

Rating Action

Moody's Ratings upgrades PEMEX's ratings to B1; stable outlook

New York, September 08, 2025 -- Moody's Ratings (Moody's) confirmed Petroleos Mexicanos' (PEMEX) Baseline Credit Assessment (BCA) of ca, which reflects its standalone credit strength. At the same time, we upgraded PEMEX's Corporate Family Rating (CFR), the backed senior unsecured ratings on the company's existing notes, as well as the backed senior unsecured ratings of Pemex Project Funding Master Trust, to B1 from B3. We also upgraded both entities' backed senior unsecured MTN program to (P)B1 from (P)B3 respectively. The outlooks were changed to stable from ratings under review. Previously, the ratings were on review for upgrade. These rating actions conclude the review for upgrade that was initiated on 18 August 2025.

"The ratings upgrade reflects a stronger commitment from the current administration of the Government of Mexico to support PEMEX meet its financial obligations. The Strategic Plan 2025–2035 marks a shift in the government's approach, with three coordinated transactions that represent a meaningful step toward strengthening PEMEX's financial position for the next five years. However, PEMEX continues to face persistent structural challenges, which we expect will continue to pressure its financial performance and result in sustained negative free cash flow," said Roxana Muñoz, Vice President – Senior Credit Officer at Moody's Ratings.

RATINGS RATIONALE

The confirmation of PEMEX's Baseline Credit Assessment (BCA) of ca reflects our expectation that the company will continue to generate negative free cash flow as a result of persistent operational challenges, including declining production due to limited capital investment and ongoing losses in the refining segment.

While the Strategic Plan outlines the potential use of the Investment Fund to support capital expenditures further details will be key to assessing its viability and attractiveness to private sector participants. Although this strategy represents an important step toward improving PEMEX's liquidity conditions, the company still faces significant cash needs related to operational losses, supplier payments and debt amortizations. Unless structural measures are implemented to effectively reduce these cash requirements, the ratings will remain constrained.

The upgrade to B1 incorporates our revised assumption of government support to Very High from High. The change reflects recent actions taken by the Government of Mexico under "PEMEX's Strategic Plan 2025-2035", which signal a structural shift in the level of support provided to the company. PEMEX, in coordination with Mexico's Ministry of Finance and Mexico's Ministry of Energy, is executing a financing strategy under which Mexico will commit future equity-like contributions to PEMEX through the \$12 billion P-CAP structure and will partially fund investments in the upstream business and suppliers through the Investment Fund for PEMEX. Additionally, PEMEX has launched a tender offer of up to \$9.9 billion for its long-term debt, supported by government transfers funded through sovereign debt issuance.

While these measures provide short-term relief to PEMEX's liquidity pressures—particularly around revolving credit facilities, credit lines, and upcoming maturities—the company's ca BCA continues to reflect substantial funding needs. These are estimated at approximately \$7 billion per year in both 2026 and 2027, driven by ongoing operational challenges and remaining debt maturities.

PEMEX's B1 ratings take into consideration our joint default analysis, which includes the rating agency's assumptions of Very High government support in case of need and Very High default correlation between PEMEX and the Government of Mexico, resulting in six notches of uplift from the company's ca BCA. Given the strong linkages between PEMEX and the Government of Mexico, governance risk remains a relevant consideration in the rating action.

PEMEX has weak liquidity and is highly dependent on government support. On 30 June 2025, the company had \$5.1 billion in cash and available committed revolving credit facilities equivalent to MXN 7.5 billion and \$500 million to address debt maturities. In addition, we estimate that it will have substantial negative free cash flow over the next 12-18 months, driven by insufficient operating cash generation to pay interest expenses, taxes and capex.

The stable outlook on PEMEX's ratings is based on our expectation that the company's business strategy and financial profile will remain unchanged in the next 12-18 months.

FACTORS THAT COULD LEAD TO AN UPGRADE OR DOWNGRADE OF THE RATINGS

An upgrade of PEMEX's ratings could arise if PEMEX puts in place a sustainable strategy with evidence of recovery of the operating performance and cash flow generation. Factors that could lead to an upgrade of the BCA and potentially a higher rating for PEMEX would include the ability to