837,635</u>	<u>905,246,165</u>
Hydrocarbon extraction duties and others	17	760,912,095	857,356,289	898,397,659
Income tax	17-l and m	<u>(14,837,331)</u>	<u>7,529,773</u>	<u>4,248,028</u>
Total taxes, duties and other		<u>746,074,764</u>	<u>864,886,062</u>	<u>902,645,687</u>
Net (loss) income for the year		<u>(265,542,989)</u>	<u>(170,058,427)</u>	<u>2,600,478</u>
Other comprehensive results:				
Items that will be reclassified subsequently to profit or loss:				
Available-for-sale financial assets	8	(765,412)	4,453,495	(10,125,874)
Currency translation effect	16	11,379,657	2,440,643	(1,838,242)
Items that will not be reclassified subsequently to profit or loss:				
Actuarial (losses) gains – employee benefits		<u>(275,962,370)</u>	<u>247,376,029</u>	<u>(364,878,859)</u>
Total other comprehensive results		<u>(265,348,125)</u>	<u>254,270,167</u>	<u>(376,842,975)</u>
Comprehensive result for the year		<u>Ps. (530,891,114)</u>	<u>Ps. 84,211,740</u>	<u>Ps. (374,242,497)</u>
Net income (loss) for the year attributable to:				
Controlling interest		Ps. (265,203,213)	Ps. (169,865,633)	Ps. 2,833,032
Non-controlling interest		<u>(339,776)</u>	<u>(192,794)</u>	<u>(232,554)</u>
Net (loss) income for the year		<u>Ps. (265,542,989)</u>	<u>Ps. (170,058,427)</u>	<u>Ps. 2,600,478</u>
Other comprehensive results attributable to:				
Controlling interest		Ps. (265,528,837)	Ps. 254,271,944	Ps. (376,775,350)
Non-controlling interest		<u>180,712</u>	<u>(1,777)</u>	<u>(67,625)</u>
Total other comprehensive results for the year		<u>Ps. (265,348,125)</u>	<u>Ps. 254,270,167</u>	<u>Ps. (376,842,975)</u>
Comprehensive income (loss) for the year:				
Controlling interest		Ps. (530,732,050)	Ps. 84,406,311	Ps. (373,942,318)
Non-controlling interest		<u>(159,064)</u>	<u>(194,571)</u>	<u>(300,179)</u>
Total Comprehensive result for the year		<u>Ps. (530,891,114)</u>	<u>Ps. 84,211,740</u>	<u>Ps. (374,242,497)</u>

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 (deficit)
For the years ended December 31, 2014, 2013 and 2012
(Figures stated in thousands, except as noted)

	Controlling interest							Non controlling interest	Total equity
	Certificates of contribution "A"	Mexican Government contributions to Petróleos Mexicanos	Legal reserve	Available-for sale financial assets	Cumulative currency translation effect	Actual gains (losses) on employee benefits effect	Accumulated losses		
							For the year	From prior years	Total
Balances as of December 31, 2012	Ps. 49,604,835	Ps. 178,730,591	Ps. 977,760	Ps. (6,253,714)	Ps. 2,685,060	Ps. (379,768,919)	Ps. 2,833,032	Ps. (120,572,948)	Ps. (271,764,303)
Transfer to prior years' accumulated losses approved by the Board of Directors	-	-	-	-	-	-	(2,833,032)	2,833,032	-
Increase in Certificates of Contribution "A" (Note 18-a)	65,000,000	-	-	-	-	-	-	-	65,000,000
Decrease in Mexican Government Contributions to Petróleos Mexicanos (Note 18-b)	-	(65,000,000)	-	-	-	-	-	-	(65,000,000)
Increase in Mexican Government contributions to Petróleos Mexicanos (Note 18-b)	-	3,583,100	-	-	-	-	-	-	3,583,100
Decrease in Mexican Government Contributions to Petróleos Mexicanos uncalled capital (Note 18-b)	-	(2,000,000)	-	-	-	-	-	-	(2,000,000)
Increase in legal reserve (Note 18-c)	-	-	24,370	-	-	-	-	-	24,370
Comprehensive income (loss) for the year	-	-	-	4,453,495	2,442,420	257,376,022	(169,865,633)	-	84,406,311
Balances as of December 31, 2013	114,604,835	115,313,691	1,002,130	(1,800,219)	5,127,480	(132,392,890)	(169,865,633)	(117,739,916)	(185,750,522)
Transfer to prior years' accumulated losses approved by the Board of Directors	-	-	-	-	-	-	169,865,633	(169,865,633)	-
Increase in Certificates of Contribution "A" (Note 18-a)	20,000,000	-	-	-	-	-	-	-	20,000,000
Increase in Mexican Government Contributions to Petróleos Mexicanos (Note 18-b)	-	2,000,000	-	-	-	-	-	-	2,000,000
Decrease in Mexican Government Contributions to Petróleos Mexicanos (Note 18-b)	-	(73,583,100)	-	-	-	-	-	-	(73,583,100)
Comprehensive income (loss) for the year (Note 18-b)	-	-	-	(765,412)	11,192,953	(275,956,378)	(265,203,213)	-	(530,732,950)
Balances as of December 31, 2014	Ps. 134,604,835	Ps. 43,730,591	Ps. 1,002,130	Ps. (2,565,631)	Ps. 16,320,433	Ps. (408,349,268)	Ps. (265,203,213)	Ps. (287,605,549)	Ps. (769,065,672)
								Ps. 344,815	Ps. (767,720,854)

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

Petróleos Mexicanos, Subsidiary Entities and Subsidiary Companies

Consolidated statements of cash flows
For the years ended December 31, 2014, 2013 and 2012
(Figures stated in thousands, except as noted)

	2014	2013	2012
Operating activities			
Net (loss) income for the year	Ps. (265,542,989)	Ps. (170,058,427)	Ps. 2,600,478
Depreciation and amortization	143,074,787	148,491,704	140,537,720
Impairment of wells, pipelines, properties, plant and equipment	22,645,696	25,608,835	-
Unsuccessful Wells	12,148,028	12,497,726	13,842,410
Disposal of wells, pipelines, properties, plant and equipment	6,370,937	14,699,620	733,521
Profit (loss) sharing in associates	(34,368)	(706,710)	(4,797,607)
Dividends	(736,302)	(914,116)	(685,704)
Effects of net present value of reserve for well abandonment	9,169,327	(5,240,305)	3,552,924
Gain on sale of properties, plant and equipment	-	(768,000)	-
Net loss (profit) on available-for-sale financial assets	215,119	(278,842)	-
Amortization expenses related to debt issuance	312,296	(1,890,710)	1,560,478
Unrealized foreign exchange loss (gain)	78,884,717	3,308,299	(40,561,801)
Interest expense	50,909,624	39,303,943	45,738,584
	57,416,872	64,053,017	162,521,003
Derivative financial instruments	16,354,342	1,840,184	1,919,393
Accounts receivable	9,261,025	5,401,035	22,597,978
Inventories	6,975,844	(66,930)	(11,829,418)
Other assets	(18,984,877)	(12,905,916)	(7,678,603)
Accounts payable and accrued expenses	(1,959,714)	4,879,180	1,362,781
Taxes paid	1,130,595	(2,691,348)	(21,789,616)
Suppliers	9,433,102	45,231,742	8,200,280
Provisions for sundry creditors	356,582	8,187,800	(2,696,770)
Employee benefits	78,970,008	78,043,140	61,583,267
Deferred taxes	(24,597,648)	(1,635,382)	(859,954)
Net cash flows from operating activities	134,356,131	190,336,522	213,330,341
Investing activities			
Acquisition of wells, pipelines, properties, plant and equipment	(230,678,870)	(245,627,554)	(197,508,998)
Exploration costs	(1,593,706)	(1,438,685)	(1,828,043)
Received dividends	336,095	-	-
Investments in associates	(3,466,447)	-	-
Available-for-sale financial assets	12,735,337	2,869,883	-
Net cash flows from investing activities	(222,667,591)	(244,196,356)	(199,337,041)
Financing activities			
Increase in equity due to Mexican Government contributions	22,000,000	66,583,100	-
Decrease in equity Mexican Government contributions	(73,583,100)	(65,000,000)	-
Loans obtained from financial institutions	423,399,475	236,955,033	377,896,149
Debt payments, principal only	(207,455,492)	(191,146,091)	(341,863,963)
Interest paid	(47,248,478)	(37,133,100)	(46,589,066)
Net cash flows from financing activities	117,112,405	10,258,942	(10,556,880)
Net increase (decrease) in cash and cash equivalents	28,800,945	(43,600,892)	3,436,420
Effects of change in cash value	8,441,864	5,111,720	821,924
Cash and cash equivalents at the beginning of the year	80,745,719	119,234,891	114,976,547
Cash and cash equivalents at the end of the year (Note 5)	Ps. 117,988,528	Ps. 80,745,719	Ps. 119,234,891

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

Petróleos Mexicanos, Subsidiary Entities and Subsidiary Companies

Notes to the consolidated financial statements For the years ended December 31, 2014, 2013 and 2012 (Figures stated in thousands, except as noted)

1. Structure and business operations of Petróleos Mexicanos, Subsidiary Entities and Subsidiary Companies

Petróleos Mexicanos was created by a decree issued by the Mexican Congress on June 7, 1938. The decree was published in the *Diario Oficial de la Federación* (Official Gazette of the Federation) on July 20, 1938 and took effect on that date.

On December 20, 2013, the *Decreto por el que se reforman y adicionan diversas disposiciones de la Constitución Política de los Estados Unidos Mexicanos, en Materia de Energía* (Decree that amends and supplements various provisions of the Mexican Constitution relating energy matters), was published in the Official Gazette of the Federation and took effect on December 21, 2013 (the "Energy Reform Decree"). In accordance with the Energy Reform Decree, the Mexican Government will carry out the exploration and extraction of hydrocarbons in the United Mexican States ("Mexico") through assignments to productive state-owned companies, as well as through agreements with productive state-owned companies and with other companies in accordance with the applicable regulatory law.

The main aspects of the Energy Reform Decree related to Petróleos Mexicanos are:

- The Mexican Government will retain ownership and control of productive state-owned companies and legislation issued pursuant to the Energy Reform Decree will contain provisions regulating the management, organization, operation, contractual procedures and other legal actions to be undertaken by these productive state-owned companies. In the case of Petróleos Mexicanos, the relevant legislation is the new *Ley de Petróleos Mexicanos* (Petróleos Mexicanos Law).
- The *Comisión Reguladora de Energía* (Energy Regulatory Commission) will have the authority to grant permits to PEMEX (as defined below) and other companies to engage in natural gas processing, oil refining and transportation, storage, distribution and first hand-sales of hydrocarbons and petrochemicals and their derivatives in Mexico.
- *Pemex-Gas y Petroquímica Básica* (Pemex-Gas and Basic Petrochemicals) is to transfer certain assets related to the national gas pipeline system to the *Centro Nacional de Control de Gas Natural* (National Center of Natural Gas Control, or "CENAGAS"), a new decentralized public entity.

As part of the secondary legislation enacted in accordance with the Energy Reform Decree, on August 11, 2014, the new *Petróleos Mexicanos Law* was published in the Official Gazette of the Federation. Most of the provisions of the *Petróleos Mexicanos Law* became effective on October 7, 2014, once the Board of Directors of Petróleos Mexicanos was designated, except for certain provisions. On December 2, 2014, once the new Board of Directors of Petróleos Mexicanos and the supervision, transparency and accountability mechanisms for Petróleos Mexicanos began operating, the *Secretaría de Energía* (Ministry of Energy) published in the Official Gazette of the Federation the declaration specified in Transitional Article 10 of the *Petróleos Mexicanos Law*, pursuant to which the special regime governing Petróleos Mexicanos' activities relating to productive state-owned subsidiaries, affiliates, compensation, assets, administrative liabilities, state dividend, budget and debt levels came into effect, with the exception of the provisions relating to acquisitions, leases, services and public works matters.

The Ley de Hidrocarburos (Hydrocarbons Law) was published on August 11, 2014 in the Official Gazette of the Federation and became effective, the day following its publication. The Hydrocarbons Law repealed 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) that had been in effect prior to its publication.

Once the Petróleos Mexicanos Law took effect, Petróleos Mexicanos was transformed from a decentralized public entity to a productive state-owned company. Petróleos Mexicanos is a legal entity empowered to own property and carry on business in its own name with the purpose of developing business, economic, industrial and commercial activities in order to carry out exploration and extraction of crude oil and other hydrocarbons in Mexico. In addition, Petróleos Mexicanos performs activities related to refining, gas processing and engineering and research projects to create economic value and increase the income of the Mexican nation, while adhering to principles of equity and social and environmental responsibility.

Before the secondary legislation took effect pursuant to the Energy Reform Decree, the activities of Petróleos Mexicanos and its Subsidiary Entities (as defined below) were regulated mainly by the Constitución Política de los Estados Unidos Mexicanos (Political Constitution of the United Mexican States, or the "Mexican Constitution"), the Regulatory Law to Article 27 of the Political Constitution of the United Mexican States Concerning Petroleum Affairs the Petróleos Mexicanos Law published in the Official Gazette of the Federation on November 28, 2008 and the Decreto que tiene por objeto establecer la estructura, el funcionamiento y el control de los organismos subsidiarios de Petróleos Mexicanos (Decree to establish the structure, operation, and control of the subsidiary entities, or the "Subsidiary Entities Decree") published in the Official Gazette of the Federation on March 21, 2012.

In accordance with the special regime provided under the Petróleos Mexicanos Law, Petróleos Mexicanos is able to perform the activities, operations or services necessary to fulfill its purpose (i) by itself, (ii) with the support of the new productive state-owned subsidiaries and affiliates, or (iii) by entering into agreements, alliances, partnerships or any other legal arrangement with Mexican or international entities in the private or public sectors.

The productive state-owned subsidiaries will be productive state-owned companies empowered to own property and carry on business in their own name, subject to the direction and coordination of Petróleos Mexicanos.

As stated in Transitional Article Eight, Section A, VIII of the Petróleos Mexicanos Law, until the acuerdos de creación (creation resolutions) take effect, the existing Subsidiary Entities (as defined below) will continue to operate in accordance with the Subsidiary Entities Decree, unless otherwise stated in the Petróleos Mexicanos Law. The Subsidiary Entities Decree will be repealed once the creation resolutions take effect.

The Subsidiary Entities of Petróleos Mexicanos are decentralized public entities with a technical, industrial and commercial nature with their own corporate identity and equity and with the legal authority to own property and conduct business in their own names. The Subsidiary Entities are controlled by the Mexican Government, and they have been consolidated into and have the characteristics of subsidiaries of Petróleos Mexicanos. The Subsidiary Entities and their respective purposes are as follows:

- i. Pemex-Exploración y Producción (Pemex-Exploration and Production): This entity explores for and extracts crude oil and natural gas and transports, stores and markets such products.
- ii. Pemex-Refinación (Pemex-Refining): This entity refines petroleum products and derivatives thereof that may be used as basic industrial raw materials and stores, transports, distributes and markets such products and derivatives.
- iii. Pemex-Gas and Basic Petrochemicals: This entity processes natural gas, natural gas liquids and artificial gas, 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.

- iv. Pemex-Petroquímica (Pemex-Petrochemicals): This entity processes industrial petrochemicals and stores, distributes and markets such petrochemicals.

In accordance with Transitional Article 8 of the Petróleos Mexicanos Law, the Board of Directors of Petróleos Mexicanos, in its meeting held on November 18, 2014, approved the corporate reorganization proposed by the Director General of Petróleos Mexicanos.

Pursuant to the approved reorganization plan, the four existing Subsidiary Entities are to be transformed into two new productive state-owned subsidiaries, which will assume the rights and obligations of the existing Subsidiary Entities. The first of these productive state-owned subsidiaries, Pemex Exploración y Producción (Pemex Exploration and Production), will subsume the existing Subsidiary Entity, Pemex-Exploration and Production.

The second of these productive state-owned subsidiaries, Pemex Transformación Industrial (Pemex Industrial Transformation), will comprise the following existing Subsidiary Entities: Pemex-Refining, Pemex-Gas and Basic Petrochemicals and Pemex-Petrochemicals.

As part of this reorganization plan, the Board of Directors of Petróleos Mexicanos also approved the creation of the five new subsidiary entities described below, each of which may become an affiliate of Petróleos Mexicanos if certain conditions set forth in the Petróleos Mexicanos Law are met.

- Pemex Perforación y Servicios (Pemex Drilling and Services): This entity will perform drilling services.
- Pemex Logística (Pemex Logistics): This entity will provide land, maritime and pipeline transportation to PEMEX and other companies.
- Pemex Cogeneración y Servicios (Pemex Cogeneration and Services): This entity will aim to maximize energy use in PEMEX's operations by utilizing the heat and steam generated in PEMEX's industrial processes.
- Pemex Fertilizantes (Pemex Fertilizers): This entity will integrate the ammonia production chain up to the point of sale of fertilizers.
- Pemex Etileno (Pemex Ethylene): This entity will separate the ethylene business from Pemex-Petrochemicals in order to take advantage of the integration of the ethylene production chain.

On March 27, 2015, the Board of Directors of Petróleos Mexicanos approved the Estatuto Orgánico (Organic Statute) of Petróleos Mexicanos and the creation resolutions of each productive state-owned subsidiary, which were published in the Official Gazette of the Federation on April 28, 2015. This Organic Statute, with the exception of certain provisions, will take effect a day after its publication, and the creation resolutions will take effect once the required administrative procedures to start operations are in place and the Board of Directors of Petróleos Mexicanos issues a statement about it, which will have to be published in the Official Gazette of the Federation. This statement will have to be issued within 180 days from the day after the creation resolutions are published in the Official Gazette of the Federation.

As of the date of these consolidated financial statements, none of the productive state-owned subsidiaries has been formed.

The principal distinction between the Subsidiary Entities and the Subsidiary Companies (as defined below) is that the Subsidiary Entities are decentralized public entities, whereas the Subsidiary Companies are companies that were formed in accordance with the applicable laws of each of the respective jurisdictions in which they were incorporated. The "Subsidiary Companies" are defined as those companies which are controlled by PEMEX (see Note 3-a).

"Associates", as used herein, means those companies in which Petróleos Mexicanos does not have effective control (see Note 3-a).

Petróleos Mexicanos, the Subsidiary Entities and the Subsidiary Companies are referred to collectively herein as "PEMEX".

PEMEX's address and its principal place of business is: Av. Marina Nacional No. 329, Col. Petróleos Mexicanos Delegación Miguel Hidalgo, México, D.F. 11311.

2. Basis of preparation

a. Statement of compliance

PEMEX prepared its consolidated financial statements as of December 31, 2014 and 2013, and for the years ended December 31, 2014, 2013 and 2012, in accordance with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board ("IASB").

These consolidated financial statements and the notes hereto as of December 31, 2014 were approved by the Board of Petróleos Mexicanos on April 29, 2015 with prior approval from the Audit Committee, pursuant to the terms of Article 104 Fraction III, paragraph a, of the Mexican Ley del Mercado de Valores (Securities Market Law), and of Article 33 Fraction I, paragraph a, section 3 and Article 78 of the general provisions applicable to Mexican securities issuers and other participants in the Mexican securities market.

b. Basis of measurement

These consolidated financial statements have been prepared using the historical cost basis method, except where it is indicated that certain items have been measured using the fair value model, amortized cost or present value. The principal items measured at fair value are derivative financial instruments ("DFIs"). The principal item measured at amortized cost is debt, while the principal item measured at present value is the provision for employee benefits.

c. Functional and reporting currency and translation of foreign currency operations

These consolidated financial statements are presented in Mexican pesos, which is both PEMEX's functional currency and reporting currency, due to the following:

- i. the economic environment in which PEMEX operates is Mexico, where the legal currency is the Mexican peso.
- ii. PEMEX is an entity owned and regulated by the Mexican Government; accordingly, PEMEX's budget is subject to legislative approval and is included in the Mexican annual budget, which is published in pesos.
- iii. benefits to employees were approximately 51% of PEMEX's total liabilities as of December 31, 2014 and 50% of PEMEX's total liabilities as of December 31, 2013. The reserve maintained to meet these obligations is computed, denominated and payable in Mexican pesos.
- iv. cash flows for payment of general expenses, taxes and duties are realized in Mexican pesos.

Although the prices of several products are based on international U.S. dollar-indices, domestic selling prices are governed by the economic and financial policies established by the Mexican Government. Accordingly, cash flows from domestic sales are generated and recorded in Mexican pesos.

Mexico's monetary policy regulator, the Banco de México, requires that Mexican Government entities other than financial entities sell their foreign currency to the Banco de México in accordance with its terms, receiving Mexican pesos in exchange, which is the legal currency in Mexico.

Translation of financial statements of foreign operations

The financial statements of foreign subsidiaries and associates are translated into the reporting currency by identifying if the functional currency is different from the currency for recording the foreign operations. If the currencies for a foreign transaction are different, then the currency for recording the foreign transaction is first translated into the functional currency and then translated into the reporting currency using the year-end exchange rate for assets and liabilities reported in the consolidated statements of financial position, the historical exchange rate at the date of the transaction for equity items and the weighted average exchange rate for income and expenses reported in the statement of comprehensive income of the period.

d. Terms definition

References in these consolidated financial statements and the related notes to "pesos" or "Ps." refers to Mexican pesos, "U.S. dollars" or "US\$" refers to dollars of the United States of America, "yen" or "¥" refers to Japanese yen, "euro" or "€" refers to the legal currency of the European Economic and Monetary Union, "Pounds sterling" or "£" refers to the legal currency of the United Kingdom, "Swiss francs" or "CHF" refers to the legal currency of the Swiss Confederation, "Canadian dollars" or "CAD" refers to the legal currency of Canada and "Australian dollars" or "AUD" refers to the legal currency of Australia. Figures in all currencies are presented in thousands of the relevant currency unit, except exchange rates and product and share prices.

3. Significant accounting policies

The preparation of the consolidated financial statements in accordance with IFRS 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 of the date of these consolidated financial statements, as well as the recorded amounts of income and expenses during the year.

Significant estimates and underlying assumptions are reviewed on an ongoing basis, and revisions to accounting estimates are recognized in the period in which any estimates are revised and in any future periods affected by such revision.

In particular, information about assumptions, estimation uncertainties and critical accounting policies that have the most significant effect on the amounts recognized in the consolidated financial statements are described in the following notes:

- Note 3-d Financial instruments
- Note 3-h Wells, pipelines, properties, plant and equipment; Successful efforts method of accounting
- Note 3-j Impairment of non-financial assets
- Note 3-l Provisions
- Note 3-m Employee benefits
- Note 3-n Taxes and federal duties; deferred taxes
- Note 3-p Contingencies

Actual results could differ from those estimates and assumptions.

Below is a summary of the principal accounting policies, which have been consistently applied to each of the years presented and followed by PEMEX in the preparation of its consolidated financial statements:

a. Basis of consolidation

The consolidated financial statements include those of Petróleos Mexicanos, the Subsidiary Entities and the Subsidiary Companies.

All intercompany balances and transactions have been eliminated in the preparation of the consolidated financial statements pursuant to IFRS 10, "Consolidated financial statements" ("IFRS 10").

Unrealized gains arising from transactions with entities whose investment is accounted for using the equity method are eliminated against the investment to the extent of participation in such entities. Unrealized losses are eliminated in the same way as unrealized gains but only to the extent that there is no evidence of impairment.

Investment in subsidiaries

The Subsidiary Entities and Subsidiary Companies are those controlled by Petróleos Mexicanos. Control requires exposure or rights to variable returns and the ability to affect those returns through power over a company. The Subsidiary Entities and Subsidiary Companies are consolidated from the date that control commences until the date that control ceases.

As of December 31, 2014, the consolidated Subsidiary Entities were Pemex-Exploration and Production, Pemex-Refining, Pemex-Gas and Basic Petrochemicals and Pemex-Petrochemicals.

The consolidated Subsidiary Companies and are as follows:

- P.M.I. Marine, Ltd. (PMI Mar) ⁽ⁱ⁾
- P.M.I. Services, B.V. (PMI SHO) ⁽ⁱ⁾
- P.M.I. Holdings, B.V. (PMI HBV) ⁽ⁱ⁾
- P.M.I. Trading, Ltd. (PMI Trading) ⁽ⁱ⁾
- PEMEX Internacional España, S. A. (PMI SES) ⁽ⁱ⁾
- P.M.I. Holdings Petróleos España, S.L. (HPE) ⁽ⁱ⁾
- P.M.I. Services North América, Inc. (PMI SUS) ⁽ⁱ⁾
- P.M.I. Holdings North América, Inc. (PMI HNA) ⁽ⁱ⁾
- P.M.I. Norteamérica, S. A. de C. V. (PMI NASA) ⁽ⁱ⁾
- P.M.I. Comercio Internacional, S. A. de C. V. (PMI CIM) ^{(i) (vi)}
- PMI Field Management Resources, S.L. (FMR) ^{(i) (iv)}
- PMI Campos Maduros SANMA, S. de R. L. de C. V. (SANMA) ^{(i) (iv)}
- Pro-Agroindustria, S. A. de C. V. (AGRO) ^{(i) (v)}
- PMI Azufre Industrial, S. A. de C. V. (PMI AZIND) ^{(i) (v)}
- PMI Infraestructura de Desarrollo, S. A. de C. V. (PMI ID) ^{(i) (v)}
- PEMEX Procurement International, Inc. (PPI) (antes ITS) ⁽ⁱⁱ⁾
- PEMEX Services Europe, Ltd. (PMI SUK) ⁽ⁱⁱⁱ⁾
- PPQ Cadena Productiva, S.L. (PPQCP) ^(iv)
- III Servicios, S. A. de C. V. (III Servicios) ^(iv)
- Hijos de J. Barreras, S. A. (HJ BARRERAS) ^{(iv) (vi)}
- Instalaciones Inmobiliarias para Industrias, S. A. de C. V. (III) ^(iv)
- PEMEX Finance, Ltd. (FIN) ^(vi)
- Kot Insurance Company, AG. (KOT)
- Mex Gas Internacional, S.L. (MGAS) ^(vii)

(i) Member Company of the "PMI Group".

(ii) Non-controlling interest company.

(iii) As of 2013, these companies were included in the consolidated financial statements of PEMEX.

(iv) As of 2014, these companies were included in the consolidated financial statements of PEMEX.

- (v) Formerly Integrated Trade Systems, Inc. ("ITS").
- (vi) As of December 2013, PMI SUK was no longer included in the consolidated financial statements of PEMEX due to its liquidation.
- (vii) Formerly Mex Gas Internacional, Ltd.

The financial information of the Subsidiary Entities and Subsidiary Companies has been prepared based on the same period of Petróleos Mexicanos' financial statements applying the same accounting policies.

Permanent investments in associates and joint ventures

Associates are those entities in which PEMEX has significant influence but not the power to control financial and operational decisions. There is significant influence when PEMEX owns directly or indirectly between 20% and 50% of voting rights in another entity.

Joint ventures are those arrangements whereby two or more parties undertake an economic activity that is subject to joint control. A joint operation is a joint arrangement whereby the parties that have joint control of the arrangement have rights to the assets, and obligations for the liabilities, relating to the arrangement.

Investments in associates and joint ventures are recognized based on the equity method and recorded initially at cost, including any goodwill identified on acquisition. With respect to joint operations, the assets, liabilities, income and expenses are recognized in relation to participation in the arrangement and in accordance with the applicable IFRS. The investment cost includes transaction costs.

The consolidated financial statements include the proportion of gains, losses and other comprehensive income corresponding to PEMEX's share in each investee, once these items are adjusted to align with the accounting policies of PEMEX, from the date that significant influence and joint control begins to the date that such influence or joint control ceases.

When the value of the share of losses exceeds the value of PEMEX's investment in an associate or joint venture, the carrying value of the investment, including any long-term investment, is reduced to zero and PEMEX ceases to recognize additional losses, except in cases where PEMEX is jointly liable for obligations incurred by those associates and/or joint ventures.

Non-controlling interests

The interests of third parties who do not have a controlling interest in the equity or comprehensive result of subsidiaries of PEMEX are presented in the consolidated statements of financial position, the consolidated statements of changes in equity (deficit) as "non-controlling interests" and as "net income and comprehensive income for the period, attributable to non-controlling interests", in the consolidated statements of comprehensive income.

Dividends paid in cash and assets other than cash

A liability for distributions of dividends in cash and non-cash assets to third parties is recognized when the distribution is authorized by the Board of Directors. The corresponding amount is recognized directly in equity.

Distributions of non-cash assets are measured at the fair value of the assets to be distributed. Changes relating to re-measurements of the fair value between the date on which the distribution is declared and the time when the assets are transferred are recognized directly in equity.

When distributing non-cash assets, any difference between the dividend paid and the carrying amount of the assets distributed is recognized in the consolidated statements of comprehensive income.

b. Transactions in foreign currency

In accordance with IAS 21, "The Effects of Changes in Foreign Exchange Rates" ("IAS 21"), transactions in foreign currencies are translated to the functional currency at exchange rates at the dates of the transactions.

Exchange differences arising on the settlement of monetary items or on translating monetary items at rates different from those at which they were translated on initial recognition during the period or in previous financial statements are recognized in profit or loss in the period in which they arise. When a gain or loss on a non-monetary item is recognized in other comprehensive results, any exchange component of that gain or loss is recognized in other comprehensive results. Conversely, when a gain or loss on a non-monetary item is recognized in profit or loss, any exchange component of that gain or loss shall be recognized in profit or loss for the year.

c. Fair value measurement

PEMEX measures certain financial instruments such as DFIs at fair value as of the closing date of the relevant reporting period.

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. A measurement at fair value assumes that the sale of the asset or transfer of a liability occurs:

- i. in the principal market for the asset or liability; or
- ii. in the absence of a principal market, in the most advantageous market for the asset or liability.

The principal market or the most advantageous market must be accessible for PEMEX.

The fair value of an asset or liability is measured by using the same assumptions that market participants would make when pricing the asset or liability under the premise that market participants take into account highest and best use of the asset or liability.

d. Financial instruments

Financial instruments are classified as: (i) financial instruments measured at fair value through profit or loss; (ii) financial instruments held to maturity; (iii) available-for-sale financial assets; (iv) investments in equity instruments; (v) loans held to maturity; or (vi) DFIs. PEMEX determines the classification of its financial instruments at the time of initial recognition.

PEMEX's financial instruments include cash and short-term deposits, available-for-sale financial assets, accounts receivable, other receivables, loans, accounts payable to suppliers, other accounts payable, borrowings and debts, as well as DFIs.

Below are descriptions of the financial instruments policies employed by PEMEX:

Financial instruments measured at fair value through profit or loss

A financial instrument is measured at fair value through profit or loss if it is classified as held for trading or designated as such upon initial recognition. Financial assets are designated at fair value through profit or loss if PEMEX manages such investments and makes purchase and sale decisions based on their fair value in accordance with PEMEX's documented risk management or investment strategy. In addition, directly attributable transaction costs are recognized in the consolidated statements of comprehensive income for the year. These financial instruments are recognized at fair value and corresponding changes relating to dividend income are recognized in the consolidated statements of comprehensive income.

Available-for-sale financial assets

Available-for-sale financial assets are non-DFIs that are designated as available-for-sale or are not classified in any of the previous categories. PEMEX's investments in certain equity securities and debt securities are classified as available-for-sale financial assets. Available-for-sale financial assets are recognized initially at fair value plus any directly attributable transaction costs.

Subsequent to initial recognition, available-for-sale financial assets are measured at fair value. In addition, any gains or losses associated with such instruments, as well as foreign exchange differences are recognized in other comprehensive result and presented in the fair value reserve in equity. When an investment is derecognized, any gains or losses accumulated in the equity are reclassified to profit or loss.

Sales and purchases of financial assets that require the delivery of such assets within a period of time established by market practice are recognized as of the negotiation date (the date on which PEMEX commits to purchase or sell the asset).

Loans held to maturity

After initial recognition, loans and debt securities that bear interest are measured at amortized cost using the effective interest rate ("EIR") method, less impairment losses.

The amortized cost is calculated based on any discount or premium on acquisition and fees and costs that are an integral part of the EIR method. Amortization of costs is included under the heading of financing cost in the statement of comprehensive income.

Derivative financial instruments

DFIs presented in the consolidated statement of financial position are carried at fair value. In the case of DFIs held for trading, changes in fair value are recorded in profit or loss; in the case of DFIs formally designated as and that qualify for hedging, changes in fair value are recorded in the statement of comprehensive income using cash flow or fair value hedge accounting, with gains or losses classified in accordance with the earnings treatment of the hedge transaction.

Embedded derivatives

PEMEX evaluates the potential existence of embedded derivatives, which may be found in the terms of its contracts, or combined with other host contracts, which could be structured financial instruments (debt or equity instruments with embedded derivatives). Embedded derivatives have terms that implicitly or explicitly meet the characteristics of a DFI. In some instances, these embedded derivatives must be segregated from the underlying contracts and measured, recognized, presented and disclosed as DFIs, such as when the economic risks and terms of the embedded derivative are not clearly and closely related to the underlying contract.

Impairment of financial assets measured at amortized cost

At each reporting date, PEMEX evaluates whether there is objective evidence that a financial asset or group of financial assets is impaired, in which case the value of the recoverable amount of the asset is calculated. A financial asset is impaired if objective evidence indicates that a loss event has occurred after the initial recognition of the asset, and that the loss event had a negative effect on the estimated future cash flows of the financial asset.

e. Cash and cash equivalents

Cash and cash equivalents are comprised of cash balances on hand, deposits in bank accounts, foreign currency reserves and instruments with maturities of three months or less from the acquisition date that are subject to an insignificant risk of changes in their fair value, which are used in the management of PEMEX's short-term commitments.

With respect to the consolidated statement of cash flows, the cash and cash equivalents line item consists of the cash and cash equivalents described above, net of bank overdrafts pending payment.

Cash subject to restrictions or that cannot be exchanged or used to settle a liability within twelve months is not considered part of this line item and is presented in non-current assets.

f. Accounts receivable and other

Accounts, receivable and other are recognized at recoverable value. In addition, interest income from accounts receivable is recognized on an accrued basis, provided that the amount can be reliably measured and collection is probable.

g. Inventories and cost of sales

PEMEX's inventories are valued at the lower of cost or net realizable value. Cost is determined based on the cost of production or acquisition of inventory and other costs incurred in transporting such inventory to its present location and in its present condition, using the average cost formula. Net realizable value is the estimated selling price in the ordinary course of business less the estimated costs of completion and the estimated selling costs. The estimate takes into consideration, among other things, the decrease in the value of inventories due to obsolescence.

Cost of sales represents the cost of production or acquisition of inventories at the time of sale, increased, where appropriate, by declines in net realizable value of inventories during the year.

Advances to suppliers are recognized as part of inventory when the risks and benefits of the ownership of the inventory have been transferred to PEMEX.

h. Wells, pipelines, properties, plant and equipment

Wells, pipelines, properties, plant and equipment are measured at acquisition or construction cost less accumulated depreciation and accumulated impairment losses.

PEMEX uses the successful efforts method for the exploration and production of crude oil and gas activities, considering the criteria mentioned in IFRS 6, "Exploration for and Evaluation of Mineral Resources" in relation to the recognition of exploration and drilling assets. Costs of development wells and related plant, property and equipment involved in the exploitation of oil and gas are recorded as part of the cost of assets. The costs of exploratory wells in areas that have not yet been designated as containing proved reserves are recorded as intangible assets until it is determined whether they are commercially viable. Otherwise, the costs of drilling the exploratory well are charged to exploration expense. Other expenditures on exploration are recognized as exploration expenses as they are incurred.

Wells, pipelines, properties, plant and equipment are initially recorded at cost, which includes their original purchase price or construction cost, any costs attributable to bringing the assets to a working condition for their intended use and the costs of dismantling and removing the items and restoring the site on which they are located, including the estimated cost of plugging and abandoning wells, in accordance with IAS 16, "Property, Plant and Equipment" ("IAS 16").

The cost of financing projects that require large investments or financing incurred for projects, net of interest revenues from the temporary investment of these funds, is recognized as part of wells, pipelines, properties, plant and equipment when the cost is directly attributable to the construction or acquisition of a qualifying asset. The capitalization of these costs is suspended during periods in which the development of construction is interrupted, and its capitalization ends when the activities necessary for the use of the qualifying asset are substantially completed. All other financing costs are recognized in the consolidated statements of comprehensive income in the period in which they are incurred.

The cost of self-constructed assets includes the cost of materials and direct labor, any other costs directly attributable to the commissioning and interest on financing. In some cases the cost also includes the cost of dismantling and removal.

Expenditures related to the construction of wells, pipelines, properties, plant and equipment during the stage prior to commissioning are stated at cost as intangible assets or construction in progress, in accordance with the characteristics of the asset. Once the assets are ready for use, the costs are transferred to the respective component of wells, pipelines, properties, plant and equipment and depreciation or amortization begins.

The costs of major maintenance or replacement of a component of an item of wells, pipelines, properties, plant and equipment are recognized in the carrying amount of the item if it is probable that the future economic benefits embodied within the component will flow to PEMEX and its cost can be measured reliably. The costs of recurring maintenance, repairs and renovations of wells, pipelines, properties, plant and equipment are recognized in profit or loss as incurred.

Depreciation and amortization of capitalized costs in wells are determined based on the estimated commercial life of the field to which the wells belong, considering the relationship between the production of barrels of oil equivalent for the year and proved developed reserves of the field, as of the beginning of the year, with quarterly updates for new development investments.

Depreciation of other elements of wells, pipelines, properties, plant and equipment is recognized in profit or loss on a straight-line basis over the estimated useful life of the asset, beginning as of the date that the asset is available for use, or in the case of construction, from the date that the asset is completed and ready for use.

When parts of an item of wells, pipelines, properties and equipment have different useful lives than such item and a cost that is significant relative to the total cost of the item, the part is depreciated separately.

Useful lives of items of properties, plant and equipment are reviewed if expectations differ from previous estimates.

Pipelines, properties, and equipment received from customers are initially recognized at fair value as revenue from ordinary operating activities if PEMEX has no future obligations to the customer who transferred the item. In contrast, if PEMEX does have future obligations to such a customer, the initial recognition is as a deferred liability relating to the period in which the items will provide PEMEX with a service.

The capitalized value of finance leases is also included in the line item of wells, pipelines, properties, plant and equipment. Properties, plant and equipment acquired through financial leases are depreciated over the shorter of the lease term or the useful life of the asset.

Advance payments for the acquisition of pipelines, properties, plant and equipment are also recognized in the line item of wells, pipelines, properties, plant and equipment when the risks and benefits of the ownership have been transferred to PEMEX.

i. Crude oil and natural gas reserves

Under Mexican law, all crude oil and other hydrocarbon reserves located in the subsoil of Mexico are owned by the Mexican nation and not by PEMEX. As of the date of these consolidated financial statements, under the *Petróleos Mexicanos Law*, the reserves assigned to PEMEX by the Mexican Government are not registered for accounting purposes. Pemex-Exploration and Production estimates total proved oil and natural gas reserve volumes in accordance with Rule 4-10(a) of Regulation S-X ("Rule 4-10(a)") of the U.S. Securities and Exchange Commission ("SEC") as amended, and where necessary, in accordance with the Standards Pertaining to the Estimating and Auditing of Oil and Gas Reserves Information promulgated by the Society of Petroleum Engineers (the "SPE") as of February 19, 2007. These procedures are consistent with international reserves reporting practice. The estimation of these reserves depends on assumptions made and the interpretation of the data available, and may vary among analysts. The results of drilling activities, test wells and production after the date of estimation are utilized in future revisions of reserves estimates.

Although PEMEX does not own the oil and other hydrocarbon reserves within Mexico, these accounting procedures allow PEMEX to record the effects that such oil and other hydrocarbon reserves have on its consolidated financial statements, including, for example, in the depreciation and amortization line item.

j. Impairment of non-financial assets

The carrying amounts of PEMEX's non-financial assets, other than inventories and deferred taxes, are assessed for indicators of impairment at the end of each reporting period. If the net carrying value of the asset exceeds the recoverable amount, PEMEX records an impairment charge in its statement of comprehensive income.

A cash-generating unit is the smallest identifiable group of assets which can generate cash inflows independently from other assets or groups of assets.

The recoverable amount is defined as the higher of the fair value minus the cost of disposal and the use value. Value in use is the discounted present value of the future cash flows expected to arise from the continuing use of an asset, and from its disposal at the end of its useful life. In measuring value in use, the discount rate applied is the pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the asset. Fair value is calculated using discounted cash flows determined by the assumptions that market participants would apply in order to estimate the price of an asset or cash generating unit if such participants were acting in their best economic interest.

In the case of cash-generating assets or items dedicated to the exploration and evaluation of hydrocarbons reserves, the recoverable amount is determined by adjusting the fair value, which is based on the proved and probable reserves, for the risk factor associated with such reserves.

Both impairment losses and reversals are recognized in the statement of comprehensive income in the costs and expenses line items in which the depreciation and amortization of the relevant assets are recognized. Impairment losses may not be presented as part of the costs that have been capitalized in the value of any asset. Impairment losses related to inventories are recognized as part of cost of sales. Impairment losses on investments in associates, joint ventures and other permanent investments are recognized as profit (loss) sharing in associates.

If an impairment loss subsequently improves, and such improvement is greater than the carrying value of the asset and appears to be permanent, the impairment loss recorded previously is reversed only up to the carrying amount of the item, as though no impairment had been recognized.

k. Leases

The determination of whether an agreement is or contains a lease is based on the content of the agreement at the date of execution. An agreement contains a lease if performance under the agreement depends upon the use of a specific asset or assets, or if the agreement grants the right to use the asset.

Finance leases, which transfer to PEMEX substantially all the inherent benefits and risks of the leased property, are capitalized at the date the lease commences, and the value is recorded as the lower of the fair value of the leased property and the present value of the minimum lease payments. Payments on the lease are divided between the financial costs and the amortization of the remaining debt principal in order to achieve a constant interest rate for the outstanding liability. The financing costs are recognized in the statement of comprehensive income.

Operating lease payments that do not transfer to PEMEX substantially all the risks and benefits of ownership of the leased asset are recognized as expenses in the statement of comprehensive income on a straight line basis over the term of the lease. Operating lease payments that do transfer to PEMEX substantially all the risks and benefits of ownership are instead capitalized and treated as under the paragraph above (see Note [10(e)]).

l. Provisions

PEMEX recognizes provisions where, as a result of a past event, PEMEX has incurred a legal or contractual obligation for which the transfer of an asset is probable and the amount of such transfer is reasonably estimable. In certain cases, such amounts are recorded at their present value.

Environmental liabilities

In accordance with applicable legal requirements and accounting practices, an environmental liability is recognized when the cash outflows are probable and the amount is reasonably estimable. Disbursements related to the conservation of the environment that are linked to revenue from current or future operations are accounted for as costs or assets, depending on the circumstances of each disbursement. Disbursements related to past operations, which no longer contribute to current or future revenues, are accounted for as current period costs.

The accrual of a liability for a future disbursement occurs when an obligation related to environmental remediation, for which PEMEX has the information necessary to determine a reasonable estimated cost, is identified.

Retirement of assets

The obligations associated with the future retirement of assets, including those related to the retirement of well, pipelines, properties, plant and equipment and their components, but excluding those related to the retirement of wells, are recognized at the date that the retirement obligation is incurred, based on the discounted cash flow method. The determination of the fair value is based on existing technology and regulations. If a reliable estimation of fair value cannot be made at the time the obligation is incurred, the accrual will be recognized when there is sufficient information to estimate the fair value.

The obligations related to the costs of future retirement of assets associated with the principal refining processes for gas and petrochemicals are not recognized. These assets are considered to have an indefinite useful life due to the potential for maintenance and repairs.

The abandonment costs related to wells currently in production and wells temporarily closed are recorded in the statement of comprehensive income based on the units of production method. Total cost of abandonment and plugging for non-producing wells is recognized in the statement of comprehensive income at the end of each period. All estimations are based on the useful lives of the wells, considering their discounted present value. Salvage values are not considered, as these values commonly have not traditionally existed.

m. Employee benefits

PEMEX operates a defined benefit pension plan under which it makes contributions to a fund that is administrated separately. PEMEX recognizes the cost for defined benefit plans based on independent actuarial computations applying the projected unit credit method. Actuarial gains and losses are recognized within other comprehensive result for the year in which they occur.

The costs of prior services are recognized within profit or loss for the period in which they are incurred.

PEMEX's net obligation with respect to the defined benefit plan equals the present value of the defined benefit obligation less the fair value of plan assets. The value of any asset is limited to the present value of available reimbursements and reductions in future contributions to the plan.

In addition, seniority premiums payable for disability are recognized within other long-term employee benefits.

Termination benefits are recognized in profit or loss for the year in which they are incurred.

n. Taxes and federal duties

As of December 31, 2014, Petróleos Mexicanos and the Subsidiary Entities were primarily subject to the following special tax laws: Derecho ordinario sobre hidrocarburos (Ordinary Hydrocarbons Duty, or "DOSH"), Derecho sobre hidrocarburos para el fondo de estabilización (Hydrocarbons Duty for the Stabilization Fund) and Impuesto a los rendimientos petroleros (Hydrocarbon Income Tax, or "IRP"), all of which are based mainly on petroleum production and revenues from oil, gas and refined products taking into account certain tax deductions. These taxes and federal duties are recognized within profit or loss for the year in which they are incurred.

As of December 31, 2014, Petróleos Mexicanos was not subject to the Ley del Impuesto Sobre la Renta (Income Tax Law) and the Ley del Impuesto Empresarial a Tasa Única (Flat Rate Business Tax, or "IETU"). Petróleos Mexicanos became subject to the Income Tax Law for fiscal year 2015, following the repeal of the IRP.

The Subsidiary Companies were subject to these taxes until 2014. The IETU was repealed effective as of January 1, 2014.

Deferred taxes

Deferred taxes are recorded based on the assets and liabilities method, which consists of the recognition of deferred taxes by applying tax rates applicable to the IRP and income tax to the temporary differences between the carrying value and tax values of assets and liabilities at the date of these consolidated financial statements. Deferred tax assets are recognized to the extent that it is probable that the tax benefits will be utilized.

o. Impuesto Especial sobre Producción y Servicios
(Special Tax on Production and Services, or "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.

p. 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.

q. Revenue recognition

Sales revenue is recognized the moment at which the risks and benefits of ownership of crude oil, refined products, natural gas, and derivative and petrochemical products are transferred to the customers who acquire them, which occurs as follows:

- In accordance with contractual terms.
- The moment at which the customer picks up product at PEMEX's facilities.
- The moment at which PEMEX delivers the product to the delivery point.

PEMEX recognizes revenues for services at the time the collection right on such services arises.

r. Presentation of consolidated statements of comprehensive income

The costs and expenses shown in PEMEX's consolidated statements of comprehensive income are presented based on their function, which allows for a better understanding of the components of PEMEX's operating income. This classification allows for a comparison to the industry to which PEMEX belongs.

Cost of sales

Cost of sales represents the cost of inventories at the time of sale. Cost of sales includes depreciation, amortization, salaries, wages and benefits, a portion of the cost of the reserve for employee benefits and operating expenses related to the production process.

Transportation, distribution and sale expenses

Transportation, distribution and sale expenses are costs in connection to the storage, sale and delivery of products, such as depreciation and operating expenses associated with these activities.

Administrative expenses

Administrative expenses are costs related to PEMEX's administrative personnel, which include personnel-related expenses.

Other revenues, net

Other revenues consists primarily of income received due to the "negative" IEPS Tax. (see Note 17-j).

Financing income

Financing income is comprised of interest income, financial income and other income from financial operations between PEMEX and third parties.

Financing cost

Financing cost is comprised of interest expenses, commissions and other expenses related to financing operations minus any portion of the financing cost that is capitalized.

Derivative financial instruments (cost) income, net

Derivative financial instruments (cost) income represents the net effect of the profit or loss for the year associated with DFIs (See Note 3-d).

Exchange (loss) gain

Exchange rate variations relating to assets or liabilities governed by contracts denominated in foreign currencies are recorded in income of the year.

s. Operating segments

Operating segments are identifiable components of PEMEX that pursue business activities from which PEMEX earns revenues and incurs expenses, including those revenues and expenses from transactions with other segments of PEMEX, and for which information is available to management on a segmented basis and is assessed by the Board of Directors in order to allocate resources and assess the profitability of the segments.

t. New accounting policies not yet adopted

The IASB issued the new IFRS mentioned below, which are effective for annual periods described therein. PEMEX is in the process of evaluating the impact that these standards will have on its financial statements.

◀ IFRS 9 "Financial instruments"

The IASB issued IFRS 9 (2009) and IFRS 9 (2010), which introduced new classification and measurement requirements. In 2013, the IASB released a new model for hedge accounting. The final version of IFRS 9, which was issued in July 2014 ("IFRS 9 (2014)"), replaces the previous versions of IFRS 9 and completes the IASB's project to replace IAS 39, "Financial Instruments".

The package of improvements introduced by IFRS 9 (2014) includes a logical model for classification and measurement, a single, forward-looking "expected loss" impairment model and a substantially reformed approach to hedge accounting.

Classification and Measurement

Classification under IFRS 9 (2014) determines how financial assets and liabilities are recognized in financial statements and, in particular, how they are measured on an ongoing basis. IFRS 9 (2014) introduces a logical approach to the classification of financial assets, which is based on the cash flow characteristics of the financial asset and the entity's business model for managing the financial assets. This principle-based approach replaces the existing classification and measurement requirements.

Impairment

As part of IFRS 9 (2014), the IASB introduced a new, single impairment model that is applicable to all financial instruments and eliminates the complexity associated with multiple impairment models. The new impairment model requires an entity to recognize expected credit losses on a timely basis and to update the amount of expected losses throughout the useful life of a financial instrument. Additional disclosure is required to describe the basis for recognizing expected credit losses and any changes in the estimated amount of expected credit losses.

Hedge accounting

IFRS 9 (2014) includes significant changes to hedge accounting, such as new disclosure requirements that require a description of an entity's risk management activities. The new model represents a comprehensive review of hedge accounting and aligns the accounting with risk management in order to better reflect risk management activities in the financial statements. These changes are intended to provide better disclosure about the risks that an entity faces and the impact of risk management activities on its financial information.

Credit risk

IFRS 9 (2014) also aims to eliminate the volatility in financial results caused by changes in the credit risk of liabilities that are measured at fair value. Under IFRS 9 (2014), earnings from the impairment credit risk of liabilities are recognized in other comprehensive income rather than directly in profit or net loss.

IFRS 9 (2014) is effective for annual periods beginning on or after January 1, 2018. Earlier application is permitted. Additionally, the new standards relating to credit risk may be applied early and in isolation, without adopting other modifications to the recognition of financial instruments.

◀ Amendments to IAS 16 and IAS 38 "Intangible assets" ("IAS 38").

The amended IAS 16 prohibits entities from using revenue-based depreciation methods for items of property, plant and equipment.

- The amended IAS 38 introduces a rebuttable presumption that revenue is not an appropriate basis for amortization of an intangible asset. This presumption can only be rebutted in two limited circumstances: a) the intangible asset is expressed as a measure of revenue; or b) ordinary revenue and the life of the assets are highly associated.

The expected future reductions in selling prices could be indicative of a reduction of the future economic benefits embodied in an asset.

These amendments will be applied prospectively for annual periods beginning on or after January 1, 2016, and early application is permitted.

◀ Amendments to IFRS 11 "Joint arrangements" ("IFRS 11").

The amendments to IFRS 11 address how a joint operator should account for the acquisition of an interest in a joint operation that constitutes a business. IFRS 11 now requires that such transactions be accounted for using the related principles to business combination accounting established in IFRS 3, "Business Combinations" ("IFRS 3"), and additionally requires certain related disclosures.

These amendments also apply when a business is contributed to the joint operation upon its creation. The most significant impact of the amendments to IFRS 11 will be the recognition of goodwill (when there is an excess of the transferred consideration over the identifiable net asset) and the recognition of deferred tax assets and liabilities.

These amendments will be applied prospectively for annual periods beginning on or after January 1, 2016. Early application is permitted.

◀ IFRS 15 "Revenue from contracts with customers" (IFRS 15).

IFRS 15 describes a single comprehensive model for the accounting of revenue from contracts with customers and replaces the current guidelines on revenue recognition.

The core principle of the new IFRS 15 is that an entity should recognize revenue to represent the promised transfer of goods or services to the customer, valued at the amount that the entity expects to be entitled in exchanged for those goods or services.

Pursuant to IFRS 15, an entity should:

- Identify customer contracts that fall within the scope of the new standard.
- Identify the separate performance obligations in the contract based on the following criteria: i) sales of goods or services, separately, ii) sales that are dependent or interrelated with other products or services; and iii) homogeneous and consistent sales pattern.
- Determine the price of the transaction by applying the following considerations: a) variable consideration and constraining estimates of variable consideration; b) the existence of a significant financing component in the contract; c) any non-cash consideration; and d) the consideration payable to the customer.
- Allocate the transaction price to each separate performance obligation.
- Recognize revenue when (or as) each performance obligation is satisfied either over time or at a point in time.
- The new IFRS 15 enhances disclosures of revenue. This standard must be applied for periods beginning on or after January 1, 2017, and early application is permitted. During the year of application, entities may apply the rule retrospectively or use a modified approach.

◀ Amendments to IAS 27 "Equity method in separate financial statements" (IAS 27).

In August 2014, the IASB issued amendments to IAS 27. These amendments to IAS 27 permit entities that use the equity method for recording investments in subsidiaries, joint ventures and associates to prepare separate financial statements.

The amendments are effective for periods beginning on or after January 1, 2016, with earlier application permitted.

◀ IFRS 8 "Operating segments" (IFRS 8).

As part of the annual improvements to IFRS 2010-2012, the IASB published "Amendments to IFRS 8, Operating Segments (IFRS 8)." Entities are required to apply these amendments for annual periods beginning from July 1, 2014, and early application is permitted.

IFRS 8 has been amended to require disclosure of the judgments made by management in aggregating operating segments. Such disclosure includes a description of the segments that have been aggregated and the economic indicators that have been assessed in determining that the aggregated segments share similar economic characteristics. Additionally, an entity must provide reconciliations of the segment assets.

◀ Amendments to IFRS 10 and IAS 28 "Investments in associates and joint ventures" (IAS 28 (2011)).

The amendments to IFRS 10 address an identified inconsistency between the requirements of IFRS 10 and IAS 28 (2011) in the treatment of the sale or contribution of assets from an investor to an associate or joint venture.

The primary result of the amendments is that a gain or loss is recognized when such a transaction involves a business (whether or not it is a subsidiary). A gain or partial loss is recognized when the transaction involves assets that do not constitute a business, even if such assets are allocated to a subsidiary.

The amendment is effective for periods beginning on or after January 1, 2016, with earlier application permitted.

◀ Amendments to IFRS 5, "Non-current assets held-for-sale and discontinued operations" ("IFRS 5").

The amendments to IFRS 5 introduce specific guidance for the reclassification of an asset from held-for-sale to held-for-distribution-to-owners (or vice versa) or the discontinuation of held-for-distribution accounting.

The amendments state that:

- Such reclassifications should not be considered changes to a plan of sale or a plan of distribution to owners and that the classification, presentation and measurement requirements applicable to the new method of disposal should be applied.
- Assets that no longer meet the criteria for held-for-distribution-to-owners (and do not meet the criteria for held-for-sale) should be treated in the same manner as assets that cease to be classified as held-for-sale.

The amendments apply prospectively and are effective for periods beginning on or after January 1, 2016.

◀ Amendments to IFRS 7, "Financial instruments: Disclosures" (IFRS 7).

The amendments to IFRS 7 provide additional guidance to clarify whether a servicing contract constitutes continuing involvement in a transferred asset for purposes of the required disclosure relating to transferred assets.

The amendments apply retrospectively; however, to avoid the risk of hindsight affecting the determination of the required fair value disclosure, an entity is not required to apply the amendments to any period beginning prior to the annual period during which the amendments are first applied. The amendments also include an amendment to IFRS 1, "First Time Adoption of International Financial Reporting Standards."

The amendments are effective for periods beginning on or after January 1, 2016.

Applicability of the amendments to IFRS 7 on offsetting disclosure to condensed interim financial statements

The amendments to IFRS 7 were made to eliminate uncertainty as to whether the disclosure required for offsetting financial assets and financial liabilities (introduced in December 2011 and effective for periods beginning on or after January 1, 2013) should be included in condensed interim financial statements after January 1, 2013 or only in the first year. The amendments clarify that such disclosure is not explicitly required for all interim periods. However, the disclosure may need to be included in condensed interim financial statements to comply with IAS 34.

The amendments apply retrospectively in accordance with IAS 8, "Accounting Policies, Changes in Accounting Estimates and Errors" (IAS 8) and are effective for periods beginning on or after January 1, 2016.

◀ Amendments to IAS 19, "Employee benefits" ("IAS 19").

The amendments to IAS 19 clarify that investment-grade corporate bonds used to estimate the discount rate for post-employment benefits should be issued in the same currency as the benefits to be paid. These amendments also provide for the assessment of the depth of the market for investment-grade corporate bonds at the relevant currency level.

The amendments apply retrospectively in accordance with IAS 8, and are effective for periods beginning after January 1, 2016, with earlier application permitted.

◀ Amendments to IAS 24, "Related party disclosures".

These amendments specify that the management entity providing key management personnel ("KMP") services should be identified as a related party and payments made to a management entity in respect of KMP services should be separately disclosed.

The amendments are effective for annual periods beginning on or after July 1, 2014. Earlier application is permitted.

◀ Amendments to IAS 34, "Interim financial reporting" ("IAS 34")

The amendments to IAS 34 clarify the requirements relating to information required by IAS 34 that is presented "elsewhere in the interim financial report" but is not included in the interim financial statements. The amendments require the inclusion of a cross-reference from the interim financial statements to the location of such information in the interim financial report, which must be available to users on the same terms and at the same time as the interim financial statements.

The amendments apply retrospectively in accordance with IAS 8, and are effective for periods beginning after January 1, 2016, with earlier application permitted.

◀ Amendments to IAS 40, "Investment property" ("IAS 40").

The standard is amended to clarify that IAS 40 and IFRS 3 are not mutually exclusive. The guidance in IAS 40 assists preparers in distinguishing between investment property and owner-occupied property. The amendments clarify that preparers also need to refer to the guidance in IFRS 3 to determine whether the acquisition of an investment property is a business combination.

The amendments are effective for annual periods beginning on or after July 1, 2014. Earlier application is permitted.

u. Reclassifications

The following amounts in the consolidated financial statements as of and for the year ended December 31, 2013 were reclassified to conform the presentation of the amounts in the consolidated financial statements as of and for the year ended December 31, 2014:

Line item	2013		
	As previously reported	Reclassification	Following reclassification
Cost of sales	Ps. 814,006,338	Ps. 25,608,835	Ps. 839,615,173
Other revenues and expenses, net	64,526,850	25,608,835	90,135,685

These reclassifications had no impact on PEMEX's consolidated net income.

In order to provide additional detail with respect to PEMEX's financing income and financing cost in the statement of comprehensive income, costs and income associated with derivative financial instruments, previously included within financial income and financial cost for the years ended December 31, 2014, 2013 and 2012 are now presented as a separate line item in the consolidated financial statements as of and for the year ended December 31, 2014.

Amounts associated with these line items were reclassified as follows:

	2013		
	As previously reported	Reclassification	Following reclassification
Financing income	Ps. 24,527,209	Ps. (15,791,510)	Ps. 8,735,699
Financing cost	(54,067,021)	14,480,537	(39,586,484)
Derivative financial instruments (cost) income, net		1,310,973	1,310,973

	2012		
	As previously reported	Reclassification	Following reclassification
Financing income	Ps. 23,214,838	Ps. (20,683,047)	Ps. 2,531,791
Financing cost	(72,951,238)	26,940,695	(46,010,543)
Derivative financial instruments (cost) income, net		(6,257,648)	(6,257,648)

These reclassifications had no impact on PEMEX's consolidated net income.

As of December 31, 2014, PEMEX recognized its interest in shares of Repsol, S. A. (formerly known as Repsol YPF, S. A., "Repsol") as available-for-sale financial assets, instead of as investments in equity instruments (see Note 9). Accordingly, amounts associated with PEMEX's interest in Repsol were reclassified from non-current assets to current assets as of December 31, 2014 and 2013 as follows:

Line item	2013		
	As previously reported	Reclassification	Following reclassification
Total current assets	Ps. 266,913,870	Ps. 17,728,571	Ps. 284,642,441
Total non-current assets	1,780,476,483	17,728,571	1,762,747,912

These reclassifications had no impact on PEMEX's total assets or total liabilities.

4. Segment financial information

PEMEX's primary business is the exploration and production of crude oil and natural gas and the refining and marketing of petroleum products, conducted through six business segments: Pemex-Exploration and Production, Pemex-Refining, Pemex-Gas and Basic Petrochemicals, Pemex-Petrochemicals, the Trading Companies (as defined below) and Corporate and Other Subsidiary Companies. Management makes decisions related to the operations of the consolidated business along these six strategic lines. Due to PEMEX's structure, there are significant quantities of inter-segment sales among the reporting segments, which are made at internal transfer prices established by PEMEX reflecting international market prices.

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

- Pemex-Exploration and Production earns revenues from sales of domestic crude oil and natural gas, and from exporting crude oil through the Trading Companies (as defined below). Export sales are made through PMI CIM to approximately 26 major customers in various foreign markets. Approximately half of PEMEX's crude oil is sold to Pemex-Refining.
- 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 sells a significant portion of its fuel oil production to the Comisión Federal de Electricidad (Federal Electricity Commission, or "CFE") and jet fuel to Aeropuertos y Servicios Auxiliares (the Airports and Auxiliary Services Agency). 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 naphtha, ethane, butane, natural gas and liquefied petroleum gas.
- Pemex-Petrochemicals is engaged in the sale of petrochemical products to the domestic market. Pemex-Petrochemicals offers a wide range of products. The majority of Pemex-Petrochemicals' revenues comes from methane derivatives, ethane derivatives and aromatics and derivatives.
- The trading companies, which consist of PMI NASA, PMI CIM, MGAS and PMI Trading (the "Trading Companies"), earn revenues from trading crude oil, natural gas and petroleum and petrochemical products within international markets.
- The Corporate and Other Subsidiary Companies provide administrative, financing, consulting and logistical services, as well as economic, tax and legal advice to PEMEX's entities and companies.

The following tables present the condensed financial information of these segments, after elimination of unrealized intersegment gain (loss). These reporting segments are those which PEMEX's management evaluates in its analysis of PEMEX.

As of / for the year ended December 31, 2014	Exploration and Production	Refining	Gas and Basic Petrochemicals	Petrochemicals	Trading Companies	Corporate and Other Subsidiary Companies	Intersegment eliminations	Total
Sales:								
Trade	Ps. 1,134,519,972	Ps. 758,988,560	Ps. 157,715,607	Ps. 28,293,812	Ps. 630,291,313	Ps. -	Ps. -	Ps. 1,575,289,292
Intersegment	-	78,453,236	84,198,317	15,181,899	433,732,307	65,377,209	(1,811,462,940)	-
Services income	-	4,016,699	2,038,629	779,978	777,160	4,743,987	(917,871)	11,438,582
Cost of sales	<u>357,576,627</u>	<u>916,867,969</u>	<u>238,920,142</u>	<u>47,661,733</u>	<u>1,059,616,060</u>	<u>3,730,490</u>	<u>(1,759,092,541)</u>	<u>865,280,480</u>
Gross income (loss)	776,943,345	(75,409,474)	5,032,411	(3,406,044)	5,184,720	66,390,706	(53,288,270)	721,447,394
Other revenues and expenses, net	(3,190,604)	39,332,749	376,111	(361,504)	643,043	1,011,199	(258,597)	37,552,397
Transportation, distribution and sales expenses	-	31,071,231	3,024,325	1,061,157	493,651	468	(3,468,166)	32,182,666
Administrative expenses	<u>43,131,979</u>	<u>31,941,961</u>	<u>11,038,955</u>	<u>14,107,044</u>	<u>1,806,000</u>	<u>59,442,914</u>	<u>(50,131,739)</u>	<u>111,337,114</u>
Operating income (loss)	730,620,762	(99,089,917)	(8,654,758)	(18,935,749)	3,528,112	7,958,523	53,038	615,480,011
Financing income	14,784,998	258,069	2,653,747	142,115	1,157,820	87,371,829	(103,354,391)	3,014,187
Financing cost	74,492,786	9,917,204	346,660	72,354	1,068,869	69,026,534	(103,365,347)	51,559,060
Derivative financial instru- ments (cost) income, net	-	-	8,116	-	4,652,123	(14,098,809)	-	(9,438,570)
Exchange (loss) gain	(63,865,750)	(5,077,441)	(132,849)	(29,136)	(96,785)	(7,797,200)	-	(76,999,161)
Profit (loss) sharing in associates	203,285	-	284,080	-	(247,303)	(263,425,082)	263,219,388	34,368
Taxes, duties and other	<u>760,627,534</u>	<u>-</u>	<u>(21,772,116)</u>	<u>-</u>	<u>3,839,908</u>	<u>3,379,438</u>	<u>-</u>	<u>746,074,764</u>
Net (loss) income	(153,377,025)	(113,826,493)	15,583,792	(18,895,124)	4,085,190	(262,396,711)	263,283,382	(265,542,989)
Total current assets	579,201,519	255,407,423	105,121,847	68,242,701	83,345,895	505,949,689	(1,307,941,793)	289,327,281
Permanent investments in associates	1,392,737	488,499	5,059,612	-	8,483,563	67,164,220	(60,573,871)	22,014,760
Wells, pipelines, properties, plant and equipment, net	1,347,194,064	277,719,686	99,635,112	38,928,597	2,421,141	17,475,538	-	1,783,374,138
Total assets	1,953,828,467	535,094,903	210,625,967	108,444,584	102,955,361	1,580,484,899	(2,363,065,901)	2,128,368,280
Total current liabilities	206,711,128	330,308,600	31,965,537	8,229,852	57,265,930	1,000,368,240	(1,300,689,940)	334,159,347
Long-term debt	963,274,628	23,142,209	1,117,618	191,070	3,588,666	986,026,128	(979,956,033)	997,384,286
Employee benefits	448,887,587	463,143,546	110,913,462	139,554,046	641,279	310,948,608	-	1,474,088,528
Total liabilities	1,694,872,519	828,576,773	145,190,535	148,149,492	67,266,726	2,314,525,120	(2,302,492,031)	2,896,089,134
Equity (deficit)	258,955,948	(293,481,870)	65,435,432	(39,704,908)	35,688,635	(734,040,221)	(60,573,870)	(767,720,854)
Depreciation and amortization	121,034,025	11,435,739	7,039,030	2,685,896	80,990	799,107	-	143,074,787
Net periodic cost of employee benefits	37,582,742	38,198,504	9,338,059	11,512,589	177,003	24,914,431	-	121,723,328
Acquisition of wells, pipelines, properties, plant and equipment	174,019,012	39,087,896	5,632,770	4,709,838	2,545,075	8,007,600	-	234,002,191

As of / for the year ended December 31, 2013	Exploration and Production	Refining	Gas and Basic Petrochemicals	Petrochemicals	Trading Companies	Corporate and Other Subsidiary Companies	Intersegment eliminations	Total
Sales:								
Trade	Ps. 1,250,771,663	Ps. 740,371,929	Ps. 143,290,615	Ps. 26,525,091	Ps. 687,677,633	Ps. -	Ps. -	Ps. 1,597,865,268
Intersegment	-	74,893,930	73,998,380	13,840,212	407,663,967	56,136,413	(1,877,304,565)	-
Services income	-	4,125,144	2,180,256	-	786,596	4,432,211	(1,184,850)	10,339,357
Cost of sales	364,914,720	963,816,046	205,190,171	42,372,594	1,079,513,935	5,288,105	(1,821,480,398)	839,615,173
Gross income (loss)	885,856,943	(144,425,043)	14,279,080	(2,007,291)	16,614,261	55,280,519	(57,009,017)	768,589,452
Other revenues and expenses, net	(842,289)	97,387,329	1,142,830	347,081	(6,525,139)	(1,082,910)	(291,217)	90,135,685
Transportation, distribution and sales expenses	-	28,989,721	2,623,144	880,839	395,725	(35)	(440,958)	32,448,436
Administrative expenses	42,809,551	32,927,261	11,352,890	12,706,033	1,789,969	54,012,586	(56,943,818)	98,654,472
Operating income (loss)	842,205,103	(108,954,696)	1,445,876	(15,247,082)	7,903,428	185,058	84,542	727,622,229
Financing income	24,936,100	289,978	3,403,910	382,930	1,092,642	68,541,251	(89,911,112)	8,735,699
Financing cost	48,381,896	15,049,203	246,075	67,170	1,237,519	64,390,791	(89,786,170)	39,586,484
Derivative financial instruments (cost) income, net	-	-	(33,305)	-	(232,801)	1,577,079	-	1,310,973
Exchange gain (loss)	(4,071,119)	699,215	(69,484)	17,082	(44,828)	(482,358)	-	(3,951,492)
Profit (loss) sharing in associates	207,132	-	933,927	-	(577,434)	(173,785,799)	173,928,884	706,710
Taxes, duties and other	856,978,971	-	1,523,410	21,349	3,930,748	2,439,584	-	864,896,062
Net (loss) income	(42,083,651)	(123,014,706)	3,909,439	(14,935,589)	2,972,740	(170,795,144)	173,888,484	(170,058,427)
Total current assets	502,902,664	274,764,785	115,251,777	72,066,407	106,410,426	515,460,241	(1,302,213,859)	284,642,441
Permanent investments in associates	1,189,451	488,319	4,294,023	-	7,018,985	419,817,118	(416,028,395)	16,779,501
Wells, pipelines, properties, plant and equipment, net	1,315,399,260	253,117,660	101,513,879	39,008,884	1,982,647	10,556,411	-	1,721,578,741
Total assets	1,837,046,755	529,767,519	221,866,273	111,818,055	122,116,141	1,688,293,303	(2,463,517,693)	2,047,390,353
Total current liabilities	213,952,321	352,932,603	35,977,158	6,145,414	81,810,182	863,145,326	(1,294,772,172)	259,190,832
Long-term debt	719,013,631	23,360,262	1,094,807	171,745	3,617,414	737,651,756	(734,346,144)	750,563,471
Employee benefits	342,612,970	354,166,740	83,372,338	107,202,896	1,222,116	230,630,810	-	1,119,207,870
Total liabilities	1,342,978,777	740,780,574	144,252,327	113,696,802	90,354,847	1,847,935,634	(2,047,361,968)	2,232,636,993
Equity (deficit)	494,067,978	(211,013,055)	77,613,946	(1,878,747)	31,761,294	(159,642,331)	(416,155,725)	(185,246,640)
Depreciation and amortization	127,029,321	10,780,711	7,060,955	2,563,482	9,321	1,050,068	(2,154)	148,491,704
Net periodic cost of employee benefits	36,532,518	37,401,828	8,837,963	11,112,176	204,268	21,250,936	-	115,339,689
Acquisition of wells, pipelines, properties, plant and equipment	205,579,644	31,587,666	5,170,234	5,237,725	1,907,105	2,162,441	-	251,644,815

As of / for the year ended December 31, 2012	Exploration and Production	Refining	Gas and Basic Petrochemicals	Petrochemicals	Trading Companies	Corporate and Other Subsidiary Companies	Intersegment eliminations	Total
Sales:								
Trade	Ps. 1,333,286,214	Ps. 720,874,065	Ps. 118,402,283	Ps. 27,760,353	Ps. 772,699,053	Ps. -	Ps. -	Ps. 1,639,735,754
Intersegment	-	61,480,371	66,226,902	7,650,488	448,731,943	55,352,873	(1,972,728,791)	-
Services income	-	4,361,364	1,088,258	-	727,371	2,191,282	(1,191,989)	7,176,286
Cost of sales	302,840,887	1,025,958,672	175,765,662	31,826,657	1,211,608,953	2,900,312	(1,918,410,569)	832,490,574
Gross income (loss)	1,030,445,327	(239,242,872)	9,951,781	3,584,184	10,549,414	54,643,843	(55,510,211)	814,421,466
Other revenues and expenses, net	448,248	211,227,180	(1,008,016)	(814,161)	(138,712)	(326,438)	(369,138)	209,018,963
Transportation, distribu- tion and sale expenses	-	25,162,163	2,461,140	809,784	325,402	54,760	(324,966)	28,488,283
Administrative expenses	40,979,675	32,751,142	10,678,233	12,414,605	1,330,361	47,321,046	(55,862,213)	89,612,849
Operating income (loss)	989,913,900	(85,928,997)	(4,195,608)	(10,454,366)	8,754,939	6,941,599	307,830	905,339,297
Financing income	17,336,197	589,603	3,080,864	16,447	1,047,037	67,672,871	(87,211,228)	2,531,791
Financing cost	50,578,659	20,179,519	271,808	816,496	986,232	44,803,745	(71,625,916)	46,010,543
Derivative financial instru- ments (cost) income, net	-	-	269,611	-	(1,296,207)	(20,513,507)	15,282,455	(6,257,648)
Exchange gain (loss)	35,186,096	3,421,271	368,507	840	16,773	5,852,174	-	44,845,661
Profit (loss) sharing in associates	189,227	-	2,140,344	-	1,389,441	(7,118,378)	8,196,973	4,797,607
Taxes, duties and other	898,064,551	-	(221,123)	16,774	1,817,453	2,968,032	-	902,645,687
Net income (loss)	93,982,210	(102,097,642)	1,613,033	(11,270,349)	7,108,298	5,062,982	8,201,946	2,600,478
Depreciation and amortiza- tion	118,246,402	11,071,793	7,769,141	2,725,017	7,983	717,384	-	140,537,720
Net periodic cost of employee benefits	31,045,021	31,221,665	7,331,348	9,121,565	101,143	17,781,595	-	96,602,337

PEMEX's management measures the performance of the entities based on operating income and net segment income before elimination of unrealized intersegment gain (loss), as well as by analyzing the impact of the results of each segment in the consolidated financial statements. For certain of the items in these consolidated financial statements to agree with the individual financial statements of the operating segments, they must be reconciled. The tables below present the financial information of PEMEX's operating segments, before intersegment eliminations:

The following tables present accounting reconciliations between individual and consolidated information.

As of / for the year ended December 31, 2014	Exploration and Production	Refining	Gas and Basic Petrochemicals	Petrochemicals	Trading Companies	Corporate and Other Subsidiary Companies
Sales:						
By segment	Ps. 1,134,519,972	Ps. 844,588,586	Ps. 243,972,757	Ps. 44,258,725	Ps. 1,064,903,042	Ps. 70,121,196
Less unrealized intersegment sales	-	(3,100,091)	(20,204)	(3,036)	(102,262)	-
Total consolidated sales	Ps. 1,134,519,972	Ps. 841,458,495	Ps. 243,952,553	Ps. 44,255,689	Ps. 1,068,800,780	Ps. 70,121,196
Operating income (loss):						
By segment	Ps. 730,817,884	Ps. (101,970,712)	Ps. (9,527,142)	Ps. (19,066,287)	Ps. 5,844,320	Ps. 7,958,523
Less unrealized intersegment sales	-	(3,100,091)	(20,204)	(3,036)	(102,262)	-
Less unrealized gain due to production cost valuation of inventory	3,473,742	5,980,886	892,588	133,574	(2,213,946)	-
Less capitalized refined products	(3,789,845)	-	-	-	-	-
Less amortization of capitalized interest	118,981	-	-	-	-	-
Total consolidated operating income (loss)	Ps. 730,620,762	Ps. (99,089,917)	Ps. (8,654,758)	Ps. (18,935,749)	Ps. 3,528,112	Ps. 7,958,523
Net income (loss):						
By segment	Ps. (153,150,787)	Ps. (116,707,288)	Ps. 16,255,028	Ps. (19,129,147)	Ps. 6,401,398	Ps. (262,297,846)
Less unrealized intersegment sales	-	(3,100,091)	(20,204)	(3,036)	(102,262)	-
Less unrealized gain due to production cost valuation of inventory	3,473,742	5,980,886	892,588	133,574	(2,213,946)	-
Less capitalized refined products	(3,789,845)	-	-	-	-	-
Less equity method for unrealized profits	(29,116)	-	(1,543,620)	103,485	-	-
Less amortization of capitalized interest	118,981	-	-	-	-	-
Total consolidated net income (loss)	Ps. (153,377,025)	Ps. (113,826,493)	Ps. 15,583,792	Ps. (18,895,124)	Ps. 4,085,190	Ps. (262,396,711)
Assets:						
By segment	Ps. 1,973,640,697	Ps. 581,230,900	Ps. 215,690,484	Ps. 113,896,128	Ps. 107,000,991	Ps. 1,580,583,764
Less unrealized intersegment sales	1,132	(2,883,924)	(19,332)	(2,435)	(93,339)	-
Less unrealized gain due to production cost valuation of inventory	(15,776,956)	(43,252,073)	(1,623,055)	(2,071,000)	(3,952,291)	-
Less capitalized refined products	(3,789,845)	-	-	-	-	-
Less equity method for unrealized profits	(365,542)	-	(3,422,130)	(3,378,109)	-	-
Less amortization of capitalized interest	118,981	-	-	-	-	-
Total consolidated assets	Ps. 1,953,878,467	Ps. 535,094,903	Ps. 210,625,967	Ps. 108,444,584	Ps. 102,955,361	Ps. 1,580,484,899
Liabilities:						
By segment	Ps. 1,694,872,519	Ps. 828,576,773	Ps. 145,190,535	Ps. 148,149,492	Ps. 64,969,988	Ps. 2,314,525,120
Less unrealized gain due to production cost valuation of inventory	-	-	-	-	2,296,738	-
Total consolidated liabilities	Ps. 1,694,872,519	Ps. 828,576,773	Ps. 145,190,535	Ps. 148,149,492	Ps. 67,266,726	Ps. 2,314,525,120

As of / for the year ended December 31, 2013	Exploration and Production	Refining	Gas and Basic Petrochemicals	Petrochemicals	Trading Companies	Corporate and Other Subsidiary Companies
Sales:						
By segment	Ps. 1,250,785,620	Ps. 820,912,682	Ps. 219,332,517	Ps. 40,360,373	Ps. 1,096,302,859	Ps. 60,568,624
Less unrealized intersegment sales	(13,957)	(1,521,679)	136,734	4,930	(174,663)	-
Total consolidated sales	Ps. 1,250,771,663	Ps. 819,391,003	Ps. 219,469,251	Ps. 40,365,303	Ps. 1,096,128,196	Ps. 60,568,624
Operating income (loss):						
By segment	Ps. 850,636,276	Ps. (119,734,273)	Ps. 873,221	Ps. (15,418,059)	Ps. 2,568,759	Ps. 185,058
Less unrealized intersegment sales	(12,826)	(1,521,678)	136,735	4,929	(174,663)	-
Less unrealized gain due to production	17,747	12,301,255	435,920	166,048	5,509,332	-
Less capitalized refined products	(8,555,076)	-	-	-	-	-
Less amortization of capitalized interest	118,982	-	-	-	-	-
Total consolidated operating income (loss)	Ps. 842,205,103	Ps. (108,954,696)	Ps. 1,445,876	Ps. (15,247,082)	Ps. 7,903,428	Ps. 185,058
Net income (loss):						
By segment	Ps. (33,648,136)	Ps. (133,794,283)	Ps. 3,336,785	Ps. (15,034,572)	Ps. (2,361,929)	Ps. (173,636,179)
Less unrealized intersegment sales	(12,826)	(1,521,678)	136,734	4,930	(174,663)	-
Less unrealized gain due to production	17,747	12,301,255	435,920	166,048	5,509,332	-
Less capitalized refined products	(8,555,076)	-	-	-	-	-
Less equity method for unrealized profits	(4,342)	-	-	(71,995)	-	-
Less amortization of capitalized interest	118,982	-	-	-	-	2,841,035
Total consolidated net income (loss)	Ps. (42,083,651)	Ps. (123,014,706)	Ps. 3,909,439	Ps. (14,935,589)	Ps. 2,972,740	Ps. (170,795,144)
Assets:						
By segment	Ps. 1,856,325,965	Ps. 575,246,559	Ps. 224,241,728	Ps. 114,087,313	Ps. 119,933,908	Ps. 1,685,452,269
Less unrealized intersegment sales	(9,479)	3,753,919	140,189	7,310	3,232,537	-
Less unrealized gain due to production	(11,777)	(49,232,959)	(2,515,644)	(2,204,574)	(1,050,304)	-
Less capitalized refined products	(16,755,002)	-	-	-	-	-
Less equity method for unrealized profits	(4,344)	-	-	(71,994)	-	-
Less amortization of capitalized interest	(2,498,608)	-	-	-	-	2,841,034
Total consolidated assets	Ps. 1,837,046,755	Ps. 579,767,519	Ps. 221,866,273	Ps. 111,818,055	Ps. 122,116,141	Ps. 1,688,293,303
Liabilities:						
By segment	Ps. 1,342,978,777	Ps. 740,780,574	Ps. 144,252,327	Ps. 113,696,802	Ps. 87,307,528	Ps. 1,847,935,634
Less unrealized gain due to production	-	-	-	-	3,047,319	-
Less cost valuation of inventory	-	-	-	-	-	-
Total consolidated liabilities	Ps. 1,342,978,777	Ps. 740,780,574	Ps. 144,252,327	Ps. 113,696,802	Ps. 90,354,847	Ps. 1,847,935,634

For the year ended December 31, 2012	Exploration and Production	Refining	Gas and Basic Petrochemicals	Petrochemicals	Trading Companies	Corporate and Other Subsidiary Companies
Sales:						
By segment	Ps. 1,333,276,930	Ps. 784,417,918	Ps. 184,985,084	Ps. 35,418,252	Ps. 1,221,655,507	Ps. 57,544,155
Less unrealized intersegment sales	9,284	2,297,882	732,359	(7,411)	502,860	-
Total consolidated sales	Ps. 1,333,286,214	Ps. 786,715,800	Ps. 185,717,443	Ps. 35,410,841	Ps. 1,222,158,367	Ps. 57,544,155
Operating income (loss):						
By segment	Ps. 993,473,459	Ps. (95,467,749)	Ps. (4,379,626)	Ps. (10,250,176)	Ps. 8,801,985	Ps. 6,941,599
Less unrealized intersegment sales	9,284	2,297,882	732,359	(7,411)	502,860	-
Less unrealized gain due to production cost valuation of inventory	(8,394)	7,240,870	(548,341)	(196,779)	(549,906)	-
Less capitalized refined products	(3,679,430)	-	-	-	-	-
Less amortization of capitalized interest	118,981	-	-	-	-	-
Total consolidated operating income (loss)	Ps. 989,913,900	Ps. (85,928,997)	Ps. (4,195,608)	Ps. (10,454,366)	Ps. 8,754,939	Ps. 6,941,599
Net income (loss):						
By segment	Ps. 97,536,450	Ps. (111,636,394)	Ps. 1,429,015	Ps. (11,066,159)	Ps. 7,155,344	Ps. (854,312)
Less unrealized intersegment sales	9,284	2,297,882	732,359	(7,411)	502,860	-
Less unrealized gain due to production cost valuation of inventory	(8,394)	7,240,870	(548,341)	(196,779)	(549,906)	-
Less capitalized refined products	(3,679,430)	-	-	-	-	-
Less equity method for unrealized profits	5,319	-	-	-	-	5,917,294
Less amortization of capitalized interest	118,981	-	-	-	-	-
Total consolidated net income (loss)	Ps. 93,982,210	Ps. (102,097,642)	Ps. 1,613,033	Ps. (11,270,349)	Ps. 7,108,298	Ps. 5,062,982

Supplemental geographic information:

	For the years ended December 31,		
	2014	2013	2012
Domestic sales	Ps. 944,997,979	Ps. 910,187,634	Ps. 867,036,701
Export sales:			
United States	481,364,906	493,148,967	573,515,085
Canada, Central and South America	17,575,078	21,004,723	39,806,335
Europe	54,214,041	86,872,410	98,987,049
Other	77,137,288	86,651,534	60,390,584
Total export sales	630,291,313	687,677,634	772,699,053
Services income	11,438,582	10,339,357	7,176,286
Total sales	Ps. 1,586,727,874	Ps. 1,608,204,625	Ps. 1,646,912,040

PEMEX does not have significant long-lived assets outside of Mexico.

The following table shows income by product:

	For the years ended December 31,		
	2014	2013	2012
<u>Domestic sales</u>			
Refined petroleum products and derivatives (primarily gasolines)	Ps. 830,545,046	Ps. 805,460,402	Ps. 779,572,582
Gas	77,813,359	70,781,410	51,249,544
Petrochemical products	36,639,574	33,945,822	36,214,575
Total domestic sales	Ps. 944,997,979	Ps. 910,187,634	Ps. 867,036,701
<u>Export sales</u>			
Crude oil	Ps. 475,056,981	Ps. 548,411,085	Ps. 618,104,685
Refined petroleum products and derivatives (primarily gasolines)	153,436,847	137,048,991	150,850,052
Gas	64,397	43,544	7,713
Petrochemical products	1,733,088	2,174,014	3,736,603
Total export sales	Ps. 630,291,313	Ps. 687,677,634	Ps. 772,699,053

5. Cash, cash equivalents and restricted cash

As of December 31, 2014 and 2013, cash and cash equivalents were as follows:

	As of December 31,	
	2014	2013
Cash on hand and in banks ⁽ⁱ⁾	Ps. 68,330,390	Ps. 45,942,338
Marketable securities	49,658,138	34,803,381
	Ps. 117,988,528	Ps. 80,745,719

(i) Cash on hand and in banks is primarily composed of cash in banks.

At December 31, 2014, and 2013, restricted cash was as follows:

	As of December 31,	
	2014	2013
Restricted cash	Ps. <u>6,884,219</u>	Ps. <u>7,701,798</u>

Restricted cash in 2014 and 2013 primarily increased due to the deposit made by Pemex-Exploration and Production in the amount of US\$ 465,060 as a result of an arbitration claim before the International Court of Arbitration of the International Chamber of Commerce (the "ICA"). At December 31, 2014, this deposit, including income interest, amounted to US\$ 465,303 (see Note 22-b).

6. Accounts receivable and other

As of December 31, 2014 and 2013, accounts receivable and other receivables were as follows:

	As of December 31,	
	2014	2013
Export costumers	Ps. 20,960,915	Ps. 46,337,045
Domestic customers	38,168,467	38,648,470
Tax credits	30,554,928	15,416,955
Sundry debtors	13,357,348	7,818,554
Employee and officers	5,560,644	5,077,687
Negative IEPS Tax pending to be credit	-	4,293,619
Advances to suppliers	5,583,148	3,284,575
Insurance claims	212,069	1,618,828
Other account receivables	<u>25,448</u>	<u>16,278</u>
	Ps. <u>114,422,967</u>	Ps. <u>122,512,011</u>

The following table shows a breakdown of accounts receivable based on their credit history at December 31, 2014 and 2013:

	Export customers	
	As of December 31,	
	2014	2013
1 to 30 days	Ps. 577,047	Ps. 38,163
31 to 60 days	145,894	1,070
61 to 90 days	143	95
More than 91 days	<u>218,570</u>	<u>385,887</u>
Expired	941,654	425,215
Impaired (reserved)	<u>(198,867)</u>	-
Unimpaired	742,787	425,215
Unexpired	<u>20,218,128</u>	<u>45,911,830</u>
Total	Ps. <u>20,960,915</u>	Ps. <u>46,337,045</u>

	Domestic customers	
	As of December 31,	
	2014	2013
1 to 30 days	Ps. 814,629	Ps. 874,553
31 to 60 days	268,844	15,091
61 to 90 days	189,871	80,331
More than 91 days	<u>1,197,583</u>	<u>223,009</u>
Expired	2,470,927	1,192,984
Impaired (Reserved)	<u>(598,624)</u>	<u>(697,284)</u>
Unimpaired	1,872,303	495,700
Unexpired	<u>36,296,164</u>	<u>38,152,770</u>
Total	Ps. <u>38,168,467</u>	Ps. <u>38,648,470</u>

7. Inventories

As of December 31, 2014 and 2013, inventories were as follows:

	As of December 31,	
	2014	2013
Crude oil, refined products, derivatives and petrochemicals products	Ps. 45,126,915	Ps. 51,638,624
Materials and products in stock	4,811,741	5,259,341
Materials and products in transit	<u>-</u>	<u>16,535</u>
	Ps. <u>49,938,656</u>	Ps. <u>56,914,500</u>

8. Available-for-sale financial assets

On January 1, 2013, PEMEX had a total of 59,804,431 shares of Repsol value at Ps. 15,771,202, which represented approximately 4.76% of Repsol's share capital.

On June 19, 2012, Repsol approved a dividend program under which Repsol shareholders had the option to receive their pro rata portion of the dividend declared at the annual meeting in the form of either i) new shares of Repsol or ii) cash. Petróleos Mexicanos elected to receive cash dividends. On January 21 and July 16, 2013, PMI HBV received an in kind dividend in the form of 1,683,322 and 1,506,130 new Repsol shares, respectively.

On August 9, 2013, PEMEX divested its direct interest in 9,289,968 shares of Repsol, which resulted in a net profit of Ps. 278,842. On the same date, PEMEX entered into an equity swap for the same number of shares with a notional amount of Ps. 2,869,882, pursuant to which PEMEX retains economic and voting rights in such shares.

On December 18, 2013, Repsol declared dividends to its shareholders, which would be paid in cash or in kind depending on the election of the shareholders. On January 17, 2014, PMI HBV received its dividends in the form of 1,451,455 new Repsol shares.

On May 28, 2014, Repsol declared an extraordinary dividend to be paid out in cash, equivalent to one euro per share. On June 6, 2014, PMI HBV recognized a dividend for a total amount of Ps. 381,900, which was computed based on the number of shares it held at the time of distribution.

On June 4, 2014, PMI HBV divested its direct interest in 36,087,290 shares of Repsol at a sale price of 20.10 euros per share following the approval of the Board of Directors of Petróleos Mexicanos. As a result of this operation, the remaining Repsol shares owned by PMI HBV were recognized as available-for-sale financial assets at December 31, 2014. The decision to divest PMI HBV's position in Repsol was driven by the relatively low returns obtained from this investment and the lack of mutual benefits derived from PEMEX's alliance with Repsol. As a result of the sale of these shares, PMI HBV recognized a loss of Ps. 215,119 in its statement of comprehensive income.

On June 16, 2014, Repsol approved the payment of a flexible dividend, from which PMI HBV received 488,923 new Repsol shares in July 2014, valued at Ps. 190,814.

On December 17, 2014, Repsol declared flexible dividends to its shareholders, from which PMI HBV received 575,205 new Repsol shares as an in kind dividend in January 2015. This amount is recognized as an account receivable of Ps. 163,834 as of December 2014.

As of December 31, 2014, PMI HBV holds 19,557,003 of Repsol shares.

As of December 31, 2014 and December 31, 2013, the investments in 19,557,003 and 53,703,915 shares of Repsol held by PMI HBV were valued at Ps. 5,414,574 and Ps. 17,728,490, respectively. The effect of the valuation on the investment at fair value was recorded in other comprehensive result in the statement of changes in equity (deficit) as a loss of Ps. 765,412 at December 31, 2014 and a gain of Ps. 4,453,495 at December 31, 2013. In addition, PEMEX recorded dividend payments received from Repsol of Ps. 736,548, Ps. 914,116 and Ps. 685,704 in the statements of comprehensive income at December 31, 2014, 2013 and 2012, respectively.

On December 31, 2013, PEMEX held three equity swaps with financial institutions through which it had obtained the economic and voting rights of 67,969,767 shares of Repsol, which amounted to approximately 5.13% of Repsol's total shares as of that date. In May 2014 Petróleos Mexicanos, cancelled in advance the three equity swaps and converted them into one equity swap. On June 3, 2014, Petróleos Mexicanos cancelled the single equity swap.

As of December 31, 2014, PEMEX's direct holdings of Repsol shares amounted to approximately 1.45% of Repsol's total shares and at December 31, 2013, PEMEX's direct holding of Repsol shares, together with the economic and voting rights acquired through the equity swaps mentioned above, amounted to approximately 9.19% of Repsol's total shares as of that date.

9. Permanent investments in associates

The permanent investments in associates as of December 31, 2014 and 2013, were as follows:

		Percentage of investment	December 31	
			2014	2013
Deer Park Refining Limited		49.995%	Ps. 7,322,445	Ps. 6,710,317
Gasoductos de Chihuahua, S. de R. L. de C. V.		50.00%	4,778,939	4,051,682
Petroquímica Mexicana de Vinilo, S. A. de C. V.	(i)	44.09%	3,521,924	3,253,978
TAG Norte Holding, S. de R. L. de C. V.	(ii)	50.00%	2,071,825	-
Compañía Mexicana de Exploraciones, S. A. de C. V.	(iii)	60.00%	1,255,742	1,141,065
Sierrita Gas Pipeline LLC	(ii)	35.00%	885,792	-
Frontera Brownsville, LLC		50.00%	546,463	517,945
TAG Pipelines Sur, S. de R. L. de C. V.	(ii)	50.00%	544,201	-
Mexicana de Lubricantes, S. A. de C. V.		49.00%	488,499	488,321
Other-net		Various	598,930	616,193
Total			Ps. 22,014,760	Ps. 16,779,501

- (i) In September 2013, through a joint venture between PEMEX and Mexichem S. A. B. de C. V., PEMEX increased its investment in Petroquímica Mexicana de Vinilo, S. A. de C. V. by Ps. 2,993,531, allowing PEMEX to acquire a 44% interest in Petroquímica Mexicana de Vinilo, S. A. de C. V.

(ii) New investment in 2014.

(iii) Compañía Mexicana de Exploraciones, S. A. de C. V. is not controlled by PEMEX and is accounted for as a permanent investment in an associate under the equity method (see Note 3-a).

Profit (loss) sharing in associates:

	December 31,		
	2014	2013	2012
Deer Park Refining Limited	Ps. (232,960)	Ps. (591,472)	Ps. 1,320,180
Gasoductos de Chihuahua, S. de R. L. de C. V.	244,958	475,942	548,765
Sierrita Gas Pipeline LLC	6,478	-	-
Petroquímica Mexicana de Vinilo, S. A. de C. V.	(89,280)	93,853	-
TAG Norte Holding, S. de R. L. de C. V.	(108,126)	-	-
TAG Pipelines Sur, S. de R. L. de C. V.	(57,330)	-	-
Other, net	270,628	728,387	2,928,662
	<u>Ps. 34,368</u>	<u>Ps. 706,710</u>	<u>Ps. 4,797,607</u>

The following tables show condensed financial information of major investments recognized under the equity method:

	Condensed statements of financial position			
	Deer Park Refining Limited		Gasoductos de Chihuahua, S. de R. L. de C. V.	
	December 31,		December 31,	
	2014	2013	2014	2013
Total assets	<u>Ps. 27,134,381</u>	<u>Ps. 27,331,336</u>	<u>Ps. 20,877,785</u>	<u>Ps. 9,006,292</u>
Total liabilities	Ps. 12,488,026	Ps. 13,910,702	Ps. 11,319,906	Ps. 902,928
Total equity	<u>14,646,355</u>	<u>13,420,634</u>	<u>9,557,879</u>	<u>8,103,364</u>
Total liabilities and equity	<u>Ps. 27,134,381</u>	<u>Ps. 27,331,336</u>	<u>Ps. 20,877,785</u>	<u>Ps. 9,006,292</u>

	Condensed statements of comprehensive income					
	Deer Park Refining Limited			Gasoductos de Chihuahua, S. de R. L. de C. V.		
	December 31,			December 31,		
	2014	2013	2012	2014	2013	2012
Sales and other income	Ps. 11,996,951	Ps. 9,767,622	Ps. 12,240,553	Ps. 2,406,375	Ps. 2,124,812	Ps. 1,984,198
Costs and expenses	<u>12,462,917</u>	<u>10,950,684</u>	<u>9,599,929</u>	<u>1,916,459</u>	<u>1,172,928</u>	<u>886,668</u>
Net result	<u>Ps. (465,966)</u>	<u>Ps. (1,183,062)</u>	<u>Ps. 2,640,624</u>	<u>Ps. 489,916</u>	<u>Ps. 951,884</u>	<u>Ps. 1,097,530</u>

10. Wells, pipelines, properties, plant and equipment

Investment	Plants	Drilling equipment	Pipelines	Wells	Buildings	Offshore platforms	Furniture and equipment	Transportation equipment	Construction in progress	Land	Unproductive fixed assets	Assets in process acquisition	Total fixed assets
Balances as of January 1, 2013													
Acquisitions	Ps. 769,748,214	Ps. 42,367,106	Ps. 547,238,619	Ps. 1,007,455,697	Ps. 53,431,009	Ps. 319,638,242	Ps. 49,788,285	Ps. 20,590,693	Ps. 105,303,277	Ps. 41,583,171	Ps. 11,148,414	Ps. 27,633	Ps. 2,908,326,360
Reclassifications	29,336,696	3,106,174	5,387,150	62,580,620	1,505,492	5,633,305	3,644,600	3,736,942	134,079,686	1,100,230	1,104,295	4,929	251,680,129
Impairment	(16,383,178)	(433,975)	(1,409,982)	(5,474)	3,716,027	(1,378,015)	(305,668)	(99,191)	(85,903,444)	(23,662)	264,810	-	(5,455,620)
Disposals	(15,360,222)	-	(2,057,113)	(26,891,321)	(900,589)	(62,212)	(524,342)	(900,237)	(894,782)	(301,882)	(7,249,721)	-	(25,608,335)
Balances as of December 31, 2013	Ps. 725,549,850	Ps. 46,039,305	Ps. 548,441,853	Ps. 1,000,557,457	Ps. 60,362,361	Ps. 376,374,608	Ps. 51,936,293	Ps. 23,371,687	Ps. 149,430,041	Ps. 40,257,857	Ps. 10,267,799	Ps. 32,562	Ps. 2,102,517,672
Acquisitions	Ps. 23,713,976	Ps. 1,713,819	Ps. 4,604,246	Ps. 47,206,226	Ps. 955,327	Ps. 5,867,427	Ps. 3,402,912	Ps. 2,300,877	Ps. 141,566,631	Ps. 849,450	79,715	Ps. 1,486,211	Ps. 233,886,817
Reclassifications	(4,413,133)	(623,772)	944,517	-	3,301,769	(59,381)	(385,362)	305,697	(127,229)	167,016	482,390	(303,270)	(653,750)
Capitalization	16,072,431	-	9,197,666	62,848,040	787,907	5,113,356	35,512	-	(94,183,427)	128,515	-	-	(32,645,694)
Impairment	(1,127,399)	-	(1,372,994)	(19,226,711)	(308,592)	-	(389,649)	(1,822,247)	(868,767)	(779,831)	(9,197)	(633,750)	(15,983,465)
Disposals	(10,820,292)	-	(1,336,229)	-	(595,503)	-	-	-	-	-	-	-	-
Balances as of December 31, 2014	Ps. 726,945,433	Ps. 46,129,352	Ps. 571,099,029	Ps. 1,151,385,012	Ps. 64,402,269	Ps. 372,246,010	Ps. 54,819,706	Ps. 24,002,014	Ps. 195,817,249	Ps. 42,813,007	Ps. 10,825,706	Ps. 583,753	Ps. 3,298,089,540
Accumulated depreciation and amortization													
Balances as of January 1, 2013	Ps. (284,287,710)	Ps. (23,066,280)	Ps. (202,092,704)	Ps. (509,752,873)	Ps. (33,723,880)	Ps. (95,137,552)	Ps. (32,563,194)	Ps. (12,324,674)	-	-	-	-	Ps. (1,249,592,275)
Depreciation	(36,154,914)	(2,790,948)	(16,440,395)	(71,831,243)	(1,779,543)	(14,669,152)	(3,468,615)	(1,379,398)	-	-	-	-	(148,491,704)
Reclassifications	2,513,262	358,288	1,290,514	1,153	(84,961)	-	1,230,624	146,740	-	-	-	-	5,455,620
Disposals	(8,267,723)	-	1,409,267	-	519,279	-	297,726	903,404	-	-	(708,201)	-	10,889,428
Balances as of December 31, 2013	Ps. (309,664,639)	Ps. (25,498,940)	Ps. (215,850,341)	Ps. (631,502,963)	Ps. (35,069,106)	Ps. (109,806,204)	Ps. (34,503,429)	Ps. (12,623,928)	-	-	-	-	Ps. (1,381,938,531)
Depreciation	(38,183,033)	(2,879,790)	(16,440,395)	(64,135,419)	(1,414,222)	(15,143,009)	(3,418,783)	(1,260,160)	-	-	-	-	(143,074,787)
Reclassifications	735,813	607,072	(179,524)	-	(1,073,720)	26,842	525,701	173,184	-	-	(179,792)	-	685,576
Disposals	(2,019,382)	-	16,172	-	413,737	-	345,065	892,753	-	-	126,446	-	9,612,740
Balances as of December 31, 2014	Ps. (339,292,892)	Ps. (27,771,648)	Ps. (232,658,051)	Ps. (695,716,382)	Ps. (32,444,310)	Ps. (124,922,867)	Ps. (37,051,446)	Ps. (12,811,151)	-	-	-	-	Ps. (1,524,215,402)
Wells, pipelines, properties, plant and equipment - net as of December 31, 2013	Ps. 422,888,211	Ps. 19,540,365	Ps. 342,591,519	Ps. 468,976,494	Ps. 25,193,256	Ps. 216,517,804	Ps. 17,432,864	Ps. 10,693,759	Ps. 149,430,041	Ps. 40,257,857	Ps. 2,975,889	Ps. 32,562	Ps. 1,721,578,743
Wells, pipelines, properties, plant and equipment - net as of December 31, 2014	Ps. 419,672,141	Ps. 18,357,704	Ps. 338,440,978	Ps. 495,666,630	Ps. 27,258,959	Ps. 212,333,143	Ps. 17,268,260	Ps. 11,190,863	Ps. 195,817,249	Ps. 42,813,007	Ps. 3,480,451	Ps. 583,753	Ps. 1,793,374,338
Depreciation rates	3 a 5%	5%	2 a 7%	-	3 a 7%	4%	3 a 10%	4 a 20%	-	-	-	-	-
Estimated useful lives	20 a 35	20	15 a 45	-	33 a 35	25	3 a 10	5 a 25	-	-	-	-	-
	3 to 5%	5%	2 to 7%	-	3 to 7%	4%	3 to 10%	4 to 20%	-	-	-	-	-
	20 to 35 years	20 years	15 to 45 years	-	33 to 35 years	25 years	3 to 10 years	5 to 25 years	-	-	-	-	-

a. As of December 31, 2014, 2013 and 2012, the financing cost identified with fixed assets in the construction or installation stage, capitalized as part of the value of such fixed assets, was Ps. 3,997,121, Ps. 2,943,597 and Ps. 2,110,075, respectively.

b. The combined depreciation of fixed assets and amortization of wells for the fiscal years ended December 31, 2014, 2013 and 2012, recognized mainly in operating costs, was Ps. 143,074,787, Ps. 148,491,704 and Ps. 140,537,720, respectively, which includes costs related to plugging and abandonment of wells for the years ended December 31, 2014, 2013 and 2012 of Ps. 2,011,027, Ps. 2,000,230 and Ps. 2,053,630, respectively.

c. As of December 31, 2014 and 2013, provisions relating to future plugging and abandonment costs amounted to Ps. 52,460,749 and Ps. 46,118,080, respectively, and are presented in the "Provisions for sundry credits" line item (See Note 15).

d. As of December 31, 2014 and 2013, the value in use of the Integral Burgos, Poza Rica and Macuspana projects was unfavorable due to the decline in gas prices in the international market as well as the condition of economic hydrocarbon reserves located at these projects, which resulted in aggregate impairment charges of Ps. (21,199,704) and Ps. (26,364,717), respectively, that were recognized in the consolidated statements of comprehensive income under the cost of sales line item. No impairment charges were recognized in connection with these projects as of December 31, 2012.

As of December 31, 2014 and 2013, Pemex-Petrochemicals recognized impairment charges totaling Ps. (1,445,992) and Ps. (894,782), respectively. As a result of the sale of certain properties and plants of the Pajaritos petrochemical complex by Pemex-Petrochemicals to Petroquímica Mexicana de Vinilo, S.A. de C.V., value in use for the complex was favorable, reducing the impairment charge for previous years by Ps. 1,650,664 as of December 31, 2013.

- e. As a result of the Energy Reform Decree, the secondary legislation and the corresponding initial adjudication of rights for the exploration and extraction of oil and other hydrocarbons commonly referred to as Round Zero, Pemex-Exploration and Production received temporary assignments of certain asset blocks, some of which may be transferred to third parties in the future. These investments will be compensated at their fair value pursuant to the terms determined by Ministry of Energy. As of December 31, 2014, the aggregate value of the asset blocks that were assigned on a temporary basis to Petróleos Mexicanos as part of Round Zero totals approximately Ps. 71,270,273.
- f. As part of the implementation of the Energy Reform Decree, PEMEX is to transfer to CENAGAS assets and contracts valued at approximately Ps. 34,029,000 in the aggregate as of December 31, 2014. PEMEX will be compensated for these assets pursuant to terms set by the Energy Regulatory Commission.

The value of these assets and contracts is subject to change between the date of these consolidated financial statements and the time at which such assets and contracts are transferred, either due to additional adjustments in valuation or changes in the assets types of assets and contracts to be transferred. The transfer of assets and contracts to CENEGAS may take up to two years.

- g. PEMEX entered into certain capital lease arrangements for tankers. These leases expire on various dates until 2018.

As of December 31, 2013, PEMEX had entered into certain capital lease arrangements for drilling equipment. These leases expire on various dates over the next 10 years.

As of December 31, 2014 and 2013, assets acquired through these capital leases were as follows:

	2014	2013
Investment in tankers and drilling equipment	Ps. 5,017,002	Ps. 5,017,002
Less accumulated depreciation	<u>(953,152)</u>	<u>(636,276)</u>
	<u>Ps. 4,063,850</u>	<u>Ps. 4,380,726</u>

The liabilities relating to the assets listed above are payable in the years following December 31, 2014 as presented below:

Year	Pesos	U.S. dollars
2015	Ps. 834,989	US\$ 56,733
2016	834,989	56,733
2017	834,989	56,733
2018	767,210	52,127
2019	271,186	18,425
2020 and thereafter	<u>1,084,743</u>	<u>73,702</u>
	4,628,106	314,453
Less: short-term unaccrued interest	221,879	15,075
Less: long-term unaccrued interest	<u>533,053</u>	<u>36,218</u>
Total capital leases	3,873,174	263,160
Less: current portion of leases (excluding interest)	<u>613,110</u>	<u>41,658</u>
Total long-term capital leases	<u>Ps. 3,260,064</u>	<u>US\$ 221,502</u>

The capitalized interest expense from financial leases for the years ended December 31, 2014, 2013 and 2012 was Ps. 242,436, Ps. 159,380 and Ps. 214,041, respectively.

The discount rates applied to the calculation of capitalized leases were as follows:

- i. 7.96% rate in nominal terms (3.73% in real terms) as of December 31, 2014.
- ii. 7.96% rate in nominal terms (3.83% in real terms) as of December 31, 2013.
- iii. 9.39% rate in nominal terms (5.62% in real terms) as of December 31, 2012.

11. Other assets

At December 31, 2014 and 2013, the balance of other assets was as follows:

	As of December 31,	
	2014	2013
Construction in progress (wells)	Ps. 14,970,904	Ps. 7,892,474
Payments in advance	2,959,819	2,244,450
Other	4,694,541	4,057,786
	<u>Ps. 22,625,264</u>	<u>Ps. 14,194,710</u>
Construction in progress (wells):		
Balance at the beginning of period	Ps. 7,892,474	Ps. 5,306,333
Additions to construction in progress	24,185,826	21,813,041
Deductions against expenses	(9,793,246)	(9,244,399)
Deductions against fixed assets	(7,314,150)	(9,982,501)
Balance at the end of period	<u>Ps. 14,970,904</u>	<u>Ps. 7,892,474</u>

12. Debt

The Board of Directors approves the terms and conditions for the incurrence of obligations that constitute public debt of Petróleos Mexicanos for each fiscal year, in accordance with the Petróleos Mexicanos Law and the Reglamento de la Ley de Petróleos Mexicanos (Regulations to the Petróleos Mexicanos Law). These terms and conditions are promulgated in conformity with the guidelines approved by the SHCP for Petróleos Mexicanos for the respective fiscal year.

During 2014, the significant financing activities of PEMEX were as follows:

- a. On January 23, 2014, Petróleos Mexicanos issued US\$ 4,000,000 of its debt securities under its US\$ 32,000,000 Medium-Term Notes Program, Series C in three tranches: (i) US\$ 500,000 of its 3.125% Notes due 2019; (ii) US\$ 500,000 of its 4.875% Notes due 2024, which was a reopening of its 4.875% Notes due 2024 originally issued on July 18, 2013; and (iii) US\$ 3,000,000 of its 6.375% Bonds due 2045. All debt securities issued under this program are guaranteed by Pemex-Exploration and Production, Pemex-Refining and Pemex-Gas and Basic Petrochemicals.
- b. On January 23, 2014, the SHCP authorized the increase of the Petróleos Mexicanos' Medium-Term Notes Program Series C from US\$ 32,000,000 to US\$ 42,000,000. All debt securities issued under this program are guaranteed by Pemex-Exploration and Production, Pemex-Refining and Pemex-Gas and Basic Petrochemicals.

- c. On January 30, 2014, Petróleos Mexicanos issued Ps. 7,500,000 aggregate principal amount of Certificados Bursátiles due 2024 at a fixed rate of 7.19%, consisting of (i) an international offering outside of Mexico of Ps. 2,616,050 of Certificados Bursátiles in the form of global depositary notes ("GDNs") and (ii) a concurrent offering to the public in Mexico of Ps. 4,883,950 of Certificados Bursátiles not represented by GDNs. The issuance represented the second reopening of the same series of Certificados Bursátiles due 2024 originally issued on September 26, 2013 and reopened on December 11, 2013. Concurrently, Petróleos Mexicanos issued, in the Mexican market, Ps. 5,000,000 aggregate principal amount of Certificados Bursátiles in two tranches: one at a floating rate of Tasa de Interés Interbancaria de Equilibrio (Interbank Equilibrium Interest Rate, or "TIE") plus 3.8% for Ps. 2,000,000 due 2019, which was a reopening of the same series of Certificados Bursátiles due 2019 originally issued on September 19, 2013 and reopened on December 11, 2013; and the second at a fixed rate of 3.94% for 588,435 UDIs equivalent to Ps. 3,000,000 due 2026. These certificados bursátiles were issued under Petróleos Mexicanos' Ps. 300,000,000 or Unidades de Inversión ("UDI") equivalent Certificados Bursátiles Dual Program. All debt securities issued under this program are guaranteed by Pemex-Exploration and Production, Pemex-Refining and Pemex-Gas and Basic Petrochemicals.
- d. On March 20, 2014, Petróleos Mexicanos borrowed US\$ 1,000,000 from its revolving credit line, which bears interest at a floating rate linked to the London Interbank Offered Rate ("LIBOR") plus 0.16%. This drawdown has been renewed on a monthly basis and was outstanding as of December 31, 2014.
- e. On March 21, 2014, Petróleos Mexicanos obtained a loan for US\$ 300,000 from an export credit agency, which bears interest at a rate of 1.08% and matures in March 2018.
- f. On April 16, 2014, Petróleos Mexicanos issued €1,000,000 of its 3.75% Notes due 2026. These notes were issued under Petróleos Mexicanos' US\$ 42,000,000 Medium-Term Notes Program, Series C.
- g. On May 30, 2014, Petróleos Mexicanos obtained a loan for Ps. 10,000,000 from its revolving credit line, which bore interest at a floating rate linked to TIE and matured on July 2, 2014 and as a result did not affect net indebtedness for the year.
- h. On June 2, 2014, Petróleos Mexicanos obtained loans for US\$ 1,250,000 and US\$ 250,000 from its revolving credit line, which bears interest at a floating rate linked to LIBOR and matured in 2014.
- i. On July 2, 2014, Petróleos Mexicanos issued Ps. 11,000,000 aggregate principal amount of its Certificados Bursátiles due 2024 at a fixed rate of 7.19%, consisting of (i) an international offering outside of Mexico of Ps. 2,353,100, of Certificados Bursátiles in the form of GDNs and (ii) a concurrent offering to the public in Mexico of Ps. 8,646,900 of Certificados Bursátiles not represented by GDNs. The issuance represented the third reopening of its Certificados Bursátiles due 2024, which were originally issued on September 26, 2013 and subsequently reopened on December 11, 2013 and January 30, 2014. Petróleos Mexicanos concurrently issued in the Mexican market Ps. 4,000,000 aggregate principal amount of Certificados Bursátiles in two tranches: (i) the first at a floating rate due 2019 in an aggregate principal amount of Ps. 1,500,000, which was a reopening of the same series originally issued on September 19, 2013 and subsequently reopened on December 11, 2013 and January 30, 2014 and (ii) the second at a fixed rate of 3.94% due 2026 in an aggregate principal amount equal to 487.2 million UDIs equivalent of Ps. 2,500,000, which was a reopening of the same series originally issued on January 30, 2014. These certificados bursátiles were issued under Petróleos Mexicanos' Ps. 200,000,000 or UDI equivalent Certificados Bursátiles Program.

- j. On July 25, 2014, Petróleos Mexicanos entered into a syndicated credit facility in the amount of Ps. 26,000,000; the facility bears interest at a floating rate linked to the TIIE plus 95 basis points and matures on July 25, 2024.
- k. On July 29, 2014, Petróleos Mexicanos amended the terms of its revolving credit facility entered into on December 22, 2011 in order to decrease the amount available thereunder from Ps. 10,000,000 to Ps. 3,500,000.
- l. On September 8, 2014, Petróleos Mexicanos amended the terms of its syndicated credit facility entered into on July 26, 2014 in a total amount of Ps. 4,000,000, in order to increase the amount available thereunder from Ps. 26,000,000 to Ps. 30,000,000. On September 10, 2014, Petróleos Mexicanos borrowed the full amount available under this credit facility.
- m. On September 11, 2014, Petróleos Mexicanos issued Ps. 19,999,269 aggregate principal amount of Certificados Bursátiles due 2024 at a fixed rate of 7.19%, consisting of (i) an international offering outside of Mexico of Ps. 3,418,200 of Certificados Bursátiles in the form of GDNs; and (ii) a concurrent offering to the public in Mexico of Ps. 16,581,069 of Certificados Bursátiles not represented by GDNs. The issuance represented the fourth reopening of its Certificados Bursátiles due 2024, which were originally issued on September 26, 2013 and subsequently reopened on December 11, 2013, January 30, 2014 and July 2, 2014. Petróleos Mexicanos concurrently issued in the Mexican market Certificados Bursátiles in two tranches: (i) one at a floating rate of TIIE plus 0.01% due 2019 in an aggregate principal amount of Ps. 5,000,000, which was the fourth reopening of the same series originally issued on September 19, 2013 and subsequently reopened on December 11, 2013, January 30, 2014 and July 2, 2014 and (ii) the second at a fixed rate of 3.94% due 2026 in an aggregate principal amount equal to 968,671 UDI equivalent of Ps. 5,000,731, which was the second reopening of the same series originally issued on January 30, 2014 and subsequently reopened on July 2, 2014. These certificados bursátiles were issued under Petróleos Mexicanos' Ps. 200,000,000 or UDI equivalent Certificados Bursátiles Program.
- n. On October 14, 2014, Petróleos Mexicanos issued US\$ 500,000 of notes due 2025, which bear interest at LIBOR for 3 months plus 0.35%. The notes are guaranteed by the Export-Import Bank of the United States.
- o. On October 15, 2014, Petróleos Mexicanos issued US\$ 2,500,000 of debt securities under its US\$ 42,000,000 Medium-Term Notes Program, Series C, in two tranches: (1) US\$ 1,000,000 of its 4.250% Notes due 2025, and (2) US\$ 1,500,000 of its 5.50% Bonds due 2044, which was the second reopening of its 5.50% Bonds due 2044 originally issued on June 26, 2012 and subsequently reopened on October 19, 2012.
- p. On October 20, 2014, Petróleos Mexicanos issued US\$ 500,000 of notes due 2025, which bear interest at a fixed rate of 2.378%. The notes are guaranteed by the Export-Import Bank of the United States.
- q. On November 14, 2014, Petróleos Mexicanos redeemed the entire outstanding principal amount of (i) US\$ 1,500,000 of its 4.875% Notes due 2015 and (ii) US\$ 234,915 of its 5.750% Notes due 2015. The resources used to redeem these debt securities were derived from the issuance dated October 15, 2014.
- r. On November 19, 2014, Petróleos Mexicanos entered into a revolving credit facility in the amount of Ps. 20,000,000; the facility bears interest at a floating rate linked to the TIIE and matures on November 19, 2019.

- s. On November 27, 2014, Petróleos Mexicanos issued in the Mexican market Ps. 15,000,000 aggregate principal amount of Certificados Bursátiles in three tranches: one at a fixed rate of 7.47% due 2026 in an aggregate principal amount of Ps. 8,301,389; the second at a floating rate of TIE plus 15 basis points due 2020 in an aggregate principal amount of Ps. 5,000,000; and the third at a fixed rate of 3.94% due 2026 in an aggregate principal amount of 325,000,000 UDIs, equivalent to Ps. 1,698,611, which was the third reopening of the same series originally issued on January 30, 2014 and subsequently reopened on July 2, 2014 and September 11, 2014. These certificados bursátiles were issued under Petróleos Mexicanos' Ps. 200,000,000 or UDI equivalent Certificados Bursátiles Program.
- t. On December 15, 2014, Petróleos Mexicanos obtained a loan for Ps. 3,500,000 bearing interest at a floating rate.
- u. On December 17, 2014, Petróleos Mexicanos entered into a credit facility in the amount of US\$ 700,000. On December 19, 2014, Petróleos Mexicanos borrowed US\$ 700,000 under this facility.
- v. On December 18, 2014, AGRO obtained a credit line of US\$ 390,000, withdrawals from which bear interest at LIBOR plus 1.40%, and on the same date AGRO withdrew US\$ 228,000, which matures on December 18, 2017.
- w. On December 19, 2014, Petróleos Mexicanos obtained a loan for Ps. 10,000,000 in two installments, the first for Ps. 5,000,000 and bearing interest at a floating rate of 91 days TIE plus 125 basis points due 2025 and the second for Ps. 5,000,000 and bearing interest at a floating rate of TIE plus 95 basis points with quarterly installments due 2025.
- x. On December 23, 2014, Petróleos Mexicanos obtained a loan for Ps. 10,000,000 bearing interest at a floating rate of TIE plus 85 basis points with quarterly installments due 2025, which matures on March 19, 2025.
- z. From January 1 to December 31, 2014, PMI HBV obtained US\$ 7,075,000 from its revolving credit line and repaid US\$ 7,125,000.

As of December 31, 2014, Petróleos Mexicanos had US\$ 2,500,000 and Ps. 23,500,000 in available lines of credit in order to ensure liquidity, which were fully drawn.

During 2013, the significant financing activities of PEMEX were as follows:

- a. On January 4 and 11, 2013, PMI Trading obtained and repaid, respectively, a loan for US\$ 150,000 bearing interest at 1.0412%.
- b. On January 22, 2013, the SHCP authorized the increase of the Petróleos Mexicanos' Medium-Term Notes Program from US\$ 22,000,000 to US\$ 32,000,000. All debt securities issued under this program are guaranteed by Pemex-Exploration and Production, Pemex-Refining and Pemex-Gas and Basic Petrochemicals.
- c. On January 30, 2013, Petróleos Mexicanos issued US\$ 2,100,000 of its 3.500% Notes due 2023. The notes were issued under Petróleos Mexicanos' US\$ 32,000,000 Medium-Term Notes Program, Series C.
- d. On February 28, 2013, PMI NASA obtained two loans for US\$ 34,500, each of which bears interest at 3.80% and matures on February 7, 2023.
- e. On March 6 and 8, 2013, PMI Trading obtained and repaid, respectively, a loan for US\$ 50,000 bearing interest at 1.4217%.

- f. On March 22, 2013, Petróleos Mexicanos issued, in the Mexican market, Ps. 2,500,000 of Certificados Bursátiles due 2017 at a floating rate, which was the first reopening of the securities originally issued on November 29, 2012. These certificados bursátiles were issued under Petróleos Mexicanos' Ps. 300,000,000 or Unidades de Inversión ("UDI") equivalent Certificados Bursátiles Dual Program.
- g. On April 26, 2013, PMI NASA obtained a loan for US\$ 33,830 bearing interest at 3.80%, which matures on February 22, 2023.
- h. On June 7, 2013, PMI NASA obtained a loan for US\$ 34,278 bearing interest at 3.80%, which matures on April 24, 2023.
- i. On June 25, 2013, Petróleos Mexicanos issued, in the Mexican market, Ps. 2,500,000 of Certificados Bursátiles due 2017 at a floating rate, which was the second reopening of the securities originally issued on November 29, 2012. These certificados bursátiles were issued under Petróleos Mexicanos' Ps. 300,000,000 or UDI equivalent Certificados Bursátiles Dual Program.
- j. On June 26, 2013, Petróleos Mexicanos borrowed US\$ 500,000 under its revolving credit facility, which was repaid on July 17, 2013.
- k. On July 18, 2013, Petróleos Mexicanos issued US\$ 3,000,000 of its debt securities under Petróleos Mexicanos' US\$ 32,000,000 Medium-Term Notes Program, Series C in four tranches: (i) US\$ 1,000,000 of its 4.875% Notes due 2024; (ii) US\$ 1,000,000 of its 3.500% Notes due 2018; (iii) US\$ 500,000 of its Floating Rate Notes due 2018; and (iv) US\$ 500,000 of its 6.500% Bonds due 2041, which was the second reopening of its 6.500% Bonds due 2041 originally issued on June 2, 2011 and subsequently reopened on October 18, 2011.
- l. On September 19, 2013, Petróleos Mexicanos issued US\$ 400,000 of notes due 2024, which bear interest at a fixed rate of 2.830%. The notes are guaranteed by the Export-Import Bank of the United States.
- m. On September 19, 2013, Petróleos Mexicanos issued, in the Mexican market, Ps. 5,000,000 of Certificados Bursátiles due 2019 at a floating rate. These certificados bursátiles were issued under Petróleos Mexicanos' Ps. 300,000,000 or UDI equivalent Certificados Bursátiles Dual Program.
- n. On September 26, 2013, Petróleos Mexicanos issued Ps. 10,400,000 aggregate amount of Certificados Bursátiles due 2024 at a fixed rate of 7.19%, consisting of (1) an international offering outside Mexico of Ps. 1,075,000 of Certificados Bursátiles in the form of GDNs, and (2) a concurrent offering to the public in Mexico of Ps. 9,325,000 of Certificados Bursátiles not represented by GDNs. These certificados bursátiles were issued under Petróleos Mexicanos' Ps. 300,000,000 or UDI equivalent Certificados Bursátiles Dual Program.
- o. On September 30, 2013, Petróleos Mexicanos issued US\$ 750,000 of notes due 2024, which bear interest at LIBOR for 3 months plus 0.43%. The notes are guaranteed by the Export-Import Bank of the United States.
- p. On November 4, 2013, Petróleos Mexicanos issued US\$ 350,000 of notes due 2024, which bear interest at a fixed rate of 2.290%. The notes are guaranteed by the Export-Import Bank of the United States.
- q. On November 27, 2013, Petróleos Mexicanos issued € 1,300,000 of its 3.125% Notes due 2020. These notes were issued under Petróleos Mexicanos' US\$ 32,000,000 Medium-Term Notes Program, Series C.

- r. On December 11, 2013, Petróleos Mexicanos issued Ps. 8,500,000 aggregate principal amount of Certificados Bursátiles due 2024 at a fixed rate of 7.19%, consisting of (i) an international offering outside of Mexico of Ps. 1,165,550 of Certificados Bursátiles in the form of GDNs, and (ii) a concurrent offering to the public in Mexico of Ps. 7,334,450 of Certificados Bursátiles not represented by GDNs. The issuance represented the first reopening of the same series of Certificados Bursátiles due 2024 originally issued on September 26, 2013. Concurrently, Petróleos Mexicanos issued, in the Mexican market, Ps. 1,100,000 of Certificados Bursátiles due 2019 at a floating rate, which was a reopening of the same series of Certificados Bursátiles due 2019 originally issued on September 19, 2013. These certificados bursátiles were issued under Petróleos Mexicanos' Ps. 300,000,000 or UDI equivalent Certificados Bursátiles Dual Program.
- s. On December 11, 2013, Petróleos Mexicanos entered into a revolving credit facility in the amount of US\$ 1,250,000; the facility bears interest at a floating rate linked to LIBOR and matures in 2016.
- t. On December 19, 2013, Petróleos Mexicanos borrowed Ps. 10,000,000 from its revolving credit facility, which it repaid on December 30, 2013.
- u. On December 27, 2013, Petróleos Mexicanos borrowed US\$ 135,000 from its revolving credit facility, which it repaid on January 27, 2014.
- v. From January 1 to December 31, 2013, PMI HBV obtained US\$ 5,793,000 from its revolving credit line and repaid US\$ 6,143,000.

Various financial transactions (including credit facilities and bond issuances) require compliance with various covenants that, among other things, place restrictions on the following types of transactions by PEMEX, subject to certain exceptions:

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

As of December 31, 2014 and as of the date of the issuance of these consolidated financial statements, PEMEX was in compliance with the covenants described above.

As of December 31, 2014, long-term debt was as follows:

			December 31, 2014	
	Rate of interest (%)	Maturity	Pesos (thousands)	Foreign currency (thousands)
US dollars				
Bonds	Fixed from 1.7 % to 9.5% and LIBOR plus 0.43% to 2.02%	Various to 2045	Ps. 533,456,119	36,245,150
Purchasing loans	LIBOR plus 0.4% to 0.5%	Various to 2014	36,795,000	2,500,000
Project financing	Fixed from 2.45% to 5.45% and LIBOR plus .01% to 1.71%	Various to 2022	70,558,213	4,794,008
Direct loans	Fixed at 5.44% and LIBOR plus 1.0% to 1.20%	Various to 2018	24,959,247	1,695,831
Syndicated loans	LIBOR plus 0.8% and 1%	Various to 2016	29,436,000	2,000,000
Bank loans	Fixed from 3.5% to 5.28%	Various to 2022	4,076,281	276,959
Financial leases (Note 10 -e)	Fixed from 0.37% to 1.99%	Various to 2023	3,873,174	263,159
Total financing in US dollars			703,154,034	47,775,107
Euros				
Bonds	Fixed from 5.5% to 6.375%	Various to 2025	94,932,763	5,304,804
Secured loan	EURIBOR plus 5.37%	Various to 2014		
Project financing	Fixed at 2%	Various to 2016	68	4
Total financing in Euros			94,932,831	5,304,808

			December 31, 2014	
	Rate of interest (1)	Maturity	Pesos (thousands)	Foreign currency (thousands)
Japanese yen:				
Bonds	Fixed at 3.5% and LIBOR yen plus 0.75%	Various to 2023	Ps. 11,533,800	94,500,615
Project financing	Fixed at 2.90% and Prime Rate yen plus 1% to 2%	Various to 2017	<u>2,186,357</u>	<u>17,913,617</u>
Total financing in yen			<u>13,720,157</u>	<u>112,414,232</u>
Pesos				
Certificados bursátiles	Mexican Federal Treasury Certificates ("Cetes") plus 0.57%, TIEE ⁽¹⁾ less 0.07% to 0.7%, and fixed at 7.19% to 9.91%	Various to 2024	174,226,161	
Direct loans	Fixed at 6.55% and TIEE plus 0.55% to 2.4%	Various to 2022	24,186,813	
Syndicated loans	TIEE plus 0.95	Various to 2024	29,005,374	
Revolved loans	TIEE plus 0.55	To 2015	<u>23,500,000</u>	
Total financing in pesos			250,918,348	
Unidades de Inversión				
Certificados bursátiles	Zero rate and Fixed at 3.02% to 4.2%	Various 2028	<u>40,932,604</u>	
Other currencies:				
Bonds	Fixed from 2.5% to 8.25%	Various to 2022	<u>14,223,278</u>	
Total principal in pesos	(2)		1,117,881,252	
Plus: accrued interest			13,671,738	
Notes payable to contractors	(3)		<u>11,697,513</u>	
Total principal and interest			1,143,250,503	
Less: short-term maturities			125,006,395	
Current portion of notes payable to contractors	(3)		7,188,084	
Accrued interest			<u>13,671,738</u>	
Total short-term debt			<u>145,866,217</u>	
Long-term debt (Note 13-c)			<u>Ps. 997,384,286</u>	

As of December 31, 2013, long-term debt was as follows:

			December 31, 2013	
	Rate of interest (1)	Maturity	Pesos (thousands)	Foreign currency (thousands)
U.S. dollars				
Bonds	Fixed from 1.7 % to 9.5% and LIBOR plus 0.43% to 2.02%	Various to 2045	Ps. 407,719,934	31,179,592
Purchasing loans	LIBOR plus 0.4% to 0.5%	Various to 2014	12,520	957
Project financing	Fixed from 2.45% to 5.45% and LIBOR plus .01% to 1.71%	Various to 2022	75,603,945	5,781,665
Direct loans	Fixed 1.457% to 5.44% and LIBOR plus 1.0% to 1.9%	Various to 2018	10,981,118	839,760
Syndicated loans	LIBOR plus 0.8% and 1.0%	Various to 2016	27,918,337	2,135,001
Bank loans	Fixed from 3.5% to 5.28%	Various to 2022	4,032,468	308,375
Financial leases	Fixed from 0.38% to 1.99%	Various to 2023	<u>3,949,905</u>	<u>302,061</u>
Total financing in U.S. dollars			<u>530,218,227</u>	<u>40,547,411</u>
Euros:				
Bonds	Fixed from 5.5% to 6.375%	Various to 2025	78,073,403	4,332,742
Secured loan	EURIBOR plus 5.37%	Various to 2014	4,779,802	265,259
Project financing	Fixed at 2%	Various to 2016	<u>569</u>	<u>32</u>
Total financing in Euros			<u>82,853,774</u>	<u>4,598,033</u>

			December 31, 2013	
	Rate of interest (1)	Maturity	Pesos (thousands)	Foreign currency (thousands)
Japanese yen: Bonds	Fixed at 3.5% and LIBOR yen plus 0.75%	Various to 2023	Ps. 11,703,000	94,000,000
Direct loans	LIBOR yen plus 0.71%	Various to 2014	2,608,275	20,950,000
Project financing	Fixed at 2.90% and Prime Rate yen plus 1% to 2%	Various to 2017	3,346,571	26,880,086
Total financing in yen			17,657,846	141,830,086
Pesos Certificados bursátiles	Cetes 0.57%, TIEE ⁽¹⁾ less 0.07% to 0.7%, and fixed at 7.65% and 9.91%	Various to 2024	132,159,337	
Direct loans	Fixed from 5.04% and 6.55% and TIEE plus 0.55% to 2.4%	Various to 2022	6,479,741	
Total financing in pesos			138,639,078	
Unidades de Inversión Certificados bursátiles	Zero rate and Fixed at 3.02% to 4.2%	Various to 2028	26,746,411	
Other currencies Bonds	Fixed from 2.5% to 8.25%	Various to 2022	21,031,855	
Total principal in pesos	(2)		817,147,191	
Plus:				
Accrued interest			9,815,002	
Notes payable to contractors	(3)		14,278,221	
Total principal and interest			841,240,414	
Less:				
short-term maturities			72,450,283	
Current portion of notes payable to contractors	(3)		8,411,658	
Accrued interest			9,815,002	
Total short-term debt			90,676,943	
Long-term debt (Note 13-c)			Ps. 750,563,471	

	2015	2016	2017	2018	2019	2020 and thereafter	Total
Maturity of the total principal outstanding and accrued interest as of December 31, 2014, for each of the years ending December 31,	\$ 145,866,216	\$ 94,092,560	\$ 78,718,092	\$ 87,071,447	\$ 90,856,363	\$ 646,645,825	\$ 1,143,250,503

		December 31,	
		2014 (i)	2013 (i)
Changes in total debt:			
At the beginning of the period	Ps.	841,240,414	Ps. 786,858,600
Loans obtained		426,607,422	241,939,473
Debt payments		(207,455,492)	(191,146,091)
Interest paid		3,661,146	2,170,843
Foreign exchange		78,884,717	3,308,299
Expenses related to debt issuance		312,296	(1,890,710)
At the end of the year		Ps. 1,143,250,503	Ps. 841,240,414

- (i) These amounts include accounts payable by Financed Public Works Contracts ("FPWC") (formerly known as Multiple Services Contracts), which do not generate cash flows.
- (1) As of December 31, 2014 and 2013, the rates were as follows: 3 month LIBOR of 0.2556% and 0.2461%, respectively; 6 month LIBOR of 0.3628% and 0.348%, respectively; the prime rate in Japanese yen, 1.475%, for the two years; TIE rate of 3.3205% and 3.795%, respectively, for 28 days; TIE rate of 3.3245% and 3.8045%, respectively, for 91 days; Cetes rate of 2.74% and 3.18%, respectively, for 28 days; Cetes rate of 2.94% and 3.45%, respectively, for 91 days; Cetes rate of 3.01% and 3.55%, respectively, for 182 days.
- (2) Includes financing from foreign banks of Ps. 798,484,400 and Ps. 631,954,650, as of December 31, 2014 and 2013, respectively.
- (3) The total amounts of notes payable to contractors as of December 31, 2014 and 2013, current and long-term, are as follows:

	31 de diciembre	
	2014	2013
Total notes payable to contractors (a) (b)	Ps. 11,697,513	Ps. 14,278,221
Less: current portion of notes payable to contractors	<u>7,188,084</u>	<u>8,411,658</u>
Notes payable to contractors (long-term)	<u>Ps. 4,509,429</u>	<u>Ps. 5,866,563</u>

- (a) PEMEX has entered into FPWCs 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, 2014 and 2013, PEMEX had an outstanding amount payable of Ps. 8,815,484 and Ps. 11,387,225, respectively.
- (b) During 2007, Pemex-Exploration and Production contracted for the purchase of a Floating Production Storage and Offloading ("FPSO") vessel. The investment in the vessel totaled US\$ 723,575. As of December 31, 2014 and 2013, the outstanding balances owing to the contractor were Ps. 2,882,029 (US\$ 195,817) and Ps. 2,890,996 (US\$ 221,084), respectively. In accordance with the contract, the estimated future payments are as follows:

Year	US\$
2015	US\$ 25,267
2016	25,267
2017	25,267
2018	25,267
2019	25,267
2020 and thereafter	<u>69,482</u>
Total	<u>US\$ 195,817</u>

- (4) As of December 31, 2014 and 2013, PEMEX used the following exchange rates to translate the outstanding balances in foreign currencies to pesos in the statement of financial position:

	December 31,	
	2014	2013
U.S. dollar	\$ 14.7180	\$ 13.0765
Japanese yen	0.1227	0.1245
Pounds sterling	22.9483	21.6560
Euro	17.8103	18.0194
Swiss francs	14.8122	14.7058
Canadian dollar	12.7061	12.3076
Australian dollar	12.0437	11.6982

13. Financial instruments

PEMEX faces market risk caused by the volatility of hydrocarbon prices, exchange rates and interest rates, credit risk associated with investments and financial derivatives, as well as liquidity risk. In order to monitor and manage these risks, PEMEX has approved general provisions relating to financial risk management, which are comprised of policies and guidelines that promote an integrated framework for risk management, regulate the use of DFIs and guide the development of risk mitigation strategies.

This regulatory framework establishes that DFIs should generally be used only for the purpose of mitigating financial risk. The use of DFIs for any other purpose must be approved in accordance with PEMEX's internal regulation.

One of PEMEX's policies is to contribute minimizing the impact that unfavorable changes in financial risk factors have on its financial results by promoting an adequate balance between expected incoming cash flows from operations and outgoing cash flows relating to its liabilities.

In addition, the PMI Group has implemented a regulatory framework for risk management with respect to its activities, which consists of policies, guidelines and procedures to manage the market risk associated with its commodity trading activities in accordance with industry best practices, such as: the use of DFIs for financial risk mitigation purposes; the segregation of duties; valuation and monitoring mechanisms, such as the generation of a daily portfolio risk report and value at risk (VaR) computation; and VaR limits, both at a global and business unit level, and the implementation of stop loss mechanisms. In addition, PMI-TRD also has its own risk management subcommittee which supervises the trading of DFIs.

A. Risk Management

I. Market Risk

i. Interest rate risk

PEMEX is exposed to fluctuations in floating interest rate liabilities. PEMEX is exposed to U.S. dollar LIBOR and to Mexican peso TIIE. As of December 31, 2014, approximately 27.7% of PEMEX's total net debt outstanding consisted of floating rate debt.

Occasionally, for strategic reasons or in order to offset the expected inflows and outflows, PEMEX has entered into interest rate swaps. Under its interest rate swap agreements, PEMEX acquires the obligation to make payments based on a fixed interest rate and is entitled to receive floating interest rate payments based on LIBOR, TIIE or a rate referenced to or calculated from TIIE.

As of December 31, 2014, PEMEX was a party to two interest rate swap agreements denominated in U.S. dollars for an aggregate notional amount of US\$ 1,250,000 at a weighted average fixed interest rate of 2.41% and a weighted average term of 9.60 years.

Similarly, in order to eliminate the volatility associated with variable interest rates of long-term financing operations, PMI-NASA has executed interest rate swap agreements denominated in U.S. dollars for an outstanding aggregate notional amount of US\$ 115,059, at a weighted average fixed interest rate of 4.16% and a weighted average term of 7.4 years.

Moreover, PEMEX makes investments in pesos and U.S. dollars in compliance with applicable internal regulations through portfolios that have different purposes that seek an adequate return subject to risk parameters that reduce the probability of capital losses. The objective of the investments made through these portfolios is to meet PEMEX's obligations payable in pesos and U.S. dollars.

The investments made through PEMEX's portfolios are exposed to domestic and international interest rate risk and credit spread risk derived from government and corporate securities, and inflation risk arising from the relationship between UDIs and pesos. However, these risks are mitigated by established limits on exposure to market risk.

ii. Exchange rate risk

A significant amount of PEMEX's revenues is derived from exports of crude oil and petroleum products, which are priced and payable in U.S. dollars. Moreover, PEMEX's revenues from domestic sales of gasoline and diesel net of the IEPS Tax, petrochemicals and natural gas and its byproducts are related to international U.S. dollar-denominated prices, except for domestic sales of liquefied petroleum gas (LPG), which are priced in pesos and represent less than 5% of PEMEX's revenues.

PEMEX's expenses related to hydrocarbon duties are calculated based on international U.S. dollar-denominated prices, and the cost of hydrocarbon imports that PEMEX acquires for resale in Mexico or use in its facilities are indexed to international U.S. dollar-denominated prices. By contrast, PEMEX's capital expenditure and operating expenses are determined in pesos.

As a result of this cash flow structure, the depreciation of the peso against the U.S. dollar increases PEMEX's financial balance. The appreciation of the peso relative to the U.S. dollar has the opposite effect. PEMEX manages this risk without the need for hedging instruments, because the impact on PEMEX's revenues of fluctuations in the exchange rate between the U.S. dollar and the peso is offset in whole or in part by its impact on its obligations.

Most of PEMEX's debt is denominated in U.S. dollars or pesos. Although PEMEX seeks to issue debt either in U.S. dollars or pesos, this is not always achievable. As a consequence of the cash flow structure described above, fluctuations in non-U.S. dollar currencies (other than pesos) may increase PEMEX's cost of funding due to the exposure to foreign exchange risk.

Since 1991, for non-U.S. dollar or peso issuances PEMEX has, as a risk mitigation strategy, used DFIs to swap this debt into U.S. dollars. In order to hedge inflation risk associated with debt denominated in UDIs, PEMEX swaps this debt into pesos, subject to market conditions. As a result of this strategy, PEMEX holds a debt portfolio with negligible sensitivity to currency risk other than pesos and U.S. dollars.

The currencies underlying these DFIs are the euro, Swiss franc, Japanese yen, Pound sterling and Australian dollar, which are each swapped against the U.S. dollar, and UDIs, which are swapped against the peso.

During 2014, PEMEX entered into cross-currency swaps to hedge currency risk arising from debt obligations denominated in euros, for an aggregate notional amount of US\$ 1,388,400. In 2013, PEMEX entered into various cross-currency swaps to hedge currency risk arising from debt obligations denominated in euros and the inflation risk arising from debt denominated in UDIs, for an aggregate notional amount of US\$ 2,028,701.

Most of PEMEX's cross-currency swaps are plain vanilla except for one swap entered into in 2004 to hedge its exposure to euro, with termination date in 2016. This swap is referred to as an "extinguishing swap" and was obtained in order to hedge long-term obligations. The main characteristic of extinguishing swaps is that these DFIs terminate upon the occurrence of any of the credit default events specified in the DFI contract confirmation, without any payment obligation by either party. This swap has a notional amount of US\$ 1,146,410.

PEMEX recorded a total net foreign exchange loss of Ps. 76,999,161 in 2014, as compared to a total net foreign exchange loss of Ps. 3,951,492 in 2013 and to a total net foreign exchange gain of Ps. 44,845,661 in 2012, which includes the unrealized foreign exchange (loss) gain associated with debt of Ps. (78,884,717), Ps. (3,308,299) and Ps. 40,561,861 for the years ended December 31, 2014, 2013 and 2012, respectively. The depreciation of the peso caused a total net foreign exchange loss because a significant part of PEMEX's debt (77.8% as of December 31, 2014) is denominated in foreign currency. Unrealized foreign exchange (losses) and gains do not impact PEMEX's cash flows. Due to the cash flow structure described above, the depreciation of the peso relative to the U.S. dollar does not affect PEMEX's ability to meet U.S. dollar-denominated financial obligations and improves PEMEX's ability to meet peso-denominated financial obligations. On the other hand, the appreciation of the peso relative to the U.S. dollar may increase PEMEX's peso debt service costs on a U.S. dollar basis. PEMEX's foreign exchange loss in 2014 was due to the depreciation of the peso, from Ps. 13.0765 = US\$ 1.00 on December 31, 2013 to Ps. 14.7180 = US\$ 1.00 on December 31, 2014. PEMEX's foreign exchange loss in 2013 was due to the depreciation of the peso, from Ps. 13.0101 = US\$ 1.00 on December 31, 2012 to Ps. 13.0765 = US\$ 1.00 on December 31, 2013. PEMEX's foreign exchange gain in 2012 was due to the effect of a 7.0% appreciation of the peso (from Ps. 13.9904 = US\$ 1.00 on January 1, 2012 to Ps. 13.0101 = US\$ 1.00 on December 31, 2012).

The PMI Group also faces market risks generated by fluctuations in foreign exchange rates. In order to mitigate these risks, the boards of directors of several of the companies that form the PMI Group have authorized a policy which stipulates that no more than 5% of a company's total financial assets may be denominated in a currency other than its functional currency, unless the company owes a duty or expected payment in a currency other than its functional one. Accordingly, the companies in the PMI Group will from time to time enter into DFIs in order to mitigate the risk associated with financing operations denominated in currencies other than a company's functional currency.

As of December 31, 2013, PMI-HBV had outstanding euro-dollar exchange rate forwards which were executed in order to hedge its financing operations denominated in euros. These trades expired in 2014.

Finally, a significant amount of PMI Trading's income and expenses, including the cost of sales and related sales costs, is derived from the trade of refined products, petrochemicals and gas liquids to PEMEX subsidiaries and third parties, whose prices are determined and are payable in U.S. dollars. PMI Trading's exposure to foreign currency risk results primarily from the need to fund tax payments denominated in domestic currency and secondarily from the need to purchase products in domestic currency for sale in U.S. dollars in the international market, as well as certain related sales costs denominated in domestic currency.

PMI Trading believes it can adequately manage the risk created by the payment of taxes in domestic currency without the need to enter into hedging instruments because the exposure to this risk is marginal relative to the total flows of U.S. dollar. In addition, in the event that a potential foreign exchange risk arises in connection with a commercial transaction, PMI Trading may implement risk mitigation measures by entering into DFIs.

iii. Hydrocarbon Price Risk

PEMEX periodically assesses its revenues and expenditures structure in order to identify the main market risk factors that PEMEX's cash flows are exposed to in connection with international hydrocarbon prices. Based on this assessment, PEMEX monitors its exposure to the most significant risk factors and quantifies their impact on PEMEX's financial balance.

PEMEX continuously evaluates the implementation of risk mitigation strategies, including those involving the use of DFIs, while taking into account operational and economic constraints. PEMEX did not hedge the price risk associated with any of its crude oil production for the period from 2007 to 2014.

In addition to supplying natural gas, Pemex-Gas and Basic Petrochemicals offers DFIs to its domestic customers in order to provide them with support to mitigate the risk associated with the volatility of natural gas prices. Pemex-Gas and Basic Petrochemicals enters into DFIs with Mex Gas Supply, S.L. under the opposite position to those DFIs offered to its customers in order to mitigate the market risk it bears under such offered DFIs. Mex Gas Supply, S.L. then transfers the related price risk derived from the DFI position held with Pemex-Gas and Basic Petrochemicals to international financial counterparties by entering into these opposite position DFIs with such parties. Through the above mechanism, Pemex-Gas and Basic Petrochemicals is able to maintain its natural risk profile with negligible exposure to market risk.

Pemex-Gas and Basic Petrochemicals' domestic sales of LPG have been subject to a price control mechanism imposed by the Mexican Government. This mechanism generates a risk exposure in the geographic areas where PEMEX sells imported LPG. During 2012, Pemex-Gas and Basic Petrochemicals mitigated the market risk generated by this exposure by executing a hedging strategy consisting of propane swaps, since propane is the primary component of LPG. However, from July to December 2012, Pemex-Gas and Basic Petrochemicals mitigated the market risk of 50% of the volume of LPG sold domestically through propane swaps. During 2013 and 2014, Pemex-Gas and Basic Petrochemicals did not enter into any DFIs of this type.

PMI Trading faces market risk generated by the terms of the purchase and sale of refined products and natural gas liquids, as well as the volatility of oil prices. Accordingly, it frequently enters into DFIs in order to mitigate this risk, thereby reducing the volatility of its financial results.

iv. Risks relating to the portfolio of third-party shares

PEMEX held a synthetic long position on 67,969,767 shares of Repsol, with the objective of maintaining corporate and economic rights over these shares. PEMEX accomplished this by using a total return swap under which PEMEX paid variable amounts and received a total return on the Repsol shares. Under these DFI, PEMEX was entitled to any capital gains associated with the Repsol shares and agreed to cover its counterparties for any capital losses relating to those shares in reference to an exercise price, as well as to make payments at a floating interest rate. On June 3, 2014, PEMEX made an early termination of its DFI. Following this termination, Petroleos Mexicanos no longer directly participates in Repsol, S. A.

Between July and September 2011, PEMEX acquired 57,204,240 shares of Repsol through its affiliate PMI HBV. In order to protect that investment, PMI HBV entered into a structured product consisting of long put, short call and long call options maturing in each of 2012, 2013 and 2014. The exchange rate exposure associated with its financing of the shares was hedged with euro-dollar exchange rate forwards maturing in 2012, 2013 and 2014. All of the corresponding DFIs expired in 2012, 2013 and 2014; hence, no DFIs relating to these shares remain outstanding as of December 31, 2014. Notwithstanding their execution for hedging purposes, these DFIs were not recorded as hedges for accounting purposes.

As of December 31, 2014, PMI HBV owned 19,557,003 Repsol, S. A. shares. These shares have no related DFI.

v. Market risk quantification

The quantification of market risk exposure in PEMEX's financial instruments is presented below, in accordance with the applicable international risk management practices.

Interest rate risk quantification

The quantification of interest rate risk of investment portfolios is carried out by using the one-day horizon historical VaR, with a confidence level of 95%, over a period of one year. The VaR incorporates interest rate and spread risks. In addition, for portfolios in domestic currency, the VaR includes the inflation risk embedded in securities denominated in UDI. For portfolio management purposes, interest rate risk is mitigated by VaR limits.

As of December 31, 2014, the VaR of PEMEX's investment portfolios was Ps. (67.4) for the Peso Treasury Portfolio, Ps. 0 for the Fondo Laboral Pemex Portfolio ("FOLAPE"), Ps. (47.5) for the Fideicomiso de Cobertura Laboral y de Vivienda Portfolio ("FICOLAVI"), and US\$ 0 for the U.S. Dollar Treasury Portfolio.

In addition to the exposure to interest rate fluctuations of the DFIs in which PEMEX is obligated to pay floating rates, PEMEX's DFIs are exposed to mark-to-market (MTM) volatility as a result of changes in the interest rate curves used in their valuation.

Interest rate risk quantification was calculated for DFIs in conjunction with the interest rate risk quantification for the debt portfolio. The following table shows the sensitivity of PEMEX's DFIs and debt portfolio to a parallel shift of 10 basis points (bp) over the zero coupon rate curves. For the debt portfolio, interest rate risk sensitivity was calculated taking into account both the DFI interbank market yield curves and the PEMEX curves (which were also used to estimate the debt portfolios' fair value). These metrics were calculated solely for informational purposes and are not used for portfolio management purposes because PEMEX does not intend to prepay its debt or terminate its DFIs early. Therefore, there is no interest rate risk arising from fixed rate obligations.

Interest rate and currency DFIs

Interest rate sensitivity to + 10 bp

Currency	Interbank yield curves		Sensitivity net	PEMEX Curve Sensitivity debt
	Sensitivity debt	Sensitivity DFIs		
AUD	296,021	(296,021)	-	287,190
CHF	1,423,683	(1,423,683)	-	1,315,506
Euro	46,702,364	(46,702,368)	(5)	38,443,088
Pound sterling	4,951,479	(4,951,479)	-	4,266,948
Yen	3,078,996	(3,078,996)	-	2,585,881
Peso	48,991,865	4,760,153	53,752,017	45,727,709
UDI	19,092,568	(10,801,196)	8,291,372	17,689,064
U.S. dollar	524,085,745	48,510,382	572,596,127	328,973,950

*Amounts in U.S. dollars

In addition, PEMEX performed a retrospective sensitivity analysis of the impact on its financial statements for the years ended December 31, 2014, 2013 and 2012, in which PEMEX assumed either an increase or decrease of 25 basis points in the floating interest rates of its debt and corresponding hedges.

At December 31, 2014, 2013 and 2012, had market interest rates been 25 basis points higher, with all other variables remaining constant, net income for the year would have been Ps. 7,297,773, Ps. 4,993,915 and Ps. 5,319,309 lower for December 31, 2014, 2013 and 2012, respectively, primarily as a result of an increase in interest expense. Conversely, had market interest rates been 25 basis points lower, net income for the year would have been Ps. 7,297,773, Ps. 4,993,915 and Ps. 5,319,309 greater at December 31, 2014, 2013 and 2012, respectively, primarily as a result of a decrease in interest expense.

Exchange rate risk quantification

The investments of PEMEX's portfolios do not face foreign exchange risk because the funds of such portfolios are used to meet obligations in pesos and U.S. dollars.

Currency DFIs are entered into in order to hedge exchange rate risk arising from debt flows in currencies other than pesos and U.S. dollars or inflation risk arising from debt flows in UDIs. However, due to the accounting treatment, net income is exposed to mark-to-market volatility as a result of changes in the exchange rates used in their valuation.

Exchange rate risk quantification was calculated for DFIs in conjunction with the exchange rate risk quantification for the debt portfolio. The following table shows the sensitivity of PEMEX's DFIs and debt portfolio to an increase of 1% to the exchange rates of currencies against the U.S. dollar. For the debt portfolio, exchange rate risk sensitivity was calculated taking into account both, interbank market yield curves and the PEMEX curves. In addition, the table shows the one-day horizon historical VaR of the remaining open position, with a confidence level of 95%, over a period of one year. These metrics were calculated solely for informational purposes. Nevertheless, in order to carry out management activities related to its debt portfolio, PEMEX periodically conducts quantitative analyses in order to estimate the exchange rate risk exposure generated by its debt issuances. Based on these analyses, PEMEX has elected to enter into DFIs as an exchange rate risk mitigation strategy.

Interest rate and currency DFIs

Currency	Interbank yield curves		1% Net	VaR 95% Net	PEMEX Curve
	1% Debt	1% DFIs			1% Debt
AUD	(1,371,789)	1,371,789	-	-	(1,339,697)
CHF	(3,462,020)	3,462,020	-	-	(3,235,075)
Euro	(82,197,968)	82,197,921	(48)	(24)	(73,149,233)
Pound sterling	(8,304,635)	8,304,635	-	-	(7,385,927)
Yen	(10,492,781)	10,492,781	-	-	(9,935,423)
Peso	(180,007,826)	(17,502,802)	(197,510,628)	(105,540,719)	(176,179,220)
UDI	(27,529,285)	18,456,627	(9,072,658)	(5,135,248)	(26,045,851)

Amounts in U.S. dollars

As shown in the table above, DFIs mitigate 100% of the exchange rate risk derived from debt denominated in currencies other than pesos and U.S. dollars.

In addition, PEMEX performed a retrospective sensitivity analysis of the impact on its financial statements of the years ended December 31, 2014, 2013 and 2012, in which PEMEX assumed either an increase or decrease of 10% in the exchange rate between the U.S. dollar and peso in order to determine the impact on net income and equity as a result of applying these new rates to the monthly balances of assets and liabilities denominated in U.S. dollars.

At December 31, 2014, 2013 and 2012, had the peso depreciated against the U.S. dollar by 10% with other variables remaining constant, net income would have been Ps. 70,280,300, Ps. 55,137,410 and Ps. 59,026,725 lower, respectively, primarily as a result of an increase in the exchange rate losses. However, had the peso appreciated against the U.S. dollar by 10%, net income for the period would have increased by Ps. 70,280,300, Ps. 55,137,410 and Ps. 59,026,725, respectively, primarily as a result of the decrease in exchange rate losses.

Quantification of risks related to third-party shares

Shares are exposed to price risk and euro/U.S. dollar exchange rate risk. The quantification of these risks was carried out using the one-day horizon historical VaR, with a confidence level of 95%, over a period of one year, of Repsol's share price in euros converted to U.S. dollars. In addition, the MtM sensitivity to an increase of 1% in the euro/U.S. dollar exchange rate is provided for informational purposes. These metrics are not considered for portfolio management purposes because the investment in shares of Repsol has a strategic, non-financial purpose.

Equity DFIs

<u>Currency</u>	<u>Shares</u>	<u>Equity risk Shares value</u>	<u>VaR EQ</u>	<u>FX risk 1%</u>
Euro	19,557,003	367,887,867	(7,365,204)	367,795

Amounts in U.S. dollars

Hydrocarbon price risk quantification

Pemex-Gas and Basic Petrochemicals occasionally faces market risk due to open positions arising from the mismatch between the DFI portfolio offered to domestic customers and hedges with international counterparties. As of December 31, 2014, Pemex-Gas and Basic Petrochemicals natural gas DFI portfolio had no market risk exposure.

Market risk exposure is measured using the 20-day Delta-Gamma VaR methodology, with a confidence level of 95%, based on 500 daily observations; VaR and Capital at Risk (CaR) are monitored and mitigated by pre-established limits.

It should be noted that sensitivity analyses were not carried out for other financial instruments, such as accounts receivable and payable (as defined in the financial reporting standards). Such accounts are cleared in short term, and therefore market risk is considered to be nonexistent. Most of these accounts are related to hydrocarbon prices.

In accordance with the risk management regulatory framework that PMI Trading has implemented, VaR and the change in profit and loss by portfolio are calculated daily and compared to the maximum applicable limits in order to implement risk mitigation mechanisms as necessary.

PMI Trading's global average VaR associated with commodities market risk was US\$ (15,007) as of December 31, 2014. This VaR was calculated using the historical method with a 99% confidence level, two-year history and a one-day horizon. The minimum VaR recorded on the year was US\$ (4,554) (registered on December 12, 2014) and the maximum VaR recorded on the year was US\$ (25,396) (registered on September 26, 2014). As of December 31, 2014, the global VaR was US\$ (12,194).

II. Credit risk

When the fair value of a DFI is favorable to PEMEX, PEMEX faces the risk that the counterparty will not be able to meet its obligations. To reduce this risk, PEMEX monitors the creditworthiness of its counterparties and calculates the credit risk exposure for its DFIs. In addition, PEMEX only enters into DFIs with major financial institutions with a minimum credit rating of BBB-. These ratings are issued and revised periodically by risk rating agencies. Furthermore, PEMEX seeks to maintain a diversified portfolio of counterparties.

Moreover, PEMEX has entered into various long-term cross-currency swaps agreements with "recouping" provisions (pursuant to which the payments on the swaps are adjusted when the mark-to-market exceeds the relevant threshold specified in the swap), thereby limiting the exposure with its counterparties to a specific threshold amount. The specified thresholds were reached in four cross-currency swaps during 2013 and three cross currency swaps during 2014. These swaps were used to hedge the exchange rate exposure to the euro and the Pound sterling. This resulted in the cash settlement of such swaps and the resetting of swap terms to return their mark-to-market value to zero. In addition, during 2014 PEMEX entered into three cross-currency swaps in euros with these characteristics.

According to IFRS 13 "Fair Value Measurement", the fair value or MtM value of DFIs must reflect the creditworthiness of the parties. Consequently, the fair value of a DFI takes into account the risk that either party may default on its obligation. In accordance with market best practices, PEMEX applies the credit value adjustment ("CVA") method to calculate the fair value of its DFIs.

In addition, in order to estimate the credit exposure to each financial counterparty, the potential future exposure was calculated by projecting the risk factors used in the valuation of each DFI in order to calculate the MtM for different periods, taking into account any credit risk mitigation provisions.

The current and potential exposures, aggregated by credit rating, are as follows:

Maximum credit exposure by term in Petróleos Mexicanos

Rating	Current	Less than 1 year	1-3 years	3-5 years	5-7 years	7-10 years	More than 10 years
A+					102		
A		1	25	27	19	17	
A-		61	99	91	86	83	
BBB+	37	123	235	250	141	21	25
BBB		233	534	691	420	376	393

In millions of U.S. dollars

Moreover, PEMEX faces credit risk derived from its investments. As of December 31, 2014, the notional amounts of investments in domestic currency, organized by the credit ratings of the issuances, were as follows:

Credit rating of issuances*	Notional amount (In millions of pesos)
mxAAA	\$ 36.25

*Minimum S&P, Moody's and Fitch credit rating.

National Credit Rating Scale.

Does not include investments in Mexican Government bonds.

The table above does not include domestic currency Mexican Government bonds because these issuances are considered not to carry default risk in this currency.

As of December 31, 2014, PEMEX held an investment in a note linked to United Mexican States' credit risk that was issued by a U.S. financial institution with a BBB credit rating. This note matures in June 2016 and has a face value of US\$ 108,000. PEMEX periodically monitors the issuer's credit rating, as well as the credit rating of the underlying assets, in order to quantify its exposure to the note's embedded credit risk.

Furthermore, by means of its credit guidelines for DFI operations, Pemex-Gas and Basic Petrochemicals has significantly reduced its credit risk exposure related to the DFIs offered to its customers to assist them in mitigating the risk associated with the volatility of natural gas prices.

In order to qualify for these DFIs, Pemex-Gas and Basic Petrochemicals' customers must be party to a current natural gas supply contract and sign a domestic master derivative agreement. Since October 2, 2009, DFIs with these customers must be initially secured by cash deposits, letters of credit or other collateral provisions, as required. In accordance with these guidelines, in the event that a client does not meet its payment obligations, DFIs related to this client are terminated, rights to collateral are exercised and, if the collateral is insufficient to cover the fair value, natural gas supply is suspended until the payment is made. The board of directors of Pemex-Gas and Basic Petrochemicals approves Pemex-Gas and Basic Petrochemicals' credit regulatory framework.

As of December 31, 2014, the overdue accounts of natural gas customers in the industrial and distribution sectors accounted for less than 1.00% of the total sales of Pemex-Gas and Basic Petrochemicals.

As of December 31, 2014, Pemex-Gas and Basic Petrochemicals had open DFIs with 24 customers, of which 23 are industrial customers (96%), 0 are distributors (0%), and one is both an industrial customer and a distributor(4%). Of the total volume (in millions of British thermal units or MMBtu) of DFIs, industrial customers represented 98% and the customer belonging to both categories represented 2%.

As of December 31, 2014 and 2013, Pemex-Gas and Basic Petrochemicals, through its subsidiary Mex Gas Supply, S.L., had not provided any collateral for DFIs entered into to hedge its DFIs with customers. This was due to the following: (i) natural gas prices maintained levels below the strike price, which has kept the credit limits within the set limits; and (ii) when certain DFIs matured, Pemex-Gas and Basic Petrochemicals had used domestic customers' payments to meet its international obligations.

The potential future exposure of Mex Gas Supply, S.L.'s DFI portfolio was calculated in a manner analogous to the analysis of Petróleos Mexicanos' DFI positions. The current and potential exposure, aggregated by credit rating, is as follows:

Maximum Credit Exposure by term in Pemex-Gas and Basic Petrochemicals

Rating	Current	Less than 1 year	1-3 years	3-5 years	5-7 years	7-10 years	More than 10 years
A	0.04	0.8	0.3	0.0	0.0	0.0	0.0
A-	0.07	0.3	0.3	0.0	0.0	0.0	0.0
BBB+	0.02	1.0	0.2	0.0	0.0	0.0	0.0
BBB	0.001	0.01	0.0	0.0	0.0	0.0	0.0

In millions of U.S. dollars

PMI Trading's credit risk associated with DFI transactions is mitigated through the use of futures and standardized instruments that are cleared through CME-Clearport.

III. Liquidity risk

Through its debt planning and U.S. dollar selling operations, PEMEX currently preserves cash balance at a level of liquidity in domestic currency and U.S. dollars that is considered adequate to cover its investment and operating expenses, as well as other payment obligations.

In addition, PEMEX has acquired committed revolving credit lines in order to mitigate liquidity risk, two of which provide access to Ps. 3,500,000 and Ps. 20,000,000 with expiration dates in December 2015 and November 2019, respectively; and two others that each provide access to US\$ 1,250,000 with expiration dates in December 2016 and October 2017, respectively.

Finally, the investment strategies of PEMEX's portfolios are structured by selecting horizons that consider each currency's cash flow requirements in order to preserve liquidity.

The PMI Group mitigates the liquidity risk within its companies through several mechanisms, the most important of which is the centralized treasury or "in-house bank," which provides access to a syndicated credit line for up to US\$ 700,000 and cash surplus capacity in the custody of the centralized structure. In addition, the companies in the PMI Group have access to bilateral credit lines from financial institutions for up to US\$ 600,000.

The companies in the PMI Group monitor their cash flow on a daily basis and protect their creditworthiness in the financial markets. Liquidity risk is mitigated by monitoring the maximum/minimum permissible financial ratios as set forth in the policies approved by each company's board of directors.

The following tables show the cash flow maturities as well as the fair value of PEMEX's debt and DFI portfolios as of December 31, 2014 and 2013. It should be noted that:

- For debt obligations, these tables present principal cash flow and related weighted average interest rates for fixed rate debt.
- For interest rate and cross currency swaps, these tables present notional amounts and weighted average interest rates by expected (contractual) maturity dates.
- Weighted average variable rates are based on implied forward rates obtained from the interbank market yield curve at the reporting date.
- For natural gas DFIs, volumes are presented in MMBtu, and fixed average and strike prices are presented in U.S. dollars per MMBtu.
- A DFI's fair value includes CVA and is calculated based on market quotes obtained from market sources such as Reuters and Bloomberg. Forward curves for natural gas are supplied by the Kiodex Risk Workbench platform.
- For PMI Trading, prices used in commercial transactions and DFIs are published by reputable sources that are widely used in international markets, such as CME-NYMEX, Platts and Argus, among others.
- Fair value is calculated internally, by discounting cash flows with the corresponding zero-coupon yield curve, in the original currency.
- For all instruments, tables are based on the contract terms in order to determine the future cash flows that are categorized by expected maturity dates.

- This information is presented in thousands of pesos (except as noted).

Quantitative disclosure of debt cash flows' maturities as of December 31, 2014⁽¹⁾

	Year of expected maturity date						Total carrying value	Fair value
	2015	2016	2017	2018	2019	2020 thereafter		
Liabilities								
Outstanding debt								
Fixed rate (U.S. dollars)	Ps. 16,728,447	Ps. 9,754,046	Ps. 8,932,318	Ps. 66,056,363	Ps. 43,283,777	Ps. 399,972,649	Ps. 544,727,601	Ps. 597,587,661
Average interest rate (%)	-	-	-	-	-	-	5.4507%	-
Fixed rate (Japanese yen)	1,111,829	716,360	358,168	-	-	3,681,000	5,867,357	6,421,171
Average interest rate (%)	-	-	-	-	-	-	3.0135%	-
Fixed rate (Pounds)	-	-	-	-	-	7,986,601	7,986,601	10,870,607
Average interest rate (%)	-	-	-	-	-	-	8.2500%	-
Fixed rate (pesos)	9,500,000	7,499,440	-	-	-	98,350,797	115,350,237	121,070,263
Average interest rate (%)	-	-	-	-	-	-	7.7995%	-
Fixed rate (UDIs)	-	-	-	-	16,409,158	24,523,446	40,932,604	38,334,284
Average interest rate (%)	-	-	-	-	-	-	3.6724%	-
Fixed rate (euros)	46	15,138,824	21,288,275	-	-	58,505,732	94,932,831	107,661,041
Average interest rate (%)	-	-	-	-	-	-	4.7485%	-
Fixed rate (Swiss Francs)	-	-	-	-	4,435,390	-	4,435,390	4,761,383
Average interest rate (%)	-	-	-	-	-	-	2.5000%	-
Fixed rate (Australian dollars)	-	-	1,801,286	-	-	-	1,801,286	1,971,766
Average interest rate (%)	-	-	-	-	-	-	6.1250%	-
Total fixed rate debt	27,340,322	33,108,623	32,380,048	66,056,363	64,128,326	593,020,226	816,033,908	888,678,175
Variable rate (U.S. dollars)	67,764,296	45,481,570	18,479,304	16,551,669	7,677,480	14,169,627	170,123,946	169,384,354
Variable rate (Japanese yen)	-	-	-	-	-	7,852,800	7,852,800	8,201,784
Variable rate (euros)	-	-	-	-	-	-	-	-
Variable rate (pesos)	37,089,861	15,502,367	27,858,740	4,463,415	19,050,557	31,603,172	135,568,111	138,230,313
Total variable rate debt	104,854,156	60,983,937	46,338,044	21,015,084	26,728,037	53,625,599	313,544,857	315,816,451
Total debt	Ps. 132,194,479	Ps. 94,092,560	Ps. 78,718,092	Ps. 87,071,447	Ps. 90,856,363	Ps. 646,645,825	Ps. 1,129,578,765	Ps. 1,204,494,626

Note: Numbers may not total due to rounding.

(1) The information in this table has been calculated using exchange rates at December 31, 2014 of: Ps. 14.7180 = US\$ 1.00; Ps. \$ 0.1227 = 1.00 Japanese yen; Ps. 22.9483 = 1.00 Pound sterling; Ps. \$ 5.270368 = 1.00 UDI; Ps. 17.8103 = 1.00 euro; Ps. 14.8122 = 1.00 Swiss Franc; and Ps. 12.0437 = 1.00 Australian dollar.

Source: PEMEX

Quantitative disclosure of debt cash flows' maturities as of December 31, 2013⁽¹⁾

	Year of expected maturity date						Total carrying value	Fair value
	2014	2015	2016	2017	2018	2019 thereafter		
Liabilities								
Outstanding debt								
Fixed rate (U.S. dollars)	Ps. 18,827,853	Ps. 30,599,245	Ps. 8,012,990	Ps. 7,282,939	Ps. 54,091,020	Ps. 304,856,256	Ps. 423,670,303	Ps. 447,282,809
Average interest rate (%)	-	-	-	-	-	-	5.4470%	-
Fixed rate (Japanese yen)	1,128,140	1,128,140	726,869	363,422	-	3,735,000	7,081,571	7,714,998
Average interest rate (%)	-	-	-	-	-	-	2.9070%	-
Fixed rate (Pounds)	-	-	-	-	-	7,528,128	7,528,128	10,022,857
Average interest rate (%)	-	-	-	-	-	-	8.2500%	-
Fixed rate (pesos)	-	9,500,000	7,498,990	-	-	51,230,219	68,229,209	72,738,704
Average interest rate (%)	-	-	-	-	-	-	8.1873%	-
Fixed rate (UDIs)	-	-	-	-	-	26,746,411	26,746,411	25,295,383
Average interest rate (%)	-	-	-	-	-	-	3.6143%	-
Fixed rate (euros)	500	46	15,316,513	21,511,809	-	41,245,103	78,073,971	88,219,672
Average interest rate (%)	-	-	-	-	-	-	4.9780%	-
Fixed rate (Swiss francs)	7,352,900	-	-	-	-	4,403,283	11,756,183	12,200,636
Average interest rate (%)	-	-	-	-	-	-	3.1255%	-
Fixed rate (Australian dollars)	-	-	-	1,747,544	-	-	1,747,544	1,917,297
Average interest rate (%)	-	-	-	-	-	-	6.1250%	-
Total fixed rate debt	27,309,393	41,227,431	31,555,362	30,905,714	54,091,020	439,744,400	624,833,320	665,392,357
Variable rate (U.S. dollars)	25,497,804	14,778,763	38,952,740	12,424,670	13,994,202	15,177,965	120,826,144	123,407,193
Variable rate (Japanese yen)	2,608,275	-	-	-	-	7,968,000	10,576,275	10,995,410
Variable rate (euros)	4,779,803	-	-	-	-	-	4,779,803	5,041,659
Variable rate (pesos)	20,666,667	9,118,368	11,094,119	23,442,426	-	6,088,290	70,409,870	71,159,977
Total variable rate debt	53,552,549	23,897,131	50,046,859	35,867,096	13,994,202	29,234,255	206,592,092	210,604,238
Total debt	Ps. 80,861,942	Ps. 65,124,562	Ps. 81,602,221	Ps. 66,772,810	Ps. 68,085,222	Ps. 468,978,655	Ps. 831,425,412	Ps. 875,996,595

Note: Numbers may not total due to rounding.

(1) The information in this table has been calculated using exchange rates at December 31, 2013 of: Ps. 13.0765 = US\$ 1.00; Ps. 0.1245 = 1.00 Japanese yen; Ps. 21.6560 = 1.00 Pound sterling; Ps. 5.058731 = 1.00 UDI; Ps. 18.0194 = 1.00 euro; Ps. 14.7058 = 1.00 Swiss Franc; and Ps. 11.6982 = 1.00 Australian dollar.

Source: PEMEX

Quantitative Disclosure of Cash Flows' Maturities from Derivative Financial Instruments Held or Issued for Purposes Other than Trading as of December 31, 2014^{(1) (2)}

	Year of expected maturity date						Total notional amount	Fair value ⁽⁴⁾
	2015	2016	2017	2018	2019	Thereafter		
Hedging instruments ⁽²⁾⁽⁴⁾								
Interest rate DFIs								
Interest rate swaps (U.S. dollars)								
Variable to fixed	Ps. 1,668,708	Ps. 2,045,007	Ps. 2,053,963	Ps. 2,063,326	Ps. 2,073,034	Ps. 9,359,006	Ps. 19,263,046	Ps. (257,303)
Average pay rate	1.28%	1.78%	2.51%	2.95%	3.11%	3.25%	N.A.	N.A.
Average receive rate	2.38%	2.39%	2.38%	2.38%	2.38%	2.39%	N.A.	N.A.
Interest rate swaps (pesos)								
Variable to fixed	-	-	-	-	-	-	-	-
Average pay rate	N.A.	N.A.	N.A.	N.A.	N.A.	N.A.	N.A.	N.A.
Average receive rate	N.A.	N.A.	N.A.	N.A.	N.A.	N.A.	N.A.	N.A.
Currency DFIs								
Cross-currency swaps								
Receive euros/Pay U.S. dollars	-	16,872,862	25,284,126	-	-	66,034,677	108,191,665	(11,254,375)
Receive Japanese yen/ Pay U.S. dollars	1,211,734	758,874	379,428	-	-	16,157,337	18,507,373	(5,064,532)
Receive Pounds sterling/ Pay U.S. dollars	-	-	-	-	-	9,367,374	9,367,374	61,391
Receive UDI/ Pay pesos	-	-	-	-	16,105,371	10,069,386	26,174,756	1,002,353
Receive Swiss francs/ Pay U.S. dollars	-	-	-	-	4,835,719	-	4,835,719	(306,266)
Receive Australian dollars/ Pay U.S. dollars	-	-	2,017,838	-	-	-	2,017,838	(82,070)
Exchange rate forward	-	-	-	-	-	-	-	-
Receive euros/Pay U.S. dollars	-	-	-	-	-	-	-	-
(in thousands of shares)								
(Nominal pesos)								
Equity DFIs								
Equity options on repsol shares	-	-	-	-	-	-	-	-
	-	-	-	-	-	-	-	-
Non-hedging instruments								
Equity DFIs								
Equity Swaps on Repsol shares	-	-	-	-	-	-	-	-

N.A. = not applicable.

Numbers may not total due to rounding.

(1) The information in this table has been calculated using the exchange rate at December 31, 2014 of: Ps. 14.7180 = US\$ 1.00 and Ps. 17.8103 = 1.00 euro.

(2) PEMEX's management uses these DFIs to hedge market risk; however, these DFIs do not qualify for accounting purposes as hedges and are recorded in the financial statements as entered into for trading purposes.

(3) Positive numbers represent a favorable fair value to PEMEX.

(4) PMI's risk management policies and procedures establish that DFIs should be used only for hedging purposes; however DFIs are not recorded as hedges for accounting purposes.

Source: PEMEX

Quantitative Disclosure of Cash Flows' Maturities from Derivative Financial Instruments Held or Issued for Purposes Other than Trading as of December 31, 2013^{(1) (2)}

	Year of expected maturity date							
	2014	2015	2016	2017	2018	2019 thereafter	Total notional amount	Fair value ⁽¹⁾
Hedging Instruments^{(2) (4)}								
Interest rate DFIs								
Interest rate Swaps (U.S. dollars)								
Variable to fixed	Ps. 903,252	Ps. 1,155,684	Ps. 1,163,103	Ps. 1,171,060	Ps. 1,179,378	Ps. 5,907,161	Ps. 11,479,638	Ps. 36,019
Average pay rate	4.31%	3.80%	3.88%	3.96%	4.04%	3.51%	N.A.	N.A.
Average receive rate	1.66%	1.46%	2.64%	4.17%	5.36%	6.03%	N.A.	N.A.
Interest rate Swaps (pesos)								
Variable to fixed	-	-	-	-	-	-	-	-
Average pay rate	N.A.	N.A.	N.A.	N.A.	N.A.	N.A.	N.A.	N.A.
Average receive rate	N.A.	N.A.	N.A.	N.A.	N.A.	N.A.	N.A.	N.A.
Currency DFIs								
Cross currency Swaps								
Receive euros/Pay U.S. dollars	-	-	13,449,180	22,464,185	-	41,205,171	77,118,535	1,153,442
Receive Japanese yen/Pay U.S. dollars	3,691,887	1,076,589	674,237	337,110	-	14,355,308	20,135,132	(3,016,981)
Receive Pounds sterling/Pay U.S. dollars	-	-	-	-	-	8,322,630	8,322,630	90,303
Receive UDI/ Pay pesos	-	-	-	-	-	26,174,756	26,174,756	434,082
Receive Swiss francs/Pay U.S. dollars	6,257,431	-	-	-	-	4,296,391	10,553,822	1,132,123
Receive Australian dollars/Pay U.S. dollars	-	-	-	2,032,873	-	-	2,032,873	(178,770)
Exchange rate forward	-	-	-	-	-	-	-	-
Receive euros/Pay U.S. dollars	4,800,666	-	-	-	-	-	4,800,666	158,144

N.A. = not applicable.

Numbers may not total due to rounding.

(1) The information in this table has been calculated using the exchange rate at December 31, 2013 of: Ps. 13.0765 = US\$ 1.00 and Ps. 18.0194 = 1.00 euro.

(2) PEMEX's management uses these DFIs to hedge market risk; however, these DFIs do not qualify for accounting purposes as hedges and are recorded in the financial statements as entered into for trading purposes.

(3) Positive numbers represent a favorable fair value to PEMEX. These values include CVA.

(4) PMI's risk management policies and procedures establish that DFIs should be used only for hedging purposes; however DFIs are not recorded as hedges for accounting purposes.

Source: PEMEX

B. Fair value of derivative financial instruments

PEMEX monitors the fair value of its DFI portfolio on a periodic basis. The fair value represents the price at which one party would assume the rights and obligations of the other, and is calculated for DFIs through models commonly used in the international financial markets, based on inputs obtained from major market information systems and price providers.

PEMEX's DFI portfolio is composed primarily of swaps, the prices of which are estimated by discounting flows using the appropriate factors, and contains no exotic instruments that require numerical methods for their valuation.

Foreign currency embedded derivatives

In accordance with established policies, PEMEX has analyzed the different contracts it has entered into and has determined that according to the terms thereof, none meet the criteria necessary to be classified as embedded derivatives. Accordingly, as of December 31, 2014, 2013 and 2012, PEMEX did not recognize any foreign currency embedded derivatives.

Accounting treatment

PEMEX enters into derivatives transactions with the sole purpose of hedging financial risks related to its operations, firm commitments, planned transactions and assets and liabilities recorded on its statement of financial position. Nonetheless, some of these transactions do not qualify for hedge accounting treatment because they do not meet the strict requirements of IAS 39, "Financial Instruments Recognition and Measurement" ("IAS 39") for designation as hedges. They are therefore recorded in the financial statements as non-hedge instruments or as instruments entered into for trading purposes, despite the fact that their cash flows are offset by the cash flows of the positions to which they relate. As a result, the changes in their fair value are recognized in the "Derivative financial instruments (cost) income, net" line item in the consolidated statement of comprehensive income.

As of December 31, 2014 and 2013, the net fair value of PEMEX's DFIs was Ps. (15,897,184) and Ps. 457,158, respectively. As of December 31, 2014, and 2013, PEMEX did not have any DFIs designated as cash flow hedges.

The following table shows the fair values and notional amounts of PEMEX's over-the-counter ("OTC") DFIs that were designated as non-hedges for accounting purposes and entered into for trading purposes as of December 31, 2014 and 2013. It should be noted that:

- DFI's fair value includes the CVA and is calculated based on market quotes obtained from market sources such as Reuters and Bloomberg. Forward curves for natural gas are supplied by the KiodeX Risk Workbench platform.
- Fair value is calculated internally, by discounting cash flows with the corresponding zero-coupon yield curve, in the original currency.
- The information is presented in thousands of pesos (except as noted).

DFI	Position	December 31, 2014		December 31, 2013	
		Notional amount	Fair Value	Notional Amount	Fair value
Equity swaps	PEMEX pays floating in U.S. dollar and receives total return on Repsol shares.	Ps.	- Ps.	Ps. 21,751,402	Ps. 545,379
Interest rate swaps	PEMEX pays fixed in U.S. dollar and receives floating in 3-month U.S. dollar LIBOR + spread	17,569,613	(180,074)	9,807,375	100,454
Cross-currency swaps	PEMEX pays fixed in pesos and receives notional in UDI.	16,105,371	(52,769)	16,105,371	(195,500)
Cross-currency swaps	PEMEX pays the 28-day TIE + spread in pesos and receives fixed in UDI.	10,069,385	1,055,122	10,069,385	629,582
Cross-currency swaps	PEMEX pays fixed in U.S. dollar and receives fixed in Japanese yen.	5,902,248	(630,769)	6,320,558	3,519
Cross-currency swaps	PEMEX pays floating in 3-month U.S. dollar LIBOR + spread and receives floating in 3-month yen LIBOR + spread.	-	-	2,615,300	(14,337)
Cross-currency swaps	PEMEX pays floating in 6-month U.S. dollar LIBOR + spread and receives floating in 6-month yen LIBOR + spread.	12,605,125	(4,433,763)	11,199,274	(3,006,164)
Cross-currency swaps	PEMEX pays fixed in U.S. dollar and receives fixed in euro.	108,191,665	(11,254,375)	77,118,535	1,153,442
Cross-currency swaps	PEMEX pays floating in 6-month U.S. dollar LIBOR + spread and receives fixed in Pound sterling.	9,367,374	61,391	8,322,630	90,303
Cross-currency swaps	PEMEX pays fixed in U.S. dollar and receives fixed in CHF.	4,835,719	(306,266)	10,553,822	1,132,123
Cross-currency swaps	PEMEX pays fixed in U.S. dollar and receives fixed in AUD.	2,017,838	(82,070)	2,032,873	(178,770)
Natural gas swaps	PEMEX receives fixed	(182,948)	40,450	(97,301)	5,731
Natural gas options	PEMEX receives floating	179,087	(36,852)	95,493	(3,965)
Natural gas options	PEMEX Long Call	170,182	1,843	415,243	23,928
Interest rate swaps	PEMEX Short Call	(170,182)	(1,823)	(415,380)	(23,755)
Exchange rate forward	PEMEX pays fixed in U.S. dollar and receives floating in U.S. dollar LIBOR 1M	1,693,433	(77,229)	1,672,263	(64,435)
Stock options	PEMEX pays fixed in U.S. dollar and receives fixed in Euro	-	-	4,800,666	158,144
Subtotal	PEMEX long put, short call and long call	-	-	19,068,080 acciones	101,458
			Ps. (15,897,184)		Ps. 457,138
Futures	DFI	December 31, 2014		December 31, 2014	
		Volume (MMb)	Fair value	Volume (MMb)	Fair value
		(1.7)	\$ 118,140	1.83	\$ (117,525)
Petroleum Products Swaps		(6.88)	(1,831,963)	(3.95)	(58,229)

Notes: Numbers may not total due to rounding.

(1) The fair value of the Futures and the Petroleum Products Swaps, was recognized as "Cash and cash equivalents" in the statement of financial position because PEMEX considered these financial assets to be fully liquid.

The exchange rate for U.S. dollars as of December 31, 2014 and 2013 was Ps. 14.7180 and Ps. 13.0765 per U.S. dollar, respectively. The exchange rate for euros as of December 31, 2014 and 2013 was Ps. 17.8103 and Ps. 18.0194 per euro, respectively.

For the years ended December 31, 2014, 2013 and 2012, PEMEX recognized a net gain (loss) of Ps. (9,438,570), Ps. 1,310,973 and Ps. (6,257,648), respectively, in the "Derivative financial instruments (cost) income, net" line item with respect to DFIs treated as instruments entered into for trading purposes.

The following table presents the location on the statement of financial position and the fair value of PEMEX's DFIs (including both DFIs that have not reached maturity and those that have reached maturity but have not been settled), as of December 31, 2014 and 2013:

		Derivatives assets	
		Fair value	
		December 31,	
Location in statement of financial position		2014	2013
Derivatives not designated as hedging instruments			
Embedded derivatives	Derivative financial instruments	Ps. -	Ps. -
Forwards	Derivative financial instruments	-	158,156
Futures	Derivative financial instruments	-	-
Stock options	Derivative financial instruments	-	119,367
Natural gas options	Derivative financial instruments	1,845	23,930
Equity swaps	Derivative financial instruments	-	991,346
Cross-currency swaps	Derivative financial instruments	1,520,167	5,342,656
Natural gas swaps	Derivative financial instruments	40,544	5,731
Petroleum product swaps	Derivative financial instruments	-	-
Propane swaps	Derivative financial instruments	-	-
Interest rate swaps	Derivative financial instruments	-	100,454
Others	Derivative financial instruments	-	-
Total derivatives not designated as hedging instruments		<u>1,562,556</u>	<u>6,741,640</u>
Total assets		<u>Ps. 1,562,556</u>	<u>Ps. 6,741,640</u>
		Derivatives liabilities	
		Fair value	
		December 31,	
Location in statement of financial position		2014	2013
Derivatives not designated as hedging instruments			
Embedded derivatives	Derivative financial instruments	Ps. -	Ps. -
Forwards	Derivative financial instruments	-	-
Futures	Derivative financial instruments	-	-
Stock options	Derivative financial instruments	-	(17,901)
Natural gas options	Derivative financial instruments	(1,825)	(23,757)
Equity swaps	Derivative financial instruments	-	(445,966)
Cross-currency swaps	Derivative financial instruments	(17,163,666)	(5,728,458)
Natural gas swaps	Derivative financial instruments	(36,946)	(3,965)
Petroleum product swaps	Derivative financial instruments	-	-
Propane swaps	Derivative financial instruments	-	-
Interest rate swaps	Derivative financial instruments	(257,303)	(64,435)
Others	Derivative financial instruments	-	-
Total derivatives not designated as hedging instruments		<u>(17,459,740)</u>	<u>(6,284,482)</u>
Total liabilities		<u>Ps. (17,459,740)</u>	<u>Ps. (6,284,482)</u>
Net total		<u>Ps. (15,897,184)</u>	<u>Ps. 457,158</u>

The following tables presents the gain (loss) recognized in income on PEMEX's DFIs for the years ended December 31, 2014, 2013 and 2012, and the line location in the financial statements of such gains and losses.

Derivatives not designated as hedging instruments	Location of gain (loss) recognized in statement of operations on derivatives	Amount of gain (loss) recognized in statement of operations on derivatives	
		December 31,	
		2014	2013
Embedded derivatives	Derivative financial instruments (cost) income, net	\$ -	\$ -
Forwards	Derivative financial instruments (cost) income, net	(146,415)	186,857
Futures	Derivative financial instruments (cost) income, net	4,696,862	(129,329)
Stock options	Derivative financial instruments (cost) income, net	(93,715)	(1,241,765)
Natural gas options	Derivative financial instruments (cost) income, net	4,535	3,587
Equity swaps	Derivative financial instruments (cost) income, net	2,402,992	4,726,258
Cross-currency swaps	Derivative financial instruments (cost) income, net	(15,815,498)	(2,166,762)
Natural gas swaps	Derivative financial instruments (cost) income, net	4,977	8,931
Petroleum product swaps	Derivative financial instruments (cost) income, net	-	(89,020)
Propane swaps	Derivative financial instruments (cost) income, net	-	20
Interest rate swaps	Derivative financial instruments (cost) income, net	(492,308)	58,744
Others	Derivative financial instruments (cost) income, net	-	(46,548)
Total		\$ (9,438,570)	\$ 1,310,973
		2012	
Embedded derivatives	Derivative financial instruments (cost) income, net	\$ -	
Forwards	Derivative financial instruments (cost) income, net	(120,753)	
Futures	Derivative financial instruments (cost) income, net	(1,098,645)	
Stock options	Derivative financial instruments (cost) income, net	1,418,503	
Natural gas options	Derivative financial instruments (cost) income, net	6,402	
Equity swaps	Derivative financial instruments (cost) income, net	(7,211,961)	
Cross-currency swaps	Derivative financial instruments (cost) income, net	664,773	
Natural gas swaps	Derivative financial instruments (cost) income, net	1,472	
Petroleum product swaps	Derivative financial instruments (cost) income, net	(130,662)	
Propane swaps	Derivative financial instruments (cost) income, net	205,366	
Interest rate swaps	Derivative financial instruments (cost) income, net	(103,123)	
Others	Derivative financial instruments (cost) income, net	110,980	
Total		\$ (6,257,648)	

C. Fair value hierarchy

PEMEX values its DFIs under standard methodologies commonly applied in the financial markets. PEMEX's related assumptions therefore fall under Level 2 of the fair value hierarchy for market participant assumptions, as described below.

The fair values determined by Level 1 inputs utilize quoted prices in active markets for identical assets or liabilities. Fair values determined by Level 2 inputs are based on quoted prices for similar assets or liabilities in active markets, and inputs other than quoted prices that are observed for assets or liabilities. Level 3 inputs are unobservable inputs for the assets or liabilities, and include situations where there is little, if any, market activity for the assets or liabilities. Management uses appropriate valuation techniques based on the available inputs to measure the fair values of PEMEX's applicable assets and liabilities.

When available, PEMEX measures fair value using Level 1 inputs, because they generally provide the most reliable evidence of fair value.

PEMEX periodically evaluates its exposure to international hydrocarbon prices, interest rates and foreign currencies and uses derivative instruments as a mitigation mechanism when potential sources of market risk are identified.

The following tables present information about PEMEX's assets and liabilities measured at fair value, and indicate the fair value hierarchy of the inputs utilized to determine the fair values as of December 31, 2014 and 2013.

	Fair value hierarchy			Total as of December 31 2014
	Level 1	Level 2	Level 3	
Assets:				
Derivative financial instruments	Ps. -	Ps. 1,562,556	Ps. -	Ps. 1,562,556
Available-for-sale financial assets	5,414,574	-	-	5,414,574
Permanent investments in associates	-	22,014,760	-	22,014,760
Liabilities:				
Derivative financial instruments	-	(17,459,740)	-	(17,459,740)
				Total as of December 31 2013
Assets:				
Derivative financial instruments	Ps. -	Ps. 6,741,640	Ps. -	Ps. 6,741,640
Available-for-sale financial assets	17,728,490	81	-	17,728,571
Permanent investments in associates	-	16,779,501	-	16,779,501
Liabilities:				
Derivative financial instruments	-	(6,284,482)	-	(6,284,482)

Where directly comparable market quotes are not available to measure the fair value of PEMEX's financial instruments, PEMEX uses Level 2 valuation to calculate fair value based on quotes from major market sources. These market quotes are then adjusted internally using standard market pricing models for interest rate, currency, equity and commodities derivatives.

The estimated fair value of the remaining financial assets and liabilities, as of December 31, 2014 and 2013 in nominal terms, was as follows:

	December 31, 2014		December 31, 2013	
	Carring value	Fair value	Carring value	Fair value
Assets:				
Cash and cash equivalents	Ps. 117,988,528	Ps. 117,988,528	Ps. 80,745,719	Ps. 80,745,719
Accounts, notes receivable and other	114,422,967	114,422,967	122,512,011	122,512,011
Liabilities:				
Suppliers	116,178,295	116,178,295	106,745,193	106,745,193
Accounts and accumulated expenses payable	12,235,005	12,235,005	14,194,719	14,194,719
Current portion of long-term debt	145,866,217	145,866,217	90,676,943	90,676,943
Long-term debt	997,384,286	1,072,299,323	750,563,471	795,134,654

The fair values of the financial current assets and current liabilities presented in the table above are included for informational purposes.

The fair values of current financial assets and short-term liabilities are equal to their nominal values because, due to their short-term maturities, their nominal values are very close to their corresponding fair values.

The fair value of long-term debt is estimated using quotes from major market sources which are then adjusted internally using standard market pricing models. As a result of relevant assumptions, estimated fair values do not necessarily represent the actual terms at which existing transactions could be liquidated or unwound.

The information related to "Cash and cash equivalents", "Accounts, receivable and other", "Available-for-sale financial assets", "Permanent investments in associates" and "Debt" is described in the following notes, respectively:

- Note 5, Cash, Cash Equivalents and Restricted Cash.
- Note 6, Accounts, Receivable and Other.
- Note 8, Available-for-Sale Financial Assets.
- Note 9, Permanent Investments in Associates.
- Note 12, Debt.

14. Employee benefits

PEMEX has established defined benefit plans for the retirement of its employees, to which only the employer contributes. Benefits under these plans are based on an employee's salary and years of service completed at retirement. Obligations and costs of such plans are recorded in accordance with actuarial valuations performed by independent actuaries. The regulatory framework of the plan assets does not establish minimum funding requirements. PEMEX has also established plans for other post-employment benefit obligations whose actuarial amounts are determined by independent actuaries. Such plans include medical services to retired employees and their dependents and cash provided for basic necessities.

PEMEX funds its employees benefits through Mexican trusts, the resources of which come from the seniority premium item of PEMEX's annual budget (programmable expense), or any other item that substitutes or relates to this item, or that is associated to the same item and the interests, dividends or capital gains obtained from the investments of the trusts.

The reforms being implemented in connection with the Energy Reform Decree are not expected to affect the rights of PEMEX's existing employees and retirees.

During 2014 there were no changes to the benefits of the plans, nor were there reduction events or early extinguishment of employee benefit obligations.

The following table show the amounts associated with PEMEX's labor obligations:

	December 31,	
	2014	2013
Liability for defined benefits at retirement and post-employment at the end of the year	Ps. 1,455,240,835	Ps. 1,106,039,249
Liability for other long-term benefits	<u>18,847,693</u>	<u>13,168,621</u>
Total liability for defined benefits recognized in the consolidated statement of financial position at the end of the year	<u>Ps. 1,474,088,528</u>	<u>Ps. 1,119,207,870</u>

The following tables contain detailed information regarding PEMEX's retirement and post-employment benefits:

Changes in the liability for defined benefits	December 31,	
	2014	2013
Liability for defined benefits at the beginning of year	Ps. 1,106,039,249	Ps. 1,270,595,644
Current service cost	24,928,657	34,822,520
Net interest	91,115,596	85,332,169
Defined benefits paid by the fund	(4,706,804)	(3,965,258)
Actuarial (gains) losses in other comprehensive results due to:		
Change in financial assumptions	264,534,833	(247,535,549)
Change in demographic assumptions	25,038,336	-
For experience during the year	(13,347,012)	-
In plan assets during the year	(321,499)	-
Contributions paid to the fund	<u>(38,040,521)</u>	<u>(33,210,277)</u>
Defined benefit liabilities at end of year	<u>Ps. 1,455,240,835</u>	<u>Ps. 1,106,039,249</u>

Actuarial losses related to retirement and post-employment benefits, as reflected in accumulated other comprehensive income, amounted to Ps. 408,349,268, Ps. 132,292,890 and Ps. 379,768,919 as of December 31, 2014, 2013 and 2012, respectively. These actuarial losses were primarily due to the changes in the applicable discount rates and expected return on plan assets during this period. These discount rates were 6.98%, 8.45% and 6.90%, in 2014, 2013 and 2012, respectively.

Changes in plan assets	December 31,	
	2014	2013
Plan assets at the beginning of year	Ps. 4,318,429	Ps. 5,049,225
Expected return on plan assets	289,053	975,488
Payments by the fund	(39,976,258)	(34,819,235)
Company contributions to the fund	38,040,521	33,210,277
Actuarial (gains) losses in plan assets	<u>321,499</u>	<u>(97,326)</u>
Plan assets at the end of the year	<u>Ps. 2,993,244</u>	<u>Ps. 4,318,429</u>

Changes in defined benefit obligations	December 31,	
	2014	2013
Defined benefit obligations at the beginning of year	Ps. 1,110,357,679	Ps. 1,275,644,867
Service costs	24,928,657	34,677,009
Financing costs	91,404,649	86,393,563
Past service costs	(21,867)	(66,637)
Payments by the fund	(44,661,195)	(38,723,945)
Actuarial (gains) losses (remeasurements) in accumulated defined benefit obligations derived from changes in actuarial assumptions	<u>276,226,156</u>	<u>(247,567,178)</u>
Defined benefit obligations at the end of year	<u>Ps. 1,458,234,079</u>	<u>Ps. 1,110,357,679</u>

The asset ceiling test was not applied because there was a deficit of labor liabilities at the beginning and end of the year.

The effect of an increase or decrease of one percentage point in the assumed variation rate is a 14.63% decrease or a 18.98% increase in defined benefit obligations, respectively.

The effect of an increase or decrease of one percentage point in the assumed variation rate with respect to the cost and obligations related to medical services point is a 25.98% increase or a 19.40% decrease in defined benefit obligations, respectively.

Assumptions regarding future mortality are based on EMSSA2009 to Circular S 22.2 of the Comisión Nacional de Seguros y Fianzas (National Commission of Insurance and Bonds), with improvements to 2014. The SHCP also provides recommendations concerning actuarial valuations to entities of the Federal Public Administration.

The effects discussed above were determined using the projected unit credit method, which is the applied method in prior years.

The expected contribution to the fund for next year amounts to Ps. 42,855,475.

PEMEX's plan assets are held in two trusts, the FOLAPE and the FICOLAVI, which are managed by BBVA Bancomer, S. A. and a technical committee for each trust that is comprised of personnel from Petróleos Mexicanos and the trusts.

As of December 31, 2014 and 2013, the amounts and types of plan assets are as follows:

	December 31,	
	2014	2013
Cash and cash equivalents	Ps. 812,449	Ps. 1,622,166
Available-for-sale financial assets	1,437,384	541,262
Debt instruments	<u>743,411</u>	<u>2,155,001</u>
Total plan assets	<u>Ps. 2,993,244</u>	<u>Ps. 4,318,429</u>

The following tables present additional fair value disclosure about plan assets as of December 31, 2014 and 2013:

Fair value measurements as of December 31, 2014				
Asset category:	Quoted prices in active markets for identical assets (level 1)	Significant observable inputs (level 2)	Significant unobservable inputs (level 3)	Total
Cash and cash equivalents	Ps. 812,449	Ps. -	Ps. -	Ps. 812,449
Available-for-sale financial assets	1,437,384	-	-	1,437,384
Debt instruments	<u>743,411</u>	<u>-</u>	<u>-</u>	<u>743,411</u>
Total	<u>Ps. 2,993,244</u>	<u>Ps. -</u>	<u>Ps. -</u>	<u>Ps. 2,993,244</u>

Fair value measurements as of December 31, 2013				
Asset category:				
Cash and cash equivalents	Ps. 1,622,166	Ps. -	Ps. -	Ps. 1,622,166
Available-for-sale financial assets	541,262	-	-	541,262
Debt instruments	<u>2,155,001</u>	<u>-</u>	<u>-</u>	<u>2,155,001</u>
Total	<u>Ps. 4,318,429</u>	<u>Ps. -</u>	<u>Ps. -</u>	<u>Ps. 4,318,429</u>

As of December 31, 2014 and 2013, the principal actuarial assumptions used in determining the defined benefit obligation for the plans are as follows:

	December 31,	
	2014	2013
Rate of increase in salaries	5.00%	5.10%
Rate of increase in pensions	4.50%	4.60%
Rate of increase in medical services	7.65%	7.65%
Inflation assumption	4.00%	4.00%
Discount and expected return on plan assets rate	6.98%	8.45%

In accordance with IAS 19, the discount rate used is determined by reference to market yields at the end of the reporting period on high quality corporate bonds, or where there is no deep market in such bonds, by reference to market yields on government bonds.

Other long-term benefits

PEMEX has established other long-term benefit plans for its employees, to which employees do not contribute, which correspond to the same seniority premiums payable for disability, death and survivors benefits and medical services, gas, gasoline and the food basket for beneficiaries. Benefits under these plans are based on an employee's salary and years of service completed at separation. Obligations and costs of such plans are recorded in accordance with actuarial valuations performed by independent actuaries. The regulatory framework does not set forth any minimum funding requirements.

During the year under review there were no changes to plan benefits, nor was any reduction events and early extinguishment of employee benefit obligations.

The amounts recognized for these obligations in the statements of comprehensive income for the years ended December 31, 2014 and 2013 are as follows:

	December 31,	
	2014	2013
Changes in the liability for defined benefits		
Liabilities for defined benefits at the beginning of year	Ps. 13,168,621	Ps. 17,945,114
Current service cost	1,092,268	1,428,089
Net interest	1,102,763	1,230,033
Actuarial (gains) losses recognized in income due to:		
Change in financial assumptions	4,927,046	(4,671,900)
Change in demographic assumptions	494,054	-
For experience during the year	(1,937,059)	(2,762,715)
Liabilities defined benefit at the end of year	Ps. 18,847,693	Ps. 13,168,621

The principal actuarial assumptions used in determining the defined benefit obligation for the plans are as follows:

	December 31	
	2014	2013
Rate of increase in salaries	5.00%	5.10%
Inflation assumption	4.00%	4.00%
Discount and expected return on plan assets rate	6.98%	8.45%

In accordance with IAS 19, the discount rate used is determined by reference to market yields at the end of the reporting period on high quality corporate bonds, or where there is no deep market in such bonds, by reference to market yields on government bonds.

15. Provisions for sundry creditors

At December 31, 2014 and 2013, the provisions for sundry creditors and others is as follows:

	December 31,	
	2014	2013
Provision for plugging of wells (Note 10)	Ps. 52,460,749	Ps. 46,118,080
Provision for trials in process (Note 22)	19,787,440	17,624,737
Provision for environmental costs (Note 22)	<u>6,174,754</u>	<u>5,466,581</u>
	<u>Ps. 78,422,943</u>	<u>Ps. 69,209,398</u>

The following tables show the allowance account for plugging of wells, trials in progress and environmental costs:

	Plugging of wells December 31,	
	2014	2013
Balance at the beginning of the year	Ps. 46,118,080	Ps. 48,153,060
Additions capitalized in fixed assets	(2,698,564)	3,518,799
Discount rate against income	9,169,327	(5,240,305)
Deductions	<u>(128,094)</u>	<u>(313,474)</u>

Balance at the end of the year Ps. 52,460,749 Ps. 46,118,080

	Trials in progress December 31,	
	2014	2013
Balance at the beginning of the year	Ps. 17,624,737	Ps. 9,977,366
Additions against income	3,374,049	8,722,029
Discount rate against income	(1,145,623)	(324,607)
Deductions	<u>(65,723)</u>	<u>(750,051)</u>

Balance at the end of the year Ps. 19,787,440 Ps. 17,624,737

	Environmental costs December 31,	
	2014	2013
Balance at the beginning of the year	Ps. 5,466,581	Ps. 5,672,368
Additions against income	2,618,389	534,574
Discount rate against income	(1,054,310)	(208,307)
Deductions	<u>(855,906)</u>	<u>(532,054)</u>

Balance at the end of the year Ps. 6,174,754 Ps. 5,466,581

Provision for plugging of wells

PEMEX records a provision at present value for the future plugging cost of an oil production facility or pipeline at the time that it is built.

The plugging provision represents the present value of plugging costs related to oil and gas properties. These provisions have been created based on internal estimates of PEMEX. PEMEX has made certain assumptions based on the current economic environment that PEMEX believes provide a reasonable basis on which to estimate the future liability. These estimates are reviewed regularly to take into account any material changes in the assumptions. However, actual plugging costs in the long run will depend on future market prices for the necessary plugging work, which reflect market conditions at the time the work is being performed.

Moreover, the time of plugging depends on when the fields cease to have economically viable production rates, which, in turn, depends on the inherently uncertain future prices of oil and gas.

16. Disclosures of cash flow

The following items represent non-cash transactions and are presented for disclosure purposes:

	For the years ended December 31,		
	2014	2013	2012
Available-for-sale financial assets	Ps. (765,412)	Ps. 4,453,495	Ps. (10,125,874)
Employee benefits equity effect	(275,962,370)	247,376,029	(364,878,859)
Net cost of the year for employee benefits	121,723,328	115,339,689	96,602,337
Financed Public Works Contracts	3,207,947	3,042,876	7,523,603
Currency translation effect	11,379,657	2,240,643	(1,838,242)
Accrued interest	3,856,736	817,261	389,773

17. Income taxes and federal duties

Pemex-Exploration and Production's contribution scheme was governed by the Ley Federal de Derechos (Federal Duties Law), while the fiscal regime for PEMEX (other than Pemex-Exploration and Production) was determined by the Ley de Ingresos de la Federación (Federal Revenue Law).

The fiscal regime for Pemex-Exploration and Production contemplated the following duties:

a. DOSH

During both 2014 and 2013, the applicable rate of this duty was 71.5%. The computation of this duty was based on the value of the extracted total production of crude oil and natural gas during the year, minus certain permitted deductions established in the Federal Duties Law (including certain investments, costs, expenses and duties).

During 2014, Pemex-Exploration and Production made payments which were credited towards the annual payment of the DOSH in the amount of Ps. 643,383,550, and a pending payment of Ps. 11,356,201. During 2013, Pemex-Exploration and Production made payments, totaling Ps. 717,343,752, and complementary payments of Ps. 2,427,177.

b. Hydrocarbons Duty for the Stabilization Fund

Pemex-Exploration and Production was subject to the payment of this duty when, during the applicable year, the weighted average Mexican crude oil export price exceeded US\$ 22.00. The applicable rate varied between 1% and 10%, depending on the weighted average price of crude oil exports, with the maximum rate of 10% applying when the price exceeded US\$ 31.00 per barrel. Collections of this duty are deposited in the Fondo de Estabilización de Ingresos Petroleros (Oil Revenues Stabilization Fund).

c. Derecho Extraordinario Sobre la Exportación de Petróleo Crudo
(Extraordinary Duty on Crude Oil Exports)

This duty was calculated by applying a rate of 13.1% to the value resulting from multiplication of (i) the difference between the annual weighted average Mexican crude oil export price and the budgeted crude oil price as provided for in the Federal Revenue Law (US\$ 85.00 during 2014 and US\$ 86.00 during 2013), by (ii) the annual export volume. The duty actually paid could be credited against the Hydrocarbons Duty for the Stabilization Fund. Collections of this duty were directed to the Federative Entities through the Stabilization Fund for the Income of Federative Entities.

d. Derecho para la Investigación Científica y Tecnológica en Materia de
Energía (Duty for Scientific and Technological Research on Energy)

During both 2014 and 2013, this duty was applied at a rate of 0.65% to the value of the extracted production of crude oil and natural gas for the year. The proceeds of this tax were allocated to the following funds:

1. Fondo Sectorial CONACYT (CONACYT Sector Fund) of the Consejo Nacional de Ciencia y Tecnología (National Council of Science and Technology, or "CONACYT") of the Ministry of Energy.
2. Fondo CONACYT (CONACYT Fund) of the Ministry of Energy.
3. Fondo de Investigación Científica y Desarrollo Tecnológico del Instituto Mexicano del Petróleo (Scientific Research and Technological Development Fund of the Mexican Petroleum Institute).
4. CONACYT Sector Fund of the Ministry of Energy.

e. Derecho para la Fiscalización Petrolera (Duty for Oil Monitoring)

This duty was applied at a rate of 0.003% for 2014 and 2013 to the value of extracted production of crude oil and natural gas for the year. The revenues from this tax are earmarked for the Auditoria Superior de la Federación (Supreme Federal Audit Office).

f. Extraction of Hydrocarbons Duty

During both 2014 and 2013, this duty was applied at a 15% rate to the value of the crude oil and natural gas extracted from the following fields:

- i. Fields in the Paleocanal de Chicontepec as a whole.
- ii. Fields in the Paleocanal de Chicontepec that have been segregated under the Federal Duties Law.
- iii. The deep waters in the Gulf of Mexico (during 2014 and 2013, no crude oil or natural gas was produced from such fields).
- iv. In 2014 the SHCP authorized the inclusion of an additional 2 fields to the marginal fields inventory, totaling 103 fields.

Collections of this duty were deposited in the Oil Revenues Stabilization Fund.

g. Special Hydrocarbons Duty

During both 2014 and 2013, this duty was applied at a rate of 30% to the difference between the annual value of the crude oil and natural gas extracted from the fields covered in Note 17(f) above, and certain permitted deductions (including specific investments, certain expenses and costs, among others).

Production above a threshold of 240 million barrels of crude oil equivalent is taxed at a rate of 36% of the value that exceeded this threshold.

The permitted deductions for certain costs, expenses and investments could not exceed 60% of the value of the crude oil and natural gas extracted annually from these fields or US\$ 32.50. This amount was updated annually using the U.S. producer price index. At December 31, 2014 and 2013 the updated amounts were US\$ 36.86 and US\$ 36.77, respectively.

Fields referred to in this law were those set forth in Sections (i), (ii), (iii) and (iv) of subsection (f) of this Note.

h. Additional Duty on Hydrocarbons

This duty was applied when the accumulated annual average value of barrels of oil equivalent extracted was greater than US\$ 60.00. The accumulated annual average value of barrels of oil equivalent extracted in 2014 and 2013, respectively, were US\$ 68.04 and US\$ 67.88. Each year, the threshold price at which the duty takes effect was adjusted to take account of inflation, as measured by the change in the U.S. producer price index.

This duty was calculated by applying a rate of 52% to the value resulting from the multiplication of (i) the difference between the accumulated annual average value of barrels of oil equivalent extracted in the field in question and US\$ 60.00, by (ii) the volume of oil equivalent extracted in the field in question for the year.

Fields referred to in this law were those set forth in Sections (i), (ii), (iii) and (iv) of subsection (f) of this Note.

i. Derecho para Regular y Supervisar la Exploración y Explotación de Hidrocarburos (Duty to Regulate and Supervise the Exploration and Exploitation of Hydrocarbons)

This duty applied a fee of 0.03% on the annual value of crude oil and natural gas extracted during the year. The fee was assessed on an annual basis made in accordance with applicable rules. Collections of this duty were directed to the budget of the NHC.

j. IEPS Tax

The IEPS Tax is an indirect tax on domestic sales of gasoline and diesel that Pemex-Refining collected on behalf of the Mexican Government. The IEPS Tax on the sale of gasoline and diesel was equivalent to the difference between the international reference price of each product (adjusted by freight costs and quality factors) and the retail price of the product (not including value added tax, the retailers' margin and freight costs). Thus, the Mexican Government ensured that PEMEX retained an amount reflecting the international prices (adjusted as described above) of these products, while the Mexican Government collected the difference between the international prices and the prices at which these products were sold in Mexico.

In the past, some IEPS Tax rates were negative as a result of the rules to calculate this tax rate. The Federal Revenue Law for each of the fiscal years of 2006 to 2014 provided that the IEPS Tax amounts resulting from applying negative rates could be credited against the IEPS Tax liability and, if in excess, could be credited against the value added tax. Any remaining amount could be credited against the Ordinary Hydrocarbons Duty. Negative IEPS taxes during 2014 were credited in accordance with such rules.

As a result of this credit, in 2014, 2013 and 2012, PEMEX recognized revenues of approximately Ps. 43,108,707, Ps. 94,466,039 and Ps. 214,102,498, respectively.

k. Value Added Tax (VAT)

For VAT purposes, final monthly payments are determined based on PEMEX's cash flow, in accordance with the provisions of the Value Added Tax Law, which is applicable to payers of this tax.

l. IRP

This tax was applicable to Petróleos Mexicanos and the Subsidiary Entities other than Pemex-Exploration and Production, and was calculated by applying a 30% rate to the excess of total revenues minus authorized deductions, in accordance with the Federal Income Law.

For the years ended December 31, 2014, 2013 and 2012, PEMEX generated an IRP as follows:

	December 31		
	2014	2013	2012
Current IRP	Ps. 5,086,841	Ps. 4,705,201	Ps. 3,176,510
Deferred IRP (1)	<u>(23,822,142)</u>	<u>(917,658)</u>	<u>(783,591)</u>
Total IRP	<u>Ps. 18,735,301</u>	<u>Ps. 3,787,543</u>	<u>Ps. 2,392,919</u>

- (1) At December 31, 2014, as a result of the repeal of the IRP, Petróleos Mexicanos canceled the Ps. (23,822,142) effect of the deferred IRP for 2014 for accounting purposes and recognized deferred income taxes of Ps. 124,002 in the statement of comprehensive income for the year ended December 31, 2014.

The IRP was repealed effective as of January 1, 2015. Beginning in fiscal year 2015, Petróleos Mexicanos will be subject to the Income Tax Law.

The principal factors generating the deferred IRP were the following:

	December 31,
	2013
Deferred IRP asset:	
Advances from customers	\$ 50,895
Provision for contingencies and others (1)	103,282
Environmental reserve	178,830
Valuation of accounts receivable	67,317
Valuation of inventories	<u>96,852</u>
Total deferred IRP assets	497,176
Valuation allowance	<u>(263,304)</u>
Total deferred IRP asset-net	233,872
Deferred IRP liability:	
Properties, plant and equipment	<u>(23,903,298)</u>
Total deferred IRP liability-net	<u>(23,903,298)</u>
Net long-term deferred IRP liability	<u>\$ (23,669,426)</u>

- (1) Includes deferred IRP from Petróleos Mexicanos and Pemex-Gas and Basic Petrochemicals.

The expense (benefit) attributable to the profit (loss) from continuing operations before IRP was different from what would result from applying the rate of 30% to profit, as a result of the items listed below:

	For the years ended December 31,		
	2014	2013	2012
Expected IRP expense (benefit)	Ps. (5,065,075)	Ps. 54,674,666	Ps. 5,945,580
Increase (decrease) resulting from:			
Tax effect of inflation-net	4,182,641	2,736,501	(835,493)
Cancellation of deferred tax	(23,822,142)		
Difference between accounting and tax depreciation	1,116,630	(1,360,929)	(813,093)
Non-taxable loss sharing in subsidiaries, associates and others	(3,129,801)	(52,276,542)	(3,070,490)
Non-deductible expenses	5,367,726	130,377	809,303
Other-net	<u>2,614,720</u>	<u>(116,530)</u>	<u>357,112</u>
IRP expense	<u>Ps. (18,735,301)</u>	<u>Ps. 3,787,543</u>	<u>Ps. 2,392,919</u>

m. Income Tax

Prior to the repeal of the IETU, certain of the Subsidiary Companies were subject to the Income Tax Law and to the IETU, and were therefore required to pay the greater of their IETU or income tax liability.

Accounting income differs from taxable income primarily due to the effects of inflation and differences between depreciation and other non-deductible expenses.

For the years ended December 31, 2014, 2013 and 2012, the Subsidiary Companies incurred the following income tax expense (benefit):

	For the years ended December 31,		
	2014	2013	2012
Current income tax	Ps. 4,673,476	Ps. 4,641,531	Ps. 1,664,257
Deferred income tax	<u>(775,506)</u>	<u>(889,301)</u>	<u>190,852</u>
Total (1)	<u>Ps. 3,897,970</u>	<u>Ps. 3,752,230</u>	<u>Ps. 1,855,109</u>

- (1) As a result of the repeal of the IRP, Petróleos Mexicanos recognized these amounts in the statement of comprehensive income for the year ended December 31, 2014.

The principal factors generating the deferred income tax are the following:

		December 31,	
		2014	2013
Deferred income tax asset:			
Provisions	Ps.	17,240,794	Ps. 732,499
Employee benefits		125,443,124	183,009
Advance payments from clients		895,316	127,245
Losses from prior years		3,752,712	20,524
Non-recoverable accounts		215,618	24,666
Derivative financial instruments		-	102,131
Tax loss carryforwards (1)		<u>2,043,202</u>	<u>1,069,216</u>
Total deferred income tax asset		149,590,766	2,259,290
Valuation reserve (2)		<u>(145,448,148)</u>	<u>-</u>
Net deferred income tax asset		<u>4,142,618</u>	<u>2,259,290</u>
Deferred income tax liability:			
Wells, pipelines, properties plant and equipment (3)		(2,233,275)	(2,077,648)
Other		<u>(2,082,667)</u>	<u>(1,078,752)</u>
Total deferred income tax liability		<u>(4,315,942)</u>	<u>(3,156,400)</u>
Net long-term deferred income tax liability	Ps.	<u>(173,324)</u>	Ps. <u>(897,110)</u>

(1) Tax loss carryforwards matures in 2024.

(2) Due to PEMEX's estimate that fiscal revenues will not be generated in future periods, a valuation reserve was recognized to account for deferred income tax.

(3) Petróleos Mexicanos and its Subsidiary Entities use the book value of their fixed assets at December 31, 2014 to determine the tax value of such assets at December 31, 2014, in accordance with Transitional Article 9 of the Regulations to the Petróleos Mexicanos Law. Accordingly, there are no temporary differences in the calculation of PEMEX's deferred income tax.

Expense (benefit) attributable to the profit (loss) from continuing operations before income taxes was different from what would result from applying the rate of 30% to profit, as a result of the items listed below:

		For the years ended December 31,		
		2014	2013	2012
Expected income tax expense	Ps.	272,457	Ps. 4,445,349	Ps. 1,422,051
Increase (decrease) resulting from:				
Tax effect of inflation-net		4,020,358	(106,974)	(30,714)
Difference between accounting and tax depreciation		1,116,630	(34,860)	278,347
Non-deductible expenses		2,437,778	72,841	2,107
Others-net (1)		<u>(3,949,253)</u>	<u>(624,126)</u>	<u>183,318</u>
Income tax expense	Ps.	<u>3,897,970</u>	Ps. <u>3,752,230</u>	Ps. <u>1,855,109</u>

- (1) The deferred tax effect of gains and losses from PMI CIM's performance is presented in (loss) profit comprehensive income in the amount of Ps. (51,720), Ps. 159,518 and Ps 267,215 in 2014, 2013 and 2012, respectively.

n. New fiscal regime

The Ley de Ingresos sobre Hidrocarburos (Hydrocarbons Revenue Law) and the Ley de Ingresos de la Federación (Federal Revenue Law) for fiscal year 2015 were published in the Official Gazette of the Federation on August 11, 2014 and November 13, 2014, respectively, in each case effective January 1, 2015.

The key features of the new fiscal regime applicable to PEMEX are:

- The following nine duties were repealed: (i) the DOSH, (ii) the Duty for Scientific and Technological Research on Energy, (iii) the Duty for Oil Monitoring, (iv) the Hydrocarbons Duty for the Stabilization Fund, (v) the Extraordinary Duty on Crude Oil Exports, (vi) the Extraction of Hydrocarbons Duty, (vii) the Special Hydrocarbons Duty, (viii) the Additional Duty on Hydrocarbons and (ix) the Duty to Regulate and Supervise the Exploration and Exploitation of Hydrocarbons.
- The following taxes and duties are now applicable to exploration and extraction assignments granted by the Mexican Government:
 - **Derecho por la Utilidad Compartida (Profit-sharing Duty):** As of January 1, 2015, this duty is equivalent to 70% of the value of hydrocarbons produced in the relevant area, less certain permitted deductions. Pursuant to the Hydrocarbons Revenue Law, this duty is to decrease on an annual basis. Effective January 1, 2019, it will be set at 65%.
 - **Derecho de Extracción de Hidrocarburos (Hydrocarbons Extraction Duty):** This duty is to be determined based on a rate linked to the type of hydrocarbons (e.g., crude oil, associated natural gas, non-associated natural gas or condensates), the volume of production and the relevant market price.
 - **Derecho de Exploración de Hidrocarburos (Exploration Hydrocarbons Duty):** The Mexican Government is entitled to collect a monthly payment of Ps. 1,150 per square kilometer of non-producing areas. After 60 months, this tax increases to Ps. 2,750 per square kilometer for each additional month that the area is not producing. These amounts will be updated on an annual basis in accordance with the national consumer price index.
- The Hydrocarbons Revenue Law also establishes the following duties applicable to PEMEX in connection with assignments granted to it by the Mexican Government:
 - **Cuota Contractual para la Fase Exploratoria (Exploration Phase Contractual Fee):** During the exploration phase of a project governed by a license, production-sharing contract or profit-sharing contract, the Mexican Government is entitled to collect a monthly payment of Ps. 1,150 per square kilometer of non-producing areas. After 60 months, this fee increases to Ps. 2,750 per square kilometer for each additional month that the area is not producing. The fee amount will be updated on an annual basis in accordance with the national consumer price index.
 - **Regalías (Royalties):** Royalty payments to the Mexican Government are determined based on the "contractual value" of the relevant hydrocarbons, which is based on a variety of factors, including the type of underlying hydrocarbons (e.g., crude oil, associated natural gas, non-associated natural gas or condensates), the volume of production and the market price. Royalties are payable in connection with licenses, production-sharing contracts and profit-sharing contracts.

- **Pago del Valor Contractual (Contractual Value Payment):** Licenses require a payment calculated as a percentage of the "contractual value" of the hydrocarbons produced, as determined by the SHCP on a contract-by-contract basis.
- **Porcentaje a la Utilidad Operativa (Operating Profit Payment):** Production-sharing contracts and profit-sharing contracts require a payment equivalent to a specified percentage of operating profits. In the case of production-sharing contracts, this payment is to be made in-kind through delivery of the hydrocarbons produced. In the case of profit-sharing contracts, this payment is to be made in cash.
- **Bono a la Firma (Signing Bonus):** Upon execution of a license, a signing bonus is to be paid to the Mexican Government in an amount specified by the SHCP in the relevant bidding terms and conditions or in the contracts resulting from migration.
- **Impuesto por la actividad de Exploración y Extracción de Hidrocarburos (Hydrocarbons Exploration and Extraction Activities Tax):** Contracts for exploration and extraction and assignments granted by the Mexican Government will include a specified tax on the exploration and extraction activities carried out in the relevant area. A monthly tax of Ps. 1,500 per square kilometer is payable during the exploration phase until the extraction phase begins. During the extraction phase of a project, a monthly tax of Ps. 6,000 per square kilometer is payable until the relevant contract for exploration and extraction or assignment is terminated.

In addition, under the new tax regime, PEMEX will remain subject to IEPS Tax for the benefit of states, municipalities and territories and the IEPS Tax on fossil fuels.

- Beginning in fiscal year 2015, Petróleos Mexicanos, its subsidiary entities and/or its productive state-owned subsidiaries will be subject to the applicable provisions of the Income Tax Law and the IRP is abrogated.

18. Equity (deficit)

a. Permanent equity

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. In December 1997, the Board of Directors and the Mexican Government agreed to a reduction in equity in respect of the Certificates of Contribution "A" in exchange for a payment in cash to the Mexican Government of Ps. 12,118,050 (US\$ 1,500,000). As of December 31, 2012, the value of the Certificates of Contribution "A" was Ps. 49,604,835 (historical value of Ps. 10,216,145 plus (a) Ps. 6,318 relating to the Certificates of Contribution "A" existing before the capitalization in December 1990 and (b) an inflation restatement increase of Ps. 39,382,372).

On December 26, 2014, and December 24, 2013, the Mexican Government made an equity contribution of Ps. 20,000,000 and Ps. 65,000,000, respectively, to Petróleos Mexicanos in the form of Certificates of Contribution "A".

The capitalization agreement between PEMEX and the Mexican Government states that the Certificates of Contribution "A" constitute permanent capital.

PEMEX's permanent equity is as follows:

	<u>Amount</u>
Certificates of Contribution "A"	Ps. 10,222,463
Inflation restatement increase through December 31, 2007	<u>39,382,372</u>
Certificates of Contribution "A" as of December 31, 2012	49,604,835
Increase in Certificates of Contribution "A" during 2013	<u>65,000,000</u>
Certificates of Contribution "A" as of December 31, 2012	114,604,835
Increase in Certificates of Contribution "A" during 2014	<u>20,000,000</u>
Certificates of Contribution "A" as of December 31, 2014	<u>Ps. 134,604,835</u>

b. Mexican Government contributions

On December 16, 2013, the Mexican Government withdrew Ps. 65,000,000 from PEMEX's equity. On December 19, 2013, the Board of Directors acknowledged the equity withdrawal made by the Mexican Government. This equity withdrawal was recognized as a decrease in the Mexican Government contributions to Petróleos Mexicanos line item in PEMEX's consolidated statements of changes in equity (deficit).

In December 2013, the Mexican Government contributed Ps. 1,583,100 to the Fondo de Estabilización para la Inversión en Infraestructura de Petróleos Mexicanos (PEMEX Infrastructure Investment Stabilization Fund, or "FEIIP"). This contribution was recorded in the Mexican Government contributions to Petróleos Mexicanos line item in PEMEX's consolidated statements of changes in equity (deficit) for the year ended December 31, 2013.

In 2013, the Mexican Government authorized a contribution of Ps. 2,000,000 to the Fondo de Estabilización de los Ingresos Petroleros (Oil Revenues Stabilization Fund, or "FEIPEMEX"). This amount was not paid to FEIPEMEX until January 27, 2014, and was therefore recognized as uncalled capital in PEMEX's consolidated statements of changes in equity (deficit) for the year ended December 31, 2013.

On September 12, 2014, the Mexican Government withdrew Ps. 3,583,100 from FEIPEMEX.

On December 23, 2014, the Mexican Government withdrew Ps. 70,000,000 from PEMEX's equity. On December 19, 2014, the Board of Directors acknowledged the equity withdrawal made by the Mexican Government. This equity withdrawal was recognized as a decrease in the Mexican Government contributions to Petróleos Mexicanos line item in PEMEX's consolidated statements of changes in equity (deficit).

c. Legal reserve

Under Mexican law, each of the Subsidiary Companies is required to allocate a certain percentage of its net income to a legal reserve fund until the fund reaches an amount equal to a certain percentage of each Subsidiary Company's capital stock. In 2013, the legal reserve fund increased by Ps. 24,370 due to the consolidation of new companies.

d. Accumulated losses

PEMEX has recorded negative earnings in the past several years. However, the Ley de Concursos Mercantiles (Commercial Bankruptcy Law of Mexico) is not applicable to Petróleos Mexicanos and the Subsidiary Entities. Furthermore, the financing agreements to which PEMEX is a party do not provide for financial covenants that would be breached or events of default that would be triggered as a consequence of negative equity. As of December 31, 2014, PEMEX's negative equity totaled Ps. (767,720,854). The Mexican Government has focused its recent efforts on consolidating PEMEX's institutional strategy, including the approval of amendments to the Mexican Constitution published as the Energy Reform Decree on December 20, 2013, which permit it greater autonomy in decision making and enhanced operational viability (see Note 1). PEMEX is in the process of implementing a corporate reorganization that is intended to allow it to operate efficiently. PEMEX expects to gradually benefit from this corporate reorganization. In the immediate future, PEMEX plans to continue developing the reserves assigned to it through Round Zero and evaluating opportunities to participate in subsequent bidding rounds, both independently and through associations.

e. Non-controlling interest

Effective July 1, 2005, PEMEX entered into an option agreement with BNP Paribas Private Bank and Trust Cayman Limited to acquire 100% of the shares of Pemex Finance, Ltd, which as of the date of these consolidated financial statements has not been exercised. As a result, the financial results of Pemex Finance, Ltd. are included in these consolidated financial statements of PEMEX. Under IFRS, variations in income and equity from Pemex Finance, Ltd. are presented in the consolidated statements of changes in equity (deficit) as "non-controlling interest", and as net income and comprehensive income for the year, attributable to non-controlling interest, in the consolidated statements of comprehensive income, due to the fact that PEMEX does not currently own any of the shares of Pemex Finance, Ltd.

Similarly, because PEMEX does not currently own all of the shares of PMI CIM and HJ BARRERAS, variations in income and equity from these entities are also presented in the consolidated statements of changes in equity (deficit) as "non-controlling interest."

As of December 31, 2014 and 2013, non-controlling interest represented losses of Ps. 344,818 and Ps. 503,882, respectively, of PEMEX's equity (deficit).

19. Other revenues and expenses-net

At December 31, 2014, 2013 and 2012, other revenues and expenses-net was as follows:

	December 31		
	2014	2013	2012
Revenues:			
Negative IEPS (see Note 17-j)	Ps. 43,108,707	Ps. 94,466,039	Ps. 214,102,498
Other	7,722,388	8,184,140	6,284,045
Bidding terms, sanctions, penalties and other	3,031,159	2,159,847	2,052,818
Franchise fees	1,055,753	999,491	930,140
Total other revenues	<u>54,918,007</u>	<u>105,809,517</u>	<u>223,369,501</u>
Expenses:			
Other	(11,479,781)	(13,634,477)	(13,190,572)
Claims	(5,885,829)	(2,039,355)	(1,159,966)
Total other expenses	<u>(17,365,610)</u>	<u>(15,673,832)</u>	<u>(14,350,538)</u>
Other revenues and expenses-net	<u>Ps. 37,552,397</u>	<u>Ps. 90,135,685</u>	<u>Ps. 209,018,963</u>

20. Related parties

Balances and transactions with related parties are mainly due to: (i) sale and purchase of products, (ii) administrative services rendered and (iii) financial loans among related parties. The terms and conditions of transactions with related parties were no more favorable than those available to other parties on an arm's length basis.

Under the Ley Federal de Responsabilidades Administrativas de los Servidores Públicos (Federal Law of Administrative Responsibilities of Public Officials), which applies to PEMEX's directors and employees, PEMEX's directors and employees are obligated to "recuse themselves from intervening in any way in the attention to, processing or resolution of matters in which they might have personal, family or business interest, including those where some benefit can result for themselves, their spouse, blood or affinity relatives up to the fourth degree, or civil relatives, or for third parties with which they have professional, labor or business relations, or for partners or partnerships where the public officials or the persons referred above are or have been members thereof".

Related parties include individuals and companies that do not form part of PEMEX, but that could take advantage of being in a privileged position as a result of their relation with PEMEX. Also included are situations in which PEMEX could take advantage of a special relationship in order to benefit its financial position or results of operations.

Prior to his appointment as Secretary of Energy, Mr. Pedro Joaquín Coldwell, Chairman of the Board of Directors of Petróleos Mexicanos since December 2012, as well as certain members of his family, held ownership interests in companies that have entered into agreements with Pemex-Refining for the sale and purchase of gasoline and other products by certain retail service stations and a wholesale distributor, as well as the performance of other related activities. As of the date of these consolidated financial statements, their ownership interests are as follows:

Company	Name	Ownership share
Servicio Cozumel, S. A. de C. V. (which operates a retail service station).	Mr. Pedro Joaquín Coldwell	60%
	Mr. Pedro Oscar Joaquín Delbouis (son of Mr. Joaquín Coldwell)	20%
	Mr. Nassim Joaquín Delbouis (son of Mr. Joaquín Coldwell)	20%
Planta de Combustible Cozumel, S. A. de C. V. (which operates as a wholesale distributor.	Mr. Pedro Joaquín Coldwell	40%
	Mr. Fausto Nassim Joaquín Ibarra (father of Mr. Joaquín Coldwell)	60%
Gasolinera y Servicios Juárez, S. A. de C. V. (which operates a retail service station).	Mr. Pedro Joaquín Coldwell	40%
	Mr. Fausto Nassim Joaquín Ibarra	40%
	Mr. Ignacio Nassim Ruiz Joaquín (nephew of Mr. Joaquín Coldwell)	20%
Combustibles Caleta, S. A. de C. V. (which operates a retail service station).	Mr. Pedro Joaquín Coldwell	20%
	Mr. Pedro Oscar Joaquín Delbouis	20%
	Mr. Nassim Joaquín Delbouis	20%
	Mr. Fausto Nassim Joaquín Ibarra	20%
	Mr. Ignacio Nassim Ruiz Joaquín	20%
Combustibles San Miguel, S. A. de C. V. (which operates a retail service station).	Mr. Pedro Joaquín Coldwell	25%
	Mr. Pedro Oscar Joaquín Delbouis	25%
	Mr. Nassim Joaquín Delbouis	25%
	Mr. Ignacio Nassim Ruiz Joaquín	25%

The rights of these companies to operate retail service stations and distribute gasoline and other products on a wholesale basis in Mexico are dependent on these agreements, the expiration or non-renewal of which may adversely affect their business. These agreements are based on PEMEX's standard forms of agreements and contain the standard terms and conditions applicable to all of Pemex-Refining's retail service stations and wholesale distributors.

a. Compensation of Directors and Officers

For the years ended December 31, 2014, 2013 and 2012, the aggregate compensation of executive officers of Petróleos Mexicanos and the Subsidiary Entities paid or accrued in that year for services in all capacities was approximately Ps. 173,903, Ps. 174,800 and Ps. 167,800, respectively. Except in the case of the professional members, with respect to the previous Board of Directors of Petróleos Mexicanos and the boards of directors of the existing Subsidiary Entities, and the independent members, with respect to the new Board of Directors of Petróleos Mexicanos, members of the Boards of Directors of Petróleos Mexicanos and the Subsidiary Entities do not receive compensation for their services.

The compensation paid or accrued during 2014, 2013 and 2012 to the professional members of the previous Board of Directors of Petróleos Mexicanos and boards of directors of the existing subsidiary entities was approximately Ps. 12,599, Ps. 13,600 and Ps. 13,600, respectively.

b. Salary Advances

As an employee benefit, PEMEX offers salary advances to all of its eligible Petroleum Workers' Union and non-union workers, including executive officers, pursuant to the programs set forth in the collective bargaining agreement and in the Reglamento de Trabajo del Personal de Confianza de Petróleos Mexicanos y Organismos Subsidiarios (Employment Regulation of White Collar Employees of Petróleos Mexicanos and Subsidiary Entities), respectively. The salary advances, which are non-interest bearing, are offered to each eligible employee in an amount up to a maximum of four months' salary and are repaid through salary deductions in equal installments over a period of either one or two years, as elected by the employee. Most employees take advantage of this benefit. The amount of salary advances outstanding to executive officers at December 31, 2014 was Ps. 21,724 and at December 31, 2013 was Ps. 23,016. The amount of salary advances outstanding to executive officers at March 31, 2015 was Ps. 20,015.

21. Commitments

- a. PMI CIM has entered into several contracts for the sale of crude oil on the international market to foreign companies. The terms and conditions of these contracts are specific to each client, and their durations may be indefinite (evergreen contracts) or they may contain a minimum obligatory period (long-term contracts).
- b. PEMEX has entered into a nitrogen supply contract for the pressure maintenance program at the Cantarell complex. During 2007, an additional contract was entered into with the purpose of supplying nitrogen to the Ku-Maloob-Zap complex and extending the original contract until 2027. At December 31, 2014 and 2013, the value of the nitrogen to be supplied during the term of the contract was approximately Ps. 9,381,047 and Ps. 9,844,001, respectively. In the event of the annulment of the contract and depending on the circumstances, PEMEX has the right and obligation to acquire the vendor's nitrogen plant under the terms of the contract.

Estimated future payments under this contract for upcoming fiscal years are as follows:

2015	Ps. 1,489,329
2016	969,946
2017	653,141
2018	653,391
2019	653,641
2010 and thereafter	<u>4,961,599</u>
Total	Ps. <u>9,381,047</u>

- c. During 2008, PEMEX entered into a nitrogen supply contract for pressure maintenance at the Jujo Tecminoacán complex in the Southern region. The term of this contract runs until 2017. As of December 31, 2014 and 2013, the value of the nitrogen to be supplied during the term of the contract was approximately Ps. 536,727 and Ps. 558,718, respectively. In the event of early termination of this contract, PEMEX would only be required to pay for services received and for certain unrecoverable expenses of the counterparty under the terms of the contract.

Estimated future payments under this contract for upcoming fiscal years are as follows:

2015	\$ 1,489,329
2016	969,946
2017	653,141
2018	653,391
2019	653,641
Más de 5 años	<u>4,961,599</u>
Total	\$ <u>9,381,047</u>

- c. During 2008, PEMEX entered into a nitrogen supply contract for pressure maintenance at the Jujo Tecminoacán complex in the Southern region. The term of this contract runs until 2017. As of December 31, 2014 and 2013, the value of the nitrogen to be supplied during the term of the contract was approximately Ps. 536,727 and Ps. 558,718, respectively. In the event of early termination of this contract, PEMEX would only be required to pay for services received and for certain unrecoverable expenses of the counterparty under the terms of the contract.

Estimated future payments under this contract for upcoming fiscal years are as follows:

<u>Año</u>	<u>Pagos</u>
2015	\$ 189,259
2016	174,697
2017	<u>172,771</u>
Total	\$ <u>536,727</u>

- d. As of December 31, 2014, PEMEX had entered into FPWCs by means of which the contractor manages and is responsible for financing performance of the work to be undertaken.

As of December 31, 2014 and 2013, the estimated value of these contracts was as follows:

<u>Maturity</u>	<u>2014</u>	<u>2013</u>
Up to 1 year	Ps. 7,570,765	Ps. 12,844,758
1 to 3 years	2,588,114	4,393,704
4 to 5 years	2,539,472	4,315,245
More than 5 years	<u>4,273,269</u>	<u>7,244,381</u>
Total	<u>Ps. 16,971,620</u>	<u>Ps. 28,798,088</u>

- e. In 2014 and 2013, Pemex-Exploration and Production entered into integrated exploration and production contracts ("Integrated E&P Contracts") for the development of mature fields in the Altamira, Ébano, Nejo, Pánuco and San Andrés blocks in the Northern region of Mexico and Magallanes, Santuario and Carrizo blocks in the Southern region of Mexico, respectively. Each contract has a term of up to 25 years. Payments to the contractors pursuant to the Integrated E&P Contracts will be made on a per-barrel basis, plus recovery of certain costs, provided that the payments to the contractor may not exceed PEMEX's cash flow from the particular block subject to each contract. During 2014, PEMEX made payments pursuant to the Integrated E&P Contracts in the Northern region of US\$ 8,988,146 and the Southern region of US\$ 1,926,849. During 2013, PEMEX made payments pursuant to the Integrated E&P Contracts in the Northern region of US\$ 2,060,562 and the Southern region of US\$ 2,255,333.
- f. In 2012, Pemex-Exploration and Production contracted for the construction of two self-elevating offshore platforms for a total of approximately US\$ 509,116. Pemex-Exploration and Production has made an advance payment of US\$ 42,000 for each platform in order to initiate construction, which is estimated to take two years. The outstanding amount for the platforms will be paid through a financial lease for a period of 10 years, after which Pemex-Exploration and Production may exercise the option to purchase the platforms for a notional amount.
- g. As of December 31, 2014 and 2013, the estimated value of the contracts that pemex has entered into with several contractors for the development of various infrastructure and services works was as follows:

<u>Maturity</u>	<u>2014</u>	<u>2013</u>
Up to 1 year	Ps. 260,655,822	Ps. 299,748,160
1 to 3 years	243,044,188	227,308,800
4 to 5 years	74,743,512	63,394,872
More than 5 years	<u>92,426,015</u>	<u>69,122,378</u>
Total	<u>Ps. 670,869,537</u>	<u>Ps. 659,574,210</u>

22. 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. PEMEX has not recorded provisions related to ongoing legal proceedings due to the fact that an unfavorable resolution is not expected in such proceedings, with the exception of the proceeding disclosed in Note 5 and described in further detail in this Note.

- 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) 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, 2014 and 2013, the reserve for environmental remediation expenses totaled Ps. 6,174,754 and Ps. 5,466,581, respectively. This reserve is included as part of the reserve for sundry creditors and others as a long-term liability in the statement of financial position.
- b. PEMEX is involved in various civil, tax, criminal, administrative, labor and commercial lawsuits and arbitration proceedings. The results of these proceedings are uncertain as of the date of these consolidated financial statements. As of December 31, 2014 and 2013, PEMEX had accrued a reserve of Ps. 19,787,440 and Ps. 17,624,737, respectively, for these contingent liabilities. The current status of the principal lawsuits in which PEMEX is involved is as follows:
 - In September 2001, Conproca, S. A. de C. V. ("CONPROCA"), the construction company performing construction and maintenance services for Pemex-Refining's Cadereyta refinery, filed a claim for arbitration before the ICA against Pemex-Refining and Petróleos Mexicanos (No. 11760/KGA). On January 11, 2012, the ICA notified the parties of its final award. Pemex-Refining and Petróleos Mexicanos were ordered to pay US\$ 311,178 and CONPROCA was ordered to pay US\$ 29,038. On July 27, 2012, Petróleos Mexicanos and Pemex-Refining filed a claim (No. 485/2012) before the Juzgado Décimo Primero de Distrito en Materia Civil (Eleventh District Civil Court) in the Federal District requesting that the arbitration award be declared null and void. On November 12, 2013, the Court issued a judgment declaring the arbitration award valid without addressing the issue of expenses. Petróleos Mexicanos and Pemex-Refining each filed an amparo (No. D.C. 3/2014 and D.C. 4/2014, respectively)—these amparos were denied. The defendants subsequently filed a motion to review the denial of the amparos with the Suprema Corte de Justicia de la Nación (Supreme Court of Justice), which was admitted and is still pending as of the date of these consolidated financial statements. Previously, on December 14, 2011, CONPROCA filed a claim before the U.S. District Court for the Southern District of New York seeking the recognition of an arbitration award.

On October 17, 2013 the Court stayed the proceeding pending the conclusion of the trial in Mexico. On September 12, 2014, CONPROCA filed a motion before the U.S. District Court requesting that the defendants post security in the amount of the full arbitration and accrued interest as a condition to continue to stay this proceeding. On December 12, 2014, the U.S. District Court ordered the defendants to post security of US\$ 592,926, which the defendants appealed on December 29, 2014. On March 6, 2015, CONPROCA and the defendants agreed that the defendants would post a stand-by letter of credit in the amount of US\$ 435,000 in satisfaction of the court's order to post security. As of the date of these consolidated financial statements, a final resolution is still pending.

- In December 2004, Corporación Mexicana de Mantenimiento Integral, S. de R. L. de C. V. ("COMMISA") filed an arbitration claim (No. 13613/CCO/JRF) before the International Court of Arbitration of 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 project (Project No. IPC01). On December 16, 2009, the ICA issued an arbitration award requiring Pemex-Exploration and Production to pay US\$ 293,645 and Ps. 34,459, plus interest. On September 25, 2013, the U.S. District Court for the Southern District of New York issued a final judgment confirming the arbitration award. Pemex-Exploration and Production was ordered to pay COMMISA US\$ 465,060, which included Pemex-Exploration and Production's US\$ 106,820 guarantee. Each party is to pay its value added taxes and interest relating to the award. In November 2013, Pemex-Exploration and Production deposited this amount in a bank account in New York as a condition to filing its appeal with the U.S. Second Circuit Court of Appeals, which it did on January 28, 2014. On November 20, 2014, a hearing was held. On February 6, 2015, the U.S. Department of Justice filed an amicus curiae brief before the U.S. Second Circuit Court of Appeals to present the views of the U.S. Government with respect to the case, which were favorable to Pemex-Exploration and Production's position. As of the date of these consolidated financial statements, a final resolution is still pending.

On January 22, 2013 COMMISA requested from the authorities in Luxembourg an execution of the arbitration award and an attachment of assets of Pemex-Exploration and Production and Petróleos Mexicanos located in several financial institutions, which was granted. Pemex-Exploration and Production filed a motion before the Supreme Court of Luxembourg on November 15, 2013 and COMMISA filed another motion on January 15, 2014. On February 11, 2014, Pemex-Exploration and Production requested an extension to file its response to the execution process, which was granted on February 14, 2014. The Court ordered Pemex-Exploration and Production to file its pleadings on March 25, 2014 and August 5, 2014 and ordered COMMISA to file its pleadings on May 25, 2014 and October 5, 2014. On March 25, 2014, Pemex-Exploration and Production filed its response. On January 19, 2015, COMMISA filed an appeal before the Court of Appeals in Luxembourg. A hearing is scheduled to be held on May 7, 2015.

- In February 2010, the Servicio de Administración Tributaria (the Tax Management Service) notified Pemex-Exploration and Production of the results of its review of Pemex-Exploration and Production's financial statements for the fiscal year ended December 31, 2006 with respect to federal taxes, the value added tax and the Ordinary Duty on Hydrocarbons payable by it. On September 20, 2010, the Tax Management Service determined that Pemex-Exploration and Production owed additional taxes totaling Ps. 4,575,208 (of which Pemex-Exploration and Production was notified on September 22, 2010). On November 30, 2010, Pemex-Exploration and Production filed an administrative claim before the Tercera Sala Regional Metropolitana (Third Regional Metropolitan Court) of the Tribunal Federal de Justicia Fiscal y Administrativa (Tax and Administrative Federal Court) challenging the assessment. On November 20, 2013, the Primera Sección de la Sala Superior (First Section of the Superior Court) of the Tax and Administrative Federal Court requested the documentation related to this trial (file No. 28733/1017037/1838/13S10504). The First Section of the Superior Court ordered the file to be sent back to the Third Regional Metropolitan Court to correct any procedural errors in order to issue a final judgment. On September 3, 2014, the Third Regional Court complied with this request. Pemex-Exploration and Production filed its rejoinders on September 10, 2014. On December 1, 2014, the First Section of the Superior Court ordered a final judgment to be issued, which is still pending as of the date of these consolidated financial statements.
- On September 19, 2014, the Tax Management Service notified Petróleos Mexicanos (motion No. 900-07-2014-52233 dated September 8, 2014) that it had determined that Petróleos Mexicanos owed Ps. 3,581,878 for allegedly failing to properly withhold income taxes on interest payments to foreign residents during 2008, which were based on a 4.9% rate instead of a 28% rate. On November 3, 2014, Petróleos Mexicanos filed a motion to revoke the Tax Management Service's assessment.

- In February 2010, the Tax Management Service notified Pemex-Refining of the results of its review of Pemex-Refining's financial statements for the fiscal year ended December 31, 2006 with respect to federal contributions, the value added tax and the Hydrocarbons Income Tax. On September 20, 2010, the Tax Management Service notified Pemex-Refining that it owed approximately Ps. 1,553,371 (including penalties and interest). On November 30, 2010, Pemex-Refining filed an administrative claim before the Third Regional Metropolitan Court of the Tax and Administrative Federal Court challenging the assessment. On November 20, 2013, the *Sala Superior* (Superior Court) of the Tax and Administrative Federal Court attracted the documentation related to this trial (file No. 28733/1017037/1838/13S10504). The First Section of the Superior Court ordered the file to be sent back to the Third Regional Metropolitan Court to correct any procedural errors in order to issue a final judgment. On September 3, 2014, the Third Regional Court complied with this request. Pemex-Refining filed its rejoinders on September 10, 2014. On December 1, 2014, the First Section of the Superior Court ordered a final judgment to be issued, which is still pending as of the date of these consolidated financial statements.
- On April 14, 2010, Petróleos Mexicanos and Pemex-Gas and Basic Petrochemicals were summoned before the Juzgado Séptimo de Distrito (Seventh District Court) in Reynosa, Tamaulipas, in connection with a civil claim filed by Irma Ayala Tijerina de Barroso, et al., seeking approximately Ps. 1,490,873 in damages for the alleged contamination of land adjacent to water treatment. A final judgment was issued in favor of Pemex-Gas and Basic Petrochemicals and required that each party cover its respective legal expenses, which the parties subsequently appealed. Pemex-Gas and Basic Petrochemicals' appeal requested that the expenses related to these proceedings be paid by the plaintiff.
- In February 2011, EMS Energy Services de México, S. de R. L. de C. V. and Energy Maintenance Services Group I. LLC filed a claim against Pemex-Exploration and Production before the Juzgado Tercero de Distrito (Third District Court) in Villahermosa, Tabasco (No. 227/2010). The plaintiffs are seeking, among other things, damages totaling US\$ 193,713 related to the termination of a public works contract and nonpayment by Pemex-Exploration and Production under the contract. On December 31, 2014, a final judgment was issued in favor of Pemex-Exploration and Production. The plaintiff subsequently filed an appeal, which was admitted on January 8, 2015. As of the date of these consolidated financial statements, a final resolution is still pending.

In a concurrent administrative proceeding, Pemex-Exploration and Production was summoned before the Séptima Sala Regional Metropolitana (Seventh Regional Metropolitan Court) of the Tax and Administrative Federal Court on April 4, 2011 in connection with an administrative claim (No. 4957/1117071) filed by the plaintiffs seeking that Pemex-Exploration and Production's termination of the public works contract be declared null and void. As of the date of these consolidated financial statements, the parties are waiting for the final judgment to be issued.

- On July 5, 2011, Pemex-Exploration and Production was summoned before the Juzgado Décimo Segundo de Distrito en Materia Civil (Twelfth District Civil Court) in the Federal District in connection with a civil claim (No. 469/2010) filed by Saboratto, S. A. de C. V. for, among other things, liability and damages in connection with various services agreements. Saboratto, S. A. de C. V. is seeking approximately Ps. 1,451,472 in total damages. A judgment was issued ordering Pemex-Exploration and Production to pay Ps. 12,682 for contractual penalties. Pemex-Exploration and Production subsequently filed an appeal, which was granted to Pemex-Exploration and Production. Saboratto, S. A. de C. V. filed an amparo against this resolution in response. Pemex-Exploration and Production also filed an amparo requesting that the expenses related to these proceedings be paid by the plaintiff. As of the date of these consolidated financial statements, a final resolution is still pending with respect to both amparos.

- On July 8, 2011, Pemex-Exploration and Production was summoned in connection with an administrative claim (No. 4334/1111026) filed by Compañía Petrolera La Norma, S.A., against the Director General of Petróleos Mexicanos and the Director General of Pemex-Exploration and Production before the Segunda Sala Regional Hidalgo-México (Hidalgo-Mexico Second Regional Court) of the Tax and Administrative Federal Court in Tlalnepantla, State of Mexico. The plaintiff is seeking compensation in connection with the cancellation of its alleged petroleum rights concessions and damages for up to Ps. 1,552,000. On April 2, 2013, the Court permitted an amendment to the claim. In addition, on April 9, 2013 a new claim was filed before the same Court (438/1211023) and the defendants requested that it be joined with the previous claim, which was granted on May 2, 2013. On August 20, 2014, these proceedings were sent to the Segunda Sección de la Sala Superior (Second Section of the Superior Court) of the Tax and Administrative Federal Court, which will issue a final judgment. On October 29, 2014, these proceedings were returned to the Second Regional Court to correct a procedural error. As of the date of these consolidated financial statements, a final judgment is still pending.

The results of these proceedings are uncertain until their final resolutions are issued by the appropriate authorities. PEMEX has recorded liabilities for loss contingencies when it is probable that a liability has been incurred and the amount thereof can be reasonably estimated. When a reasonable estimation could not be made, qualitative disclosure was provided in the notes to these consolidated financial statements.

PEMEX does not disclose amounts accrued for each individual claim because such disclosure could adversely affect PEMEX's legal strategy, as well as the outcome of the related litigation.

23. Subsequent events

On January 19, 2015, the Mexican Government made an equity contribution of Ps. 10,000,000 to Petróleos Mexicanos in accordance with the Ley Federal de Presupuesto y Responsabilidad Hacendaria (Federal Law of Budget and Fiscal Accountability), as amended. This payment was recognized as an increase in Certificates of Contribution "A".

On April 29, 2015, the Mexican peso-U.S. dollar exchange rate was Ps. 15.3213 per U.S. dollar, which represents a 4.10% depreciation of the value of the peso in U.S. dollar terms as compared to the exchange rate as of December 31, 2014, which was Ps. 14.7180 per U.S. dollar.

On April 29, 2015, the weighted average price of the crude oil exported by PEMEX was US\$ 56.01 per barrel. This represents a price increase of approximately 23.23% as compared to the average price as of December 31, 2014, which was US\$ 45.45 per barrel.

During the period from January 1 to April 28, 2015, PEMEX participated in the following financing activities:

- On January 16, 2015, Petróleos Mexicanos obtained a direct loan for Ps 7,000,000 bearing interest at a floating rate linked to TIIE, which matures on January 16, 2016.
- On January 22, 2015, Petróleos Mexicanos increased its medium-term notes program from US\$ 42,000,000 to US\$ 52,000,000. All debt securities issued under this program are guaranteed by Pemex-Exploration and Production, Pemex-Refining and Pemex-Gas and Basic Petrochemicals.
- On January 23, 2015, Petróleos Mexicanos issued US\$ 6,000,000 of its debt securities under its US\$ 42,000,000 medium-term notes program, Series C in three tranches: (1) US\$ 1,500,000 of its 3.500% notes due 2020; (2) US\$ 1,500,000 of its 4.500% notes due 2026; and (3) US\$ 3,000,000 of its 5.625% bonds due 2046.

- On January 30, 2015, Petróleos Mexicanos amended the terms of its revolving credit facility in order to increase the amount available thereunder from US\$ 1,250,000 to US\$ 3,250,000 and to extend the maturity date to February 5, 2020. On February 5, 2015, Petróleos Mexicanos borrowed US\$ 1,950,000 under this facility to prepay in full its US\$ 700,000 credit facility dated as of December 17, 2014.
- On February 11, 2015, Petróleos Mexicanos issued Ps. 24,287,902 aggregate principal amount of Certificados Bursátiles in three tranches. The first tranche was issued at a fixed rate of 7.47% due 2026 in an aggregate principal amount of Ps. 17,000,000, consisting of (1) an international offering outside of Mexico of Ps. 9,000,000 of "Euroclearable Certificados Bursátiles," which are eligible for clearance through Euroclear Clearance System plc and Indeval, and (2) a concurrent offering to the public in Mexico of Ps. 8,000,000. This issuance was a reopening of the same series of Certificados Bursátiles due 2026 that was originally issued on November 27, 2014. The second tranche was issued at a floating rate due 2020 in an aggregate principal amount of Ps. 4,300,000. This issuance was a reopening of the same series of Certificados Bursátiles due 2020 that was originally issued on November 27, 2014. The third tranche was issued at a fixed rate of 3.94% due 2026 in an aggregate principal amount of 565,886,800 UDIs, equivalent to Ps. 2,987,902. This issuance represented the fourth reopening of the same series originally issued on January 30, 2014 and subsequently reopened on July 2, 2014, September 11, 2014 and November 27, 2014. These certificados bursátiles were issued under Petróleos Mexicanos' Ps. 200,000,000 or UDI equivalent Certificados Bursátiles Program.
- On February 11, 2015, Petróleos Mexicanos entered into a term loan credit facility in the amount of US\$ 2,000,000. On February 27, 2015, Petróleos Mexicanos borrowed US\$ 2,000,000 under this facility to prepay in full its credit agreement dated as of November 18, 2010.
- On March 24, 2015, the CNBV authorized Petróleos Mexicanos' short-term Certificados Bursátiles Program for an aggregate revolving amount of Ps. 100,000,000. All debt securities issued under this program are guaranteed by Pemex-Exploration and Production, Pemex-Refining and Pemex-Gas and Basic Petrochemicals.
- During the period from March 26, 2015 to April 24, 2015 Petróleos Mexicanos issued a total of Ps. 7,500,000 of short-term Certificados Bursátiles at a fixed and floating rates, under its short-term Certificados Bursátiles Program and repaid Ps. 2,500,000.
- On April 21, 2015, Petróleos Mexicanos issued € 2,250,000 of its debt securities under its US\$ 52,000,000 medium-term notes program, Series C in two tranches: (1) € 1,250,000 of its 2.750% notes due 2027; and (2) € 1,000,000 of its 1.875% notes due 2022.

Between January 1 and April 29, 2015, PMI HBV repaid US\$ 500,000 from its revolving credit line.

As of December 31, 2014, PEMEX has valued and recorded the 19,557,003 Repsol shares acquired through PMI HBV as an available-for-sale financial asset. The market value of Repsol shares has increased approximately 18.34%, from € 15.54 per share as of December 31, 2014 to € 18.39 per share as of April 29, 2015.

24. Subsidiary guarantor information

The following consolidating information presents: (i) condensed consolidating statements of financial position at December 31, 2014 and 2013 and condensed consolidating statements of comprehensive income and cash flows for the years ended December 31, 2014, 2013 and 2012 of Petróleos Mexicanos, Pemex-Exploration and Production, Pemex-Refining, Pemex-Gas and Basic Petrochemicals and the Non-Guarantor Subsidiaries (as defined below).

These condensed consolidating statements were prepared in conformity with IFRS, with one exception: for the purposes of the presentation of the subsidiary guarantor information, the Subsidiary Entities and Subsidiary Companies have been accounted for as investments under the equity method by Petróleos Mexicanos. Earnings of subsidiaries are therefore reflected in Petróleos Mexicanos' investment account and earnings. The principal elimination entries eliminate Petróleos Mexicanos' investment in subsidiaries and inter-company balances and transactions. Pemex-Exploration and Production, Pemex-Refining and Pemex-Gas and Basic Petrochemicals (collectively, the "Subsidiary Guarantors") and Pemex-Petrochemicals are 100%-owned subsidiaries of Petróleos Mexicanos. Pemex-Petrochemicals, Pemex Finance, Ltd. and the Subsidiary Companies collectively comprise the non-guarantor subsidiaries (the "Non-Guarantor Subsidiaries"). The guaranties by the Subsidiary Guarantors of Petróleos Mexicanos' payment obligations under this indebtedness are full and unconditional and joint and several.

The Pemex Project Funding Master Trust (the "Master Trust"), which was a trust formed for the purpose of financing PEMEX's projects, was dissolved effective December 20, 2011 and is no longer consolidated in the financial statements of PEMEX as of December 31, 2011 and thereafter.

The following table sets forth, as of December 31, 2014, the principal amount outstanding of the registered debt securities originally issued by the Master Trust. As noted above, Petróleos Mexicanos has assumed, as primary obligor, all of the obligations of the Master Trust under these debt securities. The obligations of Petróleos Mexicanos are guaranteed by the Subsidiary Guarantors:

Table 1: Registered debt securities originally issued by the master trust and assumed by Petróleos Mexicanos

Security	Primary obligor	Guarantors	Principal amount outstanding (US\$)
5.75% Guaranteed notes due 2018	Petróleos Mexicanos	Pemex-Exploration and Production, Pemex-Refining and Pemex-Gas and Basic Petrochemicals	\$ 2,483,988
6.625% Guaranteed bonds due 2035	Petróleos Mexicanos	Pemex-Exploration and Production, Pemex-Refining and Pemex-Gas and Basic Petrochemicals	1,750,000
6.625% Guaranteed bonds due 2038	Petróleos Mexicanos	Pemex-Exploration and Production, Pemex-Refining and Pemex-Gas and Basic Petrochemicals	491,175
8.625% Bonds due 2022	Petróleos Mexicanos	Pemex-Exploration and Production, Pemex-Refining and Pemex-Gas and Basic Petrochemicals	160,245
8.625% Guaranteed bonds due 2023	Petróleos Mexicanos	Pemex-Exploration and Production, Pemex-Refining and Pemex-Gas and Basic Petrochemicals	106,507
9¼% Guaranteed bonds due 2018	Petróleos Mexicanos	Pemex-Exploration and Production, Pemex-Refining and Pemex-Gas and Basic Petrochemicals	107,109
9.50% Guaranteed bonds due 2027	Petróleos Mexicanos	Pemex-Exploration and Production, Pemex-Refining and Pemex-Gas and Basic Petrochemicals	219,217

The following table sets forth, as of December 31, 2014, the principal amount outstanding of the registered debt securities issued by Petróleos Mexicanos, and guaranteed by Pemex-Exploration and Production, Pemex-Refining and Pemex-Gas and Basic Petrochemicals.

Table 2: Registered debt securities originally issued by Petróleos Mexicanos

Security	Issuer	Guarantors	Principal amount outstanding (US\$)
8.00% Notes due 2019	Petróleos Mexicanos	Pemex-Exploration and Production, Pemex-Refining and Pemex-Gas and Basic Petrochemicals	\$ 1,999,369
9¼% Global Guaranteed bonds due 2018	Petróleos Mexicanos	Pemex-Exploration and Production, Pemex-Refining and Pemex-Gas and Basic Petrochemicals	9,296
9.50% Global guaranteed bonds due 2027	Petróleos Mexicanos	Pemex-Exploration and Production, Pemex-Refining and Pemex-Gas and Basic Petrochemicals	102,149
3.500% Notes due 2018	Petróleos Mexicanos	Pemex-Exploration and Production, Pemex-Refining and Pemex-Gas and Basic Petrochemicals	999,590
Floating rate notes due 2018	Petróleos Mexicanos	Pemex-Exploration and Production, Pemex-Refining and Pemex-Gas and Basic Petrochemicals	498,570
6.000% Notes due 2020	Petróleos Mexicanos	Pemex-Exploration and Production, Pemex-Refining and Pemex-Gas and Basic Petrochemicals	995,364
5.50% Notes due 2021	Petróleos Mexicanos	Pemex-Exploration and Production, Pemex-Refining and Pemex-Gas and Basic Petrochemicals	2,961,947
3.500% Notes due 2023	Petróleos Mexicanos	Pemex-Exploration and Production, Pemex-Refining and Pemex-Gas and Basic Petrochemicals	2,099,730
4.875% Notes due 2024	Petróleos Mexicanos	Pemex-Exploration and Production, Pemex-Refining and Pemex-Gas and Basic Petrochemicals	1,499,136
6.625% Notes due 2035	Petróleos Mexicanos	Pemex-Exploration and Production, Pemex-Refining and Pemex-Gas and Basic Petrochemicals	998,500

<u>Security</u>	<u>Issuer</u>	<u>Guarantors</u>	<u>Principal amount outstanding (US\$)</u>
6.500% Bonds due 2041	Petróleos Mexicanos	Pemex-Exploration and Production, Pemex-Refining and Pemex-Gas and Basic Petrochemicals	\$ 3,000,000
4.875% Bonds 2022	Petróleos Mexicanos	Pemex-Exploration and Production, Pemex-Refining and Pemex-Gas and Basic Petrochemicals	2,097,055
5.50% Bonds due 2044	Petróleos Mexicanos	Pemex-Exploration and Production, Pemex-Refining and Pemex-Gas and Basic Petrochemicals	2,745,000
3.125% Notes due 2019	Petróleos Mexicanos	Pemex-Exploration and Production, Pemex-Refining and Pemex-Gas and Basic Petrochemicals	497,278
6.375% Bonds due 2045	Petróleos Mexicanos	Pemex-Exploration and Production, Pemex-Refining and Pemex-Gas and Basic Petrochemicals	2,999,980

Petróleos Mexicanos is the only PEMEX entity that had debt securities registered with the SEC outstanding as of December 31, 2014 and as of the date of these consolidated financial statements, and all guaranteed debt is issued by Petróleos Mexicanos. The guaranties of the Subsidiary Guarantors are full and unconditional and joint and several. PEMEX's management has not presented separate financial statements for the Subsidiary Guarantors, because it has determined that such information is not material to investors.

Supplemental condensed consolidating financial information

**Statement of financial position
As of December 31, 2014**

	<u>Petróleos Mexicanos</u>	<u>Subsidiary guarantors</u>	<u>Non-guarantor subsidiaries</u>	<u>Eliminations</u>	<u>PEMEX consolidated</u>
Assets					
Current assets					
Cash and cash equivalents	Ps. 73,002,640	Ps. 5,407,420	Ps. 39,578,468	Ps. -	Ps. 117,988,528
Accounts receivable and other, net, and derivative financial instruments	25,760,345	41,577,264	48,647,914	-	115,985,523
Accounts receivable-inter-company	349,727,804	856,239,256	101,974,733	(1,307,941,793)	-
Inventories	638,839	36,506,849	12,792,968	-	49,938,656
Available-for-sale financial assets	-	-	5,414,574	-	5,414,574
Total current assets	449,129,628	939,730,789	208,408,657	(1,307,941,793)	289,327,281
Long-term receivables-inter-company	985,135,404	3,626,448	5,788,386	(994,550,238)	-
Permanent investments in associates	60,586,885	6,940,848	15,060,898	(60,573,871)	22,014,760
Wells, pipelines, properties, plant and equipment-net	11,285,140	1,724,548,862	47,540,136	-	1,783,374,138
Deferred taxes	(124,002)	84,215	4,182,405	-	4,142,618
Restricted cash	35,887	6,848,332	-	-	6,884,219
Other assets	1,409,235	17,769,843	3,446,186	-	22,625,264
Total assets	Ps. 1,507,458,177	Ps. 2,699,549,337	Ps. 284,426,668	Ps. (2,363,065,902)	Ps. 2,128,368,280
Liabilities					
Current liabilities					
Current portion of long-term debt	Ps. 128,491,432	Ps. 7,801,195	Ps. 9,573,590	Ps. -	Ps. 145,866,217
Accounts payable-inter-company	823,273,747	421,946,125	55,470,068	(1,300,689,940)	-
Other current liabilities	29,430,111	139,237,945	19,625,074	-	188,293,130
Total current liabilities	981,195,290	568,985,265	84,668,732	(1,300,689,940)	334,159,347
Long-term debt	978,651,122	7,769,492	10,963,672	-	997,384,286
Long-term payables-inter-company	3,626,448	991,800,516	6,375,128	(1,001,802,092)	-
Employee benefits, provisions for sundry creditors, other liabilities and deferred taxes	312,050,990	1,100,084,554	152,409,957	-	1,564,545,501
Total liabilities	2,275,523,850	2,668,639,827	254,417,489	(2,302,492,032)	2,896,089,134
Equity	(768,065,673)	30,909,510	30,009,179	(60,573,870)	(767,720,854)
Total liabilities and equity	Ps. 1,507,458,177	Ps. 2,699,549,337	Ps. 284,426,668	Ps. (2,363,065,902)	Ps. 2,128,368,280

Supplemental condensed consolidating financial information

**Statement of financial position
As of December 31, 2013**

	<u>Petróleos Mexicanos</u>	<u>Subsidiary guarantors</u>	<u>Non-guarantor subsidiaries</u>	<u>Eliminations</u>	<u>PEMEX consolidated</u>
Assets					
Current assets					
Cash and cash equivalents	Ps. 50,131,405	Ps. 5,331,901	Ps. 25,282,413	Ps. -	Ps. 80,745,719
Accounts receivable and other, net, and derivative financial instruments	28,693,366	34,290,219	66,270,066	-	129,253,651
Accounts receivable-inter-company	383,510,275	821,836,275	96,867,309	(1,302,213,859)	-
Inventories	659,252	31,460,831	24,794,417	-	56,914,500
Available-for-sale financial assets	-	-	17,728,571	-	17,728,571
Total current assets	462,994,298	892,919,226	230,942,776	(1,302,213,859)	284,642,441
Long-term receivables-inter-company	737,649,602	2,938,490	4,687,346	(745,275,438)	-
Permanent investments in associates	416,044,158	5,971,793	10,791,945	(416,028,395)	16,779,501
Wells, pipelines, properties, plant and equipment-net	9,666,204	1,670,030,799	41,881,738	-	1,721,578,741
Deferred taxes	-	233,872	2,259,290	-	2,493,162
Restricted cash	1,620,091	6,081,707	-	-	7,701,798
Other assets	1,181,797	10,504,660	2,508,253	-	14,194,710
Total assets	Ps. 1,629,156,150	Ps. 2,588,680,547	Ps. 293,071,348	Ps. (2,463,517,692)	Ps. 2,047,390,353
Liabilities					
Current liabilities					
Current portion of long-term debt	Ps. 67,909,431	Ps. 8,933,827	Ps. 13,833,685	Ps. -	Ps. 90,676,943
Accounts payable-inter-company	760,642,526	466,591,441	67,538,205	(1,294,772,172)	-
Other current liabilities	18,238,388	127,336,814	22,938,687	-	168,513,889
Total current liabilities	846,790,345	602,862,082	104,310,577	(1,294,772,172)	259,190,832
Long-term debt	732,584,613	9,294,300	8,684,558	-	750,563,471
Long-term payables-inter-company	2,938,487	744,839,772	4,811,537	(752,589,796)	-
Employee benefits, provisions for sundry creditors, other liabilities and deferred taxes	232,593,227	871,015,524	119,273,939	-	1,222,882,690
Total liabilities	1,814,906,672	2,228,011,678	237,080,611	(2,047,361,968)	2,232,636,993
Equity	(185,750,522)	360,668,869	55,990,737	(416,155,724)	(185,246,640)
Total liabilities and equity	Ps. 1,629,156,150	Ps. 2,588,680,547	Ps. 293,071,348	Ps. (2,463,517,692)	Ps. 2,047,390,353

Supplemental condensed consolidating financial information

**Statement of comprehensive income
For the year ended December 31, 2014**

	<u>Petróleos Mexicanos</u>	<u>Subsidiary guarantors</u>	<u>Non-guarantor subsidiaries</u>	<u>Eliminations</u>	<u>PEMEX consolidated</u>
Net sales	\$ 18,998	\$ 2,213,875,692	\$ 1,108,487,220	\$ (1,747,092,618)	\$ 1,575,289,292
Services income	64,245,159	6,055,328	6,426,288	(65,288,193)	11,438,582
Total sales revenues	64,264,157	2,219,931,020	1,114,913,508	(1,812,380,811)	1,586,727,874
Cost of sales	2,663,293	1,513,364,738	1,108,344,990	(1,759,092,541)	865,280,480
Gross income	61,600,864	706,566,282	6,568,518	(53,288,270)	721,447,394
Other (expenses) revenues, net	514,056	36,518,256	778,682	(258,597)	37,552,397
Transportation, distribution and sale expenses	-	34,095,556	1,555,276	(3,468,166)	32,182,666
Administrative expenses	57,654,464	86,112,895	17,701,494	(50,131,739)	111,337,114
	57,654,464	120,208,451	19,256,770	(53,599,905)	143,519,780
Operating income	4,460,456	622,876,087	(11,909,570)	53,038	615,480,011
Financing income	67,194,647	84,756,651	2,973,111	(103,365,349)	51,559,060
Financing cost	85,565,363	17,696,814	3,106,401	(103,354,391)	3,014,187
Derivative financial instruments (cost) income, net	(13,858,680)	8,116	4,411,994	-	(9,438,570)
Exchange (loss) gain, net	(7,859,495)	(69,076,040)	(63,626)	-	(76,999,161)
(Loss) profit sharing in associates	(263,219,388)	487,365	(452,997)	263,219,388	34,368
(Loss) income before taxes, duties and other	(262,106,391)	487,235,691	(7,880,909)	263,283,384	480,531,775
Total taxes, duties and other	3,160,818	738,855,418	4,058,528	-	746,074,764
Net (loss) income for the year	(265,267,209)	(251,619,727)	(11,939,437)	263,283,384	(265,542,989)
Total other comprehensive result	(62,426,587)	(189,804,290)	(13,117,248)	-	(265,348,125)
Total comprehensive result for the year	\$ (327,693,796)	\$ (441,424,017)	\$ (25,056,685)	\$ 263,283,384	\$ (530,891,114)

Supplemental condensed consolidating financial information

**Statement of comprehensive income
For the year ended December 31, 2013**

	Petróleos Mexicanos	Subsidiary guarantors	Non-guarantor subsidiaries	Eliminations	PEMEX consolidated
Net sales	\$ 22,115	\$ 2,283,326,517	\$ 1,136,284,419	\$ (1,821,767,783)	\$ 1,597,865,268
Services income	55,361,187	6,305,400	5,394,402	(56,721,632)	10,339,357
Total sales revenues	55,383,302	2,289,631,917	1,141,678,821	(1,878,489,415)	1,608,204,625
Cost of sales	1,478,302	1,533,920,937	1,125,696,332	(1,821,480,398)	839,615,173
Gross income	53,905,000	755,710,980	15,982,489	(57,009,017)	768,589,452
Other (expenses) revenues, net	(1,629,063)	97,687,870	(5,631,905)	(291,217)	90,135,685
Transportation, distribution and sale expenses	-	31,612,865	1,276,529	(440,958)	32,448,436
Administrative expenses	52,176,527	87,089,702	16,332,061	(56,943,818)	98,654,472
Total general expenses	52,176,527	118,702,567	17,608,590	(57,384,776)	131,102,908
Operating income	99,410	734,696,283	(7,258,006)	84,542	727,622,229
Financing cost	62,400,459	63,677,174	3,295,021	(89,786,170)	39,586,484
Financing income	66,513,514	28,629,988	3,503,308	(89,911,111)	8,735,699
Derivative financial instruments (cost) income, net	2,631,986	(33,305)	(1,287,708)	-	1,310,973
Exchange (loss) gain, net	(305,581)	(3,441,388)	(204,523)	-	(3,951,492)
(Loss) profit sharing in associates	(173,928,884)	1,141,059	(434,349)	173,928,884	706,710
(Loss) income before taxes, duties and other	(167,390,014)	697,315,463	(8,976,299)	173,888,485	694,837,635
Total taxes, duties and other	2,475,621	858,504,381	3,916,060	-	864,896,062
(Loss) income before taxes, duties and other	(169,865,635)	(161,188,918)	(12,892,359)	173,888,485	(170,058,427)
Total other comprehensive result	25,443,543	194,725,595	34,101,029	-	254,270,167
Comprehensive result for the year	\$ (144,422,092)	\$ 33,536,677	\$ 21,208,670	\$ 173,888,485	\$ 84,211,740

Supplemental condensed consolidating financial information

Statement of comprehensive income For the year ended December 31, 2012

	Petróleos Mexicanos	Subsidiary guarantors	Non-guarantor subsidiaries	Eliminations	PEMEX consolidated
Net sales	Ps. 16,009	Ps. 2,300,269,835	Ps. 1,257,236,879	Ps. (1,917,786,969)	Ps. 1,639,735,754
Services income	54,963,056	5,449,622	2,897,419	(56,133,811)	7,176,286
Total sales revenues	54,979,065	2,305,719,457	1,260,134,298	(1,973,920,780)	1,646,912,040
Cost of sales	1,252,618	1,504,565,221	1,245,083,304	(1,918,410,569)	832,490,574
Gross income	53,726,447	801,154,236	15,050,994	(55,510,211)	814,421,466
Other revenues and expenses-net	(335,781)	210,667,412	(943,530)	(369,138)	209,018,963
Transportation, distribution and sale expenses	-	27,623,303	1,189,946	(324,966)	28,488,283
Administrative expenses	46,788,554	84,409,050	14,277,458	(55,862,213)	89,612,849
Total general expenses	46,788,554	112,032,353	15,467,404	(56,187,179)	118,101,132
Operating income	6,602,112	899,789,295	(1,359,940)	307,830	905,339,297
Financing cost	42,288,729	71,029,986	4,317,744	(71,625,916)	46,010,543
Financing income	65,665,503	21,006,665	3,070,851	87,211,228	2,531,791
Derivative financial instruments (cost) income, net	(21,883,836)	269,611	74,122	15,282,455	(6,257,648)
Exchange (loss) gain, net	5,720,540	38,975,874	149,247	-	44,845,661
(Loss) profit sharing in associates	(8,164,817)	2,329,571	2,435,680	8,196,973	4,797,607
Income before taxes, duties and other	5,650,773	891,341,030	52,416	8,201,946	905,246,165
Total taxes, duties and other	2,817,741	897,843,428	1,984,518	-	902,645,687
Net income (loss) for the year	2,833,032	(6,502,398)	(1,932,101)	8,201,945	2,600,478
Total comprehensive result	(60,588,295)	(265,515,874)	(50,738,806)	-	(376,842,975)
Comprehensive result for the year	Ps. (57,755,263)	Ps. (272,018,272)	Ps. (52,670,907)	Ps. 8,201,945	Ps. (374,242,497)

Supplemental condensed consolidating financial information

**Statement of cash flows
For the year ended December 31, 2014**

	<u>Petróleos Mexicanos</u>	<u>Subsidiary guarantors</u>	<u>Non-guarantor subsidiaries</u>	<u>Eliminations</u>	<u>PEMEX consolidated</u>
Operating activities:					
Net (loss) income for the year	Ps. (265,267,209)	Ps. (251,619,727)	Ps. (11,939,437)	Ps. 263,283,384	Ps. (265,542,989)
Adjustments to reconcile net loss to cash provided by operating activities:					
Depreciation and amortization	744,081	139,522,310	2,808,396	-	143,074,787
Impairment of wells, pipelines, properties, plant and equipment	-	21,199,704	1,445,992	-	22,645,696
Unsuccessful wells	-	12,148,028	-	-	12,148,028
Disposal of wells, pipelines, properties, plant and equipment	211,414	3,499,602	2,659,921	-	6,370,937
Net loss (profit) on available-for-sale financial assets	-	-	215,119	-	215,119
Profit (loss) sharing in associates	263,559,164	(487,365)	452,997	(263,559,164)	(34,368)
Dividends	-	-	(736,302)	-	(736,302)
Effects of net present value of reserve for well abandonment	-	9,169,327	-	-	9,169,327
Amortization expenses related to debt issuance	312,296	-	-	-	312,296
Unrealized foreign exchange loss (gain)	75,053,801	1,903,282	1,927,634	-	78,884,717
Interest expense	44,969,920	5,084,856	854,848	-	50,909,624
Funds provided by (used in) operating activities:					
Accounts receivable, accounts payable and derivative financial instruments	14,951,048	(19,048,441)	14,075,687	-	9,978,294
Inventories	20,413	(5,046,019)	12,001,450	-	6,975,844
Other assets	(227,438)	(17,819,505)	(937,934)	-	(18,984,877)
Employee benefits	17,913,078	52,988,257	8,068,663	-	78,969,998
Inter-company charges and deductions	(274,747,392)	37,103,048	(13,393,984)	251,038,328	-
Cash flows provided by operating activities	(122,506,824)	(11,402,643)	17,503,050	250,762,548	134,356,131
Investing activities:					
Acquisition of wells, pipelines, properties, plant and equipment	(2,574,431)	(215,531,732)	(12,572,707)	-	(230,678,870)
Available-for-sale financial assets	-	-	12,735,337	-	12,735,337
(Increase) decrease due to Inter-company investing	-	-	(3,466,447)	-	(3,466,447)
Exploration costs	-	(1,593,706)	-	-	(1,593,706)
Received dividends	-	-	336,095	-	336,095
Investments in associates	7,942,930	-	-	(7,942,930)	-
Cash flows used in investing activities	5,368,499	(217,125,438)	(2,967,722)	(7,942,930)	(222,667,591)
Financing activities:					
Increase in equity of subsidiary entities	22,000,000	-	-	-	22,000,000
Withdrawal of Mexican Government contributions	(73,583,100)	-	-	-	(73,583,100)
Loans obtained from financial institutions	320,893,270	-	102,506,205	-	423,399,475
Debt payments, principal only	(93,488,805)	(7,748,079)	(106,218,608)	-	(207,455,492)
Interest paid	(41,091,971)	(5,105,446)	(1,051,061)	-	(47,248,478)
Inter-company increase (decrease) financing	687,961	240,568,067	1,563,590	(242,819,618)	-
Cash flows provided by financing activities:	135,417,355	227,714,542	(3,199,874)	(242,819,618)	117,112,405
Net (decrease) increase in cash and cash equivalents	18,279,030	(813,539)	11,335,454	-	28,800,945
Effects of change in cash value	4,592,205	889,057	2,960,602	-	8,441,864
Cash and cash equivalents at the beginning of the year	50,131,405	5,331,902	25,282,412	-	80,745,719
Cash and cash equivalents at the end of the year	Ps. 73,002,640	Ps. 5,407,420	Ps. 39,578,468	Ps. -	Ps. 117,988,528

Supplemental condensed consolidating financial information

**Statement of cash flows
For the year ended December 31, 2013**

	<u>Petróleos Mexicanos</u>	<u>Subsidiary guarantors</u>	<u>Non-guarantor subsidiaries</u>	<u>Eliminations</u>	<u>PEMEX consolidated</u>
Operating activities:					
Net income (loss) for the year	Ps. (169,865,634)	Ps. (161,188,918)	Ps. (12,892,360)	Ps. 173,888,485	Ps. (170,058,427)
Adjustments to reconcile net loss to cash provided by operating activities:					
Depreciation and amortization	686,088	145,329,809	2,475,807	-	148,491,704
Impairment of wells, pipelines, properties, plant and equipment	-	26,364,717	(755,882)	-	25,608,835
Unsuccessful Wells	-	12,497,726	-	-	12,497,726
Disposal of wells, pipelines, properties, plant and equipment	24,668	7,744,792	6,930,160	-	14,699,620
Profit (loss) sharing in associates	173,258,510	(1,141,058)	434,349	(173,258,511)	(706,710)
Dividends	-	-	(914,116)	-	(914,116)
Effects of net present value of reserve for well abandonment	-	(5,240,305)	-	-	(5,240,305)
Gain on sale of properties, plant and equipment	-	-	(768,000)	-	(768,000)
Net (profit) loss on available-for-sale financial assets	(278,842)	-	-	-	(278,842)
Amortization expenses related to debt issuance	(1,037,663)	(853,047)	-	-	(1,890,710)
Unrealized foreign exchange loss (gain)	2,836,523	(172,772)	644,548	-	3,308,299
Interest expense	36,108,777	2,077,850	1,117,316	-	39,303,943
Funds provided by (used in) operating activities:					
Accounts receivable	(5,132,196)	16,451,312	(4,077,897)	-	7,241,219
Inventories	(125)	840,283	(907,088)	-	(66,930)
Other assets	667,515	(14,081,007)	507,576	-	(12,905,916)
Accounts payable and accrued expenses	1,695,525	57,495,890	(5,219,423)	-	53,971,992
Employee benefits	34,961,922	36,848,133	6,233,085	-	78,043,140
Inter-company charges and deductions	(89,826,553)	162,188,266	37,867,036	(110,228,749)	-
Cash flows provided by operating activities	(15,901,485)	285,161,671	30,675,111	(109,598,775)	190,336,522
Investing activities:					
Acquisition of wells, pipelines, properties, plant and equipment	(916,477)	(233,834,924)	(10,876,153)	-	(245,627,554)
(Increase) decrease due to Inter-company investing	(71,142,378)	(111,826,436)	-	182,968,814	-
Available-for-sale financial assets	2,869,883	-	-	-	2,869,883
Exploration costs	-	(1,438,685)	-	-	(1,438,685)
Investments in associates	(2,066,366)	(244,823)	2,311,189	-	-
Cash flows used in investing activities	(71,255,338)	(347,344,868)	(8,564,964)	182,968,814	(244,196,356)
Financing activities:					
Increase in equity due to Mexican Government contributions	66,583,100	206,288	231,705	(437,993)	66,583,100
Decrease in equity due to withdrawal of Mexican Government contributions	(65,000,000)	581,839	(231,704)	(350,135)	(65,000,000)
Loans obtained from financial institutions	155,545,511	-	81,409,522	-	236,955,033
Debt payments, principal only	(86,279,510)	(10,499,109)	(94,367,472)	-	(191,146,091)
Interest paid	(35,192,692)	(1,172,776)	(767,632)	-	(37,133,100)
Inter-company (decrease) increase financing	702,864	71,203,090	675,957	(72,581,911)	-
Cash flows provided by financing activities	36,359,273	60,319,332	(13,049,624)	(73,370,039)	10,258,942
Net (decrease) increase in cash and cash equivalents	(50,797,550)	(1,863,865)	9,060,523	-	(43,600,892)
Effects of change in cash value	4,141,601	-	970,119	-	5,111,720
Cash and cash equivalents at the beginning of the year	96,787,354	7,195,766	15,251,771	-	119,234,891
Cash and cash equivalents at the end of the year	Ps. 50,131,405	Ps. 5,331,901	Ps. 25,282,413	Ps. -	Ps. 80,745,719

Supplemental condensed consolidating financial information

Statement of cash flows For the year ended December 31, 2012

	Petróleos Mexicanos	Subsidiary guarantors	Non-guarantor subsidiaries	Eliminations	PEMEX consolidated
	Ps.	Ps.	Ps.	Ps.	Ps.
Operating activities:					
Net income (loss) for the year	2,833,032	(6,502,398)	(1,932,101)	8,201,945	2,600,478
Adjustments to reconcile net loss to cash provided by operating activities:					
Depreciation and amortization	570,890	137,241,770	2,725,060	-	140,537,720
Unsuccessful wells	-	13,842,410	-	-	13,842,410
Disposal of wells, pipelines, properties, plant and equipment	68,329	(437,338)	1,102,530	-	733,521
Profit (loss) sharing in associates	8,434,500	(2,329,571)	(2,468,036)	(8,434,500)	(4,797,607)
Dividends	-	-	(685,704)	-	(685,704)
Effects of net present value of reserve for well abandonment	-	3,552,924	-	-	3,552,924
Amortization expenses related to debt issuance	1,560,478	-	-	-	1,560,478
Unrealized foreign exchange gain (loss)	(40,144,811)	(2,266,480)	1,849,490	-	(40,561,801)
Interest expense	42,020,754	12,160,731	1,804,544	(10,247,445)	45,738,584
Funds provided by (used in) operating activities:					
Accounts receivable	6,288,911	2,944,581	13,364,486	-	22,597,978
Inventories	(167,346)	(12,228,746)	566,674	-	(11,829,418)
Other assets	(489,291)	(7,215,184)	25,872	-	(7,678,603)
Accounts payable and accrued liabilities	4,261,846	(20,566,075)	2,440,343	-	(13,863,886)
Employee benefits	8,432,015	46,744,724	6,406,528	-	61,583,267
Inter-company charges and deductions	(22,322,476)	156,037,261	(20,700,257)	(113,014,528)	-
Cash flows provided by operating activities	11,346,831	320,978,609	4,499,429	(123,494,528)	213,330,341
Investing activities:					
Acquisition of wells, pipelines, properties, plant and equipment	(1,128,811)	(192,801,968)	(3,578,219)	-	(197,508,998)
(Increase) decrease due to inter-company investing	(9,667,629)	(103,341,908)	-	113,009,537	-
Exploration costs	-	(1,828,043)	-	-	(1,828,043)
Cash flows used in investing activities	(10,796,440)	(297,971,919)	(3,578,219)	113,009,537	(199,337,041)
Financing activities:					
Loans obtained from financial institutions	118,081,331	-	259,814,818	-	377,896,149
Debt payments, principal only	(70,037,268)	(10,914,565)	(260,912,130)	-	(341,863,963)
Interest paid	(42,121,370)	(12,231,579)	(2,483,557)	10,247,440	(46,589,066)
(Decrease) increase due to inter-company financing	-	(8,226)	(53,367)	61,593	-
Cash flows provided by financing activities	5,922,693	(23,154,370)	(3,634,236)	10,309,033	(10,556,880)
Net increase (decrease) in cash and cash equivalents	6,473,084	(147,680)	(2,713,026)	(175,958)	3,436,420
Effects of change in cash value	(422,540)	1,278,252	(209,746)	175,958	821,924
Cash and cash equivalents at the beginning of the year	90,736,810	6,065,194	18,174,543	-	114,976,547
Cash and cash equivalents at the end of the year	Ps. 96,787,354	Ps. 7,195,766	Ps. 15,251,771	Ps. -	Ps. 119,234,891

25. Supplementary information on oil and gas exploration and production activities (unaudited)

Under the Political Constitution of the United Mexican States, all crude oil and other hydrocarbon reserves located in the subsoil of Mexico are owned by the Mexican nation and not by PEMEX. In August 2014, through the Round Zero process, the Mexican Government granted PEMEX the right to extract, but not own, certain petroleum and other hydrocarbon reserves in Mexico through assignment deeds.

This note provides supplementary information on the oil and gas exploration, development and production activities of Pemex-Exploration and Production in compliance with the U.S. Financial Accounting Standards Board (FASB) Accounting Standards Codification (ASC) Topic 932 10-5 "Extractive Activities—Oil and Gas" ("ASC Topic 932") and Accounting Standards Update 2010-03 (see Note 3-i).

As of the date of these consolidated financial statements, all exploration and production activities of Pemex-Exploration and Production are conducted in Mexico. The supplemental data presented herein reflect information for all of Pemex-Exploration and Production's oil and gas producing activities.

a. Capitalized costs for oil and gas producing activities (unaudited):

	As of December 31,		
	2014	2013	2012
Proved reserves	Ps. 2,381,670,263	Ps. 2,254,784,515	Ps. 2,108,592,519
Construction in progress	111,812,137	83,764,607	46,908,049
Accumulated depreciation and amortization	<u>(1,122,444,895)</u>	<u>(994,476,861)</u>	<u>(870,694,075)</u>
Net capitalized costs	<u>Ps. 1,371,037,505</u>	<u>Ps. 1,344,072,261</u>	<u>Ps. 1,284,806,493</u>

b. Costs incurred for oil and gas property exploration and development activities (unaudited):

	As of December 31,	
	2014	2013
Exploration	Ps. 38,866,665	Ps. 36,552,489
Development	<u>188,950,718</u>	<u>181,671,933</u>
Total costs incurred	<u>Ps. 227,817,383</u>	<u>Ps. 218,224,422</u>

There are no property acquisition costs, because PEMEX exploits oil reserves owned by the Mexican nation.

Exploration costs include costs of geological and geophysical studies of fields amounting to Ps. 10,143,219 and Ps. 10,163,605 for 2014 and 2013, respectively, that, in accordance with the successful efforts method of accounting, are accounted for as geological and geophysical exploration expenses.

Development costs include those costs incurred in obtaining access to proved reserves and providing facilities for extracting, treating, gathering and storing oil and gas.

c. Results of operations for oil and gas producing activities (unaudited):

	2014	2013	2012
Revenues from sale of oil and gas	<u>Ps. 1,134,448,708</u>	<u>Ps. 1,250,737,299</u>	<u>Ps. 1,333,247,872</u>
Hydrocarbon duties	760,627,534	856,978,971	898,064,551
Production costs (excluding taxes)	156,134,037	134,645,739	121,973,668
Other costs and expenses	35,978,232	40,599,327	30,828,632
Exploration expenses	22,291,247	22,661,332	25,820,942
Depreciation, depletion, amortization and accretion	<u>144,384,138</u>	<u>119,161,541</u>	<u>122,356,141</u>
	<u>1,119,415,188</u>	<u>1,174,046,910</u>	<u>1,199,043,934</u>
Results of operations for oil and gas producing activities	<u>Ps. 15,033,520</u>	<u>Ps. 76,690,389</u>	<u>Ps. 134,203,938</u>

Note: Numbers may not total due to rounding.

d. Sales prices (unaudited)

The following table summarizes average sales prices in U.S. dollars for each of the years ended December 31 (excluding production taxes):

	2014	2013	2012
Weighted average sales price per barrel of oil equivalent (boe) (1)	US\$ 71.44	US\$ 76.81	US\$ 78.89
Crude oil, per barrel	90.37	99.92	102.36
Natural gas, per thousand cubic feet	5.71	4.93	4.03

(1) To convert dry gas to barrels of oil equivalent, a factor of 5.201 thousand cubic feet of dry gas per barrel of oil equivalent is used.

e. Crude oil and natural gas reserves (unaudited)

Under the Political Constitution of the United Mexican States, all oil and other hydrocarbon reserves located in the subsoil of Mexico are owned by the Mexican nation and not by PEMEX. Under the Petróleos Mexicanos Law, Pemex-Exploration and Production has the right to extract, but not own, these reserves, and to sell the resulting production. The exploration and development activities of Petróleos Mexicanos and the subsidiary entities are limited to reserves located in Mexico.

Proved oil and natural gas reserves are those estimated quantities of crude oil, natural gas and natural gas liquids which geological and engineering data demonstrate with reasonable certainty to be economically producible from a given date forward, from known reservoirs and under existing economic conditions, operating methods and government regulations.

Proved reserves estimates as of December 31, 2014 were prepared by Pemex-Exploration and Production and were reviewed by the Independent Engineering Firms (as defined below), which audit Pemex-Exploration and Production's estimates of hydrocarbon reserves. In addition, pursuant to the Reglamento de la Ley de Hidrocarburos (Regulations to the Hydrocarbons Law), the NHC reviewed and approved the proved reserves reports estimates as of December 31, 2014 provided by Pemex-Exploration and Production on March 10, 2015. These reserves estimates were then registered and published by the Ministry of Energy on March 18, 2015.

Pemex-Exploration and Production estimated reserves based on generally accepted petroleum engineering and evaluation methods and procedures, which are based primarily on applicable SEC regulations and, as necessary, the SPE's publication entitled Standards Pertaining to the Estimating and Auditing of Oil and Gas Reserves Information, dated February 19, 2007 and other SPE publications, including the SPE's publication entitled Petroleum Resources Management System, as well as other technical sources, including Estimation and Classification of Reserves of Crude Oil, Natural Gas, and Condensate, by Chapman Cronquist, and Determination of Oil and Gas Reserves, Petroleum Society Monograph Number 1, published by the Canadian Institute of Mining and Metallurgy & Petroleum. The choice of method or combination of methods employed in the analysis of each reservoir is determined by:

- Experience in the area.
- Stage of development.
- Quality and completeness of basic data.
- Production and pressure histories.

Reserves data set forth herein represent only 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 reserves estimate depends on the quality of available data, engineering and geological interpretation and professional judgment. As a result, estimates of different engineers may vary. In addition, the results of drilling, testing and producing subsequent to the date of an estimate may lead to the revision of an estimate.

During 2014, PEMEX did not record any material increase in PEMEX's hydrocarbons reserves as a result of the use of new technologies.

In order to ensure the reliability of PEMEX's reserves estimation efforts, it has undertaken the internal certification of its estimates of reserves since 1996. PEMEX has established certain internal controls in connection with the preparation of its proved reserves estimates. Initially, teams of geoscientists from Pemex-Exploration and Production's exploration and exploitation business units (with each of these units covering several projects) prepare the reserves estimates, using distinct estimation processes for valuations relating to new discoveries and developed fields, respectively. Subsequently, the regional reserves offices collect these reserves estimates from the units and request that the Gerencia de Recursos y Reservas (Office of Resources and Reserves), the central hydrocarbon reserves management body of Pemex-Exploration and Production, review and certify such valuations and the booking of the related reserves. This internal certification process is undertaken in accordance with internal guidelines for estimating and classifying proved reserves, which are based on the SEC's rules and definitions. The Hydrocarbons Reserves and Resources Management Office, which additionally oversees and conducts an internal audit of the above process, consists entirely of professionals with geological, geophysical, petrophysical and reservoir engineering backgrounds. The engineers who participate in PEMEX's reserves estimation process are experienced in: reservoir numerical simulation; well drilling and completion; pressure, volume and temperature (PVT) analysis; NODALTM (an analytical tool used in forecasting the performance of the various elements comprising the production system) analysis; and design strategies in petroleum field development. Furthermore, all of PEMEX's personnel have been certified by the Secretaría de Educación Pública (Ministry of Public Education), most have earned master's degrees in areas of study such as petroleum engineering, geology and geophysical engineering and they possess an average of over ten years of professional experience.

In addition to this internal review process, Pemex-Exploration and Production's final reserves estimates are audited by independent engineering firms. Three independent engineering firms audited Pemex-Exploration and Production's estimates of proved reserves as of December 31, 2014: Netherland Sewell International, S. de R. L. de C. V. ("Netherland Sewell"); DeGolyer and MacNaughton; and Ryder Scott Company, L.P. ("Ryder Scott," and, together with Netherland Sewell and DeGolyer and MacNaughton, the "Independent Engineering Firms"). The reserves estimates reviewed by the Independent Engineering Firms totaled 97.8% of PEMEX's estimated proved reserves. The remaining 2.2% of PEMEX's estimated proved reserves consisted of reserves located in certain areas in which third parties provide drilling services to Pemex-Exploration and Production. Under such agreements, the corresponding third party is responsible for assessing the volume of reserves. Netherland Sewell audited the reserves in the Northeastern Marine region and Southern region, DeGolyer and MacNaughton audited the reserves in the Southwestern Marine region and Ryder Scott audited the reserves in the Northern region. The audits conducted by the Independent Engineering Firms consisted primarily of: (1) analysis of historical static and dynamic reservoir data provided by Pemex-Exploration and Production; (2) construction or updating of the Independent Engineering Firms' own static and dynamic reservoir characterization models of Mexican oil fields; (3) economic analysis of selected fields; and (4) review of Pemex-Exploration and Production's production forecasts and reserves estimates.

Since reserves estimates are, by definition, only estimates, they cannot be reviewed for the purpose of verifying exactness. Instead, the Independent Engineering Firms conducted a detailed review of Pemex-Exploration and Production's reserves estimates so that they could express an opinion as to whether, in the aggregate, the reserves estimates that PEMEX furnished were reasonable and had been estimated and presented in conformity with generally accepted petroleum engineering and evaluation methods and procedures.

All questions, including any suggested modifications to proved reserves estimates, that arose during the Independent Engineering Firms' review process were resolved by Pemex-Exploration and Production to the satisfaction of the Independent Engineering Firms. The Independent Engineering Firms have concluded that PEMEX's estimated total proved oil and natural gas reserve volumes set forth in this report are, in the aggregate, reasonable and have been prepared in accordance with Rule 4-10(a) are consistent with international reserves reporting practice and are in accordance with the revised oil and gas reserves disclosure provisions of ASC Topic 932.

PEMEX's total proved developed and undeveloped reserves of crude oil, condensates and liquefiable hydrocarbons recoverable from field processing plants decreased by 7.1% in 2014, from 11,079 million barrels at December 31, 2013 to 10,292 million barrels at December 31, 2014. PEMEX's proved developed reserves of crude oil, condensates and liquefiable hydrocarbons recoverable from processing plants decreased by 3.0% in 2014, from 7,360 million barrels at December 31, 2013 to 7,141 million barrels at December 31, 2014. These decreases were principally due to the fact that PEMEX was assigned less than 100% of Mexico's total proved reserves in connection with Round Zero, as well as a decrease in field development activities, as 265 fewer wells were completed in 2014 than in 2013. The amount of crude oil, condensate and liquefiable hydrocarbon reserves added in 2014 were insufficient to offset the level of production in 2014, which amounted to 1,001 million barrels of crude oil, condensates and liquefiable hydrocarbons.

PEMEX's total proved developed and undeveloped dry gas reserves decreased by 11.5% in 2014, from 12,273 billion cubic feet at December 31, 2013 to 10,859 billion cubic feet at December 31, 2014. PEMEX's proved developed dry gas reserves decreased by 9.7% in 2014, from 7,461 billion cubic feet at December 31, 2013 to 6,740 billion cubic feet at December 31, 2014. PEMEX's proved undeveloped dry gas reserves decreased by 14.4% in 2014, from 4,811 billion cubic feet at December 31, 2013 to 4,119 billion cubic feet at December 31, 2014. These decreases were principally due to the fact that PEMEX was assigned less than 100% of Mexico's total proved reserves in connection with Round Zero, as well as a decrease in field development activities. The amount of dry gas reserves added in 2014 was insufficient to offset the level of production in 2014, which amounted to 1,511 billion cubic feet of dry gas.

During 2014, 986.9 million barrels of oil equivalent were reclassified from proved undeveloped, probable and possible reserves to proved developed reserves, at a cost of Ps. 188,951 million. Field development activities, including well drilling and completion, contributed most significantly to the reclassification of proved undeveloped, probable and possible reserves to proved developed reserves, accounting for 891.1 million barrels of oil equivalent, or 90.3%, of the total amount of reclassified reserves in 2014. The only fields containing material volumes of the proved reserves that have remained undeveloped for five years or more are the Ayatsil and Ayín fields, which are both located offshore. These fields remain undeveloped due to delays in construction related to certain unique field characteristics. In particular, the design of the development plan for the Ayatsil field, the larger of the two, has required additional time due to the complexity of this project, which is expected to be Pemex-Exploration and Production's first offshore project producing extra-heavy crude oil. As of the date of these consolidated financial statements, three drilling platforms have been installed at the Ayatsil field and drilling activity is expected to begin in the near future. PEMEX also expects to continue developing the Ayín field during 2015. In addition, pursuant to Round Zero, PEMEX was assigned the right to produce 398 million barrels of oil equivalent of proved reserves through temporary assignments for a two-year period in order to ensure the continuity of operations at these producing fields until they are subject to a competitive bidding round.

The following three tables of crude oil and dry gas reserves set forth PEMEX's estimates of its proved reserves determined in accordance with Rule 4-10(a).

Summary of oil and gas ⁽¹⁾ proved reserves as of December 31, 2014 based on average fiscal year prices

	Crude oil and Condensates ⁽²⁾ (in millions of barrels)	Dry Gas ⁽³⁾ (in billions of cubic feet)
Proved developed and undeveloped reserves:		
Proved developed reserves	7,141	6,740
Proved undeveloped reserves	<u>3,151</u>	<u>4,119</u>
Total proved reserves	<u>10,292</u>	<u>10,859</u>

Note: Numbers may not total due to rounding.

(1) PEMEX does not currently produce synthetic oil or synthetic gas, or other natural resources from which synthetic oil or synthetic gas can be produced.

(2) Crude oil and condensate reserves include the fraction of liquefiable hydrocarbons recoverable in natural gas processing plants located at fields.

(3) Reserve volumes reported in this table are volumes of dry gas, although natural gas production reported in other tables refers to sour wet gas. There is a shrinkage in volume when natural gas liquids and impurities are extracted to obtain dry gas. Therefore, reported natural gas volumes are greater than dry gas volumes.

Source: Pemex-Exploration and Production.

Crude oil and condensate reserves (including natural gas liquids) ⁽¹⁾

	<u>2014</u>	<u>2013</u>	<u>2012</u>
	(in millions of barrels)		
Proved developed and undeveloped reserves:			
At January 1	11,079	11,424	11,362
Revisions ⁽²⁾	95	630	1,012
Extensions and discoveries	119	62	103
Production	<u>(1,001)</u>	<u>(1,037)</u>	<u>(1,053)</u>
At December 31	<u>10,292</u>	<u>11,079</u>	<u>11,424</u>
Proved developed reserves at December 31	7,141	7,360	7,790
Proved undeveloped reserves at December 31	3,151	3,719	3,634

Note: Numbers may not total due to rounding.

- (1) Crude oil and condensate reserves include the fraction of liquefiable hydrocarbons recoverable in natural gas processing plants located at fields.
- (2) Revisions include positive and negative changes due to new data from well drilling, and revisions made when actual reservoir performance differs from expected performance.

Source: Pemex-Exploration and Production.

Dry gas reserves

	<u>2014</u>	<u>2013</u>	<u>2012</u>
	(in billions of cubic feet)		
Proved developed and undeveloped reserves:			
At January 1	12,273	12,713	12,734
Revisions ⁽¹⁾	4	1,010	1,377
Extensions and discoveries	93	89	162
Production ⁽²⁾	<u>(1,511)</u>	<u>(1,539)</u>	<u>(1,560)</u>
At December 31	<u>10,859</u>	<u>12,273</u>	<u>12,713</u>
Proved developed reserves at December 31	6,740	7,461	7,951
Proved undeveloped reserves at December 31	4,119	4,811	4,762

Note: Numbers may not total due to rounding.

- (1) Revisions include positive and negative changes due to new data from well drilling, and revisions made when actual reservoir performance differs from expected performance.
- (2) Production refers here to dry gas, although natural gas production reported in other tables refers to sour wet gas. There is a shrinkage in volume when natural gas liquids and impurities are extracted to obtain dry gas. Therefore, reported natural gas volumes are greater than dry gas volumes.

Source: Pemex-Exploration and Production.

Pemex-Exploration and Production's reserves replacement rate ("RRR") for a given period is calculated by dividing the sum of proved reserves additions due to discoveries, developments, delineations and revisions by that period's total production. In 2014, the RRR was 18.0%, which was 49.8 percentage points lower than the 2013 RRR of 67.8%. The fact that the RRR was less than 100% in 2014 represents a decline in proved reserves during this period. This significant decrease in the RRR in 2014 as compared to 2013 primarily reflects the one-time impact of Round Zero, through which PEMEX was assigned 95.9% of the proved reserves that it had the right to extract and sell in 2013. This decrease also resulted from a reduction in field development activities, as only 511 wells were completed in 2014, which represents a 34.1% decrease as compared to 2013. If PEMEX were to include in the calculation of the RRR in 2014 the 637.2 million barrels of oil equivalent of proved reserves that were not assigned to it as part of Round Zero, the RRR for this period would have totaled 67.4%, or 0.4 percentage points lower than the 2013 RRR.

PEMEX's goal is to increase the RRR during 2015, in part by increasing its proved reserves over the coming years. PEMEX aims to accomplish this primarily through the development of the Ku-Maloob-Zaap, Crudo Ligerio Marino and ATG projects, as well as through the performance of delineation activities. PEMEX has developed these objectives based on reserves estimates, which are subject to the uncertainty and risks associated with hydrocarbon exploration and production activities. Additionally, future decisions regarding authorized exploration and exploitation investment levels may lead to related changes.

PEMEX's reserves production ratio, which is presented in terms of years, is calculated by dividing the estimated remaining reserves at the end of the relevant year by the total production of hydrocarbons for that year. As of December 31, 2014, this ratio was equal to 9.6 years for proved reserves, which represents a decrease of 4.9% as compared to the 2013 reserves production ratio of 10.1 years for proved reserves.

- f. Standardized measure of discounted future net cash flows related to proved oil and gas reserves (unaudited)

The standardized measure tables presented below relate to proved oil and gas reserves excluding proved reserves scheduled to be produced after the year 2039. This measure is presented in accordance with ASC Topic 932.

Estimated future cash inflows from production are computed by applying average prices of oil and gas of the first day of each month of 2014. Future development and production costs are those estimated future expenditures needed to develop and produce the year-end estimated proved reserves after a net cash flows discount factor of 10%, assuming constant year-end economic conditions.

Future tax expenses are computed by applying the appropriate year-end statutory tax rates with consideration of the tax rates of the new fiscal regime for Pemex-Exploration and Production already legislated for 2015 to the future pre-tax net cash flows related to PEMEX's proved oil and gas reserves.

The estimated future payment of taxes was calculated based on fiscal regime applicable by decree to Pemex-Exploration and Production effective January 1, 2015.

The standardized measure provided below represents a comparative benchmark value rather than an estimate of expected future cash flows or fair market value of PEMEX's production rights. There are numerous uncertainties inherent in estimating quantities of proved reserves and in projecting future rates of production and timing of development expenditures, including many factors beyond the control of the producer. Accordingly, reserve estimates may be materially different from the quantities of crude oil and natural gas that are ultimately recovered.

Standardized measure of discounted future net cash flows as of December 31

	2014		2013		2012	
			(in millions of dollars)			
Future cash inflows	US\$	757,794	US\$	931,874	US\$	974,411
Future production costs (excluding taxes)		(112,421)		(135,211)		(124,485)
Future development costs		(37,019)		(46,339)		(46,146)
Future cash flows before tax		608,353		750,324		803,780
Future production and excess gains taxes		(543,743)		(634,371)		(664,343)
Future net cash flows		64,610		115,953		139,437
Effect of discounting net cash flows by 10%		(19,949)		(34,996)		(41,913)
Standardized measure of discounted future net cash flows	US\$	44,661	US\$	80,957	US\$	97,524

Note: Table amounts may not total due to rounding.

To comply with ASC Topic 932, the following table presents the aggregate standardized measure changes for each of the last three years and significant sources of variance:

Changes in standardized measure of discounted future net cash flows

	<u>2014</u>		<u>2013</u> (in millions of dollars)		<u>2012</u>	
Sales of oil and gas produced, net of production costs	US\$	(69,582)	US\$	(82,802)	US\$	(87,609)
Net changes in prices and production costs		(79,617)		(61,268)		(58,215)
Extensions and discoveries		3,022		4,280		6,315
Development cost incurred during the year		14,215		14,224		11,431
Changes in estimated de- velopment costs		(7,086)		(12,625)		(17,466)
Reserves revisions and timing changes		(13,432)		49,091		58,150
Accretion of discount of pre- tax net cash flows		51,504		54,280		56,921
Net changes in production and excess gains taxes		<u>64,678</u>		<u>18,253</u>		<u>(9,899)</u>
Aggregate change in stan- dardized measure of dis- counted future net cash flows	US\$	<u>(36,296)</u>	US\$	<u>(16,567)</u>	US\$	<u>(40,372)</u>
Standardized measure:						
As of January 1	US\$	80,957	US\$	97,524	US\$	137,896
As of December 31		<u>44,661</u>		<u>80,957</u>		<u>97,524</u>
Change	US\$	<u>(36,296)</u>	US\$	<u>(16,567)</u>	US\$	<u>(40,372)</u>

Note: Table amounts may not total due to rounding.

In computing the amounts under each factor of change, the effects of variances in prices and costs are computed before the effects of changes in quantities. Consequently, changes in reserves are calculated at December 31 prices and costs. The change in computed taxes includes taxes effectively incurred during the year and the change in future tax expense.