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UNITED MEXICAN STATES

Debt Exchange Warrants 2005-2007

October 5, 2007

Debt Exchange Warrants 2005 - 2007



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Transaction Rationale

- ❑ The main objective of the United Mexican States' (UMS) public debt policy has been to cover its financing needs at the most favorable cost conditions, subject to a prudent level of risk
- ❑ The positive evolution of local debt markets in Mexico has allowed the government to rely exclusively on domestic debt to finance its borrowing needs and to substitute external for domestic debt
- ❑ The Debt Exchange Warrants are financial instruments that give the holder the right, but not the obligation, to exchange on an exercise date, USD and Euro denominated Global bonds for fixed rate peso denominated bonds
- ❑ In general, Debt Exchange Warrants offer optionality that can be successfully utilized as a frictionless exchange mechanism in the process of reducing external debt and strengthening Mexico's public debt structure

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Transaction Rationale

These transactions allow UMS to continue working towards the achievement of its Debt Management objectives:

External Debt

- Improving the terms and conditions of the external debt**
 - Reduce the outstanding amount of non benchmark Global bonds via Warrants exercise
 - Yield curve management through the cancellation of off-the-run global bonds
 - Improve the internal-to-external debt ratio
- Developing and strengthening benchmark global bonds**
 - Increase the relative outstanding amount of benchmark global bonds

Domestic Debt

- Broadening the investor base for Domestic Bonds**
 - UMS expects the warrant exercise may contribute to bolster foreign investor participation in the domestic market
- Increase the reliance on domestic financing sources and increase the liquidity of the MBono curve**
 - Increase the outstanding amount of domestic bonds
- Improving liquidity of local debt markets**

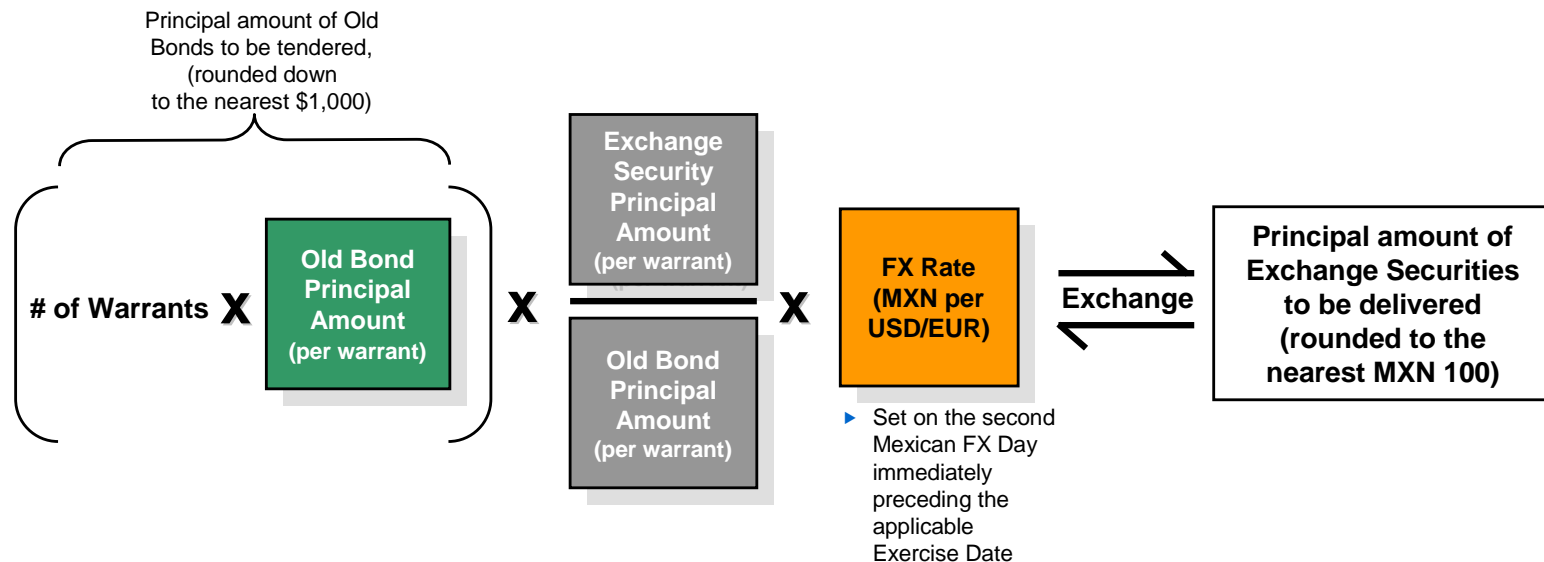
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Exchange Amounts Calculation

- Upon expiration of the Warrants, if exercised, the principal amount in MXN of Exchange Securities that each Warrant holder is entitled to receive will be calculated as follows:



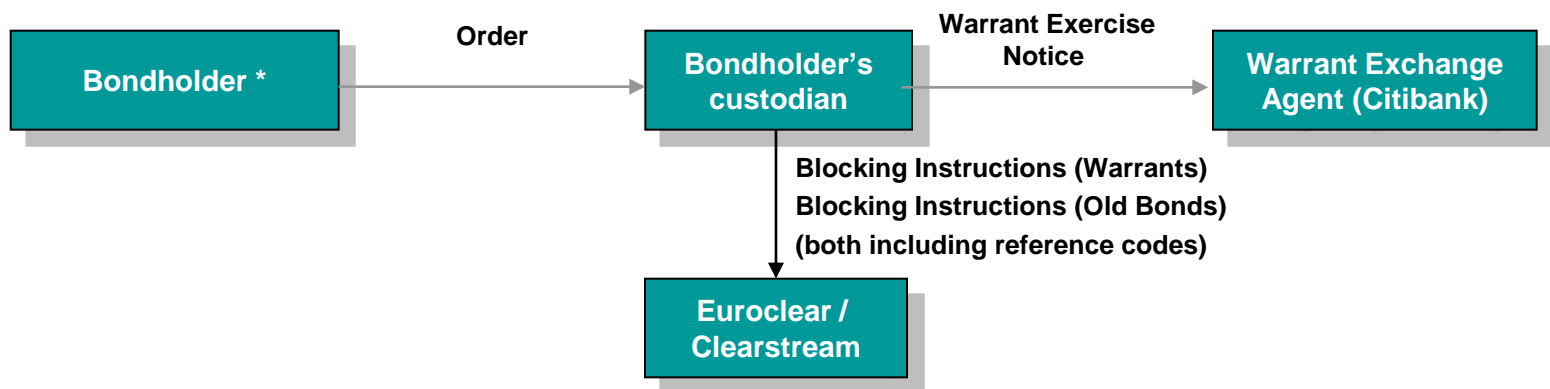
- There are no cash payments. No cash payment will be made for accrued interest on Old Bonds tendered, holders will not be required to pay accrued interest on the Exchange Securities and no cash payment will be made in respect of rounding.

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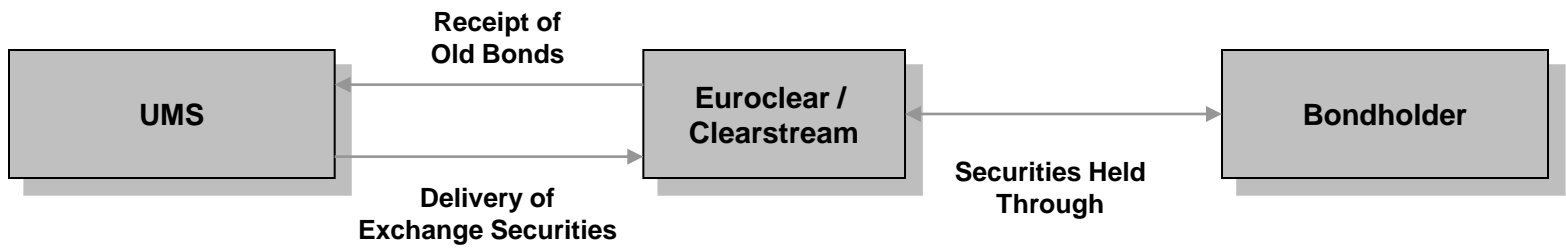


Logistics

Exercise Date



Settlement Date



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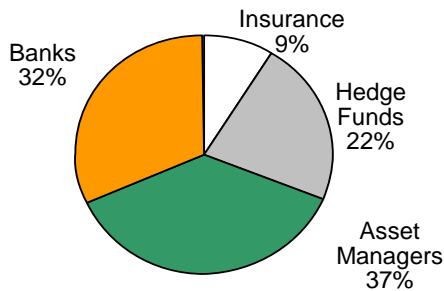


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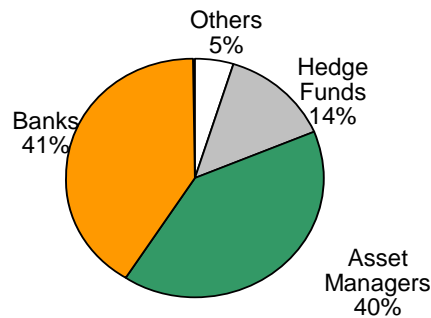
Warrant Issuance 2005 & 2006

- ❑ The deal in dollars generated US\$11.5 billion in demand, more than 7.5x the announced US\$1.5 billion minimum size. The exceptional demand resulted in Mexico increasing the issue size to US\$2.5 billion
- ❑ The deal in euros generated EUR€1.5 billion in demand, 2.5x the amount allocated of EUR€600 million

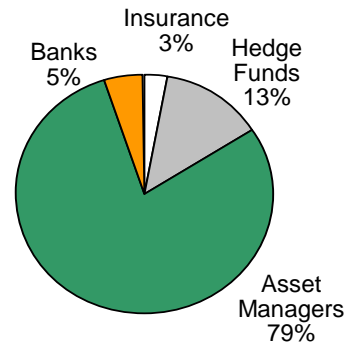
XW5
Investor distribution by type



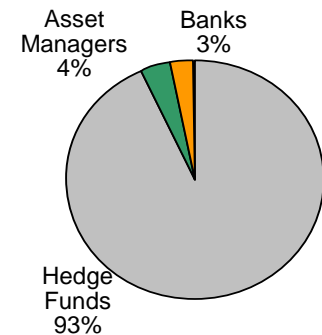
XW10



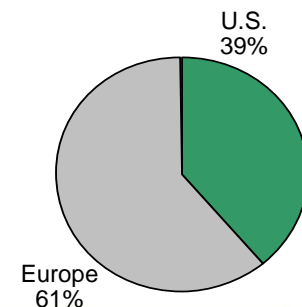
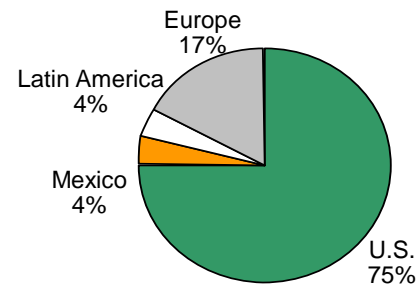
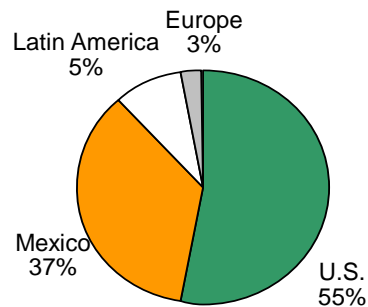
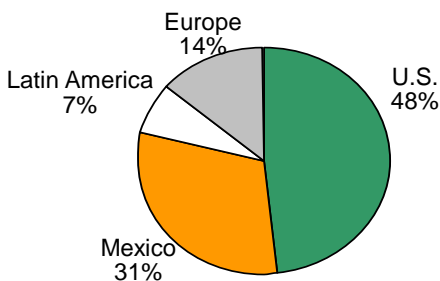
XW20



XWE



Investor distribution by region



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Warrant Exercise 2005 & 2006

XW05 (dollars)		XW10 (dollars)		XW20 (dollars)		XWE (euros)	
UMS cancelled	Amount (md)	UMS cancelled	Amount (md)	UMS cancelled	Amount (md)	UMS cancelled	Amount (me)
9.875% due 2007	179	7.50% due 2012	189	8.125% due 2019	265	9.125% due 2007	27
8.625% due 2008	118	6.375% due 2013	254	8% due 2022	9	7.375% due 2008	43
10.375% due 2009	224	5.875% due 2014	369	11.5% due 2026	5	8% due 2008	52
9.875% due 2010	67	11.375% due 2016	94	8.30% due 2031	31	8.25% due 2009	75
8.375% due 2011	311			7.5% due 2033	98	7.5% due 2010	169
						5.375% due 2013	6
						10% due 2013	42
						11% due 2017	80
	899		905		408		494
M bonds delivered	Amount (mp)	M bonds delivered	Amount (mp)	M bonds delivered	Amount (mp)	M bonds delivered	Amount (mp)
9.00% due 2011	10,268	9.50% due 2014	10,310	10.00% due 2024	4,954	8.0% due 2013	0
						8.0% due 2023	8,586
	10,268		10,310		4,954		8,586

Debt Exchange Warrants 2005 - 2007



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Warrants 2007: New Features

Mexico decided to execute a new transaction with additional features that provided investors with several benefits:

- ❑ The USD Units are comprised of two series of Warrants with the same structure but different exercise dates:
 - Issuing USD Warrants as a Unit aims to improve secondary market liquidity
 - Two exercise dates for USD Warrants intends to diversify in time the substitution of external for domestic debt
- ❑ Broader basket of Old Bonds (cheapest-to-deliver dynamics) and Exchange Securities (richest-to-receive dynamics)
- ❑ Condition to Exercise: A holder will only be able to exercise Warrants and receive Exchange Securities if such Exchange Securities are trading on the applicable Exercise Date at a price higher than their respective Threshold Trading Level (OID level)
- ❑ Units and Warrants will be priced and allocated through an auction. The auction worked as a transparent price-discovery mechanism for investors to express their views on the value of the Warrants

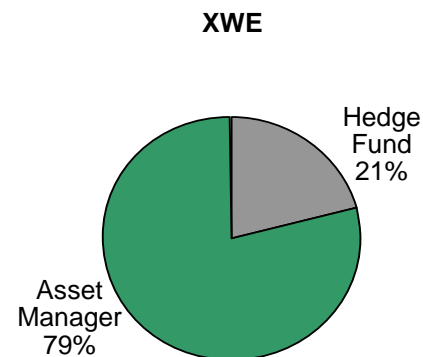
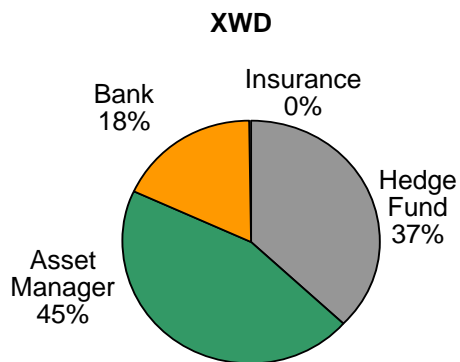
Debt Exchange Warrants 2005 - 2007



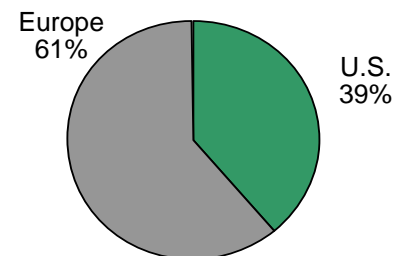
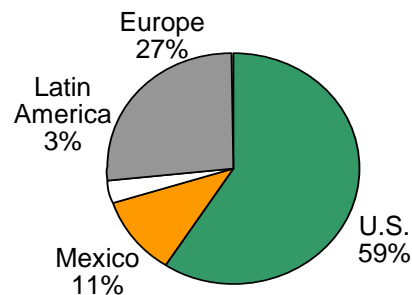
Warrant Issuance 2007

- ❑ The deal in dollars generated US\$3.5 billion in demand, more than 1.8x the announced US\$2.0 billion minimum size
- ❑ The deal in euros generated EUR€530 million in demand, 1.1x the amount allocated of EUR€500 million

INVESTOR DISTRIBUTION
BY TYPE



INVESTOR DISTRIBUTION
BY REGION



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Warrant Exercise 2007

XWDA07 (dollars)

UMS cancelled	Amount (md)
10.375% due 2009	
9.875% due 2010	
8.375% due 2011	
7.50% due 2012	
6.375% due 2013	
5.875% due 2014	
6.625% due 2015	
11.375% due 2016	
8.125% due 2019	
8% due 2022	
8.30% due 2031	
7.5% due 2033	

*To be exercised
October*

XWDB07 (dollars)

UMS cancelled	Amount (md)
10.375% due 2009	
9.875% due 2010	
8.375% due 2011	
7.50% due 2012	
6.375% due 2013	
5.875% due 2014	
6.625% due 2015	
11.375% due 2016	
8.125% due 2019	
8% due 2022	
8.30% due 2031	
7.5% due 2033	

*To be exercised
November*

XWE07 (euros)

UMS cancelled	Amount (me)
7.375% due 2008	25
8% due 2008	2
8.25% due 2009	27
7.5% due 2010	8
5.375% due 2013	88
10% due 2013	1
4.25% due 2015	136
11% due 2017	0
5.5% due 2020	188

474

Mbonds Delivered

Mbonds Delivered	Amount (mp)
------------------	-------------

9.50% due 2014	
10.00% due 2024	

Mbonds Delivered

Mbonds Delivered	Amount (mp)
------------------	-------------

9.50% due 2014	
10.00% due 2024	

Mbonds Delivered

Mbonds Delivered	Amount (mp)
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9.50% due 2014	252
10.00% due 2024	6,134

6,386

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Final Remarks

Through the successful exercise of the Debt Exchange Warrants, Mexico achieves several objectives, including:

- ❑ Reduction of external debt
- ❑ Substitution of external for domestic debt
- ❑ Better terms and conditions of the external debt portfolio
- ❑ Yield curve management (both foreign currencies and Mexican pesos)
- ❑ Broadening the investor base for domestic bonds (new foreign investors)
- ❑ Improving liquidity of local debt markets
- ❑ Strengthening benchmark global bonds



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