LISTING PARTICULARS

US$4,500,000,000

Petróleos de Venezuela, S.A.

Unconditionally and Irrevocably Guaranteed by PDVSA Petróleo, S.A.

6.00% Senior Notes due 2026

Our 6.00% senior notes due 2026, or the Notes, are being offered by Petróleos de Venezuela, S.A., or PDVSA or the Issuer, a corporation (*sociedad anónima*) organized under the laws of the Bolivarian Republic of Venezuela, or Venezuela. The Notes will be unconditionally and irrevocably guaranteed, or the Guaranty, by PDVSA Petróleo, S.A., or the Guarantor, a corporation (*sociedad anónima*) organized under the laws of Venezuela that is wholly owned by PDVSA. The Notes and the Guaranty will be the unsecured, senior obligations of the Issuer and the Guarantor and will rank *pari passu* with all other senior unsecured obligations of the Issuer and the Guarantor, in each case other than obligations granted preferential treatment pursuant to the laws of Venezuela.

The Notes will mature on November 15, 2026 and will bear interest at the rate of 6.00% per annum payable semiannually on each November 15 and May 15, commencing on May 15, 2014. Principal payments on the Notes will be payable in three equal installments. The first principal installment will be payable on November 15, 2024, the second will be payable on November 15, 2025 and the third will be payable on the maturity date. The Issuer may redeem the Notes in whole or in part at any time or from time to time by paying the then outstanding principal amount of the Notes and a "make-whole" amount, if applicable plus accrued and unpaid interest. See "*Description of the Notes—Redemption*."

Investing in the Notes involves risks. See "*Risk Factors*" beginning on page 13.

Price for Notes: 100%

Application has been made to list the Notes on the Official List of the Luxembourg Stock Exchange and to trade them on the Euro MTF market of such exchange. These listing particulars constitute a prospectus for the purposes of Luxembourg law dated July 10, 2005 on Prospectuses for Securities, as amended.

Neither the Notes nor the Guaranty have been nor will be registered under the U.S. Securities Act of 1933, as amended, or the "Securities Act," or any state securities laws. The Notes may not be offered or sold within the United States or to U.S. Persons, except to "qualified institutional buyers" (as defined in Rule 144A under the Securities Act) ("QIBs") in reliance on the exemption from registration provided by Rule 144A and to certain persons in offshore transactions in reliance on Regulation S under the Securities Act. You are hereby notified that sellers of the Notes may be relying on the exemption from the provisions of Section 5 of the Securities Act provided by Rule 144A. For a description of certain restrictions on resale or transfer of the Notes, see "*Transfer Restrictions*" in these listing particulars.

The issuance of the Notes has been authorized by the Venezuelan Securities Superintendency *(Superintendencia Nacional de Valores)* pursuant to Article 2 of the Venezuelan Securities Law *(Ley de Mercado de Valores)*. Delivery of the Notes was made in book-entry form through The Depository Trust Company ("DTC"), as depositary, for the accounts of its participants including Euroclear Bank S.A./N.V. ("Euroclear") and Clearstream Banking, société anonyme, Luxembourg ("Clearstream") on or about November 15, 2013. See "*Description of the Notes—Book-Entry; Delivery and Form*."

The Notes were issued on November 15, 2013. The initial offering of the Notes was carried out in compliance with the transfer restrictions set forth under the heading "Transfer Restrictions" in these listing particulars.

Lead Structuring Agent

Citigroup

Structuring Agent

Evrofinance Mosnarbank

April 4, 2014

Table of Contents

	Page
Summary	1
The Offering	6
Summary Consolidated Financial and Operating Information	9
Risk Factors	13
Use of Proceeds	23
Capitalization	24
Selected Financial and Operating Data	25
Management's Discussion and Analysis of Financial Condition and Results of Operations	29
Business	54
Management and Employees	92
Principal Shareholders	98
Related Party Transactions	99
Tax Considerations	102
Description of the Notes	107
Structuring Agents	131
Transfer Restrictions	134
Legal Matters	137
Independent Auditors	137
Available Information	137
General Information	139
Subscription and Sale	141
Technical and Regulatory Terms	142
Index to the Consolidated Financial Statements	146

These listing particulars have been prepared by us solely for use in connection with the proposed offering of the securities described in these listing particulars. These listing particulars are personal to each offeree and does not constitute an offer to any other person or to the public generally to subscribe for or otherwise acquire securities. You are authorized to use these listing particulars solely for the purpose of considering the purchase of our Notes.

In making an investment decision, prospective investors must rely on their own examination of the Issuer and the Guarantor and the terms of the offering, including the merits and risks involved. Prospective investors should not construe anything in these listing particulars as legal, business or tax advice. Each prospective investor should consult its own advisors as needed to make its investment decision and to determine whether it is legally permitted to purchase the securities under applicable legal investment or similar laws or regulations.

We have furnished the information in these listing particulars. You acknowledge and agree that, Citigroup Global Markets Inc. and Evrofinance Mosnarbank, or the Structuring Agents, make no representation or warranty, express or implied, as to the accuracy or completeness of such information, and nothing contained in these listing particulars is, or shall be relied upon as, a promise or representation by the Structuring Agents. These listing particulars contain summaries believed to be accurate with respect to certain documents, but reference is made to the actual documents for complete information. All such summaries are qualified in their entirety by such reference. Copies of documents referred to herein will be made available to prospective investors upon request to us or the Structuring Agents. The information set forth or incorporated by reference in these listing particulars is accurate only as of the date of these listing particulars, regardless of the time of delivery of these listing particulars or of any sale of the Notes.

The distribution of these listing particulars and the offering and sale of the Notes in certain jurisdictions may be restricted by law. We and the Structuring Agents require persons into whose possession these listing particulars comes to inform themselves about and to observe any such restrictions. These listing particulars do not constitute an offer of, or an invitation to purchase, any of the Notes in any jurisdiction in which such offer or sale would be unlawful.

A portion of the Notes will be offered to certain of PDVSA's suppliers and vendors in satisfaction of accounts payable owed by PDVSA to them. Such Notes will be offered to such suppliers directly by PDVSA outside of the scope of the Structuring Agent Agreement without the involvement of the Structuring Agents. See "*Use of Proceeds*" for further information regarding such offers.

Application has been made to list the Notes on the Official List of the Luxembourg Stock Exchange and to trade them on the Euro MTF market of such exchange. If, as a result of applicable rules and regulations relating to trading on the Euro MTF market, we are required to publish financial information either more regularly than we otherwise would be required to or according to accounting principles which are materially different from the accounting principles which we would otherwise use to prepare our published financial information, we may delist the Notes from the Euro MTF market or seek an alternate admission to listing, trading and/or quotation for the Notes on a different section of the Luxembourg Stock Exchange or by such other listing authority, stock exchange and/or quotation system inside or outside the European Union as we may decide.

We have prepared these listing particulars solely for use in connection with the offer of the Notes and take responsibility for its contents. No other person is responsible for its contents. We and other sources we believe to be reliable have furnished the information contained in these listing particulars. Nothing contained in these listing particulars is or shall be relied upon as a promise or representation, whether as to the past or the future. The opinions and intentions expressed in these listing particulars with regard to us are honestly held, have been reached after considering all known relevant circumstances and are based on reasonable assumptions, and all reasonable inquiries have been made by us to ascertain such facts and to verify the accuracy of all such information and statements. We accept responsibility accordingly.

You must comply with all laws and regulations in force in any jurisdiction in connection with the possession or distribution of these listing particulars and the purchase, offer or sale of the Notes, and you must obtain any required consent, approval or permission for the purchase, offer or sale by you of the Notes under the laws and regulations applicable to you in force in any jurisdiction to which you are subject or in which you make purchases, offers or sales, and neither we nor the Structuring Agents have any responsibility for those transactions. See "*Transfer Restrictions*."

You acknowledge that (1) you have been afforded an opportunity to request from us, and to review, all additional information considered by you to be necessary to verify the accuracy of, or to supplement, the information contained in these listing particulars, (2) you have not relied on us, the Structuring Agents or any person affiliated with us or the Structuring Agents in connection with your investigation of the accuracy of the information or your investment decision, and (3) no person has been authorized to give any information or to make any representation concerning us or the Notes other than as contained in these listing particulars. If given or made, that other information or representation should not be relied upon as having been authorized by us or the Structuring Agents.

In making an investment decision, you must rely on your own examination of our business and the terms of the offering, including the merits and risks involved. The Notes have not been recommended by any federal or state securities commission or regulatory authority. Furthermore, these authorities have not confirmed the accuracy or determined the adequacy of these listing particulars. Any representation to the contrary is a criminal offense.

The Notes and the Guaranty have not been, and will not be, registered under the Securities Act or the securities of any state or other jurisdiction of the United States and may not be offered or sold in the United States except in transactions exempt from or not subject to the registration requirements of the Securities Act and any applicable state securities laws. The Notes will be available initially only in book-entry form. We expect that the Notes offered and sold in the United States to QIBs in reliance upon Rule 144A will be represented by beneficial interests in a permanent global note in fully registered form without interest coupons, or the "Rule 144A Note Global Note". We expect that the Notes offered and sold outside the United States to non-U.S. Persons pursuant to Regulation S will be represented by beneficial interests in a permanent global note in fully registered form without interest coupons, or the "Regulation S Note Global Note" and, together with the Rule 144A Global Note, the "global notes". The global notes will be deposited with The Depository Trust Company. Notes shall be issued in minimum denominations of U.S. $100 and integral multiples of U.S. $1.00 in excess thereof. See "*Description of the Notes*" for further discussion of these matters.

The purchase and sale of the Notes in the secondary market in Venezuela in transactions payable in Bolívars by individuals and legal entities domiciled in Venezuela can occur only through universal banks and microfinance banks acting through the Complementary System of Currency Management (*Sistema Complementario de Administración de Divisas*) ("SICAD") unless otherwise authorized by Banco Central de Venezuela (the "Central Bank"), in accordance with the terms and conditions set forth by the Central Bank in its instruction manuals and procedures pursuant to the Resolution No. 13-07-01 published in the Official Gazette No. 40,201 dated July 4, 2013 and the Foreign Exchange Agreement No. 22 dated July 2, 2013 and published in the Official Gazette No. 40,199 dated July 2, 2013.

Enforcement of Judgments

Under Venezuelan law, no company or its property, including PDVSA, has any immunity from the jurisdiction of any court or from set-off of any legal process (whether through service or notice, attachment prior to judgment, attachment in aid of execution of judgment, execution or otherwise), except that pursuant to Article 99 of the Law of the Office of the Attorney General of Venezuela (*Ley Orgánica de la Procuraduría General de la República*) an attachment prior to judgment, attachment in aid of execution, execution or otherwise, on our properties located in Venezuela that are related to the rendering of a public service, such as oil and gas distribution and transportation, must be stayed for a period of 45 days after notice is given to the Venezuelan Attorney General pursuant to which the Venezuelan government may take any action in order to avoid interruption of the services, including taking possession of such assets if such attachment endangers the continuity, quality or security of the services provided. If the Venezuelan Attorney General does not notify the court about the provisional measures taken by the relevant entity to avoid discontinuance of the service within such 45-days' notice, the court may continue with such enforcement or foreclosure.

A foreign judgment arising in connection with the Notes, the Guaranty or the Indenture rendered by any court referred to above would be enforceable against us and the Guarantor in the courts of Venezuela subject to obtaining a confirmatory judgment (exequatur) from the Supreme Court of Justice (*Tribunal Supremo de Justicia*) in Venezuela, in accordance with the provisions and conditions of the Venezuelan Private International Law (*Ley de Derecho Internacional Privado*), without a review of the merits of the judgment, provided that: (i) the foreign judgment concerns matters of private civil or commercial law only; (ii) the foreign judgment constitutes *res judicata* under the laws of the jurisdiction where it was rendered; (iii) the foreign judgment does not relate to real property interests over real property located in Venezuela and the exclusive jurisdiction of Venezuelan courts over the matter has not been violated; (iv) the foreign courts have jurisdiction over the matter pursuant to the general principles of jurisdiction set forth in Chapter IX of the International Private Law (*Ley de Derecho Internacional Privado*) in Venezuela; (v) we and the Guarantor (as the case may be) are duly served, with sufficient time to appear in the proceedings and are granted due process; (vi) the foreign judgment is not incompatible with a prior judgment that constitutes *res judicata* and no proceeding initiated prior to the rendering of the foreign judgment is pending before Venezuelan courts on the same subject matter among the same parties to litigation; and (vii) the foreign judgment does not contravene the essential principles of Venezuelan public policy.

Presentation of Information

As used in these listing particulars, unless the context requires otherwise, the terms "we," "us" and "our" refer to Petróleos de Venezuela, S.A. on a consolidated basis with our subsidiaries. We and the Guarantor prepare consolidated financial statements in U.S. dollars and in conformity with International Financial Reporting Standards, or IFRS. In these listing particulars, references to "U.S. dollars," "dollar," "US$" and "$" are to the legal currency of the United States of America and references to "Bolívar," "Bolívares" and "Bs." are to the Venezuelan Bolívar, the legal currency of Venezuela.

Pursuant to Decree No. 5,229 of the President of Venezuela, as published in the Official Gazette No. 38,638 of March 6, 2007, the government of Venezuela implemented a redenomination of the Bolívar, which became fully effective on January 1, 2008.

Under the redenomination plan, all amounts expressed in the national currency before the redenomination were thereafter divided by 1,000. The measure established a new monetary scale that eliminated three zeroes from all denominations of the national currency. In preparation for the conversion, the adjective "Fuerte" was, for a transition period ended on January 1, 2009, added to the word "Bolívar," to make it "Bolívar Fuerte." Additionally, all prices had to be expressed in both Bolívares and Bolívares Fuertes from October 1, 2007 until January 1, 2008.

The title "Bolívar Fuerte" was rescinded on January 1, 2009. Since that date, the domestic currency of Venezuela is again officially referred to as the Bolívar. Accordingly, all references herein to Venezuela's currency will be to the Bolívar or Bolívares (and not the Bolívar Fuerte or Bolívares Fuertes). Except as expressly noted herein, all Bolívar figures included in these listing particulars, whether for periods prior to or after the effective date of the redenomination plan, are expressed in redenominated Bolívares.

For the convenience of the reader, certain amounts originally reflected in Bolívars have been translated into U.S. dollars at the exchange rate in effect as of the date of the applicable transaction. See "*Management's Discussion and Analysis of Financial Condition and Results of Operations - Impact of Inflation and Devaluation*" for information regarding the U.S. dollar to Bolívar exchange rate.

Certain figures included in these listing particulars have been subject to rounding adjustments. Accordingly, figures shown for the same category presented in different tables may vary slightly, and figures shown as totals in certain tables may not be an arithmetic aggregation of the figures that precede them.

Our fiscal year ends on December 31.

Forward-Looking Statements

These listing particulars contain forward-looking statements as described under the U.S. Private Securities Litigation Reform Act of 1995, as amended, specifically, certain statements relating to the expected results of exploration, drilling and production activities, refining processes, gas, and related capital expenditures and investments, the expected results of joint venture projects, the anticipated demand for new or improved products, environmental compliance and remediation and related capital expenditures, sales, taxes, dividends and contributions to Venezuela. Words such as "anticipate," "estimate," "project," "expect," "intend" and similar expressions are used to identify forward-looking statements. Forward-looking statements are subject to risks and uncertainties related to Venezuelan and international oil and gas markets, inflation, the availability of continued access to capital markets and financing on favorable terms, regulatory compliance requirements, changes in import controls or import duties, levies or taxes and changes in prices or demand for our products as a result of actions of our competitors or economic factors. Those statements are also subject to the risks of costs and anticipated performance capabilities of technology and performance by third parties of their contractual obligations. Exploration activities are subject to risks arising from the inherent difficulty of predicting the presence, yield and quality of hydrocarbon deposits, as well as unknown or unforeseen difficulties in extracting, transporting or processing any hydrocarbons found or doing the foregoing on an economic basis. Should one or more of these risks or uncertainties materialize, actual results may vary materially from those estimated, anticipated or projected. Specifically, but without limitation, capital costs could increase, projects could be delayed, and anticipated improvements in capacity or performance may not be fully realized. Although we believe that the expectations reflected by such forward-looking statements are reasonable based on information currently available, readers are cautioned not to place undue reliance on these forward-looking statements, which speak only as of the date of these listing particulars. We undertake no obligation to publicly release any revision to these forward-looking statements to reflect events or circumstances after the date of these listing particulars.

Such forward-looking statements are principally contained in the "Summary," "Risk Factors," "Management's Discussion and Analysis of Financial Condition and Results of Operations," "Business" and "Selected Financial and Operating Data" sections of these listing particulars and include our expectations with respect to our business following the completion of the offering.

Incorporation by Reference

We are incorporating by reference into these listing particulars the Guarantor's consolidated audited financial statements as of December 31, 2012 and 2011 and for the years ended December 31, 2012 and 2011, and as of December 31, 2011 and 2010 and for the years ended December 31, 2011 and 2010. This means we can disclose important information to you by referring you to those documents. The information we incorporate by reference is part of these listing particulars and any statement contained in the document so incorporated by reference shall be deemed to be modified or superseded for purposes of these listing particulars to the extent that a statement contained herein or in any other subsequently published document that is also incorporated by reference in these listing particulars modifies or supersedes such statement. Any statement so modified or superseded shall not be deemed, except as so modified or superseded, to constitute a part of these listing particulars.

SUMMARY

This summary highlights information contained elsewhere in these listing particulars. It does not contain all the information that you may consider important in making your investment decision. Therefore, you should read these entire listing particulars carefully, including in particular the "Risk Factors" section and the consolidated financial statements and the related notes thereto appearing elsewhere in these listing particulars, including the consolidated financial statements and the related notes thereto of the Guarantor, which are incorporated by reference and attached hereto.

Overview

We are a corporation (*sociedad anónima*) organized under the laws of Venezuela, formed in 1975 by the Venezuelan government to coordinate, monitor and control all operations relating to hydrocarbons. We are wholly owned by Venezuela and are the holding company for a group of oil and gas companies. We are the fifth largest vertically integrated oil company in the world with daily crude oil production of 2,910 thousand barrels per day as of December 31, 2012, or mbpd, as measured by a combination of operational data, including volume of reserves, production, refining and sales, based on information published in January 2013 by Petroleum Intelligence Weekly, a trade publication. We carry out our exploration, development and production ("upstream") operations in Venezuela and our sales, marketing, refining, transportation, infrastructure, storage and shipping ("downstream") operations in Venezuela, the Caribbean, North America, South America, Europe and Asia. Through PDV Holding, a wholly owned subsidiary, we indirectly own 100% of CITGO Petroleum Corporation ("CITGO"), a refiner and marketer of transportation fuels, petrochemicals and other industrial oil-based products in the United States. We plan to invest intensively in upstream and downstream projects in Venezuela and abroad in order to satisfy the current and expected global increase in energy demands. We intend to use the net proceeds from this offering for general corporate purposes, including financing of capital expenditures, repayment of commercial obligations with suppliers and social development expenses. A portion of the Notes, representing 66.6% of the aggregate principal amount thereof, will be offered to certain of our suppliers and vendors in satisfaction of accounts payable owed by us to them.

Our *Plan Siembra Petrolera* (Oil Sowing Plan) (the "Business Plan") outlines the development of production and refining projects totaling $257 billion in Venezuela, the Caribbean, Latin America and Asia during its initial stage between 2013 and 2019. Such expenditures are subject to the availability of cash from our operations, obtaining financing on reasonable terms and the favorable pricing of crude oil and gas. During the three-year period ended December 31, 2012, we invested $55.8 billion in development projects in such regions through cash on-hand and issuance of debt. During the year ended December 31, 2012, we invested $25 billion in such projects.

All hydrocarbon reserves in Venezuela are owned by Venezuela and not by us. Under the *Ley Orgánica de Hidrocarburos de 2001* (Organic Hydrocarbons Law), as amended, every activity relating to the exploration and exploitation of hydrocarbons and their derivatives is reserved to the government of Venezuela, which may undertake such activities directly or through entities controlled by Venezuela through an equity participation of more than 50%. At the current production rate of crude oil and gas, Venezuela has proved hydrocarbon reserves of crude oil for the next 280 years for oil and 120 years for gas.

We mainly sell crude oil to the United States, Canada, the Caribbean, Africa, Europe, South America and Asia. In addition, we refine crude oil, with a refining capacity of approximately 2.8 mmbpd and other feedstock in Venezuela and abroad into a number of products, including gasoline, diesel, fuel oil and jet fuel, petrochemicals and industrial products, lubricants and waxes, and asphalt. We are also engaged in the exploration and production of gas from off-shore sources with a production of 10.2 thousand barrel-of-oil equivalent, or mboe, per day as of December 31, 2012.

Our registered office is located at Avenida Libertador, La Campiña, Apartado 169, Caracas 1050-A, Venezuela, and our telephone number is 011-58-212-708-4111. Our website is: www.pdvsa.com. Information contained on our website is not part of these listing particulars.

Business Strategy

Our Business Plan takes into account the impact of the global economic crisis on the global demand for oil and the expectations for global economic growth, as well as the projected supply of oil worldwide, the capabilities and challenges related to oil and gas production in Venezuela, and the consolidation of PDVSA's non-oil businesses. Our Business Plan is based on the following key initiatives established by the government of Venezuela:

- *Exploration of Condensate and Light and Medium Crude Oil.* We intend to focus primarily on areas that have been already explored and that are currently producing crude oil. All other exploration areas, both on-shore and off-shore, are open to third party participation in partnership with us, under the framework of the Organic Hydrocarbons Law and the Venezuelan Constitution.

- *Development of the Orinoco Oil Belt Magna Reserves.* The Orinoco Oil Belt area (55,314 km^2) has been divided into 36 blocks for reserves quantification and certification of original oil on site purposes. There are approximately 1,427,560 million barrels of Original Oil in Place ("OOIP") in the Orinoco Oil Belt. Of said amount, approximately 258,809 million barrels have been certified as recoverable reserves, based on a total recovery factor of 20%. See "*Risk Factors – Venezuelan proved crude oil and gas reserve estimates involve some degree of uncertainty and may prove to be incorrect over time, which could adversely affect our ability to generate income.*" We intend to participate actively in the development of these reserves.

- *Production Growth in Mature Areas.* We are investing in mature areas with a view to achieve a crude oil production capacity in these areas of 2,234 mbpd by 2019. The projected production in mature areas for the period leading up to 2019 includes the following: 1,136 mbpd from areas where we are the sole operator and 1,098 mbpd from joint ventures producing light, medium and heavy oil.

- *Expansion of Orinoco Oil Belt Production.* We intend to obtain 4,014 mbpd from the expansion of our existing and future operations in the Orinoco Oil Belt. This growth represents an increase of 2,603 mbpd, which we plan to implement by developing our extra-heavy crude oil reserves, including new upgrading facilities and pipelines to terminals. The expected investment for the years 2013 through 2019 is $93,642 million. The expected total oil production capacity for 2019, including the expansion of the Orinoco Oil Belt and the mature areas, is 6,000 mbpd. The growth of oil production capacity is expected to occur through joint ventures in which we have a 60% stake and international oil companies have a 40% stake.

- *Development of Major Projects in Refineries.* We intend to expand our refinery capacity from approximately 2.8 mmbpd (1.3/1.5 mmbpd Venezuela/Overseas capacity) in 2013 to 4.61 mmbpd by 2019 (2.18/2.43 mmbpd Venezuela/Overseas capacity). We expect that the implementation of this initiative will allow us to increase our production of refined petroleum products and upgrade our product slate towards higher-margin products, as well as to improve the efficiency of our existing refining capacity. The focus of our refining capacity expansion will be the incorporation of heavier crude oil from the Orinoco Oil Belt expansion into the national refinery system. We currently have in process major upgrade projects to increase the refining capacities of Puerto La Cruz and El Palito Refineries, as well as a project to upgrade the Paraguaná Refining Complex in order to increase the conversion of white oil products. In the future, we plan to develop three refining centers in Venezuela: Cabruta, Petrobicentenario and Batalla de Santa Inés. In addition, we intend to expand our refining capacities and develop new refineries in the Caribbean, Central and South America and Asia.

- *Development of the Gas Sector.* We have ambitious plans to develop our on-shore and off-shore gas reserves with third party participation under the framework of the Venezuelan Organic Law of Gaseous Hydrocarbons. We intend to expand our natural gas production from 7,117 mmcfd in 2013 to 10,511 mmcfd by 2019 (equivalent to 255 mbpd). In particular, we intend to focus on the development of the Delta Caribe, an initiative consisting of the Northeast Delta Caribbean Project

and the Rafael Urdaneta Project in western off-shore Venezuela. These projects involve the development of gas reserves located north of Paria (the Mariscal Sucre Project), Gulf of Venezuela (Cardón IV/Rafael Urdaneta Project), Plataforma Deltana, the Gulf of Paria, Blanquilla, Guarapiche, Punta Pescador, and the Delta Centro area. With respect to northeast developments, we intend to link all blocks by a gas pipeline network to the future Güiria Hub, where an industrial complex, Gran Mariscal de Ayacucho, or CIGMA, is expected to be developed. For Gulf of Venezuela natural gas developments, we plan to connect the gas production blocks in the Peninsula de Paraguaná with the domestic gas transportation system.

- *Development of Infrastructure.* We are implementing an infrastructure program focused on multiple projects with the aim of securing the development of crude oil and gas reserves. This program includes the building of about 15.5 million barrels of oil storage capacity, one liquid terminal in Araya, one terminal in Punta Cuchillo, one solid terminal in the Orinoco River, the expansion of the existing liquid terminal in Jose, approximately 1,380 km in oil pipelines, four new distribution facilities, the expansion of existing gas pipelines, and 2,199 km in new gas pipelines.

- *Marketing of Crude and Products.* We intend to continue supplying the local market and exporting crude oil, refined products and natural gas, including refineries and wholesalers in order to improve our margins, as well as renew and expand our tanker fleet. Our subsidiary, PDV Marina, intends to increase its tanker capacity from its current 2,008 tdwt (thousands of dead weight tons) to 2,642 tdwt by 2019. We expect to increase the number of our tankers and transport capacity in order to match the expected increase in production and better distribute our crude oil and refined petroleum products. In addition, we are expanding and diversifying our marketing efforts in Latin America, the Caribbean and Asia, including China and India, with the goal of reaching total crude oil exports of 5.4 mbpd by 2019.

- *Auto Gas Project*. Since 2006, we have been developing a project aimed at reducing the domestic gasoline demand by creating natural gas dispatch facilities for vehicles and converting vehicles to dual fuel engines on a national scale. The project's goals include the construction of 615 new compressed natural gas ("CNG") stations, as well as the construction and outsourcing of more than 200 vehicle conversion centers. As of December 31, 2012, we had 265 CNG stations and 67 vehicle conversion centers. Our total estimated investment in this project for the period beginning 2013 through 2019 is expected to be approximately $1,635 million.

Social Development

Pursuant to the Venezuelan Constitution, the Organic Hydrocarbons Law and social policy, we are required to foster Venezuela's socio-economic development and the welfare of its citizens. To that effect, we make and are expected to continue to make significant financial contributions to social programs, including transfers to FONDEN (*Fondo de Desarrollo Nacional*) and other programs, which are included in our annual budget together with other expenses aimed to fund specific social projects, as determined by our Board of Directors, certain of which are recorded as part of our capital expenditures in accordance with applicable accounting rules.

We contributed a total of $7,018 million in 2010, a total of $30,079 million in 2011, a total of $17,336 million in 2012, and a total of $7,279 million in the six months ended June 30, 2013 to social development, which are reflected as social development expenses in our consolidated statements of income included elsewhere in these listing particulars. These contributions are in addition to taxes and dividends we pay annually to Venezuela, as well as the social projects we have funded, which are recorded as part of our capital expenditures because they relate to one of our oil and gas production projects.

Recent Developments

Windfall Contribution

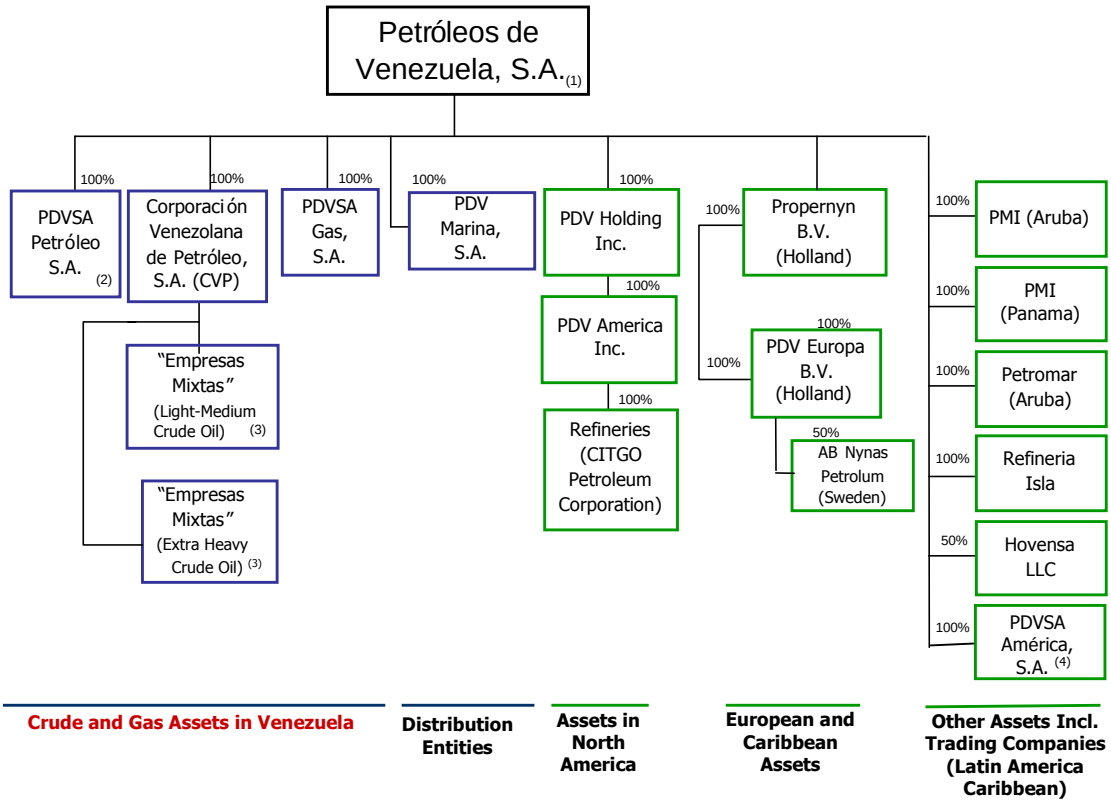
We contribute funds to FONDEN through mandatory transfers required under the Decreto con Rango, Valor y Fuerza de Ley que Crea Contribución Especial por Precios Extraordinarios y Precios Exorbitantes en el Mercado Internacional de Hidrocarburos (Law Decree on the Creation of Special Contribution on Excess Prices and Exorbitant Prices in the International Hydrocarbons Markets) as amended on February 20, 2013, published in the Official Gazette No. 40,114 dated February 20, 2013. This amendment provided for an increase of $10 per barrel (from $70 to $80 per barrel) the budgeted price per barrel on which the excess windfall contribution is imposed. See *"Management's Discussion and Analysis of Financial Condition and Results of Operations – Impact of Taxes on Net Income and Cash Flows – Windfall contribution"* for further discussion of these contributions. As a result of this increase our contributions to FONDEN decreased by $3,810 million, or 59.10%, to $2,637 million for the six months ended June 30, 2013 from $6,447 million for the six months ended June 30, 2012.

Amuay Incident

On September 9, 2013, PDVSA disclosed the results of the investigation on the event that occurred at the Amuay Refinery, which results were published on PDVSA's website. The investigation concluded that due to the tampering and sabotage of the retaining studs of pump P2601 of the suction pit located in Block 23 at the Amuay Refinery, on August 24, 2012, a massive leak of flammable gas olefins into the atmosphere took place due to the opening of the flange between the header and suction pump P2601. Due to the weather conditions that day (low wind speed and high humidity), the cloud of gas that escaped from the flange of the pump P2601 moved in a southeast direction toward the base of Detachment 44 of the Bolivarian National Guard and was ignited in the early hours of the morning of August 25, 2012, when a vehicle at the Bolivarian National Guard base was started during the evacuation of the troops. The fire caused fatalities, injuries and property damage to third party infrastructure and the tank farms of the Amuay Refinery. PDVSA immediately took the appropriate action to control and extinguish the fire in order to prevent greater damages to surrounding communities, to processing plants and to other areas of the Amuay Refinery. The fire was extinguished in its entirety on August 28, 2012. PDVSA estimates that the economic losses and associated costs of the incident are approximately $1.1 billion. PDVSA believes that third party damages have been duly compensated by PDVSA. Once the incident was resolved, the Amuay Refinery has operated normally.

Corporate Structure

The following chart summarizes our corporate structure:



(1) Issuer
(2) Guarantor
(3) For a detailed description of the interests CVP holds in the different joint ventures, please see "Business – Conversion of Operating Service Agreements to *Empresas Mixtas*," "Business – Overview of Main Projects with Private Sector Participation" and "Business – Other Joint Ventures for Exploration and Production of Light-Medium Crude – Expansion Projects in the Orinoco Oil Belt."
(4) Mainly responsible for the realization and monitoring of regional energy cooperation activities by PDVSA, together with the National Government.

THE OFFERING

The following summary is qualified in its entirety by reference to detailed information appearing elsewhere in these listing particulars.

Issuer	Petróleos de Venezuela, S.A.
Guarantor	PDVSA Petróleo, S.A.
Notes	U.S. $4,500,000,000 aggregate principal amount of 6.00% senior notes due 2026, which will be unconditionally and irrevocably guaranteed by PDVSA Petróleo, S.A.
Closing Date	November 15, 2013.
Maturity Date	November 15, 2026.
Interest	Interest will accrue on the Notes at the rate of 6.00% per annum commencing on the Closing Date. Interest will be payable in arrears on each November 15 and each May 15, commencing on May 15, 2014, until the maturity date. Interest on the Notes will be calculated on the basis of a 360-day year of twelve 30-day months.
Payments of Principal Amount	Principal payments on the Notes will be payable in three equal installments. The first principal installment will be payable on November 15, 2024, the second will be payable on November 15, 2025 and the third will be payable on the maturity date. See "*Description of the Notes*."
Book Entry; Form and Denomination	The Notes will be issued in the form of one or more global notes without coupons, registered in the name of a nominee of DTC, as depositary, for the accounts of its participants including Euroclear and Clearstream. The Notes will be issued in minimum denominations of U.S. $100 and integral multiples of U.S. $1.00 in excess thereof. The Notes will not be issued in definitive form except under certain limited circumstances. See "*Description of the Notes—Book-Entry; Delivery and Form—Certificated Notes*."
Use of Proceeds	The Issuer will use the net proceeds for general corporate purposes, including financing of capital expenditures and social development expenses. A portion of the Notes, representing 66.6% of the aggregate principal amount thereof, will be offered to certain of our suppliers and vendors in satisfaction of accounts payable owed by us to them.
Original Issue Discount	The Notes are expected to be issued with "original issue discount" for U.S. federal income tax purposes. In such case, regardless of a U.S. Holder's (as defined under "Tax Considerations") regular method of tax accounting, the U.S. Holder will be required to accrue the original issue discount on a note on a constant yield basis and include the accruals in gross income, whether or not the U.S. Holder receives a corresponding cash payment on the note during the taxable year. For a summary of the material U.S. federal income

	tax consequences of the purchase, ownership and disposition of the notes, see "*Tax Considerations – Material U.S. Federal Income Tax Consequences*."
Payment of Additional Amounts	All payments made in respect of the Notes will be made free and clear of, and without withholding or deduction for or on account of, any present or future Venezuelan taxes, unless such withholding or deduction is required by law. Subject to certain exceptions, in the event of any such withholding or deduction the Issuer will pay such additional amounts ("Additional Amounts") as may be necessary so that the net amount received by each holder after such withholding or deduction would not be less than the amount such holder would have received absent the withholding or deduction. See "*Description of the Notes—Additional Amounts*."
Optional Redemption	We may redeem the Notes in whole, or in part, at our option, at any time and from time to time prior to the maturity thereof at 100% of the then outstanding principal amount, plus a "make-whole" amount, plus accrued and unpaid interest, if any, and Additional Amounts, if any, to the redemption date upon the satisfaction of certain conditions. See "*Description of the Notes—Redemption*." We may also redeem the Notes in whole but not in part, at our option, at 100% of the outstanding principal amount, plus accrued and unpaid interest, if any and Additional Amounts, in the event of specific changes affecting taxation on the Notes. See "*Description of the Notes—Redemption*."
Transfer Restrictions.....	The Notes have not been, and will not be, registered under the Securities Act or under any state securities laws and are subject to certain restrictions on transfer and resale. The Notes may only be offered and sold (1) to persons who are QIBs, in reliance on the exemption from the registration requirements of the Securities Act provided by Rule 144A; or (2) to non-U.S. Persons (as defined in Regulation S of the Securities Act) in offshore transactions in reliance on Regulation S under the Securities Act; and (3) in accordance with any applicable law. We will not be required to, nor do we intend to, register the Notes for resale under the Securities Act or to offer to exchange the Notes for notes registered under the Securities Act or the securities laws of any jurisdiction. See "*Transfer Restrictions*."
No Established Trading Market.....	There can be no assurance as to the development or liquidity of a market for the Notes.
Governing Law	New York.
Structuring Agents	Citigroup Global Markets Inc., as Lead Structuring Agent, and Evrofinance Mosnarbank, as Structuring Agent.

Listing	We intend to apply to list the Notes on the Official List of the Luxembourg Stock Exchange and to trade them on the Euro MTF market of such exchange, although no assurance can be given as to the approval of said applications, if any.
Trustee	Law Debenture Trust Company of New York.
Paying Agent, Transfer Agent and Registrar	Citibank, N.A.
Risk Factors	For a discussion of certain considerations relevant to an investment in the Notes, see "*Risk Factors*."
CUSIP	Rule 144A Note: 716558 AF8
	Regulation S Note: P7807H AR6
ISIN	Rule 144A Note: US716558AF83
	Regulation S Note: USP7807HAR68
Common Code	Rule 144A Note: 099583053
	Regulation S Note: 099583070

SUMMARY CONSOLIDATED FINANCIAL AND OPERATING INFORMATION

The following table presents our summary consolidated financial and operating information as of the dates and for each of the periods indicated. This information is qualified in its entirety by reference to, and should be read together with, our consolidated financial statements, including the notes thereto, and the "Management's Discussion and Analysis of Financial Condition and Results of Operations" section included elsewhere in these listing particulars. Our summary consolidated statement of comprehensive income information for the years ended December 31, 2012, 2011 and 2010, the summary consolidated statement of financial position information as of December 31, 2012, 2011 and 2010, and the summary consolidated statement of cash flow information as of December 31, 2012, 2011 and 2010, have been extracted without material adjustments from our annual consolidated financial statements and related notes thereto included elsewhere in these listing particulars. Our summary consolidated statement of comprehensive income information for the years ended December 31, 2009 and 2008 and the summary consolidated statement of financial position information as of December 31, 2009 and 2008 have been extracted without material adjustments from our annual consolidated financial statements and related notes thereto which have not been included in these listing particulars. Our annual consolidated financial statements were prepared in conformity with IFRS and audited in accordance with International Standards on Auditing.

Our summary consolidated statement of comprehensive income information for the six months ended June 30, 2013 and 2012 and the summary consolidated statement of financial position information as of June 30, 2013 have been extracted without material adjustment from our unaudited interim condensed consolidated financial statements and related notes thereto included elsewhere in these listing particulars. Our unaudited interim condensed consolidated financial statements and related notes thereto have been prepared on the same basis as our audited annual consolidated financial statements. Interim financial results are not necessarily indicative of results that may be expected for the full fiscal year or any future period.

As a result of applying IAS 19 enacted by the IASB, a series of changes to the methods used for the accounting of employee benefits has been instituted and is effective for financial years beginning on or after January 1, 2013, with early adoption thereof permitted. We have adopted this standard and as a result, we have applied it to our financial statements accordingly with respect to our summary consolidated statement of comprehensive income for the six months ended June 30, 2013 and 2012 and our summary consolidated statement of financial position for the six months ended June 30, 2013.

Summary consolidated statement of comprehensive income information	As of and for the six months ended June 30,		Years ended December 31,				
	2013	2012	2012	2011	2010	2009	2008
	(in millions of U.S. dollars)		(in millions of U.S. dollars)				
Continuing operations:							
Sales of crude oil and products:							
Exports and overseas, net	57,885	61,346	121,480	122,267	92,744	70,636	122,488
In Venezuela	702	827	1,743	1,675	1,400	2,646	2,804
Sales of food, services and others	585	479	1,236	812	785	537	207
Total income	**59,172**	**62,652**	**124,459**	**124,754**	**94,929**	**73,819**	**125,499**
Purchases of crude oil and products, net	19,347	18,592	40,012	39,783	34,017	25,932	44,600
Operating expenses	9,126	9,316	23,014	14,555	11,892	15,235	16,206
Exploration expenses	83	106	492	163	147	247	375
Depreciation and amortization	3,861	3,481	7,105	6,871	6,037	5,751	5,210
Selling, administrative and general expenses	2,026	2,412	4,078	3,819	3,729	4,985	4,982
Production tax, extraction tax and other taxes	8,922	7,971	17,730	17,671	13,904	12,884	23,371
Finance income	(11,872)	(349)	(3,152)	(765)	(419)	(5,873)	(1,580)
Finance costs	2,122	1,589	3,401	3,649	8,810	835	1,780
Equity in net earnings of investment in non-consolidated investees and jointly controlled entities	46	(14)	(64)	278	184	139	(153)
Other expenses, net	2,218	1,182	3,013	3,501	2,039	1,192	2,547

Summary consolidated statement of comprehensive income information	As of and for the six months ended June 30,		Years ended December 31,				
	2013	2012	2012	2011	2010	2009	2008
	(in millions of U.S. dollars)		(in millions of U.S. dollars)				
	35,879	**44,286**	**95,629**	**89,525**	**80,340**	**61,327**	**97,338**
Income before contributions for social development and income tax	**23,293**	**18,366**	**28,830**	**35,229**	**14,589**	**12,492**	**28,161**
Contributions for social development	4,642	6,184	9,025	15,604	5,326	2,937	2,326
Contributions to FONDEN	2,637	6,447	8,311	14,475	1,692	577	12,407
	7,279	**12,631**	**17,336**	**30,079**	**7,018**	**3,514**	**14,733**
Income before income tax	**16,014**	**5,735**	**11,494**	**5,150**	**7,571**	**8,978**	**13,428**
Income tax	3,074	3,640	7,279	2,007	3,849	3,310	4,280
Net income from continuing operations	**12,940**	**2,095**	**4,215**	**3,143**	**3,722**	**5,668**	**9,148**
Discontinued operations:							
Gain (loss) from discontinued operations, net of income tax	-	-	-	1,353	(558)	(1,274)	343
Net Income	**12,940**	**2,095**	**4,215**	**4,496**	**3,164**	**4,394**	**9,491**
Other comprehensive income:							
Actuarial income for employee benefits, net of taxes	-	396	-	-	-	-	-
Differences on translation of foreign operations	(186)	34	22	87	38	104	(78)
Total comprehensive income	**12,754**	**2,525**	**4,237**	**4,583**	**3,202**	**4,498**	**9,413**
Net income attributable to:							
Company's stockholder	10,882	627	2,678	2,640	2,309	2,920	7,529
Non-controlling interests	2,058	1,468	1,537	1,856	855	1,474	1,962
Net income	**12,940**	**2,095**	**4,215**	**4,496**	**3,164**	**4,394**	**9,491**
Total comprehensive income attributable to:							
Company's stockholder	10,696	1,057	2,700	2,727	2,347	3,024	7,451
Non-controlling interests	2,058	1,468	1,537	1,856	855	1,474	1,962
Total comprehensive income	**12,754**	**2,525**	**4,237**	**4.583**	**3,202**	**4,498**	**9,413**

	As of and for the six months ended June 30,		Years ended December 31,				
	2013	2012	2012	2011	2010	2009	2008
	(in millions of U.S. dollars)		(in millions of U.S. dollars)				
Summary consolidated statement of cash flow information							
Net cash provided by operating activities	5,504	2,485	21,543	12,392	12,643	7,895	16,705
Net cash used in investment activities	(8,737)	(8,054)	(25,221)	(13,728)	(13,657)	(15,313)	(15,847)
Net cash provided from financing activities	1,078	2,919	3,301	3,929	1,564	9,916	300

	As of and for the six months ended June 30,		Years ended December 31,				
	2013	2012	2012	2011	2010	2009	2008
	(in millions of U.S. dollars)		(in millions of U.S. dollars)				
Venezuela's proved reserves (mmbls)[1]							
Crude Oil	297,735	297,735	297,735	297,571	296,501	211,173	172,323
Natural gas in boe[2]	33,864	33,661	33,864	33,661	33,637	30,841	30,347
Hydrocarbons in boe	**331,599**	**331,232**	**331,599**	**331,232**	**330,138**	**242,014**	**202,670**

	As of and for the six months ended June 30,		Years ended December 31,				
	2013	2012	2012	2011	2010	2009	2008
	(in millions of U.S. dollars)		(in millions of U.S. dollars)				
Venezuela's Production (mbpd)							
PDVSA's Crude Oil Production[3]	2,855	2,914	2,910	2,991	2,975	3,012	3,235
Third party participation in Orinoco Oil Belt	-	-	–	–	–	–	25
Total crude oil	**2,855**	**2,914**	**2,910**	**2,991**	**2,975**	**3,012**	**3,260**
PDVSA's production (mbpd)							
Crude Oil[1]	2,855	2,914	2,910	2,991	2,975	3,012	3,235
Liquid petroleum gas	118	124	124	138	147	158	162
Natural gas in boe[2]	769	746	768	731	690	722	659
Hydrocarbons in boe	**3,742**	**3,784**	**3,802**	**3,860**	**3,812**	**3,892**	**4,056**
Average production cost ($/boe)							
Including operating service agreements [4]	10.80	8.53	11.09	7.14	5.53	6.33	7.10
Excluding operating service agreements [4]	10.57	8.16	10.86	6.74	5.23	5.64	5.84
PDVSA's refining capacity (mbpd)[5]							
Venezuela	1,303	1,303	1,303	1,303	1,303	1,303	1,303
Caribbean	401	401	401	401	384	384	384
United States	1,089	1,089	1,089	1,089	1,089	1,089	1,089
Europe	29	29	29	29	259	259	259
Total refining capacity	**2,822**	**2,822**	**2,822**	**2,822**	**3,035**	**3,035**	**3,035**
Sales volume exported (mbpd)[3]							
Crude oil	1,987	1,971	2,060	1,917	1,911	2,019	2,228
Refined products	495	544	508	552	504	663	669
Total exports	**2,482**	**2,515**	**2,568**	**2,469**	**2,415**	**2,682**	**2,897**
Average sales export price ($/bl)							
Crude oil	97.52	104.53	100.75	98.67	71.26	57.25	85.36
Refined products	97.43	109.16	104.43	105.73	76.18	56.84	87.41
Total exports	**97.50**	**105.41**	**103.42**	**100.11**	**72.18**	**57.01**	**86.49**

(1) Proved reserves include both proved developed and undeveloped reserves, as well as our equity participation in former operating agreements with third parties in connection with the Orinoco Oil Belt projects.
(2) Gas production is net of gas used for reinjection purposes. Gas is converted to boe at a rate of 5.8 thousand cubic feet of natural gas per barrel of crude oil.
(3) Includes 21 mbpd from our equity participation in the Orinoco Oil Belt Associations, the joint ventures for the exploration and productions of crude oil and gas in the Orinoco Oil Belt in which we held a non-controlling interest until the first quarter of 2008.
(4) Calculated by dividing total costs (excluding depreciation, depletion and production tax payments) and expenses of crude oil, gas and LPG producing activities by total crude oil, LPG and net gas (boe) produced.
(5) Amounts represent our interest in the refining capacity of all refineries in which we hold equity or leasehold interest.

Summary consolidated statement of financial position information	As of and for the six months ended June 30,	Years ended December 31,					
	2013	2012 (restated)[1]	2012	2011	2010	2009	2008
	(in millions of U.S. dollars)	(in millions of U.S. dollars)					
Assets							
Property, plant and equipment, net	119,913	115,905	115,905	98,221	87,632	83,457	73,010
Other non-current assets	26,625	27,419	27,419	26,938	14,281	15,782	13,267
Restricted cash	215	218	218	314	604	1,649	1,773
Total non-current assets	**146,753**	**143,542**	**143,542**	**125,473**	**102,517**	**100,888**	**88,050**

Summary consolidated statement of financial position information	As of and for the six months ended June 30,	Years ended December 31,					
	2013	2012 (restated)[1]	2012	2011	2010	2009	2008
	(in millions of U.S. dollars)	(in millions of U.S. dollars)					
Inventories	13,389	11,606	11,606	10,116	8,938	8,502	8,678
Notes and accounts receivable	41,025	41,706	41,706	31,576	20,028	14,330	10,810
Restricted cash	1,482	2,112	2,112	1,714	1,678	415	347
Other current assets	9,624	11,225	11,225	4,665	12,587	18,485	19,464
Cash and cash equivalents	5,923	8,233	8,233	8,610	6,017	6,981	4,483
Total current assets	**71,443**	**74,882**	**74,882**	**56,681**	**49,248**	**48,713**	**43,782**
Total assets	**218,196**	**218,424**	**218,424**	**182,154**	**151,765**	**149,601**	**131,832**
Equity attributable to:							
Company's Stockholder	71,616	61,890	65,232	63,927	65,930	65,322	63,475
Non-controlling interests	12,132	10,596	10,596	9,956	9,384	9,067	8,038
Total equity	**83,748**	**72,486**	**75,828**	**73,883**	**75,314**	**74,389**	**71,513**
Liabilities							
Financial debt	34,667	35,647	35,647	32,496	21,346	18,941	13,780
Other non-current liabilities	30,811	39,231	35,889	28,742	11,009	14,231	12,153
Total non-current liabilities	**65,478**	**74,878**	**71,536**	**61,238**	**32,355**	**33,172**	**25,933**
Financial debt	4,596	4,379	4,379	2,396	3,604	2,956	1,698
Accounts payable	15,439	16,747	16,747	12,376	10,137	7,016	7,556
Income tax payable	2,887	2,267	2,267	4,452	5,878	2,545	2,047
Other current liabilities	46,048	47,667	47,667	27,809	24,477	29,523	23,085
Total current liabilities	**68,970**	**71,060**	**71,060**	**47,033**	**44,096**	**42,040**	**34,386**
Total liabilities	**134,448**	**145,938**	**142,596**	**108,271**	**76,451**	**75,212**	**60,319**
Total equity and liabilities	**218,196**	**218,424**	**218,424**	**182,154**	**151,765**	**149,601**	**131,832**
Debt to Equity Ratio[2]							
Total debt including capital lease	39,263	40,026	40,026	34,892	24,950	21,897	15,478
Debt / Equity (%)	47%	55%	53%	47%	33%	29%	22%

(1) For comparative purposes our summary consolidated statement of financial position for the year ended December 31, 2012 has been restated to reflect the application of IAS 19 (2011) enacted by the IASB, pursuant to which a series of changes to the methods used for the accounting of employee benefits has been instituted. This restated financial information can be found in the unaudited interim condensed consolidated financial statements for the six months ended June 30, 2013 attached to these listing particulars.

(2) Calculated as total financial debt and capital leases, including current portion, divided by stockholder's equity.

RISK FACTORS

Before making any investment decision, prospective purchasers of the Notes should carefully read these listing particulars and should consider carefully, in light of their own financial circumstances and investment objectives, all of the information set forth in these listing particulars and, in particular, certain matters relating to the Issuer and other matters associated with investments in securities of issuers in countries that do not have highly developed capital markets, including, without limitation, the risk factors set forth below.

Our respective businesses, financial condition, results of operations and ability to satisfy our obligations under the Notes could be materially adversely affected by any of these risks. The trading price of the Notes could decline due to these risks.

Risk Factors Relating to Venezuela

In prior years, events in Venezuela produced significant social and political tensions, which have had in the past a material adverse effect on us and could again do so in the future.

A substantial part of our operations, properties, employees and activities are located in Venezuela. A deterioration in Venezuela's economic condition, social instability, political unrest or other adverse social developments in Venezuela could adversely affect our business and financial condition. Those events could also lead to increased volatility in the foreign exchange and financial markets, thereby affecting our ability to obtain and service foreign debt. Furthermore, between December 2001 and August 2004, there was a period of intense political and social turmoil involving groups that opposed the Venezuelan government. Between December 2002 and February 2003 a massive strike, also known as the *oil strike* or *oil lockout*, took place, in an unsuccessful attempt by the Venezuelan political opposition to President Chávez to force a new presidential election. Among the effects of the oil strike on the Venezuelan economy, was a decrease in the GDP of 15.8% and 24.9% during the fourth quarter of 2002 and the first quarter of 2003, respectively, a substantial reduction in the country's fiscal revenue and an 8% decline in bank deposits.

On December 3, 2006, President Hugo Chávez was re-elected President for a six-year term and since December 2005 the *Partido Socialista Unido de Venezuela*, or PSUV, the political party formerly headed by President Chávez, controls a majority of the seats in the National Assembly (formerly the Venezuelan Congress), as well as most state governments, and enjoys broad support among the poorer segments of Venezuelan society.

On September 26, 2010, at the election for representatives to the National Assembly, 98 representatives of the PSUV and 67 representatives of opposing parties were elected. The new members of the National Assembly took office in January 2011.

On October 7, 2012, President Chávez was further re-elected for another six-year term. However, on March 5, 2013 President Chávez passed away, leaving Vice-president Nicolás Maduro as the incumbent president until the next election. On April 14, 2013, Nicolás Maduro was elected as president of Venezuela for a six-year term.

There can be no assurance that the significant domestic political, social and economic instability that existed between 2001 through 2004 will not re-emerge. Such instability could have a material adverse effect on Venezuela's economic growth, our operations and as a result our ability to service our obligations under the Notes.

Changes to Venezuela's credit ratings may adversely affect the value of the Notes.

In June 2013, Standard & Poor's lowered its long-term foreign and local currency credit ratings for Venezuela from "B+" to "B", citing political factors, price and exchange controls and economic measures that have hurt private sector investment and productivity. In March 2013, Fitch affirmed its long-term foreign and local currency credit ratings for Venezuela at B+. Any actual or anticipated changes or downgrades in Venezuela's credit ratings could affect the market value of the Notes.

Inflation, along with governmental measures to combat inflation, has had significant negative effects on the Venezuelan economy and, as a result, on our operations.

Venezuela has experienced relatively high levels of inflation during much of the past two decades, despite the presence of price controls on many core goods during certain periods. The general rate of inflation as measured by the wholesale price index was approximately 30.9% in 2008, 25.1% in 2009, 27.2% in 2010, 27.6% in 2011 and 20.1% in 2012. In 2008, the Central Bank changed the calculation base used to determine the consumer's price index that was used until December 31, 2007, in order to consider, among other factors, a larger geographical area of Venezuela. We cannot assure you that inflation will not continue at or increase from its current level. Future governmental actions, including government spending, and actions to adjust the value of the Bolívar, may trigger increases in inflation. Because some of our costs, such as labor, are Bolívar-based, while the sales prices of substantially all of our products are U.S. dollar-based or U.S. dollar-related, periods of inflation that are not accompanied by commensurate devaluations of the Bolívar can adversely affect our costs, financial condition and ability to meet our obligations under the Notes.

Our products in the Venezuelan domestic market are sold at subsidized prices, thereby reducing our Venezuelan source revenues.

The Venezuelan government, rather than the international market, determines the price of products such as gasoline, diesel, natural gas and liquefied petroleum gas, or LPG, sold by us through our affiliates in the domestic market and, as a result, we earn substantially lower revenues on our products sold in Venezuela than on our exports and products sold internationally. The continued existence of such price controls will continue to reduce our Venezuelan source revenues.

The Venezuelan economy could be adversely affected by economic developments in regional or global markets.

Financial and securities markets in Venezuela are influenced, to varying degrees, by economic and market conditions in regional or global markets. Although economic conditions vary from country to country, investors' perceptions of the events occurring in one country may substantially affect capital flows into and securities from issuers in other countries, including Venezuela. International investors consider Venezuela to be an emerging market. Economic and market conditions in other emerging market countries, especially those in Latin America, influence the market for securities issued by Venezuelan companies. Volatility in the securities markets in Latin America and in other emerging market countries may have a negative impact on the trading value of our securities and on our ability and the terms on which we are able to access international capital markets.

The crisis in the Asian markets, beginning in 1997 negatively affected markets throughout Latin America. Similar adverse consequences resulted from the economic crisis in Russia in 1998, the Brazilian devaluation in 1999 and the Argentine crisis in 2001. Furthermore, the Venezuelan economy may be affected by events in developed economies that are trading partners or that affect the global economy, including the sovereign debt crisis affecting Greece, Spain and Italy. During the recent global economic and financial crisis, global market conditions had adverse effects on the Venezuelan economy. Negative economic developments in the international markets in the future, including a decline in the demand for the commodities that Venezuela exports, would likely adversely affect the Venezuelan economy and financial system.

A significant increase in interest rates in the international financial markets could have a material adverse effect on the economies of Venezuela's trading partners.

If interest rates outside Venezuela increase significantly, our trading partners in China, the United States and the European Union could find it more difficult and expensive to borrow capital and refinance their existing debt. These increased costs could in turn adversely affect economic growth in those countries. Decreased growth on the part of these trading partners could have a material adverse effect on the markets for our exports.

Risk Factors Related to our Business

Our business depends substantially on international prices for oil and refined petroleum products and such prices are volatile. A decrease in such prices could materially and adversely affect our business.

Our business, financial condition, results of operations and prospects depend largely on international prices for crude oil and refined petroleum products. Prices of oil and refined petroleum products are cyclical and highly volatile and have, historically, fluctuated widely due to various factors that are beyond our control, including:

- changes in global supply and demand for crude oil and refined petroleum products;
- political events in major oil producing and consuming nations;
- agreements among the members of the Organization of Petroleum Exporting Countries ("OPEC");
- availability and price of competing products;
- actions of commodity markets, participants, and competitors;
- international economic trends;
- technological advancements and developments in the industry;
- domestic and foreign government regulations that directly impact the supply of crude oil and refined petroleum products;
- inflation; and
- variations of the rate of exchange of the U.S. dollar *vis-à-vis* other currencies, such as the Euro.

OPEC members have historically entered into agreements to reduce their production of crude oil. Such agreements have sometimes increased global crude oil prices by decreasing the global supply of crude oil. Venezuela is a party to and has complied with such production agreement quotas, and we expect that Venezuela will continue to comply with such agreements in the future. Since 1998, OPEC's production quotas have contributed to substantial increases in international crude oil prices. Beginning with the 160th Meeting of the Conference of OPEC, convened on December 14, 2011 in Vienna, Austria, to the present, OPEC decided to maintain a production level of 30.0 mbpd, including production from Libya, and also agreed that OPEC member countries would, if necessary, take steps (including voluntary downward adjustments of output) to ensure market balance and reasonable price levels.

Any reduction in our crude oil production or export activities that could occur as a result of changes in OPEC's production quotas or a decline in the prices of crude oil and refined petroleum products for a substantial period of time may materially and adversely affect our results of operations, cash flows and financial results.

We do not own any of the hydrocarbon reserves that we develop and operate.

Under Venezuelan law, the hydrocarbon reserves that we develop and operate belong to Venezuela. The rights to exploration of these hydrocarbon reserves are reserved for Venezuela. We were formed to coordinate, monitor and control operations related to Venezuela's hydrocarbon reserves.

While the Venezuelan Constitution requires that Venezuela retain exclusive ownership of us, it does not require the country to continue to conduct its hydrocarbon exploration and exploitation activities through us. If the Venezuelan government elects to conduct its hydrocarbon activities other than through us, our operations will be materially and adversely affected. We can offer no assurance that changes in Venezuelan law or the implementation of policies by the Venezuelan government will not affect our operations, cash flow and financial results.

We are controlled by the Venezuelan government, which ultimately determines our capital investment and other spending programs.

The Bolivarian Republic of Venezuela, or the State, is our sole owner. Article 303 of the National Constitution provides that for "reasons of economic and political sovereignty and national strategy," Venezuela shall retain all of our stock or any other entity to be incorporated to handle the petroleum industry. Furthermore, Article 29 of the Organic Hydrocarbons Law provides that state-owned oil companies, such as PDVSA, will be governed by the Organic Hydrocarbons Law and its regulations and, in particular, by the provisions issued by the National Executive through the Ministry of Petroleum and Mining (*Ministerio del Poder Popular de Petróleo y Minería*). The National Executive, through the Ministry of Petroleum and Mining, establishes national petroleum policies and also regulates and supervises our operations. The President of Venezuela appoints our president and the members of our Board of Directors by executive decree. Since November 2004, the Minister of Energy and Petroleum has also served as our president. However, the Bolivarian Republic of Venezuela is not legally liable for our obligations.

We have operated as an independent commercial entity since our formation; however, since hydrocarbons are vital to the economy and future development of Venezuela due to the fact that they are the primary revenue-generating resource of Venezuela, the revenues received from hydrocarbons activities, according to Article 5 of the Organic Hydrocarbons Law, are required to be used to finance health and education, to create funds for macroeconomic stabilization and to make productive investments, all in favor of the welfare of the Venezuelan people. Those social commitments may affect our ability to place additional funds in reserve for future uses and, indirectly, our commercial affairs. Given that we are controlled by the Venezuelan government, we cannot assure you that the Venezuelan government will not, in the future, impose further material commitments upon us or intervene in our commercial affairs in a manner that will adversely affect our operations, cash flow and financial results.

The Bolivarian Republic of Venezuela, our sole owner, may have interests that conflict with ours.

The Bolivarian Republic of Venezuela is our sole owner and, through the Ministry of Petroleum and Mining, establishes national petroleum policies and also regulates and supervises our operations. Article 8 of the Organic Hydrocarbons Law, along with Articles 29 and 30, grants to the National Executive, acting through the Ministry of Petroleum and Mining, direct responsibility for the formulation, regulation, and follow-up of policies in the area of hydrocarbons. Additionally, the Organic Law on Public Administration and the Decree on Organization and Operation of the National Public Administration grant the Ministry of Petroleum and Mining the highest administration, direction, inspection and protection of the services, properties and income from revenue related to the energy sector, including PDVSA's, in order to ensure compliance with the guidelines and policies adopted by the National Executive to serve the public and social interest. In circumstances involving a conflict of interest between Venezuela, as our sole owner, and the holders of the Notes, Venezuela may exercise the rights arising from its ownership interest in a manner that would benefit Venezuela's interests above our own interests, which may, in turn, have a negative effect on our financial condition and results of operations.

The Bolivarian Republic of Venezuela, as our sole owner, may cause us to pursue certain macroeconomic and social objectives that may adversely affect our results of operations and financial condition.

The Bolivarian Republic of Venezuela, as our sole owner, has pursued, and may pursue in the future, certain of its macroeconomic and social objectives through us. As a result, we may engage in activities that give

preference to the objectives of the Venezuelan government rather than our economic and business objectives. We may make investments, incur costs and engage in sales on terms that affect our results of operations and financial condition. For instance, pursuant to the Venezuelan Constitution and the Organic Hydrocarbons Law, we are required to foster Venezuela's socio-economic development and the welfare of its citizens. To that effect, the government requires us to make significant financial contributions to social programs, including transfers to FONDEN, as well as requiring us to fund specific projects. In addition, in the past the Venezuelan government required us to acquire several electricity generation and distribution companies, as well as certain food companies, all of which have been divested as of the date of these listing particulars. The Venezuelan government has also nationalized and continues to nationalize other companies in Venezuela. For example, on October 10, 2010, the Venezuelan government announced the nationalization of Venoco (a lubricant manufacturer) and Fertinitro (a petrochemical company) and its related entities and required PEQUIVEN to acquire the assets of Fertinitro and us to acquire the assets of Venoco at a price to be determined in the future. We cannot assure you that the government of Venezuela will not require us to increase our financial contributions to social programs or to purchase other businesses. Any such actions could expose us to increased costs, litigation and contingent liabilities, which would have a material adverse effect on our financial condition and results of operations.

Our business requires substantial capital expenditures, and if we do not maintain our production levels, our ability to service our debt may be impaired.

The exploration and development of hydrocarbon reserves, production, processing and refining and the maintenance of machinery and equipment require substantial capital investments. We must continue to invest capital to maintain or to increase the number of hydrocarbon reserves that we operate and the amount of crude oil that we produce and process. The capital levels required to increase hydrocarbon reserves and the amount of crude oil that we produce and process are described in our Business Plan. We cannot assure you that we will maintain our production levels or generate sufficient cash flows or that we will have access to sufficient investments, loans or other financing alternatives to maintain and service our existing infrastructure in order to continue with our current production levels. Achieving our desired production levels, sufficient cash flows and sufficient investments will also depend on the successful completion of our Business Plan, which cannot be guaranteed.

We have embarked on an ambitious capital expenditure plan to expand and upgrade our existing production and refining capacity. If we are not able to adequately raise, deploy and invest the necessary capital to expand our existing refining and exploration infrastructure, our business may be materially and adversely affected.

The expansion and development of our production and refining infrastructure requires substantial capital investment. Our Business Plan outlines the development of projects totaling $257 billion in Venezuela, the Caribbean, Latin America and Asia during its initial stage from 2013 through 2019. Such expenditures are subject to the availability of cash from our operations, obtaining financing on reasonable terms and the favorable pricing of crude oil and gas. The failure to raise sufficient funds on reasonable terms, if necessary, may require us to modify or significantly curtail our Business Plan. If we are unable to raise the necessary funds or adequately and efficiently deploy these resources in order to expand our refining, exploration, and development activities, our business, results of operations and cash flows may be adversely affected.

We are subject to production, equipment, transportation and other risks that are common to oil and gas companies.

As an integrated oil and gas company, we are exposed to production, equipment transportation risks and other risks that are common to oil and gas companies, including fluctuations in production volume due to changes in reserve levels, weather conditions, production accidents, mechanical difficulties, business interruptions, adverse natural conditions or events such as a severe hurricane, tsunami or earthquake, unforeseen production costs, the condition of pipelines and vulnerability of other modes of transportation, the adequacy of our equipment and production facilities and employee and/or political conflicts. One recent example of such risks was the fire that occurred on September 19, 2012 at the El Palito refinery after two storage tanks were struck by lightning during a storm. The fire did not affect the refinery's processing areas, and foam dispensing trucks were successfully used to put out the flames in a timely manner. We do not believe the fire will impair the conversion project that the El Palito refinery is currently undertaking. Another recent example is an accident that occurred at our Amuay refinery

on August 25, 2012, the damages pursuant to which we believe were limited by the control and safety procedures in place. Despite the accident, the refining capacity at the facility at the end of 2012 was equal to that at the end of 2011.

Due to the increased level of activity in the oil and gas industry, we may experience a shortage of oil rigs and manpower, as well as increasing costs in material and services. If we are unable to contract the necessary equipment and services to develop our exploration and production projects or if the prices for such equipment and services continues to increase, our exploration and production costs will increase. Any such increase in exploration and production costs may affect our results of operations and financial condition.

These risks may lower our production levels, increase our production costs and expenses, or cause damage to our property or injury to our employees or others. We maintain insurance to cover certain losses and exposure to liability in order to protect our assets, operations and liability to third parties. Nonetheless, we cannot assure you that such coverage will be sufficient to cover all our losses given the potential increases in the value of assets or modifications in the maximum probable losses. These risks may adversely affect our operations and financial results.

Venezuelan proved crude oil and gas reserve estimates involve some degree of uncertainty and may prove to be incorrect over time, which could adversely affect our ability to generate income.

The proved crude oil and gas reserves set forth in these listing particulars are our estimated quantities of crude oil, natural gas and natural gas liquids that geological and engineering data demonstrate with reasonable certainty to be recoverable from known reservoirs under existing economic and operating conditions (i.e., prices and costs as of the date the estimate is made). All reserves of oil and natural gas located within Venezuelan territory belong to the Bolivarian Republic of Venezuela and the amounts thereof are estimated by PDVSA and approved by the Ministry of Petroleum and Mining. The standards applied by the Ministry of Petroleum and Mining are recognized and used worldwide, making the declared results comparable to the ones of other countries. The oil located in the Orinoco Oil Belt has been certified by Ryder Scott Co. LP. Our proved oil and gas reserves have not been verified by any independent third party. Venezuelan proved developed crude oil and gas reserves are reserves that can be expected to be recovered through existing wells with existing equipment and operating methods. In the past, we revised our expected recovery factor for the Orinoco Oil Belt from 8% to 20%, based on existing economic and operating conditions, as well as on the availability of improved recovery technologies and broader information regarding reservoir performance parameters such as cumulative production, production rate, reservoir pressure and gas oil ratio behavior. The foregoing led to an increase in our internally certified proved reserves of 203,890 million barrels over the past five years.

There are uncertainties in estimating quantities of proved reserves related to prevailing crude oil and natural gas prices applicable to our production, which may lead us to make revisions to our reserve estimates. Moreover, many of the factors, assumptions and variables involved in estimating proved reserves are beyond our control and are subject to change over time. Consequently, measures of reserves are not precise and are subject to revision. Downward revisions in our reserve estimates could lead to lower future production, which could affect our results of operations and financial condition.

We are subject to numerous environmental and health regulations in the locations where we conduct operations, particularly in the United States and Venezuela, that may become more stringent and result in increased liabilities and increased capital expenditures.

Our activities are subject to a wide variety of national and local laws, regulations, and permit requirements relating to the protection of human health and the environment. Certain environmental laws require us to incur significant costs to cover damage that a project may cause to the environment. These costs may have a negative impact on the profitability of the projects we intend to implement or may make such projects economically unfeasible. In addition, some of our activities are in areas under special protection regimes with very restricted land uses. If the legal and regulatory framework is revised to become more rigorous, we will likely be required to substantially increase the capital expenditures for compliance with our revised legal and regulatory framework to effectively undertake the necessary improvements to comply with the health, safety, and sustainable environmental practices in the future. Any such increased expenditure may affect our results of operations and financial condition.

We are subject to numerous laws, regulations and government mandates in Venezuela that may change in the future and adversely affect our operating results and financial condition.

In addition to laws, regulations and permit requirements relating to the protection of human health and the environment, our business and activities are subject to numerous other federal, state and local laws, regulations and government mandates relating to various matters such as taxes, production tax payments, social contributions, foreign exchange and capital controls, price controls on the sales of our products, and development and operation of fields and hydrocarbon reserves owned by Venezuela. For example, in the past few years, the Venezuelan government has made numerous amendments to foreign exchange rates for the sale and purchase of foreign currency, which have had significant impact on our results of operations. Similarly, the government has established laws regulating required production tax contributions, dividends and tax revenues that have been modified several times. We have no control over and cannot predict what measures the government will take in the future or which policies it will implement, and these laws and regulations could change at any time depending on the government's needs or policies. Any substantial change in the regulations applicable to us may have a material adverse effect on our results of operations and financial condition. Likewise, uncertainty over whether the Venezuelan government will implement changes in policy or regulation in the future may contribute to economic uncertainty and heightened volatility in the financial markets, which may have a material and adverse effect on our business, results of operations and financial condition. In addition, the government may require that we increase our social contribution payments, or it may require us to divert a portion of our crude oil production to electricity companies in Venezuela, which would, in both cases, materially adversely affect our results of operations, cash flows and financial condition.

We could become subject to laws and regulations affecting our ability to conduct business in certain jurisdictions, such as the United States.

On May 24, 2011, the U.S. Department of State announced the imposition of sanctions on seven companies, including PDVSA, under the Iran Sanctions Act of 1996, as amended by the Comprehensive Iran Sanctions, Accountability, and Divestment Act of 2010. The sanctions imposed on PDVSA prohibit the company from competing for U.S. government procurement contracts, securing financing from the Export-Import Bank of the United States, and obtaining U.S. export licenses for goods and technology requiring a specific license or any other formal written authorization from the U.S. Government for exportation or re-exportation to Venezuela. The U.S. State Department's May 24, 2011 press release stated that "these sanctions do not apply to PDVSA's subsidiaries and do not prohibit the export of crude oil to the United States," and this was further confirmed by the formal notice by the State Department published in the Federal Register on September 14, 2011 (76 Fed. Reg. 178 at 56866).

We may incur losses arising from our pending arbitrations and litigation.

We are currently a party to certain arbitrations and numerous legal proceedings relating to civil, administrative, environmental, labor and tax claims filed against us. These claims involve substantial amounts of money and other remedies. Several individual disputes account for a significant part of the total amount of claims against us. While we believe that we have provisioned such risks appropriately based on the opinions and advice of our external legal advisors and in accordance with applicable accounting rules, in the event that claims involving a material amount and for which we have no provisions were to be decided against us, or in the event that the losses estimated turn out to be significantly higher than the provisions made, the aggregate cost of unfavorable decisions could have a material adverse effect on our financial condition and results of operations.

Risk Factors Relating to the Notes

The Notes will be our senior unsecured obligations.

The Notes will be our senior unsecured obligations. The payment of principal and interest on the Notes will be effectively subordinated in right of payment to all of our secured indebtedness (of which we had $4,062 million as of June 30, 2013 and $4,072 million as of December 31, 2012) and to creditors given a statutory priority under applicable law. If we become insolvent or are liquidated or subject to insolvency proceedings, or are in default in respect of our secured indebtedness, our secured lenders will be entitled to exercise the remedies available to a secured lender under applicable law, in addition to any remedies that may be available under our secured

financing arrangements, and we cannot assure you that there will be sufficient assets to pay amounts due on the Notes. As a result, you may receive less, ratably, than the lenders of our secured unsubordinated indebtedness.

The market value of the Notes may depend on economic conditions in Latin America and other developing countries over which we have no control.

The market value of securities of Venezuelan companies, including us, is affected to varying degrees by economic and market conditions in other Latin American and developing countries. Although economic conditions in such countries may differ significantly from economic conditions in Venezuela, investors' reactions to developments in any of these other countries may affect the market value of securities of Venezuelan issuers. We cannot assure you that any economic, social or political deterioration in other Latin American or developing countries or other events in Latin American or developing countries will not affect the market value of the Notes.

The transferability of the Notes may be limited under applicable securities law.

The Notes have not been registered under the Securities Act or any securities laws of any state of the United States or any other jurisdiction and, unless so registered, may not be offered or sold in the United States or for the account or benefit of a U.S. Person, except pursuant to an exemption from, or in a transaction not subject to, the registration requirements of the Securities Act and the applicable securities laws of any state or any other jurisdiction.

Additionally, the purchase and sale of the Notes in the secondary market in Venezuela in transactions payable in Bolívares by individuals and legal entities domiciled in Venezuela can occur only through universal banks and microfinance banks acting through the SICAD unless otherwise authorized by the Central Bank, in accordance with the terms and conditions set forth by the Central Bank in its instruction manuals and procedures pursuant to the Resolution 13-07-01 published in the Official Gazette No. 40,201 dated July 4, 2013 and the Foreign Exchange Agreement No. 22 dated July 2, 2013 and published in the Official Gazette No. 40,199 dated July 2, 2013.

According to Central Bank Circulars No. VOI-013-2011 and VOI-018-2011 dated March 29, 2011 and June 29, 2011, respectively, all Venezuelan banks, either public or private, must hold their securities, as well as the securities they hold on behalf of their clients denominated in local or foreign currency, issued or endorsed by the Republic or state-owned companies such as us, through the Central Bank.

While in the future, the Notes might be sold in Venezuela in the Public Securities Exchange (*Bolsa Pública de Valores Bicentenaria*), created pursuant to the Public Securities Exchange Law (*Ley de la Bolsa Pública de Valores Bicentenaria*) published in the Special Official Gazette No. 5,999 dated November 13, 2010 and its General Rules (*Reglamento General de la Bolsa Pública de Valores Bicentenaria*) published in the Official Gazette No. 39,659 dated April 25, 2011, in accordance with the procedures and subject to the terms and conditions established in the Rules relating to the Registration, Negotiation and Settlement of Securities in the Public Securities Exchange (*Reglamento de Inscripción, Negociación y Liquidación de Valores en la Bolsa Pública de Valores Bicentenaria*) issued by the Venezuelan Superintendency of Securities (*Superintendencia Nacional de Valores*) and published in the Official Gazette No. 39,600 dated January 24, 2011, we cannot assure you that any such active trading market will develop and provide an additional market for the Notes.

Prospective investors should be aware that investors may be required to bear the financial risks of this investment for an indefinite period of time.

The Notes are a new issue of securities for which there is currently no public market, and you may be unable to sell your Notes if a trading market for the Notes does not develop.

We have applied to list the Notes on the Official List of the Luxembourg Stock Exchange and to trade them on the Euro MTF market of such exchange.

Although we have been advised by the Structuring Agents that they currently intend to make a market in the Notes following completion of this offering, none of the Structuring Agents is obligated to do so, and any such

market-making activities may be discontinued at any time without notice. We cannot assure you that any active trading market will develop for the Notes, nor can we assure you regarding the liquidity of any such market, your ability to sell the Notes or the prices at which the Notes could be sold. We plan to place a portion of the Notes with the Central Bank, which could also affect the liquidity of the Notes. If a market for the Notes develops, the Notes could trade at prices that may be higher or lower than their initial offering prices depending on many factors, including prevailing interest rates, our results of operations, the markets for similar securities, and other factors beyond our control, including general economic and market conditions.

The sale of Notes to certain of our suppliers and vendors subsequent to the initial issuance could affect the trading price and liquidity of the Notes.

A portion of the Notes will be offered to certain of our suppliers and vendors in satisfaction of accounts payable owed by us to them. The Notes offered to suppliers may be offered at prices negotiated between PDVSA and such suppliers, which prices may differ from the prices at which the Notes are offered on the initial issuance date, reflecting additional factors. Any such difference in prices with respect to the Notes could affect the market for and trading price of the Notes, including those sold on the initial issuance date.

Any such Notes issued hereunder for the purposes of offers to our suppliers that are not sold or exchanged prior to March 31, 2014 shall be cancelled, thereby reducing the aggregate amount of the Notes offered and sold hereunder, which could affect the trading prices of the Notes outstanding and the liquidity of the Notes.

The holding periods for purposes of Rule 144A and Regulation S will not begin to run until we have completed the distribution of the Notes to the suppliers and vendors. As a result, the Notes will be subject to transfer restrictions for a longer period than if all of the Notes were allocated to investors on the initial issuance date. See "*Transfer Restrictions.*"

The Notes are expected to be issued with original issue discount for U.S. federal income tax purposes.

The Notes are expected to be issued with original issue discount for U.S. federal income tax purposes. In such case, regardless of a U.S. Holder's (as defined under "Tax Considerations") regular method of tax accounting, the U.S. Holder will be required to accrue the original issue discount on a Note on a constant yield basis and include the accruals in gross income, whether or not the U.S. Holder receives a corresponding cash payment on the Note during the taxable year. For a summary of the material U.S. federal income tax consequences of the purchase, ownership and disposition of the Notes, see "*Tax Considerations – Material U.S. Federal Income Tax Consequences.*"

Investment in emerging markets poses a greater degree of risk.

Investing in emerging-market securities generally pose a greater degree of risk than investing in securities from more mature market economies as emerging market economies are more volatile.

There can be no assurance that a continuation or acceleration of these economic and financial crises or similar events will not negatively affect investor confidence in emerging markets or the economies of the principal countries in Latin America, including Venezuela. In addition, there can be no assurance that these events will not adversely affect Venezuela's economy and its ability to raise capital in the external debt markets in the future.

If we are subjected to Venezuelan bankruptcy or insolvency law, the ability of the holders of Notes to recover their investment in the Notes will be substantially impaired and will be subordinated to several classes of creditors such as secured creditors, our employees and the Venezuelan treasury, among others.

If a Venezuelan court were to hold us subject to Venezuelan bankruptcy or insolvency laws, your ability to recover your investment in the Notes will be impaired and will be subordinated to several creditors such as the bankruptcy trustee, secured creditors, our employees for any unpaid wages and labor benefits set forth in applicable collective bargaining agreements and Venezuelan labor law (including profit-sharing payments, accrued but unpaid vacation and severance) and the Venezuelan treasury for unpaid taxes, among others.

Venezuela recognizes the execution of foreign judgments and arbitration awards, subject to certain conditions provided for in Venezuelan laws.

Foreign judgments and arbitration awards rendered against PDVSA can be enforced against its assets located in Venezuela only upon compliance with the effectiveness requirements set forth in the Venezuelan Law of Private International Law, the Commercial Arbitration Law and the New York Convention on the Recognition and Enforcement of Foreign Arbitral Awards. Notwithstanding these requirements, given that we are a state-owned company which owns assets that serve the public interest, in accordance with the provisions of the Organic Law of the National Attorney's Office, the execution of a foreign judgment or arbitration award must be stayed for a period of 45 business days during which Venezuela may take actions in order to prevent the interruption of the public services that we provide in Venezuela.

USE OF PROCEEDS

The net proceeds from the sale of the Notes, after deducting estimated discounts, commissions and offering expenses payable by us, were approximately $4,491,751.58. We will use the net proceeds from the sale of the Notes, after deducting fees and commissions from the offering, for general corporate purposes, including financing of capital expenditures and social development expenses. A portion of the Notes, representing 66.6% of the aggregate principal amount thereof, will be offered to certain of our suppliers and vendors in satisfaction of accounts payable owed by us to them. The Notes offered to suppliers may be offered at prices negotiated between PDVSA and such suppliers, which prices may differ from the prices at which the Notes are offered at the issue date, reflecting additional factors. Any such Notes issued hereunder and offered to suppliers that are not sold or exchanged prior to March 31, 2014 shall be cancelled, thereby reducing the aggregate amount of the Notes.

CAPITALIZATION

The following table sets forth our long-term debt, capital lease obligations, non-controlling interests and shareholder's equity, computed on the basis of IFRS, as of June 30, 2013, as adjusted to give effect to (i) the issuance of the Notes, as if such issuance had occurred on June 30, 2013 and (ii) other indebtedness incurred since June 30, 2013. This table should be read in conjunction with "Management's Discussion and Analysis of Financial Condition and Results of Operations," "Use of Proceeds" and our financial statements and the notes to those statements included elsewhere in this offering memorandum.

	As of June 30, 2013	
	Actual	**As Adjusted**
	(**in millions of U.S. dollars**)	
Debt and capital lease obligations:		
Notes offered herein[1]	-	4,500
Other guaranteed notes and bonds	27,339	-
Other facilities agreements[2]	7,765	1,546
Loans guaranteed by export credit agencies	3,770	-
Capital lease obligations	389	256
Total Debt	39,263	6,302
Non-controlling interests	12,132	12,132
Shareholder's equity[3]	71,616	71,616
Total Capitalization	123,011	90,050

(1) Reflects the issuance of $4,500 million of Notes without giving effect to OID.

(2) $1,546 million consists of $406 million drawn by PDVSA from financing from Banco de Venezuela, $241 million used by PDVSA from a credit line from Banco del Tesoro, disbursements of $137 million made to PDVSA by Credit Suisse, a new loan with Banco de Venezuela of $444 million, and two new loans with Banco del Tesoro for $158 million each, of which the entire amounts were drawn by PDVSA. See "*Management's Discussion and Analysis – Loan Agreements*."

(3) Excludes non-controlling interests.

SELECTED FINANCIAL AND OPERATING DATA

The following table presents our summary consolidated financial and operating information as of the dates and for each of the periods indicated. This information is qualified in its entirety by reference to, and should be read together with, our consolidated financial statements, including the notes thereto, and the "Management's Discussion and Analysis of Financial Condition and Results of Operations" section included elsewhere in these listing particulars. Our selected consolidated statement of comprehensive income data for the years ended December 31, 2012, 2011 and 2010, the selected consolidated statement of financial position data as of December 31, 2012, 2011 and 2010 and the selected consolidated statement of cash flow data as of December 31, 2012, 2011 and 2010, have been extracted without material adjustments from our annual consolidated financial statements and related notes thereto included elsewhere in these listing particulars. Our selected consolidated statement of comprehensive income data for the years ended December 31, 2009 and 2008 and the selected consolidated statement of financial position data as of December 31, 2009 and 2008 have been extracted without material adjustments from our annual consolidated financial statements and related notes thereto which have not been included in these listing particulars. Our annual consolidated financial statements were prepared in conformity with International Financial Reporting Standards and audited in accordance with International Standards on Auditing.

Our selected consolidated statement of comprehensive income data for the six months ended June 30, 2013 and 2012 and the selected consolidated statement of financial position data as of June 30, 2013 have been extracted without material adjustment from our unaudited interim condensed consolidated financial statements and related notes thereto included elsewhere in these listing particulars. Our unaudited interim condensed consolidated financial statements and related notes thereto have been prepared on the same basis as our audited annual consolidated financial statements. Interim financial results are not necessarily indicative of results that may be expected for the full fiscal year or any future period.

As a result of applying IAS 19 enacted by the IASB, a series of changes to the methods used for the accounting of employee benefits has been instituted and is effective for financial years beginning on or after January 1, 2013, with early adoption thereof permitted. We have adopted this standard and as a result, we have applied it to our financial statements accordingly with respect to our summary consolidated statement of comprehensive income for the six months ended June 30, 2013 and 2012 and our summary consolidated statement of financial position for the six months ended June 30, 2013.

Selected consolidated statement of comprehensive income data	As of and for the six months ended June 30,		Years ended December 31,				
	2013	2012	2012	2011	2010	2009	2008
	(in millions of U.S. dollars)		(in millions of U.S. dollars)				
Continuing operations:							
Sales of crude oil and products:							
Exports and overseas, net	57,885	61,346	121,480	122,267	92,744	70,636	122,488
In Venezuela	702	827	1,743	1,675	1,400	2,646	2,804
Sales of food, services and others	585	479	1,236	812	785	537	207
Total income	**59,172**	**62,652**	**124,459**	**124,754**	**94,929**	**73,819**	**125,499**
Purchases of crude oil and products, net	19,347	18,592	40,012	39,783	34,017	25,932	44,600
Operating expenses	9,126	9,316	23,014	14,555	11,892	15,235	16,206
Exploration expenses	83	106	492	163	147	247	375
Depreciation and amortization	3,861	3,481	7,105	6,871	6,037	5,751	5,210
Selling, administrative and general expenses	2,026	2,412	4,078	3,819	3,729	4,985	4,982
Production tax, extraction tax and other taxes	8,922	7,971	17,730	17,671	13,904	12,884	23,371
Finance income	(11,872)	(349)	(3,152)	(765)	(419)	(5,873)	(1,580)
Finance costs	2,122	1,589	3,401	3,649	8,810	835	1,780
Equity in net earnings of investment in non-consolidated investees and jointly controlled entities	46	(14)	(64)	278	184	139	(153)
Other expenses, net	2,218	1,182	3,013	3,501	2,039	1,192	2,547

Selected consolidated statement of comprehensive income data	As of and for the six months ended June 30, 2013	2012	Years ended December 31, 2012	2011	2010	2009	2008
	(in millions of U.S. dollars)		(in millions of U.S. dollars)				
	35,879	**44,286**	**95,629**	**89,525**	**80,340**	**61,327**	**97,338**
Income before contributions for social development and income tax	**23,293**	**18,366**	**28,830**	**35,229**	**14,589**	**12,492**	**28,161**
Contributions for social development	4,642	6,184	9,025	15,604	5,326	2,937	2,326
Contributions to FONDEN	2,637	6,447	8,311	14,475	1,692	577	12,407
	7,279	**12,631**	**17,336**	**30,079**	**7,018**	**3,514**	**14,733**
Income before income tax	**16,014**	**5,735**	**11,494**	**5,150**	**7,571**	**8,978**	**13,428**
Income tax	3,074	3,640	7,279	2,007	3,849	3,310	4,280
Net Income from continuing operations	**12,940**	**2,095**	**4,215**	**3,143**	**3,722**	**5,668**	**9,148**
Discontinued operations:							
Gain (loss) from discontinued operations, net of income tax	-	-	-	1,353	(558)	(1,274)	343
Net income	**12,940**	**2,095**	**4,215**	**4,496**	**3,164**	**4,394**	**9,491**
Other comprehensive income:							
Actuarial income for employee benefits, net of taxes	-	396	-	-	-	-	-
Differences on translation of foreign operations	(186)	34	22	87	38	104	(78)
Total comprehensive income	**12,754**	**2,525**	**4,237**	**4,583**	**3,202**	**4,498**	**9,413**
Net income attributable to:							
Company's stockholder	10,882	627	2,678	2,640	2,309	2,920	7,529
Non-controlling interests	2,058	1,468	1,537	1,856	855	1,474	1,962
Net income	**12,940**	**2,095**	**4,215**	**4,496**	**3,164**	**4,394**	**9,491**
Total comprehensive income attributable to:							
Company's stockholder	10,696	1,057	2,700	2,727	2,347	3,024	7,451
Non-controlling interests	2,058	1,468	1,537	1,856	855	1,474	1,962
Total comprehensive income	**12,754**	**2,525**	**4,237**	**4.583**	**3,202**	**4,498**	**9,413**

	As of and for the six months ended June 30, 2013	2012	Years ended December 31, 2012	2011	2010	2009	2008
	(in millions of U.S. dollars)		(in millions of U.S. dollars)				
Selected consolidated statement of cash flow information data							
Net cash provided by operating activities	5,504	2,485	21,543	12,392	12,643	7,895	16,705
Net cash used in investment activities	(8,737)	(8,054)	(25,221)	(13,728)	(13,657)	(15,313)	(15,847)
Net cash provided from financing activities	1,078	2,919	3,301	3,929	1,564	9,916	300

	As of and for the six months ended June 30, 2013	2012	Years ended December 31, 2012	2011	2010	2009	2008
	(in millions of U.S. dollars)		(in millions of U.S. dollars)				
Venezuela's proved reserves (mmbls)[1]							
Crude Oil	297,735	297,735	297,735	297,571	296,501	211,173	172,323
Natural gas in boe[2]	33,864	33,661	33,864	33,661	33,637	30,841	30,347
Hydrocarbons in boe	**331,599**	**331,232**	**331,599**	**331,232**	**330,138**	**242,014**	**202,670**

	As of and for the six months ended June 30,		Years ended December 31,				
	2013	2012	2012	2011	2010	2009	2008
	(in millions of U.S. dollars)		(in millions of U.S. dollars)				
Venezuela's Production (mbpd)							
PDVSA's Crude Oil Production[3]	2,855	2,914	2,910	2,991	2,975	3,012	3,235
Third party participation in Orinoco Oil Belt	-	-	–	–	–	–	25
Total crude oil	**2,855**	**2,914**	**2,910**	**2,991**	**2,975**	**3,012**	**3,260**
PDVSA's production (mbpd)							
Crude Oil[1]	2,855	2,914	2,910	2,991	2,975	3,012	3,235
Liquid petroleum gas	118	124	124	138	147	158	162
Natural gas in boe[2]	769	746	768	731	690	722	659
Hydrocarbons in boe	**3,742**	**3,784**	**3,802**	**3,860**	**3,812**	**3,892**	**4,056**
Average production cost ($/boe)							
Including operating service agreements [4]	10.80	8.53	11.09	7.53	5.53	6.33	7.10
Excluding operating service agreements [4]	10.57	8.16	10.86	7.23	5.23	5.64	5.84
PDVSA's refining capacity (mbpd)[5]							
Venezuela	1,303	1,303	1,303	1,303	1,303	1,303	1,303
Caribbean	401	401	401	401	384	384	384
United States	1,089	1,089	1,089	1,089	1,089	1,089	1,089
Europe	29	29	29	29	259	259	259
Total refining capacity	**2,822**	**2,822**	**2,822**	**2,822**	**3,035**	**3,035**	**3,035**
Sales volume exported (mbpd)[3]							
Crude oil	1,987	1,971	2,060	1,917	1,911	2,019	2,228
Refined products	495	544	508	552	504	663	669
Total exports	**2,482**	**2,515**	**2,568**	**2,469**	**2,415**	**2,682**	**2,897**
Average sales export price ($/bl)							
Crude oil	97.52	104.53	100.75	98.67	71.26	57.25	85.36
Refined products	97.43	109.16	104.43	105.73	76.18	56.84	87.41
Total exports	**97.50**	**105.41**	**103.42**	**100.11**	**72.18**	**57.01**	**86.49**

(1) Proved reserves include both proved developed and undeveloped reserves, as well as our equity participation in former operating agreements with third parties in connection with the Orinoco Oil Belt projects.

(2) Gas production is net of gas used for reinjection purposes. Gas is converted to boe at a rate of 5.8 thousand cubic feet of natural gas per barrel of crude oil.

(3) Includes 21 mbpd from our equity participation in the Orinoco Oil Belt Associations, the joint ventures for the exploration and productions of crude oil and gas in the Orinoco Oil Belt in which we held a non-controlling interest until the first quarter of 2008.

(4) Calculated by dividing total costs (excluding depreciation, depletion and production tax payments) and expenses of crude oil, gas and LPG producing activities by total crude oil, LPG and net gas (boe) produced.

(5) Amounts represent our interest in the refining capacity of all refineries in which we hold equity or leasehold interest.

Selected consolidated statement of financial position data	As of and for the six months ended June 30, 2013	Years ended December 31, 2012 (restated)[1]	2012	2011	2010	2009	2008
	(in millions of U.S. dollars)	(in millions of U.S. dollars)					
Assets							
Property, plant and equipment, net	119,913	115,905	115,905	98,221	87,632	83,457	73,010
Other non-current assets	26,625	27,419	27,419	26,938	14,281	15,782	13,267
Restricted cash	215	218	218	314	604	1,649	1,773
Total non-current assets	**146,753**	**143,542**	**143,542**	**125,473**	**102,517**	**100,888**	**88,050**
Inventories	13,389	11,606	11,606	10,116	8,938	8,502	8,678
Notes and accounts receivable	41,025	41,706	41,706	31,576	20,028	14,330	10,810
Restricted cash	1,482	2,112	2,112	1,714	1,678	415	347
Other current assets	9,624	11,225	11,225	4,665	12,587	18,485	19,464
Cash and cash equivalents	5,923	8,233	8,233	8,610	6,017	6,981	4,483
Total current assets	**71,443**	**74,882**	**74,882**	**56,681**	**49,248**	**48,713**	**43,782**
Total assets	**218,196**	**218,424**	**218,424**	**182,154**	**151,765**	**149,601**	**131,832**
Equity attributable to:							
Company's Stockholder	71,616	61,890	65,232	63,927	65,930	65,322	63,475
Non-controlling interests	12,132	10,596	10,596	9,956	9,384	9,067	8,038
Total equity	**83,748**	**72,486**	**75,828**	**73,883**	**75,314**	**74,389**	**71,513**
Liabilities							
Financial debt	34,667	35,647	35,647	32,496	21,346	18,941	13,780
Other non-current liabilities	30,811	39,231	35,889	28,742	11,009	14,231	12,153
Total non-current liabilities	**65,478**	**74,878**	**71,536**	**61,238**	**32,355**	**33,172**	**25,933**
Financial debt	4,596	4,379	4,379	2,396	3,604	2,956	1,698
Accounts payable	15,439	16,747	16,747	12,376	10,137	7,016	7,556
Income tax payable	2,887	2,267	2,267	4,452	5,878	2,545	2,047
Other current liabilities	46,048	47,667	47,667	27,809	24,477	29,523	23,085
Total current liabilities	**68,970**	**71,060**	**71,060**	**47,033**	**44,096**	**42,040**	**34,386**
Total liabilities	**134,448**	**145,938**	**142,596**	**108,271**	**76,451**	**75,212**	**60,319**
Total equity and liabilities	**218,196**	**218,424**	**218,424**	**182,154**	**151,765**	**149,601**	**131,832**
Debt to Equity Ratio[2]							
Total debt including capital lease	39,263	40,026	40,026	34,892	24,950	21,897	15,478
Debt / Equity (%)	47%	55%	53%	47%	33%	29%	22%

(1) For comparative purposes our summary consolidated statement of financial position for the year ended December 31, 2012 has been restated to reflect the application of IAS 19 (2011) enacted by the IASB, pursuant to which a series of changes to the methods used for the accounting of employee benefits has been instituted. This restated financial information can be found in the unaudited interim condensed consolidated financial statements for the six months ended June 30, 2013 attached to these listing particulars.

(2) Calculated as total financial debt and capital leases, including current portion, divided by stockholder's equity.

MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

The following discussion should be read in conjunction with our Consolidated Financial Statements including the notes thereto, contained herein. This section contains forward-looking statements that involve risks and uncertainties. Our actual results may differ materially from those discussed in the forward-looking statements as a result of various factors, including, without limitation, those set forth in "Risk Factors" and other matters set forth in these listing particulars.

Overview

We are a vertically integrated oil and gas company engaged in the exploration, development and production of oil and gas and the refining, marketing, transportation and distribution of oil, gas and petroleum products. As of December 31, 2012, our daily output of crude oil reached 2,910 mbpd, from 2,991 mbpd as of December 31, 2011. We explore and produce hydrocarbons in Venezuela and mainly sell crude oil to the United States and Canada, the Caribbean, Africa, Europe, South America and Asia. Also, we refine crude oil and other feedstock in Venezuela and abroad into a variety of products, including gasoline, diesel, fuel oil and jet fuel, petrochemicals and industrial products, lubricants and waxes, and asphalt. We are also engaged in the gas business with a gross production of 1,263 mboe per day as of December 31, 2012. Refined petroleum products are transported from our refineries primarily by tankers, pipelines, and barges and then through terminals to our customers. These refined petroleum products are sold to wholesale marketers, convenience stores, airlines, and other manufacturers as feedstock.

Factors Affecting Operating Results

Our operating results are a function of oil and gas prices, the volumes and the mix of crude oil and gas and refined petroleum products supplied to customers, refinery margins, utilization rates of refining capacity and operational costs.

Contributions for Social Development

Pursuant to the Venezuelan Constitution, the Organic Hydrocarbons Law and social policy, we are required to foster Venezuela's socio-economic development and the welfare of its citizens. To that effect, we make and are expected to continue to make significant financial contributions to social programs, including transfers to FONDEN (*Fondo de Desarrollo Nacional*) and other programs, which are included in our annual budget together with other expenses aimed to fund specific social projects, as determined by our Board of Directors, certain of which are recorded as part of our capital expenditures in accordance with applicable accounting rules.

FONDEN is a special fund that was created by the government of Venezuela in 2005 as a corporation (*sociedad anónima*) to finance and manage investment projects, public education, health care and other welfare projects in Venezuela, in order to promote the economic and social development of the country.

We contribute funds to FONDEN through mandatory transfers required under the Decreto con Rango, Valor y Fuerza de Ley que Crea Contribución Especial por Precios Extraordinarios y Precios Exorbitantes en el Mercado Internacional de Hidrocarburos (Law Decree on the Creation of Special Contribution on Excess Prices and Exorbitant Prices in the International Hydrocarbons Markets) as amended on February 20, 2013, published in the Official Gazette No. 8,807 dated as of February 20, 2013, pursuant to which any time the oil basket prices are higher than the price established in the National Budget Law of the respective fiscal year, a tax is assessed based on the formula described below.

Pursuant to the law decree, in any month in which the average Venezuelan oil basket price exceeds the budgeted price per barrel, but is equal to or less than U.S.$80 per barrel, oil and oil derivatives exporters (including us) must pay a tax on exports calculated by multiplying the number of barrels they export in such month by 20% of the amount of the average Venezuelan oil basket price for such month that is greater than the budgeted price per barrel and equal to or less than U.S.$80. In any month in which the average Venezuelan oil basket price is greater than U.S.$80 and less than U.S.$100 per barrel, the tax is assessed at the amount specified in the previous sentence

for the first U.S.$80 and at 80% of the total amount of the difference between U.S.$80 and the average price. In any month in which the average Venezuelan oil basket price is equal to or greater than U.S.$100 and less than U.S.$110 per barrel, the tax is assessed at the amount specified in the preceding sentences for the first U.S.$100 and at 90% of the amount in the excess of U.S.$100. Finally, in any month in which the average Venezuelan oil basket price is equal to or greater than U.S.$100, the tax is assessed as specified in the preceding sentences for the first U.S.$110 and at 95% of the excess of the average Venezuelan oil basket price over U.S.$110. The contributions received from this tax are paid directly to FONDEN in U.S. dollars on a monthly basis to carry out social development and infrastructure projects.

Historically, our social development contributions, whether made through financial contributions to FONDEN or to other social programs directly funded by us, have been calculated based on our revenues in U.S. dollars. PDVSA, through its annual budget, determines the social contributions to be made by PDVSA during the course of the year. However, PDVSA sends monthly reports to the Venezeulan government for the approval of such disbursements for social contributions, and the Venezuelan government may approve or request a change in the levels of such contributions. In the past, there has always been a margin between our revenues and social development contributions. Between 2008 and 2012, the average social contributions represented 13.4% of our revenues. We contributed a total of $7,018 million in 2010, a total of $30,079 million in 2011, a total of $17,336 million in 2012, and a total of $7,279 million in the six months ended June 30, 2013 to social development, which are reflected as social development expenses in our consolidated statements of income included elsewhere in these listing particulars. These contributions were made in addition to taxes and dividends we paid to Venezuela in such fiscal years, as well as the social projects we have funded, which are recorded as part of our capital expenditures because they relate to one of our oil and gas production projects.

Trends Affecting our Business

In our upstream operations, we are focused primarily on completing the quantification of our proved reserves of crude oil in the Orinoco Oil Belt, increasing the overall recovery factor of crude oil by improving existing technology, continuing the development of extra-heavy crude oil projects through new joint ventures with selected partners, and increasing the availability and industrialization of gas, particularly in our off-shore reservoirs.

With respect to our downstream business, we are investing in upgrading our refining infrastructure in Venezuela, increasing refining capacity in new markets such as Latin America, the Caribbean and, particularly, in Asia. We comply with all environmental standards in these areas and in all areas in which we operate.

The refining business represents an important challenge over the next few years. The combination of reduced refining margins, particularly for deep conversion capacity refiners, stringent environmental requirements, and a depressed economy with a weak demand for refined products, have caused many businesses to cease operations. We have been reducing costs, delaying certain investment projects and reformulating debt structures with respect to some of our international subsidiaries to manage the effects of the depressed economy.

In Venezuela, we continue to supply the local market in order to satisfy an increasing demand. However, we are developing a project to convert an important portion of vehicles in Venezuela to natural gas consumption, which will enable us to export more gasoline. In addition, we are developing important projects in Venezuela to increase deep conversion capacities in the El Palito, Puerto La Cruz and CRP refineries.

With respect to our gas business, we are actively promoting private sector participation, in partnership with us, in the exploration, production and processing of non-associated off-shore gas reserves.

Impact of Production Quotas

Our consolidated financial results depend primarily on the volume of crude oil we produce and the price levels for hydrocarbons. The level of crude oil production and the capital expenditures needed to achieve such level of production have been among the principal factors determining our financial condition and results of operations since 1990 and are expected to remain the principal factors in determining our financial condition and results of operations for the foreseeable future.

Historically, members of OPEC have entered into agreements to reduce their production of crude oil. Such agreements have sometimes increased global crude oil prices by decreasing the global supply of crude oil. Venezuela is a party to and has complied with such agreements, and we expect that Venezuela will continue to comply with such production agreements with other OPEC members. Since 1998, OPEC's production quotas have resulted in a worldwide decline in crude oil production and substantial increases in international crude oil prices.

Beginning with the 160th Meeting of the Conference of OPEC, convened on December 14, 2011 in Vienna, Austria, to the present, OPEC decided to maintain a production level of 30.0 mbpd, including production from Libya, and also agreed that OPEC member countries would, if necessary, take steps (including voluntary downward adjustments of output) to ensure market balance and reasonable price levels.

During 2012, the OPEC crude basket price increased by $1.99 per barrel, or 1.85%, from $107.46 per barrel in 2011 to $109.45 per barrel in 2012. The average price of our exports, including refined products, increased by $3.31 per barrel, or 3.31%, from $100.11 per barrel in 2011 to $103.42 per barrel in 2012.

Impact of Inflation and Devaluation

While more than 95% of our revenues and a significant portion of our expenses are in U.S. dollars, some of our operating costs (including income, production and extraction taxes) are incurred in Bolívares. As a result, our financial condition and results of operations are affected by the Venezuelan inflation rate and the timing and magnitude of any change in the $/Bs. exchange rate during a given financial reporting period.

Since 1998, the Venezuelan government has used exchange rates to moderate inflation, by devaluing the Bolívar within a pre-determined range. Effective February 13, 2002, however, the Venezuelan government and the BCV adopted a floating exchange rate system, as opposed to the band system previously in effect. As a result of the adoption of a floating exchange rate system, the Bolívar devalued substantially against the U.S. dollar and inflation accelerated in 2002.

On February 5, 2003, the Venezuelan government established an exchange control regime, and fixed the exchange rates for the sale and purchase of non-Venezuelan currency at Bs.1.6 to $1 and Bs.1.596 to $1, respectively.

On February 7, 2004, a new foreign exchange rate for the sale and purchase of non-Venezuelan currency was established at Bs.1.920 to $1 and Bs.1.915 to $1, respectively. On March 1, 2005, a new foreign exchange rate for the sale and purchase of non-Venezuelan currency was established at Bs.2.150 to $1 and Bs.2.145 to $1, respectively. During 2006, the exchange rate remained unchanged at Bs.2.150 to $1.

Pursuant to Foreign Exchange Agreement No. 9, which was amended on March 22, 2007 and on August 11, 2009, we may only sell to the Central Bank non-Venezuelan currency required to meet our operational costs in local currency and other obligations. We may maintain funds in non-Venezuelan currencies to cover our non-Venezuelan currency operational, investment and financing expenditures and other obligations, up to a maximum amount not to exceed at any time certain thresholds determined by the Central Bank. On March 2, 2006, the Central Bank authorized us to maintain, at any time, up to $2 billion in non-Venezuelan currency to cover our non-Venezuelan currency operational, investment and financing expenditures, as well as other obligations. In addition, on February 8, 2007, the Central Bank authorized us to maintain, at any time, up to $3.5 billion in non-Venezuelan currency to cover expenditures related to our Business Plan.

On January 8, 2010, the Venezuelan government, through the Ministry of Finance and the Central Bank, enacted Foreign Exchange Agreement No. 14, which established a dual exchange rate regime (*Convenio Cambiario No. 14*) which was in place throughout 2010. As of January 11, 2010, the dual exchange rate regime established an exchange rate of Bs.2.60 to $1 for essential goods, including food, health, imports of machinery and equipment, science and technology, as well as all non-petroleum public sector transactions and other special cases. The exchange rate for all other transactions was set at Bs.4.30 to $1. This dual exchange rate regime abrogated Foreign Exchange Agreement No. 2 from March 1, 2005, which established a single exchange rate for all transactions of Bs.2.15 to $1.

Pursuant to Article 5 of Foreign Exchange Agreement No. 14, the exchange rate applicable to the sale of non-Venezuelan currency by PDVSA to the Central Bank to cover local currency expenditures was either Bs.4.2893 to $1 or of Bs.2.5935 to $1, depending on the Central Bank's requirements to cover the sale of non-Venezuelan currency to third parties at the rates of Bs.2.60 to $ 1 or Bs.4.30 to $1 as provided by Foreign Exchange Agreement No. 14. In addition, Article 5 of Foreign Exchange Agreement No. 14 required that at least 30% of the non-Venezuelan currency sales to the Central Bank be at the rate of Bs.2.5935 to $1.

On December 30, 2010, the Venezuelan government, through the Ministry of Finance and the Central Bank, enacted an amendment to the Foreign Exchange Agreement No. 14 (*Convenio Cambiario No. 14*), effective as of January 1, 2011, which abrogated the multiple official exchange rates regime in effect since January 2010, establishing a single official fixed exchange rate. Pursuant to such amendment to the Foreign Exchange Agreement No. 14, the single official exchange rate was fixed, for all purposes, at Bs.4.30/$1 for the sale of non-Venezuelan currency and at Bs.4.2893/$1 for the purchase of non-Venezuelan currency.

On January 13, 2011, an amendment to the Foreign Exchange Agreement N° 15 (*Convenio Cambiario No. 15*) was published (and amended on January 27, 2011), extending the application of the Bs.2.60 /$1 exchange rate for the sale of non-Venezuelan currency in transactions involving non-Venezuelan currency (or AAD) issued by the Venezuelan Foreign Exchange Commission (*Comisión de Administración de Divisas*, or CADIVI) on or before December 31, 2010, provided that such transactions have not settled as of the date of the amendment. In addition, in order to qualify for the extended application of the Bs.2.60/$1 exchange rate, the transactions involved must relate to imports into Venezuela of food and health products, payments of expenses of Venezuelan students studying abroad, the payment of expenses for health recovery, sports, culture and scientific investigations, payments to retired persons abroad and other cases as determined by CADIVI in its discretion.

On February 8, 2013 the Ministry of Finance and the Central Bank enacted an amendment of the Foreign Exchange Agreement No. 14 (*Convenio Cambiario No. 14*), effective as of February 9, 2013. Pursuant to this amendment, the official exchange rate was fixed at Bs.6.30/$1 for the sale of foreign currency, and Bs.6.2842/$1 for the purchase of foreign currency.

The annual devaluation rate for 2011 and 2012 was 0% and 0%, respectively, and the inflation rate was 27.6% and 20.1% for 2011 and 2012, respectively. The following table presents the exchange rates at December 31 for the years ended 2008 through 2012 and at June 30 for the six months ended June 30, 2013 and 2012.

	At and for the period ended June 30,		For the year ended December 31,				
	2013	2012	2012	2011	2010	2009	2008
	(in millions of U.S. dollars)		(in millions of U.S. dollars)				
Exchange rates at period-end derived from exchange agreement with the BCV (Bs./$1)[1]	6.30	4.30	4.30	4.30	4.30	2.15	2.15
Average exchange rates (Bs./$1)	5.87	4.30	4.30	4.30	4.30	2.15	2.15
Increments in the exchange rate (%)	-	-	-	-	100	-	-
GCPI[2] Increase (%)	23.73	7.71	19.53	28.99	27.36	26.91	31.90
NCPI[3] Increase (%)	24.99	7.49	20.07	27.57	27.18	25.06	30.90

(1) See note 2 to our consolidated financial statements.
(2) General Consumer Price Index of the Metropolitan Area of Caracas
(3) National Consumer Price Index

Basis of Presentation

Our operations are conducted mainly in the international market for crude oil and refined petroleum products. Therefore, the U.S. dollar is our reporting currency. See note 2(c) to our consolidated financial statements.

Results of operations for the six-month period ended June 30, 2013 compared to the six-month period ended June 30, 2012.

Production

All of our crude oil, liquid petroleum gas and gas production operations are located in Venezuela. Our production of crude oil averaged 2,855 mbpd for the six months ended June 30, 2013, a 2.02% decrease from 2,914 mbpd produced for the same period in 2012 due to bad weather conditions that caused a minor impact on operations in the Orinoco Oil Belt and Western Venezuela. Our production of liquid petroleum gas averaged 118 mbpd for the six months ended June 30, 2013, as compared to 124 mbpd for the same period in 2012 due to lower gas production amounts in Anaco. Our gross production of gas was unchanged at 0.007 tcf per day for the six months ended June 30, 2013, as well as for the same period in 2012.

The net output of refined petroleum products (including output representing our equity interest in refineries held by our affiliates in the United States and Europe) was 2,227 mbpd for the six months ended June 30, 2013 as compared to 2,221 mbpd for the same period in 2012.

Total Income

Total income decreased by $3,480 million, or 5.55%, to $59,172 million for the six months ended June 30, 2013 from $62,652 million for the same period in 2012. This decrease was mainly due to a decrease in the average price of crude oil and gas and a decrease in the volume of exports. See "*Selected Financial and Operating Data*" and the table setting forth our consolidated sales volumes.

Exports of Crude Oil and Refined Products

Exports represented 78% of our sales volumes for six months ended June 30, 2013. Our exports decreased in volume by 33 mbdp, or 1% to 2,482 mbpd for the six months ended June 30, 2013, from 2,515 mbpd for the same period in 2012. Exports of crude oil increased 16 mbpd, which represented an increase of approximately 0.8% from June 30, 2012 to June 30, 2013. In addition, exports of refined petroleum products decreased 49 mbpd, which represented a decrease of approximately 9% from June 30, 2012 to June 30, 2013. This decrease was primarily due to an increase in the local demand for such products caused by increasing levels of the operation of thermoelectric plants. The average export price per barrel for Venezuelan crude oil, refined petroleum products and liquid petroleum gas decreased by $7.91, or 8%, to $97.50 for the six months ended June 30, 2013, from $105.41 for the six months ended June 30, 2012.

Sales Revenues of International Subsidiaries

For the six months ended June 30, 2013, the total volume of crude oil and refined petroleum products that we sold exceeded our total production of crude oil and liquid petroleum gas. Our total sales of crude oil, refined petroleum products and liquid petroleum gas were 3,205 mbpd for the six months ended June 30, 2012, as compared to 3,175 mbpd of total sales of such products for the six months ended June 30, 2013. CITGO generates most of its sales in excess of our crude oil and liquid petroleum gas production because it purchases crude oil and refined petroleum products from third parties (including unconsolidated affiliates) for supply to CITGO's refining and marketing network in the United States. CITGO's sales revenues increased by $150 million to $21,472 million for the six months ended June 30, 2013 from $21,322 million for the six months ended June 30, 2012. This increase was mainly due to an increase in sales volume of 3%, which was offset by lower average sales prices of 2%.

Domestic Sales

We sold 693 mbpd of refined petroleum products (including liquid petroleum gas) domestically for the six months ended June 30, 2013, as compared to 690 mbpd sold domestically for the same period in 2012. We also sold 215 mbpd of oil equivalent of gas for the six months ended June 30, 2013, as compared to 272 mbpd for the same period in 2012. Domestic sales decreased by $125 million, or 15.11% to $702 million for the six months ended June 30, 2013 from $827 million for the six months ended June 30, 2012.

Sales of food, services and other

Sales of food, services and other, which is composed primarily of freight and lease service and food sales, increased by $106 million, or 22.12% to $585 million for the six months ended June 30, 2013 from $479 million for the six months ended June 30, 2012, mainly due to the increase in the sale of food products by our subsidiary PDVSA America, S.A.

Costs and Expenses

Purchase of crude oil and products, net

Our purchase of crude oil and refined petroleum products, net increased by $755 million, or 4.06% to $19,347 million for the six months ended June 30, 2013 from $18,592 million for the same period in 2012, largely due to an increase in the volume of products acquired by our subsidiary CITGO from sources other than PDVSA.

Operating Expenses

Our operating expenses decreased by $190 million, or 2.04%, to $9,126 million for the six months ended June 30, 2013 from $9,316 million for the six months ended June 30, 2012, primarily due to the effect of the change in the exchange rate on costs incurred by our domestic operations.

Exploration Expenses

Our total exploration expenses decreased by $23 million, or 21.70%, to $83 million for the six months ended June 30, 2013, from $106 million for the six months ended June 30, 2012. The decrease in exploration expenses is primarily due to the effect of the change in the exchange rate on costs incurred by our domestic operations.

Depreciation and Amortization

Depreciation and amortization increased by $380 million, or 10.92%, to $3,861 million for the six months ended June 30, 2013 from $3,481 million for the same period in 2012. The increase was a result of an increased asset base due to the capital investments in property, plant and equipment.

Production Tax, Extraction Tax and Other Taxes

Production tax, extraction tax and other taxes increased by $951 million, or 11.93%, to $8,922 million for the six months ended June 30, 2013 from $7,971 million for the six months ended June 30, 2012. This increase is attributable to the enactment of the *Decreto con Rango, Valor y Fuerza de Ley que Crea Contribución Especial por Precios Extraordinarios y Precios Exorbitantes en el Mercado Internacional de Hidrocarburos* (Law Decree on the Creation of Special Contribution on Excess Prices and Exorbitant Prices in the International Hydrocarbons Markets) as amended on February 20, 2013. Pursuant to this amendment, the budgeted price per barrel that the windfall contribution is based on was raised from U.S.$70 per barrel to U.S.$80 per barrel.

Contributions for Social Development

Contributions for social development decreased by $1,542 million, or 24.93%, to $4,642 million for the six months ended June 30, 2013 from $6,184 million for the six months ended June 30, 2012. This decrease in contributions to social programs was mainly due to the recent change in the exchange rate, which caused amounts

being reported in U.S. dollars to appear lower when compared to the previous period, despite actual contributions remaining relatively stable between the two periods.

Likewise, contributions to the National Development Fund (Fondo de Desarrollo Nacional FONDEN, S.A. – "FONDEN") decreased by $3,810 million, or 59.10%, to $2,637 million for the six months ended June 30, 2013 from $6,447 million for the six months ended June 30, 2012, as a result of the amendment of the Law Decree on the Creation of Special Contribution on Excess Prices and Exorbitant Prices in the International Hydrocarbons Markets, on February 20, 2013. Pursuant to this amendment, the minimum price per barrel in excess of which contributions to FONDEN are calculated rose from $70 per barrel to $80 per barrel.

Finance Income

Our finance income increased by $11,523 million, or 3,301.72%, from $349 million for the six months ended June 30, 2012 to $11,872 million for the six months ended June 30, 2013. This increase was principally due to the effect of the change in the exchange rate, pursuant to which balances in Bolívars of monetary items were translated into Dollars using the new exchange rate, giving rise to an exchange gain derived from holding a net passive monetary position in Bolívars at the date of the change to the exchange rate.

Finance Costs

Finance costs increased by $533 million, or 33.54% to $2,122 million for the six months ended June 30, 2013 from $1,589 million for the six months ended June 30, 2012. The increase in finance expenses resulted primarily from the increase in interest expenses related to our financing operations.

Equity in net earnings of investment in non-consolidated investees and jointly controlled entities

Equity in net earnings of investment in non-consolidated investees and jointly controlled entities decreased to a $46 million loss for the six months ended June 30, 2013 from $14 million for the six months ended June 30, 2012. This decrease resulted primarily from losses attributable to our investments in non-consolidated investees and jointly controlled entities in the refining sector.

Income Tax

Income tax decreased by $566 million or 15.50%, to $3,074 million for the six months ended June 30, 2013 from $3,640 million during the same period in 2012. This decrease was primarily due to the recognition of certain temporary charges related to the determination of fiscal income, inflation readjustment, transferrable losses and the increase in the active deferred income tax. This decrease was not a result of any change of the statutory tax rate.

Net Income

Net income increased by $10,845 million or 517.66% to $12,940 million for the six months ended June 30, 2013 from $2,095 million for the six months ended June 30, 2012. This increase was primarily the result of the fluctuation in the exchange rate. Although we experienced a 517.66% increase in our net income for the six months ended June 30, 2013, we do not expect as significant an increase in net income for the full year ended December 31, 2013.

Results of operations for the year ended December 31, 2012 compared to the year ended December 31, 2011

Production

All of our crude oil, liquid natural gas and gas production operations are located in Venezuela. Our production of crude oil averaged 2,910 mbpd in 2012, a 2.71% decrease from 2,991 mbpd in 2011. Our production of liquid natural gas averaged 124 mbpd in 2012, as compared to 138 mbpd in 2011. This decrease was primarily due to the decrease in the volume of gas used to supply the LNG extraction plants. Our production of gas (net of amounts re-injected) was 4,456 mmcfd in 2012, a 4.82% increase as compared to 4,241 mmcfd in 2011. These increases in volumes were due to the acceleration of production in the Orinoco Oil Belt.

The net output of refined petroleum products (including output representing our equity interest in refineries held by our affiliates in the United States and Europe) was 2,181 mbpd in 2012, as compared to 2,441 mbpd in 2011. This decrease was primarily caused by the shutdown of the Hovensa refinery.

Total Income

Total income decreased by $295 million, or 0.24%, to $124,459 million in 2012 from $124,754 million in 2011. This decrease was primarily due to a decrease in our overseas sales caused by the disposal of certain overseas interests during 2011. See "*Selected Financial and Operating Data"* and the table setting forth our consolidated sales volumes.

Exports of Crude Oil and Refined Products

Exports represented 98% of our sales volumes for the year ended December 31, 2012. Our exports increased in volume by approximately 4.0% to 2,568 mbpd in 2012 from 2,469 mbpd in 2011. This increase was due to greater availability of hydrocarbons for sale. In addition, exports of refined petroleum products decreased 44 mbpd, which represented a decrease of approximately 8% from 2011 to 2012 due to an increase in the consumption and demand for refined petroleum products in the Venezuelan domestic market. The average export price per barrel for Venezuelan crude oil, refined petroleum products and liquid petroleum gas was $103.42 in 2012, as compared to $100.11 in 2011, representing a 3.3% increase, primarily due to increased oil demand during 2012.

Sales Revenues of International Subsidiaries

CITGO generates most of the sales in excess of our crude oil and liquid petroleum gas production because it purchases crude oil and refined petroleum products from third parties (including unconsolidated affiliates) for supply to CITGO's refining and marketing network in the United States. CITGO's sales revenues increased by $255 million, or 0.5%, to $43,329 million in 2012 from $43,104 million in 2011 due to an increase in average sales prices of 2%, offset by a slight decrease in sales volume.

Domestic Sales

We sold 681 mbpd of refined petroleum products (including liquid natural gas) domestically in 2012, a 5.4% increase as compared to 646 mbpd sold domestically in 2011. This increase was mainly due to: (i) an increase in the demand in gas for use in automobiles; (ii) an increase in the demand for diesel and distilled oil for use in thermoelectric production; and (iii) a higher demand for asphalt attributable to road paving activities pursuant to the national Plan for Asphalt. We also sold 253 mbpd of oil equivalent of gas in 2011 and 265 mbpd of oil equivalent of gas in 2012. Domestic sales increased 4.0% from $1,675 million in 2011 to $1,743 million in 2012.

Sales of food, services and other

Sales of food, services and other, which is composed primarily of freight and lease service and food sales, increased by 52.2%, from $812 million in 2011 to $1,236 million in 2012. The increase was mainly due to the expansion of the business and operations of Albalinisa, a subsidiary of PDVSA América dedicated to the sale of food products.

Costs and Expenses

Purchases of crude oil and products, net

Our purchase of crude oil and refined petroleum products, net increased by 0.6% to $40,012 million in 2012 from $39,783 million in 2011, primarily due to an increase in the price of crude oil.

Operating Expenses

Our operating expenses increased by $8,459 million, or 58.1%, to $23,014 million in 2012 from $14,555 million in 2011, mainly due to the increase in labor costs as a result of our collective bargaining agreement for the period of 2011 through 2013, wage adjustments during 2012, and our increased contributions to our employees' health plans since January 2012.

Exploration Expenses

Our total exploration expenses were $492 million in 2012, an increase of $329 million, or 201.8%, as compared to $163 million in 2011. The increase in exploration expenses is attributable to increased exploration activities during the year primarily focused on the development of new projects in the Orinoco Oil Belt.

Depreciation and Amortization

Depreciation and amortization increased by $234 million, or 3.4%, to $7,105 million in 2012 from $6,871 million in 2011. This increase was primarily a result of a larger asset base due to new capital investments in property, plant and equipment and the transfer of a total of $12,276 million to operating assets from works in progress during 2012.

Production Tax, Extraction Tax and Other Taxes

Production tax, extraction tax and other taxes remained relatively constant with an increase of $59 million, or 0.3%, to $17,730 million in 2012 from $17,671 million in 2011.

Contributions for Social Development

Contributions for social development decreased by $12,743 million, or 42.4%, to $17,336 million in 2012 from $30,079 million in 2011 mainly due to a decrease in our contributions to social development programs, which PDVSA determines each year based on an analysis of its annual budget. In support of social projects carried out by the Bolivarian Republic of Venezuela, PDVSA contributed $4,010 million to the "Gran Misión Vivienda Venezuela," created by the Bolivarian Republic of Venezuela in April 2011, in order to address the housing crisis in Venezuela. During 2012, PDVSA did not provide contributions to this program.

Likewise, contributions to "FONDEN" decreased by $6,164 million, or 42.6%, to $8,311 million, for the year ended December 31, 2012, from $14,475 million for the year ended December 31, 2011, as a result of a grant received by PDVSA from the Republic of Venezuela through FONDEN, recognized as a decrease in net special contribution expenses in PDVSA's consolidated statement of comprehensive income.

Finance Income

Our finance income increased by $2,387 million, or 312.0%, from $765 million in 2011 to $3,152 million in 2012. This increase was principally due to gains recognized from a loan received from non-financial private entities in March 2012 that was paid in advance, generating a credit for such pre-payment of $1,978 million, which was applied to aggregate amounts outstanding under such loan and which was reported as part of financial income.

Finance Costs

Finance costs decreased by $248 million, or 6.8%, to $3,401 million in 2012 from $3,649 million in 2011. This decrease in financial expenses resulted mainly from a decrease in our interest expenses.

Equity in net earnings of investment in non-consolidated investees and jointly controlled entities

Equity in net earnings of investment in non-consolidated investees and jointly controlled entities decreased by $342 million, or 123.02%, to $64 million loss in 2012 from $278 million in 2011. This decrease resulted mainly from a decrease in the net income from the Chalmette refinery, the Merey Sweeny, L.P. joint venture, and Petrojam Limited, a subsidiary of PDVSA América.

Income Tax

Income tax during 2012 increased by $5,272 million, or 262.7%, to $7,279 million from $2,007 million in 2011. This increase was principally due to an increase in deferred tax expenses from a $3,164 million gain in 2011 to a $2,297 million loss in 2012. The increase in deferred tax expenses was caused by an increase in the value of non-recognized deferred assets from $5,913 million in 2011 to $9,770 million in 2012. This increase was not a result of any change of the statutory tax rate.

Results of operations for the year ended December 31, 2011 compared to the year ended December 31, 2010

Production

All of our crude oil, liquid natural gas and gas production operations are located in Venezuela. Our production of crude oil averaged 2,991 mbpd in 2011, a 0.01% increase from 2,975 mbpd in 2010. Our production of liquid natural gas averaged 138 mbpd in 2011, as compared to 147 mbpd in 2010. This decrease was due mainly to a decrease in the expected richness of the inlet gas of the Jusepín Extraction Plant, equipment work stoppages, and a 60-hour total disruption of the plant due to mechanical failures. Our production of gas (net of amounts re-injected) was 4,241 mmcfd in 2011, a 0.09% increase as compared to 4,003 mmcfd in 2010. These increases in volumes were due to the acceleration of production in the Orinoco Oil Belt.

The net output of refined petroleum products (including output representing our equity interest in refineries held by our affiliates in the United States and Europe) was 2,441 mbpd in 2011, as compared to 2,530 mbpd in 2010.

Total Income

Total income increased by $29,825 million, or 31.4%, to $124,754 million in 2011 from $94,929 million in 2010, due to an increase of approximately 38.7% in the average price per barrel of crude oil, from $72.18 in 2010 to $100.11 in 2011. See "*Selected Financial and Operating Data*" and the table setting forth our consolidated sales volumes.

Exports of Crude Oil and Refined Products

Exports represented 79% of our sales volumes for the year ended December 31, 2011. Our exports increased in volume by approximately 2.0% to 2,469 mbpd in 2011 from 2,415 mbpd in 2010. This increase was due to increased availability of hydrocarbons to be sold. In addition, exports of refined petroleum products increased 48 mbpd, which represented an increase of approximately 9.5% from 2010 to 2011, due to increased production of crude oil. The average export price per barrel for Venezuelan crude oil, refined petroleum products and liquid petroleum gas was $100.11 in 2011, as compared to $72.18 in 2010, representing a 38.7% increase, primarily due to an increase of upgraded crude oil.

Sales Revenues of International Subsidiaries

CITGO generates most of the sales in excess of our crude oil and liquid petroleum gas production because it purchases crude oil and refined petroleum products from third parties (including unconsolidated affiliates) for supply to CITGO's refining and marketing network in the United States. CITGO's sales revenues increased by $11,507 million, or 36%, to $43,104 million in 2011 from $31,597 million in 2010 due to an increase in average sales price of 35% while volumes remained relatively flat. The increase in average sales price was driven largely by industry-wide increases in crude oil prices.

Domestic Sales

We sold 646 mbpd of refined petroleum products (including liquid natural gas) domestically in 2011, a 0.4% decrease as compared to 674 mbpd sold domestically in 2010. This decrease was mainly due to decreased sales of gasoline. We also sold 304 mbpd of oil equivalent of gas in 2010 and 253 mbpd of oil equivalent of gas in 2011. Domestic sales increased 19.6% from $1,400 million in 2010 to $1,675 million in 2011.

Sales of food, services and other

Sales of food, services and other, which is comprised primarily of freight and lease service and food sales, increased by 3.4%, from $785 million in 2010 to $812 million in 2011. The increase is mainly due to the increase in the sale of food products of Albalinisa, a subsidiary of PDV Caribe, S.A. This increase in sales of Albalinisa is due mainly to the increased demand by Venezuelan authorities for food distribution in Venezuela, along with a recovery in agricultural activities in Nicaragua.

Costs and Expenses

Purchases of crude oil and products, net

Our purchase of crude oil and refined petroleum products, net increased by 17.0% to $39,783 million in 2011 from $34,017 million in 2010, primarily due to the increase in the prices of crude oil and the acquisition of products in the international markets largely by our subsidiary, CITGO.

Operating Expenses

Our operating expenses increased by $2,663 million, or 22.4%, to $14,555 million in 2011 from $11,892 million in 2010, mainly due to the increase in the costs related to materials and production inputs.

Exploration Expenses

Our total exploration expenses were $163 million in 2011, an increase of $16 million, or 10.9%, as compared to $147 million in 2010. The increase in exploration expenses is attributable to the expansion of the exploration activities carried out in Central America and the Caribbean during 2011.

Depreciation and Amortization

Depreciation and amortization increased by $834 million, or 13.8%, to $6,871 million in 2011 from $6,037 million in 2010. The increase was a result of a larger asset base due to the capital investments in property, plant and equipment of PDVSA carried out according to the Business Plan.

Production Tax, Extraction Tax and Other Taxes

Production tax, extraction tax and other taxes increased by $3,767 million, or 27.1%, to $17,671 million in 2011 from $13,904 million in 2010. The increase is attributable to the increase in the price of crude oil which is used by the Ministry of Petroleum and Mining ("MINPEM") as a basis for determining the obligations for production tax and extraction tax.

Contributions for Social Development

Contributions for social development increased by $23,061 million, or 328.6%, to $30,079 million in 2011 from $7,018 million in 2010 mainly due to an increase in contributions and social programs made during 2011. This increase in contributions and social programs was a result of an increase in crude oil and gas prices, which resulted in greater availability of resources for social development. In support of social projects carried out by the Bolivarian Republic of Venezuela, PDVSA contributed $4,010 million to the "Gran Misión Vivienda Venezuela," created by the Bolivarian Republic of Venezuela in April 2011, in order to address the housing crisis in Venezuela.

Likewise, contributions to "FONDEN" increased by $12,783 million, or 755.5%, to $14,475 million for the year ended December 31, 2011 from $1,692 million for the year ended December 31, 2010, as a result of significant price increases of crude oil in the international market, and the change in the calculation of the contribution pursuant to the implementation on April 18, 2011 of the Law on Special Contribution on Excess Prices and Exorbitant Prices in the International Hydrocarbons Market.

Finance Income

Our finance income increased by $330 million, or 78.8%, from $419 million in 2010 to $765 million in 2011. This increase was principally due to profits resulting from bond exchange and repurchase operations carried out in 2011. See Note 11 to our consolidated financial statements as of December 31, 2012.

Finance Costs

Finance costs decreased by $5,177 million, or 58.8%, to $3,649 million in 2011 from $8,810 million in 2010. This decrease in financial expenses resulted mainly from the absence of currency exchange losses in 2011 due to devaluation, as a result of the Foreign Exchange Agreement No. 14 on January 11, 2010.

Equity in net earnings of investment in non-consolidated investees and jointly controlled entities

Equity in net earnings of investment in non-consolidated investees and jointly controlled entities increased by $94 million, or 51.1%, to $278 million in 2011 from $184 million in 2010. This increase resulted mainly from the increase in earnings of affiliates of PDVSA Gas and PDV America, which were offset by the losses for the Hovensa refinery of $408 million.

Income Tax

Income tax during 2011 decreased by $1,842 million, or 47.9%, to $2,007 million from $3,849 million in 2010. This decrease was principally due to the fact that the tax gains that occurred in 2010 as a result of the exchange rate adjustments of 2010 were not repeated in 2011. This decrease was not a result of any change of the statutory tax rate.

Impact of Taxes on Net Income and Cash Flows

In accordance with Venezuelan income tax law, our income tax expense is based on our accounting records as recorded in Bolívares. For fiscal purposes, Venezuelan companies are required to reflect the impact of inflation and, subject to certain conditions, the variations in the rate of the Bolívar relative to the U.S. dollar and other foreign currencies by adjusting non-monetary assets and stockholder's equity on their fiscal balance sheets. The Venezuelan income tax law considers any gain resulting from this adjustment as taxable income and any loss as a deductible expense. Such adjustments affect our taxable income and therefore the amount of our income tax liability in Bolívares. When such tax liabilities are translated into U.S. dollars, the adjustments may create a material difference between the effective tax rate paid when expressed in U.S. dollars and the statutory rate in Bolívares.

On May 24, 2006, an amendment to the Organic Hydrocarbons Law modified existing taxes and created new taxes as described below.

Production tax. The Organic Hydrocarbons Law provides for the payment by oil companies of a royalty levied at a 30% rate on the volume of extracted hydrocarbons, which can be paid in kind or in cash, at the government of Venezuela's option. For mature reservoirs or extra-heavy crude oil from the Orinoco Oil Belt, the Organic Hydrocarbons Law provides for a tax of 20% to 30%. The tax is fully deductible for the purposes of determining net taxable income.

Surface tax. The surface tax is calculated at the annual rate of 100 tax units for each square kilometer or fraction thereof. Surface tax is determined based on the concession area not under production, with an annual increase of 2% for five years and 5% in subsequent years.

General consumption tax. The general consumption tax is determined at a rate ranging between 30% and 50% of the price paid by the final customer and is applicable to each liter of hydrocarbon-derived product sold in the domestic market. The consumption tax rate is determined annually.

We are also taxed on our own consumption, equivalent to 10% of the value of each cubic meter of hydrocarbon-derived product consumed as fuel oil in our operations, calculated based on the final sale price.

Extraction tax. The extraction tax is calculated at a rate of one third of the value of all the liquid hydrocarbons extracted from an oil field (from the same base established by the law for royalty calculation). The taxpayer may deduct from the amount to be paid what it will pay as a royalty, including any additional royalty paid in advance.

Export registration tax. The export registration tax is calculated at a rate of one thousandth of the value of all hydrocarbons exported from a port in the national territory (based on the sale prices of these hydrocarbons).

Income tax. Our Venezuelan subsidiaries engaged in the production of hydrocarbons and related activities are subject to a 50% income tax.

Article 11 of the Venezuelan Income Tax Law provides for a 34% reduced tax rate for companies that carry out exploration and exploitation activities of non-associated gas or processing, transport, distribution, storage, commercialization and export activities of gas and their components and those companies devoted exclusively to the refining or upgrading of heavy and extra-heavy crude oil.

Pursuant to the Venezuelan Income Tax Law, taxpayers subject to income tax who carry out import, export and loan operations with related parties domiciled abroad are obliged to determine their income, costs and deductions by applying transfer pricing rules. We have obtained studies supporting our transfer pricing methodology. The resulting effects are included as a taxable item in the determination of our income tax. We undertake significant operations regulated by such transfer pricing rules.

Windfall contribution. We contribute funds to FONDEN through mandatory transfers required under the *Decreto con Rango, Valor y Fuerza de Ley que Crea Contribución Especial por Precios Extraordinarios y Precios Exorbitantes en el Mercado Internacional de Hidrocarburos* (Law Decree on the Creation of Special Contribution on Excess Prices and Exorbitant Prices in the International Hydrocarbons Markets) as amended on February 20, 2013, published in the Official Gazette No. 40,114 dated February 20, 2013. This amendment provides for an increase of $10 per barrel (from $70 to $80 per barrel) the budgeted price per barrel on which the excess windfall contribution described below is imposed. Under this windfall contribution, any time the oil basket prices are higher than the price established in the National Budget Law of the respective fiscal year, a tax is assessed based on the formula described below. The Board of Directors does not have discretion to declare and/or retain contributions, and all contributions are made in accordance with Venezuelan law. Pursuant to the law decree, in any month in which the average Venezuelan oil basket price exceeds the budgeted price per barrel, but is equal to or less than U.S.$80 per barrel, oil and oil derivatives exporters (including us) must pay a tax on exports calculated by multiplying the number of barrels they export in such month by 20% of the amount of the average Venezuelan oil basket price for such month that is greater than the budgeted price per barrel and equal to or less than U.S.$80. In any month in which the average Venezuelan oil basket price is greater than U.S.$80 and less than U.S.$100 per barrel, the tax is assessed at the amount specified in the previous sentence for the first U.S.$80 and at 80% of the total amount of the difference between U.S.$80 and the average price. In any month in which the average Venezuelan oil basket price is equal to or greater than U.S.$100 and less than U.S.$110 per barrel, the tax is assessed at the amount specified in the preceding sentences for the first U.S.$100 and at 90% of the amount in the excess of U.S.$100. Finally, in any month in which the average Venezuelan oil basket price is equal to or greater than U.S.$110, the tax is assessed as specified in the preceding sentences for the first U.S.$110 and at 95% of the excess of the average Venezuelan oil basket price over U.S.$100. The per barrel prices described above were each increased by $10 per barrel from the prices that were in effect prior to the amendment of the law decree on February 20, 2013. The contributions received from this tax are paid directly to FONDEN in U.S. dollars on a monthly basis to carry out social development and infrastructure projects.

Value Added Tax (VAT). Venezuela levies a value added tax at a 12% rate on sales.

As an exporter, each of our Venezuelan operating subsidiaries is entitled to a refund for a significant portion of such taxes paid, which we classify on our balance sheet as recoverable value added tax. The Venezuelan tax authority issues tax recovery certificates, or CERTs, which can be used to pay future tax liabilities. In 2001, we were able to pay $209 million through CERTs. In 2002, 2003, 2004, 2005, 2007, 2009, 2010, 2011 and 2012, we did not settle any tax liabilities through CERTs. In 2008 and 2006, we settled tax liabilities amounting to $682 million and $647 million through CERTs, respectively.

A summary of the tax effects on our consolidated operations for the years ended December 31, 2012, 2011 and 2010 is as follows:

	For the year ended December 31,		
	2012	**2011**	**2010**
	(in millions of U.S. dollars)		
Income tax	7,279	2,007	3,849
Production and other taxes	17,730	17,671	13,904
Total	25,009	19,678	17,753

For the year ended December 31, 2012, we expensed $25,009 million in taxes, compared to $19,678 million in 2011, representing an increase of 27.1%. This increase was primarily due to a rise in income tax expenses recognized in 2012, which was a result of an increase in deferred tax expenses from a $3,164 million gain in 2011 to a $2,297 million loss in 2012.

Liquidity and Capital Resources

Liquidity

Our primary sources of liquidity are cash flow from operations and short- and long-term borrowings in U.S. dollars and Bolívares. We must continue to invest capital to maintain or increase the number of hydrocarbon reserves that we operate and the amount of crude oil that we produce and process. In the ordinary course of business we and our subsidiaries enter into loan agreements and credit facilities to fund our capital requirements and liquidity needs. A number of the credit facilities and loan agreements entered into by our subsidiaries contain covenants that restrict their ability to, among others, make certain payments, incur additional debt, pay dividends, encumber assets and dispose of certain assets.

Contractual Obligations

The following table presents our contractual obligations as of December 31, 2012 (by maturity):

	Payments due by period						
	Book Value	**Contractual Cash Flow**	**Less than 6 months**	**6 to 12 months**	**1 to 2 years**	**2 to 5 years**	**More than 5 years**
	(in millions of U.S. dollars)						
Long term debt	39,634	61,982	3,593	3,689	14,886	16,606	23,208
Finance lease obligations	392	617	26	26	104	104	357
Total	**40,026**	**62,549**	**3,619**	**3,715**	**14,990**	**16,710**	**23,565**

Cash Flows from Operating Activities

For the year ended December 31, 2011, our net cash provided by operating activities amounted to $12,392 million, which represents a 2% decrease of $251 million from our net cash provided by operating activities of $12,643 million in 2010. The main factor contributing to this decrease was an increase in accruals of other liabilities offset by the increase in accounts payable, receivables, inventories, prepaid expenses and tax related expenses. Our depreciation and amortization cost for 2011 totaled $6,871 million which represents a 13.8% increase compared to our depreciation cost for 2010, which was $6,037 million. In addition, working capital for 2011 amounted to $11,608 million compared to $6,046 million for 2010.

For the year ended December 31, 2012, our net cash provided by operating activities amounted to $21,543 million, which represents an increase of $9,151 million from our net cash provided by operating activities of $12,392 million in 2011. The main factor contributing to this increase was the decrease in our notes and account receivables, as well as increases in our liabilities related to employee benefits. Our depreciation and amortization cost for 2012 totaled $7,105 million which represents a 3.4% increase compared to our depreciation cost for 2011, which was $6,871 million. In addition, working capital for 2012 amounted to $3,822 million compared to $9,648 million for 2011.

For the six months ended June 30, 2013, our net cash provided by operating activities amounted to $5,504 million, which represents an increase of 121.5% from our net cash provided by operating activities of $2.485 million for the six months ended June 30, 2012. The main factor contributing to this increase was an increase in accruals and other liabilities of $5,640 million, which was offset by an increase in our inventories of $1,945 million. Our depreciation and amortization cost for the six months ended June 30, 2013 amounted to $3,861 million which represents a 10.9% increase compared to our depreciation cost for the six months ended June 30, 2012, which was $3,481 million.

Cash Flows from Investing Activities

For the year ended December 31, 2011, net cash used in investment activities totaled $13,728 million compared to $13,657 million for 2010. This increase was primarily due to the net effect of the increase in capital expenditures, which amounted to $17,908 million for 2011 and US $12,858 million for 2010, representing an increase of $5,050 million, the proceeds from the disposal of certain overseas interests during 2011, pursuant to which we received $3,176 million, and the variances in the levels in restricted cash, which decreased by $254 million in 2011, compared to a $255 million increase registered in 2010.

For the year ended December 31, 2012, net cash used in investment activities totaled $25,221 million compared to $13,728 million for 2011. This increase was due to the increase in capital expenditures, which totaled $25,032 million for 2012, and $17,908 million for 2011, representing an increase of $7,124 million, and the disposal of certain overseas interests during 2011, pursuant to which we received $3,176 million during the year ended December 31, 2011. See "*Risk Factors – Risk Factors Related to Our Business - We have embarked on an ambitious capital expenditure plan to expand and upgrade our existing production and refining capacity. If we are not able to adequately raise, deploy and invest the necessary capital to expand our existing refining and exploration infrastructure, our business may be materially and adversely affected*." In addition, restricted cash increased by $302 million in 2012, compared to a $254 million decrease registered in 2011.

For the six months ended June 30, 2013, net cash used in investment activities totaled $8,737 million compared to $8,054 million the six months ended June 30, 2012. The main factor contributing to this increase was the increase in the acquisition of property and equipment. Capital expenditures amounted to $9,507 million for the six months ended June 30, 2013, which represents a 6.1% increase as compared to capital expenditures of $8,959 million for the six months ended June 30, 2012.

For the three-year period ended December 31, 2012 and the six-month periods ended June 30, 2013 and 2012, our capital expenditures were as follows:

	For the six-month period ended June 30,		For the year ended December 31,		
	2013	2012	2012	2011	2010
	(in millions of U.S. dollars)		(in millions of U.S. dollars)		
In Venezuela:					
Exploration and Production	5,388	4,494	13,793	9,549	6,897
Refining	1,379	1,055	4,624	3,581	2,491
Gas	882	792	2,684	1,721	1,305
Others	1,439	2,120	3,009	2,433	744
	9,088	8,461	24,110	17,284	11,596
Foreign-Refining	380	418	391	405	759
Others	39	80	531	219	503
Total	**9,507**	**8,959**	**25,032**	**17,908**	**12,858**

Restricted Cash

The purpose of the FEM (formerly known as FIEM) is to achieve budgetary stability at the national, state and local levels. Under the original terms of the regulations governing the FEM, we and the Venezuelan government, acting on its own behalf and on behalf of states and municipalities, contributed royalties, dividends, tax revenues and transfers related to the petroleum sector in excess of the average of payments on account of royalties, dividends, tax revenues and transfers for the previous five years.

The mechanism pursuant to which contributions were made to the FEM has been modified several times. As a result of such modifications, no contributions were required from the fourth quarter of 2001 through December 31, 2004.

The deposits made to the FEM may be used only in the event of a decrease in the fiscal income provided by petroleum, a decrease in the income provided by the oil and by-products exports as compared to the average of such income collected during the last three calendar years, or in the event of a national state of emergency.

In December 2004, the FEM had total funds of $705 million, including $7 million of accrued interest.

Since 2004, the law established that no new contributions to the FEM would be made. This fund generated interest income of $2 million in 2010 and 2009, which is reflected in net income listed in our consolidated statement of comprehensive income for the corresponding fiscal years.

In February 2011, in accordance with instructions by the Bolivarian Republic of Venezuela, all of the funds held by PDVSA in the FEM were transferred to the Fondo de Desarrollo Nacional (FONDEN). As of June 30, 2013, there were no funds deposited in the FEM.

Funds for Extra-heavy Crude Oil Projects in the Orinoco Oil Belt. Certain restricted funds allocated to the extra-heavy crude oil projects in the Orinoco Oil Belt correspond to restricted cash that cannot be utilized in the operations of the subsidiary of PDVSA Petróleo. The funds, deposited mainly in money market accounts in financial institutions abroad, are restricted in order to comply with commitments related to the financing received for the development of these projects. See note 17 to our consolidated financial statements.

Trusts in BANDES. During 2003 and 2004, CVP and the Bank for Social and Economic Development of Venezuela (known by its Spanish acronym as BANDES) entered into trust agreements for the administration and investment of certain trust assets destined for (i) Programs and Projects of Housing and Infrastructure Development, (ii) Programs and Projects related to Ezequiel Zamora Fund for Agricultural Investment, (iii) Programs and Projects of the Works, Goods and Services destined for the Development of Infrastructure, Agricultural Activity, Highways, Health and Education ("FONDESPA"), and (iv) the Integral Agreement for cooperation with the Republic of Argentina between Venezuela and the Republic of Argentina, and approved by the Board of Directors of PDVSA on July 15, 2004.

During 2005, our Board of Directors decided to waive the rights, including those as beneficiary, that we enjoy under the Trust for Programs and Projects for Housing and Infrastructure Development and the Trust for Programs and Projects related to the Ezequiel Zamora Fund for Agricultural Investment. Thus, since 2005, our contributions to the trusts are recognized directly as social development expenses when the disbursements are made. The trustees and the new beneficiaries are responsible for administration of the fund. As a result of this decision, these trust contracts were amended, and the amounts registered as restricted cash, accounts receivable and long-term accounts receivable and other assets at December 31, 2004 were recognized as social development expenses during 2005. See note 17 to our consolidated financial statements.

Cash Flows from Financing Activities

For the year ended December 31, 2012, consolidated net cash flow received from financing activities totaled $3,301 million, which represents a decrease of $628 million from our net cash flow received from financing activities for the year ended on December 31, 2011, which amounted to $3,929 million. This decrease was mainly caused by a decrease in the proceeds received from the issuance of debt, which totaled $7,130 million, representing a decrease of $2,391 million compared to the proceeds received from the issuance of debt of $9,521 million in 2012. This decrease in the proceeds from new debt was offset by a decrease in our payments of debt, which in 2012 totaled $1,537 million, representing a decrease of $1,771 million, as compared to our payments of debt, which totaled $3,308 million during 2011. As of December 31, 2012, we had outstanding aggregate indebtedness amounting to $40,026 million maturing on various dates through 2037. Of this amount, CITGO had long and short-term debt outstanding amounting to $1,072 million and capital lease obligations amounting to $267 million, PDV Marina, S.A. had long- and short-term debt outstanding amounting to $212 million, Refinería Isla had capital lease obligations amounting to $132 million, and certain of our other subsidiaries had long and short-term debt amounting to $601 million and capital lease obligations amounting to $1 million.

As of December 31, 2012, we had outstanding aggregate indebtedness amounting to $40,026 million maturing on various dates through 2037. Of this amount, CITGO had long- and short-term debt outstanding amounting to $1,072 million and capital lease obligations amounting to $267 million, PDV Marina, S.A. had long- and short-term debt outstanding amounting to $212 million, Refinería Isla had capital lease obligations amounting to $132 million, and certain of our other subsidiaries had long- and short-term debt amounting to $601 million and capital lease obligations amounting to $1 million.

For the six months ended June 30, 2013, our net cash provided by financing activities amounted to $1,078 million, which represents a decrease of $1,841 million from our net cash provided by financing activities of $2,919 million for the six months ended June 30, 2012. The main factor contributing to this decrease was the decrease in the proceeds received from the issuance of debt, which totaled $2,025 million, representing a decrease of $3,805 million compared to the proceeds received from the issuance of debt of $5,900 million for the six months ended June 30, 2012. Our payments of debt for the six months ended June 30, 2013 amounted to $265 million, which represents an 81.5% decrease compared to our payments of debt for the six months ended June 30, 2012, which was $1,435 million.

At the Ordinary Stockholders' Meeting held on August 2, 2010, dividends were declared for $1,000 million to the Bolivarian Republic of Venezuela, with a charge to retained earnings at December 2009. On July 25, 2011, dividends were declared for $1,000 million to the Bolivarian Republic of Venezuela, with a charge to retained earnings at December 2010. Dividends declared during 2010, 2011 and 2012 were paid in the year they were decreed. In April 2012, dividends were declared and paid in the amount of $1,395 million to the Bolivarian Republic of Venezuela with a charge to retained earnings at December 2011. In April 2013, dividends were declared to the Bolivarian Republic of Venezuela in the amount of $952 million, and charged to accumulated income. During the six months ended June 30, 2013, $238 million of these declared dividends were paid.

Loan Agreements

Below is a description of the material loan agreements and credit facilities entered into by us and our subsidiaries.

Trade Related Term Loan Facility Agreement

On April 23, 2010, we entered into a Trade Related Term Loan Facility Agreement with China Development Bank Corporation, Banco Espirito Santo S.A., London Branch, as arrangers, and certain lenders referred to therein, under which we received a three-year term loan having an aggregate principal amount of $1,500 million to be used for general corporate purposes. Such loan represented the total amount of the financial commitments undertaken by the lenders thereunder. Interest thereon accrues at the London Inter-Bank Offered Rate ("LIBOR") plus 4.5% per annum, payable on a quarterly basis. Fees on the unused commitments accrued annually at a 2.0% rate. Under the terms and conditions of this facility, we are subject to certain restrictive covenants, including an obligation to maintain certain financial ratios. This loan was paid in its entirety in April 2013.

Investment Certificates

In February 2009, we issued three 18-month term investment certificates in favor of Fondo de Protección Social de los Depósitos Bancarios ("FOGADE") having an aggregate total principal dollar equivalent amount of $1 billion. These certificates were issued and are payable in Bolívares, and interest accrues annually on the certificates at 9.5%. In 2010, we paid an aggregate principal amount of $500 million, while the amortization of the remaining balance under each certificate was extended until February 2012 and then renewed until August 2013. At the end of 2012 and 2011, the aggregate principal amount outstanding under these certificates was $500 million and $500 million, respectively. In August 2013 these certificates were renewed for an additional 12-month period.

In December 2010, we issued two 8% short term investment certificates having an aggregate principal amount of $465 million in favor of Banco del Tesoro, Banco Universal C.A. ("Banco del Tesoro") (wholly-owned by the Bolivarian Republic of Venezuela). These certificates were renewed in January 2011, January 2012 and January 2013 for additional 12-month periods.

In 2011, we issued six 8% short term investment certificates totaling $721 million, denominated in Bolívars, in favor of Banco del Tesoro, payable upon maturity. In January 2012, we paid off one of the certificates having a principal of Bs.500 million and it was cancelled. In July and August 2013, the remaining certificates were renewed for an aggregate amount of $333 million, denominated in Bolívars, with an annual interest rate of 8.00% to be paid monthly and a maturity of October and November 2013, respectively.

In February 2012, we issued two 8% investment certificates totaling $465 million, denominated in Bolívars, in favor of Banco de Venezuela, Banco Universal S.A. ("Banco de Venezuela"). These certificates have a three-month term and an option to renew. These certificates have been subsequently renewed and mature on November 7, 2013.

During the six months ended June 30, 2013, the short term investment certificates in favor of Banco de Venezuela and Banco del Tesoro were renewed for a total of $2,185 million, denominated in Bolívars (which includes the aggregate amount of all renewals during such period), with an annual interest rate of 8.00% to be paid monthly.

Unsecured Bonds and Long-Term Debt

On April 12, 2007, PDVSA issued three series of U.S. dollar denominated bonds irrevocably and unconditionally guaranteed by PDVSA Petróleo, S.A., having a $7,500 million face amount and maturing in 2017, 2027 and 2037. Interest on these series of bonds shall accrue at a 5.25%, 5.375% and 5.5% rate per annum, respectively.

On July 10, 2009, we received the equivalent in Bolívars of $5,567 million from the issuance and placement among Venezuelan institutional investors of U.S. dollar denominated zero-coupon bonds having an aggregate principal amount of $3,000 million maturing in 2011. In November 2010 we exchanged $550 million of such zero-coupon bonds for $618 million U.S. dollar denominated senior notes maturing on November 17, 2013. On July 7, 2011, the total amount outstanding of $2,450 million was repaid to existing noteholders.

On October 28, 2009, we received $4,501 million from the issuance and placement of three series of U.S. dollar denominated bonds having an aggregate principal amount of $1,413 million, $1,413 million and

$435 million, maturing in 2014, 2015 and 2016, respectively. Interest on said bonds shall accrue at a 4.9%, 5.0% and 5.125% rate. In addition, on August 5, 2010, we received $1,587 million from the issuance and placement of additional notes due 2014 through a reopening of the notes issued on October 28, 2009. These notes were purchased by the Central Bank.

On October 29, 2010, we received the equivalent in Bolívares of $3,000 million from the issuance and placement of $3,000 million U.S. dollar denominated senior notes due 2017, irrevocably and unconditionally guaranteed by PDVSA Petróleo, S.A. Interest on such notes accrues at a rate per annum equal to 8.5%.

In November 2010, we exchanged $550 million of the zero-coupon bonds described above, for $618 million U.S. dollar denominated senior notes maturing on November 17, 2013, which senior notes are irrevocably and unconditionally guaranteed by PDVSA Petróleo, S.A. Interest on such notes accrues at a rate per annum equal to 8.0%. These notes were subsequently exchanged in November 2011 for 9% senior notes due 2021 as described further below.

In addition, in January 2011, we issued $3,150 million aggregate principal amount of additional senior notes due 2017 through a reopening of the notes issued on October 29, 2010.

On February 17, 2011, we completed the public offering of $3,000 million in bonds, payable in U.S. dollars upon maturity in 2022 with an annual performance coupon of 12.75%. In such offering, we received from local buyers a total of Bs.12,900 million ($3,000 million). The issuance of these new bonds was authorized by the National Securities Superintendence under the Article N°2 of the Securities Market Law.

On July 8, 2011, PDVSA carried out a private placement of bonds with the Central Bank and certain pension funds for $1,783 million, through the reopening of the 8% senior notes due 2013 issued in November 2010. Such bonds in the amount of $1,372 million were delivered to the Central Bank on July 14, 2011, and in the amount of $410 million were delivered to such pension funds on September 9, 2011.

On November 17, 2011, PDVSA issued $2,394 million 9% senior notes due 2021 for cash and in exchange for certain outstanding U.S. Dollar denominated 8% senior notes due 2013. At June 30, 2013 $1,123 million of these notes due 2013 remain outstanding.

On May 17, 2012, PDVSA issued $3,000 million senior notes due 2035, irrevocably and unconditionally guaranteed by PDVSA Petróleo, S.A. Interest on such notes accrues at a rate per annum equal to 9.75%. These notes were purchased by the Central Bank and several government-owned banks in Venezuela.

In July 2012, PDVSA issued agricultural bonds in aggregate amounts of $140 million, $279 million and $279 million, maturing in 2015, 2016 and 2017, respectively. This issuance was carried out in coordination with the BCV and the ministry of People's Power for Economy and Finance and the bonds were placed with national banks by means of auctions, resulting in a premium in the bond issuance of $11 million.

For a description of all our consolidated long-term debt incurred prior to December 31, 2012, see note 22 to our consolidated financial statements for the year ended on such date.

JBIC

In February 2007, a group of banks, led by the JBIC, issued us two 15-year term credit facilities having a combined aggregate principal amount of $3,500 million. Interest on such loans accrues at a rate per annum equal to LIBOR plus a margin ranging from 0.5% to 6.5%. During 2010, 2011 and 2012, PDVSA paid $233 million per year. As of December 31, 2012, the outstanding loans amounted to $2,157 million. Under the terms and conditions of this facility, we are subject to certain restrictive covenants, including an obligation to maintain certain financial ratios. As of December 31, 2012, we were in compliance with all such ratios based on annual determinations.

On June 28, 2011, we entered into: (i) a $750 million advance facility loan agreement with Santa Inés B.V. and The Bank of Tokyo-Mitsubishi UFJ, LTD and (ii) a $750 million advance facility loan agreement with Oriente Financing Company B.V. and Mizuho Corporate Bank, LTD. These loan agreements each have three tranches: Tranche A is a commitment of $337,500,000 with a LIBOR plus 4.10% annual interest rate, Tranche B is a

commitment of $337,500,000 with a LIBOR plus 1.50% annual interest rate, and Tranche C is a commitment of $75,000,000 with a LIBOR plus 8.75% annual interest rate. Interest for each tranche is paid quarterly and the final maturity date is the sixtieth quarter. The proceeds from these facilities will be allocated to the support of various oil and gas projects. On August 17, 2011, funds from these loan agreements, for a total amount of $1,500 million, were drawn by PDVSA for the financing of the deep conversion project of the Puerto La Cruz and El Palito refineries upon satisfaction of the conditions precedent for the loans.

China Development Bank Corporation

On November 22, 2011, PDVSA entered into a $1,500 million loan facility with China Development Bank Corporation ("CDBC"). The rate of interest under this facility is LIBOR plus 5%. Interest payments are made quarterly and the term of the facility is 36 months.

On February 27, 2012, we entered into a credit agreement with CDBC for the purchase of petroleum related goods and services from the People's Republic of China for $500 million. The rate of interest under this facility is LIBOR plus 4.55%, quarterly amortization payments, a maturity of 6 years or 72 months and a 30-month grace period, during which time no interest accrues or interest payments become due. Payments under this facility may be made through the delivery of crude oil and related products at market prices. During the six months ended June 30, 2013, an amount of $60 million from this credit agreement was drawn by PDVSA.

In June 2013, Petrolera Sinovensa, S.A. (or Petrosinovensa), a joint venture in which we have a majority interest, entered into a facility agreement with CDBC, in an aggregate principal amount of $4,015 million to finance the development and construction of facilities for the purpose of increasing Petrosinovensa's oil production capacity. Loans made under the facility agreement accrue interest at LIBOR plus 5.8% or 5.9% per annum and mature 10 years from the date all conditions precedent in the facility agreement have been satisfied or waived. Pursuant to an associated guarantee, PDVSA has a payment guarantee obligation of 60% of Petrosinovensa's payment obligations under the facility agreement.

Banco del Tesoro

In November 2011, we entered into a loan agreement with Banco del Tesoro for a total aggregate amount of Bs.500 million (equivalent to $116 million). The rate of interest is 9.50% annually and the term is five years with a 24-month grace period, during which time no interest accrues or interest payments become due. The proceeds from this loan were allocated to the manufacturing sector.

In November 2011, we entered into a loan agreement with Banco del Tesoro for a total aggregate amount of Bs.500 million (equivalent to $116 million). The rate of interest is 9.50% annually and the term is six years with a 24 -month grace period, during which time no interest accrues or interest payments become due. The proceeds from this loan will be allocated to the agricultural sector.

In January 2012, we entered into a Bs.500 million loan agreement with Banco del Tesoro (equivalent to $116 million). The rate of interest is 9.50% annually and the term is six years with a 24-month grace period, during which time no interest accrues or interest payments become due. The proceeds from this loan were allocated to the agricultural sector.

In March 2013, PDVSA entered into a credit facility with Banco del Tesoro for Bs.4,000 million (equivalent to $635 million), with an annual variable interest rate initially equivalent to 9.50% for use in the agro-industrial sector. As of June 30, 2013, an amount of Bs.1,972 million has been drawn by PDVSA (equivalent to $313 million). In July, August and September 2013, an amount of Bs.758 million (equivalent to $120 million), Bs.379 million (equivalent to $60 million) and Bs.379 million (equivalent to $60 million), respectively, was drawn by PDVSA under the facility agreement entered with Banco del Tesoro.

In September 2013, PDVSA entered into two loan agreements with Banco del Tesoro for a total aggregate amount of Bs.2,000 million (equivalent to $317 million). The annual variable rate of interest for each loan was

initially equivalent to 12.00% and the term is five years. The proceeds from one of these loans will be allocated to industrial projects and proceeds from the other loan will be allocated to working capital.

Banco de Venezuela

On June 3, 2011, PDVSA entered into agreements with Banco de Venezuela (owned by BANDES) for two loans with a total amount equal to Bs.4,000 million (equivalent to $930 million), both due in 2018 with an initial annual fixed interest rate of 9.5% for the first calendar quarter and a variable rate for subsequent quarters, not to exceed interest rates fixed by the Central Bank. These loans are for use in the manufacturing and agriculture sector.

In November 2011, we entered into two loan agreements, one in the amount of Bs.2,000 million (equivalent to $465 million), and the other in the amount of Bs.300 million (equivalent to $70 million), with Banco de Venezuela. The rate of interest for each loan is 9.50% annually. The Bs.2,000 million loan (equivalent to $465 million) has a term of 6 years with a 24-month grace period, during which time no interest accrues or interest payments become due. The proceeds from this loan were allocated to the agricultural sector. The term of the Bs.300 million loan (equivalent to $70 million) expired in February 2012 and it was paid in full in March 2012.

In December 2011, we entered into a loan agreement with Banco de Venezuela in the amount of Bs.2,000 million (equivalent to $465 million). The rate of interest for the loan is 9.50% annually. The loan has a term of 5 years with a 24-month grace period, during which time no interest accrues or interest payments become due. The proceeds from this loan will be allocated to the manufacturing sector.

In April 2012, we entered into a Bs.450 million loan agreement with Banco de Venezuela (equivalent to $105 million). The rate of interest for this loan is 9.50% annually and the loan matured on July 31, 2012. The loan was paid on its maturity date.

In 2012, PDVSA entered into the following additional loan agreements with Banco de Venezuela:

- A September 2012 loan for Bs.450 million (equivalent to $105 million) with an annual interest rate of 9.5%, payable upon maturity in May 2013. This loan has matured and was paid in full.

- A March 2012 loan for Bs.2,000 million (equivalent to $465 million) with an annual interest rate of 9.5%, variable every quarter, variable principal amortizations and a grace period of six months, during which time no interest accrues or interest payments become due, maturing on March 23, 2015. The proceeds from this loan were allocated to working capital.

- A March 2012 loan for Bs.2,000 million (equivalent to $465 million) with an annual interest rate of 9.5%, variable every quarter, and with variable principal amortizations and a grace period of 30 months, during which time no interest accrues or interest payments become due, maturing on March 23, 2017. The proceeds of this loan were allocated to the manufacturing sector.

- Two December 2012 loans, each in the amount of Bs.300 million (equivalent to $75 million) and each with an annual interest rate of 9.5%, payable upon maturity in May 2013. These loans have matured and were paid in full. The proceeds from these loans were allocated to the construction of housing projects.

In March 2013, PDVSA entered into a credit facility with Banco de Venezuela for a total amount of Bs.10,000 million (equivalent to $1,587 million), with an annual variable interest rate initially equivalent to 9.50%, maturing between 2015 and 2018, and for use in the agro-industrial sector. As of June 30, 2013, PDVSA has drawn Bs.5,034 million on this loan (equivalent to $799 million). An amount of Bs.852 million (equivalent to $135 million) was drawn by PDVSA during each of the months of July, August and September 2013.

In May 2013, PDVSA entered into three loan agreements with Banco de Venezuela for a total amount of Bs.1,050 million (equivalent to $167 million), with an annual variable interest rate initially equivalent to 9.50%, maturing January 28, 2014, for financing the construction of housing projects.

In July 2012, January 2013 and May 2013, Venezuelan Heavy Industries, C.A. a subsidiary of PDVSA Industrial, S.A., entered into loan agreements with Banco de Venezuela for an aggregate amount of Bs.900 million (equivalent to $143 million). The July 2012 and January 2013 loans each have an annual variable interest rate initially equivalent to 13.50%, and mature in July 2014, January 2015, respectively. The May 2013 loan has an annual variable interest rate initially equivalent to 9.50% and matures in May 2018. As of June 30, 2013, the amount outstanding under this loan was Bs.876 million (equivalent to $139 million).

In September 2013, PDVSA entered into two commercial loan agreements with Banco de Venezuela for a total amount of Bs.2,800 million (equivalent to $444 million) and Bs.1,200 million (equivalent to $190 million), respectively. Each loan has an annual variable interest rate initially equivalent to 12.00% and matures in September 2016.

Credit Suisse

In June 2012, PDVSA Petróleo, S.A. entered into a credit agreement with Phoenix Infrastructure Funding (Ireland) Limited, other lenders referred to therein and Credit Suisse AG, as arranger and administrative agent, to finance part of PDVSA's modification and expansion of its refining facilities in Puerto La Cruz, Venezuela. The total amount available to be drawn under the credit agreement is $1 billion, loans drawn on the facility have a term of seven years and interest on any such loans is 8.70% per annum. PDVSA Petróleo's obligations under the credit agreement are guaranteed by PDVSA. As of December 31, 2012, the total outstanding amounts under this credit facility were $478 million. During the six months ended June 30, 2013, $178 million from this credit facility was drawn by PDVSA Petróleo, S.A.

Chevron Boscan Finance B.V.

In May 2013, Petroboscan, S.A., a joint venture in which we have a majority interest, entered into a facility agreement with Chevron Boscan Finance B.V., in an aggregate principal amount of $2,000 million to finance projects for purposes of increasing Petroboscan's hydrocarbon production. Loans made under the facility agreement accrue interest at LIBOR plus 4.5% per annum and mature approximately ten years from the applicable draw date. Pursuant to an associated guarantee agreement, PDVSA has a payment guarantee of 60% of Petroboscan, S.A.'s payment obligations under the facility agreement. Such guarantee can increase to 100% of the borrower's payment obligations under certain circumstances. In October 2013, an amount of $79 million was drawn by PDVSA.

ENI Investments PLC Loan Agreement

In November 2012, PDVSA entered into a loan agreement with ENI Investments PLC for $1,742 million, with an interest rate of LIBOR plus 5.00%, for financing new developments in the Orinoco Oil Belt. As of June 30, 2013, an amount of $54 million from this loan has been drawn by PDVSA. In October 2013, an amount of $49 million was drawn by PDVSA.

Banco Nacional de Desenvolvimento Económico e Social (BNDES) Credit Agreement

In September 2011, PDVSA entered into a credit agreement with the Brazilian Development Bank (BNDES), for the construction of the Astillero del Alba (Alba Shipyard), a project managed by the subsidiary PDVSA Naval, for an amount of up to $638 million with an interest rate of LIBOR plus 2.20% and a maturity date in 2024. As of June 30, 2013, an amount of $191 million from this credit facility has been drawn by PDVSA.

CITGO Loan Agreements

Senior Secured Credit Facility. On June 24, 2010, CITGO entered into a $1.8 billion senior secured credit facility (the "Senior Secured Credit Facility"), which consisted of a three-year $750 million revolving credit facility, a five-year $350 million term loan ("Term Loan B") and a seven-year $700 million term loan ("Term Loan C"), described further below.

The Senior Secured Credit Facility is secured by CITGO's interests in its Lake Charles, Louisiana; Corpus Christi, Texas; and Lemont, Illinois refineries, its trade accounts receivable and its inventories and is subject to covenants typical for senior secured financings.

Under the Senior Secured Credit Facility agreement entered into in June 2010, interest accrues at either the LIBOR or the base rate, at CITGO's option, plus the applicable margin as described below. The base rate is defined in the Senior Secured Credit Facility agreement as the highest of (i) the federal funds rate plus 0.50%, (ii) the prime rate announced by BNP Paribas as administrative agent or (iii) the three-month LIBOR plus 1.50%.

Secured Revolving Credit Facility. Pursuant to the Senior Secured Credit Facility agreement entered into on June 24, 2010, CITGO obtained a $750 million secured revolving credit facility due June 24, 2013. On July 20, 2012, CITGO completed a first amendment to the Senior Secured Credit Facility, which amended this secured revolving credit facility. Under the amendment and the subsequent addition of new lenders, CITGO extended $750 million of commitments under the secured revolving credit facility through June 24, 2015. There were no borrowings under this secured revolving credit facility at December 31, 2012 or June 30, 2013.

The applicable margin for the secured revolving credit facility is determined based upon CITGO's secured revolving credit facility rating and is subject to change with each publicly announced change in its rating. At CITGO's current secured revolving credit facility rating, the interest rate options for the secured revolving credit facility are (i) LIBOR plus an applicable margin of 4.50% or (ii) the base rate plus an applicable margin of 3.50%, with a minimum floor of 2.50% under the base rate. Under the amended agreement, the applicable margins ranged from 3.50% to 5.25% in the case of LIBOR, and 2.50% to 4.25% in the case of the base rate, and remained in effect until June 24, 2013. After June 24, 2013, the applicable margins were each adjusted downward by 1.25%.

The unused portion of the secured revolving credit facility, less letters of credit issued under the facility, is subject to a quarterly commitment fee ranging from 0.50% to 1.25% depending on CITGO's secured revolving credit facility debt rating. Under the amended agreement, this quarterly commitment fee range remained in effect through June 24, 2013. After June 24, 2013, the quarterly commitment fee was adjusted downward, ranging from 0.50% to 0.875% depending on CITGO's secured revolving credit facility debt rating. At June 30, 2013, CITGO's quarterly commitment fee was 0.625%.

Senior Secured Term Loans. Pursuant to the agreement entered into with respect to the Senior Secured Credit Facility on June 24, 2010, CITGO entered into Term Loan B, which consisted of an aggregate amount of $350 million due June 24, 2015. At June 30, 2013 and December 31, 2012, CITGO had $95 million and $104 million, respectively, outstanding under this loan. The interest rate options for Term Loan B are (i) LIBOR, with a minimum floor of 2.00%, plus an applicable margin of 6.00% or (ii) the base rate, with a minimum floor of 3.00%, plus an applicable margin of 5.00%. The interest rate at June 30, 2013 was the 2.00% LIBOR floor plus 6.00%, or 8.00%. Term Loan B amortizes in amounts equal to 5% of the initial principal amount annually, payable in equal quarterly installments with the balance payable at maturity. In March 2011, CITGO made a $200 million voluntary prepayment on the principal of Term Loan B, which was not subject to a prepayment premium or penalty.

Pursuant to the June 24, 2010 Senior Secured Credit Facility agreement, CITGO entered into Term Loan C, which consisted of an aggregate amount of $700 million due June 24, 2017. At June 30, 2013 and December 31, 2012, CITGO had $581 million and $583 million, respectively, outstanding under this loan. The interest rate options for Term Loan C are (i) LIBOR, with a minimum floor of 2.00%, plus an applicable margin of 7.00% or (ii) the base rate, with a minimum floor of 3.00%, plus an applicable margin of 6.00%. The interest rate at June 30, 2013 was the 2.00% LIBOR floor plus 7.00%, or 9.00%. Term Loan C amortizes in amounts equal to 1% of its initial principal amount annually, payable in equal quarterly installments with the balance payable at maturity. In November 2012, CITGO made an $85 million voluntary prepayment on the principal of Term Loan C, which was not subject to a prepayment premium or penalty.

Tax-Exempt Bonds. At both June 30, 2013 and December 31, 2012, CITGO had $106 million of outstanding industrial development revenue bonds, the proceeds of which have been invested in certain projects at its Lake Charles, Louisiana; Corpus Christi, Texas; and Lemont, Illinois refineries. An additional $290 million will be held in treasury until such time as these selected industrial revenue bonds are either retired or remarketed at CITGO's option, the proceeds of which have been used to finance a portion of CITGO's environmental facilities at

its Lake Charles, Corpus Christi and Lemont refineries. The $106 million in principal amount of outstanding industrial revenue bonds are secured on an equitable basis by the same collateral, and have similar covenants, as the Senior Secured Credit Facility. The outstanding bonds bear interest at various fixed rates which ranged from 4.875% to 8.0% at both June 30, 2013 and December 31, 2012.

Senior Secured Notes. On June 24, 2010, CITGO closed on a private placement of $300 million aggregate principal amount of 11.50% senior secured notes due July 1, 2017 (the "senior secured notes"). At both June 30, 2013 and December 31, 2012, CITGO had $292 million senior secured notes outstanding. The senior secured notes bear interest at a fixed rate of 11.50% per annum. Interest is payable semi-annually on January 1 and July 1 of each year. The senior secured notes are secured on an equitable basis by the same collateral that secures the Senior Secured Credit Facility.

The senior secured notes may be redeemed by CITGO (i) prior to July 1, 2014, at a redemption price equal to 100% of the principal amount redeemed plus the applicable premium and accrued interest, (ii) during the twelve-month period beginning July 1, 2014, at a repurchase price equal to 105.75% of the aggregate principal amount plus accrued interest, (iii) during the twelve-month period beginning July 1, 2015, at a repurchase price equal to 102.875% of the aggregate principal amount plus accrued interest, and (iv) after June 30, 2016, at a repurchase price equal to 100% of the aggregate principal amount plus accrued interest.

Under the terms and conditions of the 11.5% senior secured notes due 2017, CITGO is subject to certain financial covenants, such as an obligation not to declare or pay dividends (except if CITGO meets certain conditions). In addition, CITGO may not incur indebtedness unless it meets certain financial ratios, and it may not dispose of certain assets. The terms of these notes additionally provide that these covenants shall be suspended when CITGO has an investment grade rating and no default has occurred.

Accounts Receivable Securitization Facility. On June 12, 2008, CITGO entered into an agreement to sell its trade receivables through a commercial paper conduit program. Qualifying accounts receivable were sold, without recourse, to CITGO's wholly-owned consolidated special purpose entity, AR Funding. Beneficial interests in the accounts receivable, in the form of debt instruments, were sold to investors. The proceeds from the sale of beneficial interests in the securitization are used to pay CITGO for the assets transferred. Under the program, AR Funding could sell up to a $450 million interest in the receivables pool to the conduits. The transfer of a security interest into AR Funding accounts receivable protects the receivables from any bankruptcy filings by CITGO. The duration of this facility is 364 days. The agreement has been renewed on multiple occasions with a current maturity date of June 6, 2014. BNP Paribas is the arranger and program administrator for this facility. The facility was funded via A1-P1 rated commercial paper conduits, and bears interest at the applicable daily commercial paper rate. There were no borrowings under this facility as of December 31, 2012. During the six months ended June 30, 2013, an amount of $200 million from this facility was drawn by CITGO. At June 30, 2013, CITGO had $199 million outstanding under this facility.

Financing Received from Non-Financial Entities

During the period ended June 30, 2013, PDVSA received financing in Bolívars from non-financial entities with a maturity of 24 months and an interest rate equal to the market interest rate, calculated based on the average interest rate of the six main banks in Venezuela and published by the Venezuelan Central Bank (BCV), minus 3%. As of June 30, 2013, PDVSA has paid the entire amount of this loan in advance.

Other Short-Term Liabilities

At December 31, 2012, accounts payable to related parties were $27,751 million, corresponding to promissory notes issued in favor of the National Treasury Office ("ONT") and other related non-financial institutions.

In 2012, PDVSA issued promissory notes in an aggregate amount of $17,777 million (equivalent to Bs.76,411 million), for general corporate purposes. The notes are in favor of the ONT, maturing from 2013 and 2020, and have annual interest rates ranging from 0.50% and 2.00%, payable upon maturity. In 2012, PDVSA paid a total of $6,952 million.

At December 31, 2012, we had outstanding short-term liabilities with related entities amounting to $27,448 million, which consists mainly of taxes and contributions payable by $6,205 million and promissory notes in favor of the ONT having an aggregate principal amount of $14,135 million.

During the six-month period ended June 30, 2013, PDVSA issued promissory notes for $2,857 million (equivalent to Bs.18,000 million), to the ONT, maturing between June and September, 2013 and with an annual interest rate of 0.51%. PDVSA paid a total of $952 million during this same period. Additionally, PDVSA paid $1,365 million, corresponding to promissory notes in 2012.

In July 2013, PDVSA issued promissory notes in an aggregate amount of $4,762 million (equivalent to Bs.30,000 million), for general corporate purposes. The notes are in favor of the ONT, have an annual interest rate of 0.51% and mature in July 2015.

BUSINESS

Overview

We are a corporation (*sociedad anónima*) organized under the laws of Venezuela, formed in 1975 by the Venezuelan government to coordinate, monitor and control all operations relating to hydrocarbons. We are wholly owned by Venezuela and are the holding company for a group of oil and gas companies. We are the largest vertically integrated oil company in Latin America with daily crude oil production of 2,910 thousand barrels per day as of December 31, 2012, or mbpd, and the fifth largest vertically integrated oil company in the world as measured by a combination of operational data, including volume of reserves, production, refining and sales, based on information published in January 2013 by Petroleum Intelligence Weekly, a trade publication. We carry out our exploration, development and production ("upstream") operations in Venezuela and our sales, marketing, refining, transportation, infrastructure, storage and shipping ("downstream") operations in Venezuela, the Caribbean, North America, South America, Europe and Asia. We indirectly own 100% of CITGO, a refiner and marketer of transportation fuels, petrochemicals and other industrial oil-based products in the United States. We plan to invest intensively in upstream and downstream projects in Venezuela and abroad in order to satisfy the current and expected global increase in energy demands. We intend to use the net proceeds from this offering for general corporate purposes, including financing of capital expenditures, repayment of commercial obligations with suppliers and social development expenses. A portion of the Notes, representing 66.6% of the aggregate principal amount thereof, will be offered to certain of our suppliers and vendors in satisfaction of accounts payable owed by us to them.

Our Business Plan outlines the development of production and refining projects totaling $257 billion in Venezuela, the Caribbean, Latin America and Asia during its initial stage between 2013 and 2019. Such expenditures are subject to the availability of cash from our operations, obtaining financing on reasonable terms and the favorable pricing of crude oil and gas. During the three-year period ended December 31, 2012, our plan was to have invested $55.8 billion in development projects in such regions through cash on-hand and issuance of debt. During the year ended December 31, 2012, we invested $25 billion in such projects.

All hydrocarbon reserves in Venezuela are owned by Venezuela and not by us. Under the Organic Hydrocarbons Law, as amended, every activity relating to the exploration and exploitation of hydrocarbons and their derivatives is reserved to the government of Venezuela, which may undertake such activities directly or through entities controlled by Venezuela through an equity participation of more than 50%. At the current production rate of crude oil and gas, Venezuela has proved hydrocarbon reserves of crude oil for the next 280 years for oil and 120 years for gas.

We mainly sell crude oil to the United States, Canada, the Caribbean, Africa, Europe, South America and Asia. In addition, we refine crude oil, with a refining capacity of approximately 2.8 mmbpd and other feedstock in Venezuela and abroad into a number of products, including gasoline, diesel, fuel oil and jet fuel, petrochemicals and industrial products, lubricants and waxes, and asphalt. We are also engaged in the exploration and production of gas from off-shore sources with a production of 10.2 mboe per day as of December 31, 2012.

Our registered office is located at Avenida Libertador, La Campiña, Apartado 169, Caracas 1050-A, Venezuela, and our telephone number is 011-58-212-708-4111. Our website is: www.pdvsa.com. Information contained on our website is not part of these listing particulars.

Social Development

Pursuant to the Venezuelan Constitution, the Organic Hydrocarbons Law and social policy, we are required to foster Venezuela's socio-economic development and the welfare of its citizens. To that effect, we make and are expected to continue to make significant financial contributions to social programs, including transfers to FONDEN (*Fondo de Desarrollo Nacional*) and other programs, which are included in our annual budget together with other expenses aimed to fund specific social projects, as determined by our Board of Directors, certain of which are recorded as part of our capital expenditures in accordance with applicable accounting rules. We promoted and participated in Venezuela's social and economic development by contributing significant funding to agricultural developments, development of infrastructure and roads, programs related to the provision of food, health and

education to the poor, as well as several other programs. See "*Management's Discussion and Analysis of Financial Condition and Results of Operations – Social Development Expenses*."

We contributed a total of $7,018 million in 2010, a total of $30,079 million in 2011, a total of $17,336 million in 2012, and a total of $7,279 million in the six months ended June 30, 2013 to social development, which are reflected as social development expenses in our consolidated statements of income included elsewhere in these listing particulars. These contributions are in addition to taxes and dividends we pay annually to Venezuela, as well as the social projects we have funded, which are recorded as part of our capital expenditures because they relate to one of our oil and gas production projects.

Organizational Structure

We conduct our operations through our Venezuelan and international subsidiaries.

Through December 31, 1997, we conducted our operations in Venezuela through three main operating subsidiaries, Corpoven, S.A., Lagoven, S.A. and Maraven, S.A. In 1997, we established a new operating structure based on business units. Since then, we have been involved in a process of changing our organizational structure with the aim of improving our productivity, modernizing our administrative processes and enhancing the return on capital. The transformation process involved the merger of Lagoven, S.A. and Maraven, S.A. into Corpoven S.A., effective January 1, 1998, and the renaming of the combined entity PDVSA P&G. In May 2001, PDVSA P&G was renamed "PDVSA Petróleo S.A." and, by the end of 2002, certain non-associated gas assets were transferred to PDVSA Gas S.A.

In accordance with instructions from the Venezuelan government and the guidelines of the Ministry of Petroleum and Mining, in 2006 and 2007, we finalized the conversion of operating service agreements into majority owned joint ventures and transferred association agreements to majority owned joint ventures, including the projects processing extra heavy crude oil in the Orinoco Oil Belt, as well as profit and risk exploration agreements.

Additionally, we have made several adjustments within our organization in order to enhance internal controls to improve our corporate governance and to align our operating structure with the long-term strategies of Venezuela by the adopting a new framework of operating structure that increases the involvement of our Board of Directors in our activities, and, at the same time, enhances our operational flexibility.

The following is a list of our material wholly-owned subsidiaries:

- PDVSA Petróleo S.A.
- Corporacion Venezolana del Petróleo, S.A.
- PDVSA Gas, S.A.
- PDVSA Servicios, S.A.
- PDV Marina, S.A.
- Bariven, S.A.
- PDV Holding, Inc.[(1)]
- PDVSA Ingeniería y Construcción, S.A.

(1) PDV Holding, Inc.'s main subsidiary is PDV America, Inc. PDVSA's operations in the United States occur through CITGO Petroleum Corporation and its subsidiaries, which are wholly owned by PDV America, Inc.

Business Overview

We engage in the following activities in the oil and gas industries through our subsidiaries:

- Upstream operations;
- Downstream operations; and
- Exploration and production of natural gas from off-shore sources.

According to a comparative study published on January 7, 2013 by Petroleum Intelligence Weekly, a trade publication, we are the world's fifth largest vertically integrated oil and gas company. Additionally, we ranked first in proved reserves of crude oil, according to the 2013 OPEC Annual Statistical Bulletin, and seventh in the world in crude oil production, sixth in refining capacity, sixth in proved gas reserves, and eleventh in product sales, according to Petroleum Intelligence Weekly.

Venezuela's crude oil and natural gas reserves and our upstream operations are located in Venezuela, while our downstream operations are located in Venezuela, the Caribbean, North America, South America, and Europe.

Our upstream and downstream operations include:

- Operating exploration, development and production of crude oil and gas and the development and operation of associated crude oil and gas production facilities;
- Operating refineries and marketing of crude oil and refined petroleum products in Venezuela under the PDV brand name and operating refineries and marketing of refined products for the international markets, including eastern and midwestern regions of the United States under the CITGO brand name;
- Operating businesses in the Caribbean through the Isla refinery (a refinery and storage terminal which we lease in Curaçao), Camilo Cienfuegos refinery in Cuba, the Refidomsa refinery in the Dominican Republic and Petrojam refinery in Jamaica;
- Refining business in the United States with six refineries, three of which are owned by CITGO: Lake Charles, Louisiana refinery, Corpus Christi, Texas refinery and Lemont, Illinois refinery; and three in which we have a 50% interest: Chalmette refinery, Hovensa refinery, which was closed in February 2012, and a vacuum oil and coke distilling plant named Merey Sweeny;
- Owning equity interests in two refineries (one that is 50%-owned by ExxonMobil and one that is 50%-owned by Hess) and in a coker/vacuum crude distillation unit (50%-owned by ConocoPhillips) through joint ventures in the United States;
- Refining businesses in Europe, through an affiliate of PDV Europa B.V.;
- Maritime transport activities through our subsidiary PDV Marina;
- Gas business through PDVSA Gas, S.A., a vertically integrated subsidiary in charge of gas extraction and processing for the production of liquefied natural gas, as well as transportation and marketing of gas in the domestic markets and exports of liquefied natural gas;
- Operating storage terminals in Bonaire and Curaçao in the Caribbean;
- Infrastructure and commercial services for clients for retail fuel and lubricants;

- Owning equity interests in four refineries and the marketing of petroleum products in the United Kingdom and Sweden through a joint venture (that is 50%-owned by Neste Oil AB and 50%-owned by PDV Europa);

- Exploration and production services through PDVSA Servicios, S.A.;

- Research and development activities through INTEVEP, S.A.; and

- Shipping activities.

United States

PDV Holding owns 100% of CITGO through PDV America. We are, through CITGO, one of the largest refiners of crude oil in the United States. CITGO's crude oil refining capacity at December 31, 2012 was 749 mbpd across three refineries located in Lake Charles, Louisiana; Corpus Christi, Texas; and Lemont, Illinois. These refineries have refining capacities of 425 mbpd, 157 mbpd and 167 mbpd, respectively. CITGO manufactures or refines and markets transportation fuels as well as petrochemicals, other industrial products and lubricants in the United States. CITGO's consolidated financial statements also include accounts relating to pipelines and equity interests in pipeline companies and petroleum storage terminals.

CITGO's transportation fuel customers include CITGO branded wholesale marketers and other light oil suppliers located in the United States mainly east of the Rocky Mountains. Lubricants are sold principally in the United States to independent marketers, mass marketers and industrial customers. Petrochemical feedstock and industrial products are sold to various manufacturers and industrial companies throughout the United States. Petroleum coke is sold primarily in international markets.

In 2012, CITGO sold a total of 14,719 million gallons of refined products, compared to 14,888 million gallons and 14,704 million gallons sold in 2011 and 2010, respectively.

In the United States, we also conduct our crude oil refining operations and refined petroleum product marketing through our wholly owned subsidiary, PDV Holding, which owns 50% of Chalmette Refining (through PDV Chalmette), a co-controlled joint venture with ExxonMobil that owns and operates a 184 mbpd capacity refinery located in Louisiana, and 50% of Merey Sweeny (through PDV Sweeny), a joint venture with ConocoPhillips that owns and operates a coker and vacuum crude distillation unit in Sweeny, Texas.

These joint ventures with ExxonMobil and ConocoPhillips, respectively, process crude oil in the United States.

Europe

Within Europe, we conduct our crude oil refining and refined petroleum product activities through our wholly owned subsidiary, PDV Europa, which owns 50% interest in A.B. Nynäs Petroleum ("Nynäs"), a company with operations in Sweden and the United Kingdom and jointly owned with Neste Oil. Through Nynäs, we refine crude oil and market and transport asphalt, specialty products, lubricants, and other refined petroleum products.

Latin America and Caribbean

In recent years we have expanded our operations in Latin America and the Caribbean, including by making investments in refineries and entering into supply agreements. In the Caribbean, we operate the Isla refinery in Curaçao, which is leased on a long-term basis from the Netherlands-Antilles government through 2019. The Isla refinery has a nominal refining capacity of 335 mbpd. During 2012, the Isla Refinery was shut down periodically for maintenance and improvement, pursuant to an agreement with the government of Curaçao. As a result of such maintenance, the refinery's production was limited to 165 mbpd in 2012.

In Cuba, Jamaica and the Dominican Republic we own a 49% interest in the Cienfuegos, Kingston and Refidomsa refineries, which are currently being expanded. The Cienfuegos refinery has a refining capacity of approximately 65 mbpd, with plans to increase its refining capacity to 150 mbpd using delayed coking and hydrocracking technologies, while the Kingston refinery is being expended to increase its installed capacity from 35 mbpd to 50 mbpd, through the adoption of deep conversion techniques. The Refidomsa refinery has a refining capacity of approximately 34 mbpd and supplies approximately 70% of the fuel oil market in the Dominican Republic.

In Pernambuco, Brazil, through our affiliate, PDVSA do Brasil, Ltda, we are currently undertaking a project to construct a refinery, Refinería Abreu e Lima. The refinery is being designed to process 240 mbpd of heavy crude oil from the Orinoco Oil Belt (50%) and Brazilian Marlin crude oil (50%) using a deep conversion process. Operations are scheduled to start in 2015 in an effort to meet Brazilian demand for refined products. Additionally, we plan to develop the "Eloy Alfaro" Pacific Refinery Complex in Ecuador in a joint venture with PetroEcuador, which we expect will have a 300 mbpd refining capacity.

Energy Cooperation Agreements (Convenios de Cooperación Energética) and Supply Agreement

The Venezuelan government entered into the following agreements together with the governments of other countries, mainly from Latin America and the Caribbean: Caracas Energy Cooperation Agreement (CECA), Integral Agreement of Cooperation (IAC) and the Petrocaribe Energy Cooperation Agreement (PETROCARIBE) (collectively, the "Energy Cooperation Agreements"). These agreements establish, among others, that PDVSA will supply crude oil and products to the state oil companies of the participating countries. See note 7(c) to our consolidated financial statements for the year ended December 31, 2012.

In furtherance of the provisions set forth in the CECA, the IAC and the PETROCARIBE agreements, we entered into supply agreements with the national oil company of each of the countries participating in said agreements for the supply of 394 mbpd, 463 mbpd and 455 mbpd for the years ended December 31, 2012, 2011 and 2010, respectively. Most of these agreements provide for a sale price equal to the market value, payment terms between 30 and 90 days for a significant portion of every shipment, and long-term financing for the remaining portion (between 15 and 25 years). The agreements are effective for one year and may be extended by agreement of the parties involved.

A significant portion of a shipment varies depending on the current oil price; the higher the price, the lower the portion to pay and the higher the financing portion.

In 2000, the Venezuelan government entered into a cooperation agreement with the governments of Cuba, the Dominican Republic, Paraguay, Bolivia, Jamaica, and Uruguay that provides that we will enter into a supply agreement with the national oil company of each country for the supply of crude oil and refined products based on the number of barrels agreed by the Venezuelan government or provided under the CECA.

Pursuant to the IAC, we entered into an agreement with the national oil company of Cuba in 2000 for the supply of 53 mbpd of crude oil. The agreement was subsequently amended to provide for the supply of up to 98 mbpd of crude oil.

On February 27, 2012, we entered into a prepayment and supply agreement with Hutong Trading B.V. to supply crude oil and related products for three years at market prices for a total of $1,500 million. Payments to be made under this agreement are subject to certain conditions precedent that have not yet been satisfied. As a result, no payments have been made under this agreement to date.

Natural Gas Exploration and Production

Our natural gas exploration and production business is conducted by our vertically integrated wholly owned subsidiary, PDVSA Gas. This subsidiary engages in on-shore natural gas exploration and production activity and the processing of gas for NGL production, as well as transportation and marketing gas in the domestic market. Additionally, PDVSA Gas processes gas produced by our eastern and western exploration and production divisions,

receiving all the remaining gas after consumption for our operations, for transport and marketing in the domestic market. Our wholly owned subsidiary CVP manages off-shore natural gas projects. Our wholly-owned subsidiary PDVSA Petróleo manages the off-shore natural gas Mariscal Sucre Project, and CVP manages all other off-shore natural gas projects with third parties.

Research and Development

We manage our research and development activities through our wholly owned subsidiary INTEVEP.

Business Strategy

Our Business Plan takes into account the impact of the global economic crisis on the global demand for oil and the expectations for global economic growth, as well as the projected supply of oil worldwide, the capabilities and challenges related to oil and gas production in Venezuela, and the consolidation of PDVSA's non-oil businesses. Our Business Plan is based on the following key initiatives established by the government of Venezuela:

- *Exploration of Condensate and Light and Medium Crude Oil.* We intend to focus primarily on areas that have been already explored and that are currently producing crude oil. All other exploration areas, both on-shore and off-shore, are open to third party participation in partnership with us, under the framework of the Organic Hydrocarbons Law and the Venezuelan Constitution.

- *Development of the Orinoco Oil Belt Magna Reserves.* The Orinoco Oil Belt area (55,314 km^2) has been divided into 36 blocks for reserves quantification and certification of original oil on site purposes. There are approximately 1,427,560 million barrels of Original Oil in Place ("OOIP") in the Orinoco Oil Belt. Of said amount, approximately 258,809 million barrels have been certified as recoverable reserves, based on a total recovery factor of 20%. See "*Risk Factors – Venezuelan proved crude oil and gas reserve estimates involve some degree of uncertainty and may prove to be incorrect over time, which could adversely affect our ability to generate income.*" We intend to participate actively in the development of these reserves.

- *Production Growth in Mature Areas.* We are investing in mature areas with a view to achieve a crude oil production capacity in these areas of 2,234 mbpd by 2019. The projected production in mature areas for the period leading up to 2019 includes the following: 1,136 mbpd from areas where we are the sole operator and 1,098 mbpd from joint ventures producing light, medium and heavy oil.

- *Expansion of Orinoco Oil Belt Production.* We intend to obtain 4,014 mbpd from the expansion of our existing and future operations in the Orinoco Oil Belt. This growth represents an increase of 2,603 mbpd, which we plan to implement by developing our extra-heavy crude oil reserves, including new upgrading facilities and pipelines to terminals. The expected investment for the years 2013 through 2019 is $93,642 million. The expected total oil production capacity for 2019, including the expansion of the Orinoco Oil Belt and the mature areas, is 6,000 mbpd. The growth of oil production capacity is expected to occur through joint ventures in which we have a 60% stake and international oil companies have a 40% stake.

- *Development of Major Projects in Refineries.* We intend to expand our refinery capacity from approximately 2.8 mmbpd (1.3/1.5 mmbpd Venezuela/Overseas capacity) in 2013 to 4.61 mmbpd by 2019 (2.18/2.43 mmbpd Venezuela/Overseas capacity). We expect that the implementation of this initiative will allow us to increase our production of refined petroleum products and upgrade our product slate towards higher-margin products, as well as to improve the efficiency of our existing refining capacity. The focus of our refining capacity expansion will be the incorporation of heavier crude oil from the Orinoco Oil Belt expansion into the national refinery system. We currently have in process major upgrade projects to increase the refining capacities of Puerto La Cruz and El Palito Refineries, as well as a project to upgrade the Paraguaná Refining Complex in order to increase the conversion of white oil products. In the future, we plan to develop three

refining centers in Venezuela: Cabruta, Petrobicentenario and Batalla de Santa Inés. In addition, we intend to expand our refining capacities and develop new refineries in the Caribbean, Central and South America and Asia.

- *Development of the Gas Sector*. We have ambitious plans to develop our on-shore and off-shore gas reserves with third party participation under the framework of the Venezuelan Organic Law of Gaseous Hydrocarbons. We intend to expand our natural gas production from 7,117 mmcfd in 2013 to 10,511 mmcfd by 2019 (equivalent to 255 mbpd). In particular, we intend to focus on the development of the Delta Caribe, an initiative consisting of the Northeast Delta Caribbean Project and the Rafael Urdaneta Project in western off-shore Venezuela. These projects involve the development of gas reserves located north of Paria (the Mariscal Sucre Project), Gulf of Venezuela (Cardón IV/Rafael Urdaneta Project), Plataforma Deltana, the Gulf of Paria, Blanquilla, Guarapiche, Punta Pescador, and the Delta Centro area. With respect to northeast developments, we intend to link all blocks by a gas pipeline network to the future Güiria Hub, where an industrial complex, Gran Mariscal de Ayacucho, or CIGMA, is expected to be developed. For Gulf of Venezuela natural gas developments, we plan to connect the gas production blocks in the Peninsula de Paraguaná with the domestic gas transportation system.

- *Development of Infrastructure*. We are implementing an infrastructure program focused on multiple projects with the aim of securing the development of crude oil and gas reserves. This program includes the building of about 15.5 million barrels of oil storage capacity, one liquid terminal in Araya, one terminal in Punta Cuchillo, one solid terminal in the Orinoco River, the expansion of the existing liquid terminal in Jose, approximately 1,380 km in oil pipelines, four new distribution facilities, the expansion of existing gas pipelines, and 2,199 km in new gas pipelines.

- *Marketing of Crude and Products.* We intend to continue supplying the local market and exporting crude oil, refined products and natural gas, including refineries and wholesalers in order to improve our margins, as well as renew and expand our tanker fleet. Our subsidiary, PDV Marina, intends to increase its tanker capacity from its current 2,008 tdwt (thousands of dead weight tons) to 2,642 tdwt by 2019. We expect to increase the number of our tankers and transport capacity in order to match the expected increase in production and better distribute our crude oil and refined petroleum products. In addition, we are expanding and diversifying our marketing efforts in Latin America, the Caribbean and Asia, including China and India, with the goal of reaching total crude oil exports of 5.4 mbpd by 2019.

- *Auto Gas Project*. Since 2006, we have been developing a project aimed at reducing the domestic gasoline demand by creating natural gas dispatch facilities for vehicles and converting vehicles to dual fuel engines on a national scale. The project's goals include the construction of 615 new compressed natural gas ("CNG") stations, as well as the construction and outsourcing of more than 200 vehicle conversion centers. As of December 31, 2012, we had 265 CNG stations and 67 vehicle conversion centers. Our total estimated investment in this project for the period beginning 2013 through 2019 is expected to be approximately $1,635 million.

Our Business Plan outlines the development of production and refining projects totaling $257 billion in Venezuela, the Caribbean, Latin America and Asia during its initial stage between 2013 and 2019. Such expenditures are subject to the availability of cash from our operations, obtaining financing on reasonable terms and the evolution of the price of crude oil and gas. We expect that approximately 81% of these expenditures will come from us and 19% from our partners in the applicable projects. During the three-year period ended December 31, 2012, we invested $55.8 billion in development projects in such regions.

The implementation of our business strategy includes the following initiatives:

Exploration, production and upgrading. Our exploration and production strategy focuses on increasing our efforts to search for new light crude oil and medium crude oil reserves as well as the systematic replacement of

such reserves in mature areas. We are developing new production areas and adjusting our production activities to cater toward market demands and agreements reached among OPEC members and other oil-producing countries.

During 2012, PDVSA's exploration projects were completed in accordance with strategic guidelines included in the *Plan de Desarrollo Económico y Social de la Nacion 2007-2013* (National Plan for Social and Economic Development) and the Business Plan. As a result of steps taken in 2012, PDVSA incorporated new proven and probable reserves through the drilling, evaluation of nine and completion of two exploratory wells. At December 31, 2012, we had concluded four additional projects in Venezuela: PGO Sarare- La Cuchilla, PGP Barinas Oeste, PGP Zulia Occidental and PGP Norte de Monagas Fase II.

Refining. Our refining strategy focuses on expanding and improving the efficiency of our downstream operations. We are in the process of adding deep conversion capacity to the Puerto La Cruz and El Palito refineries in order to increase the efficiency of heavy crude oil processing, while maintaining our environmental compliance standards. In the future, we plan to develop new refining centers in Venezuela, including the Cabruta, Petrobicentenario (at the Jose complex in northeastern Venezuela) and Batalla de Santa Inés. In our refineries in the United States, Europe and the Caribbean, we intend to continue to invest in order to comply with quality standards required by those markets. In addition, we intend to invest in the refineries of Kingston – Jamaica, Cienfuegos – Cuba, Hermanos Díaz – Cuba, Matanzas – Cuba, Supremo Sueño de Bolívar – Nicaragua, Abreu e Lima – Brazil, Complejo Refinador del Pacifico-Ecuador, Vietnam, and Shanghai, Weihai and Jie Yang – China. Through these investments and upgrades we aim to achieve a higher margin on our refined petroleum products.

International marketing. We plan to continue expanding our international marketing operations to ensure the growth of our market share for our crude oil and refined petroleum products and to increase brand recognition for our products. We seek to diversify our customer portfolio by entering new markets such as China and India. We also intend to expand our operations in the Caribbean and South America and aim to maintain our market position in the United States through a more efficient distribution system of CITGO's refined petroleum products. In order to improve our logistic and maritime transportation capabilities, we intend to buy a set of 26 tankers from Brazil, Argentina and Korea, among others, including the replacement of seven tankers to be taken out of commission. These tankers are expected to increase the number of ships owned and operated by our subsidiary, PDV Marina, from 20 in 2012 to 39 at the end of 2019.

Domestic marketing. In Venezuela, we plan to continue to supply our products and promote the use of unleaded gasoline and to improve the competitive position of our network of service stations, lubrication centers and macro-stores. We also to intend to continue the development of our commercial network through business relationships and other associations and to increase our product supply to high-traffic airports.

Natural Gas. The development of the gas exploration and production business is one of our major goals. We intend to focus our activities on meeting the growing gas demand to foster national development and a higher standard of living. We plan to focus on creating attractive investment opportunities for the private sector in non-associated gas production. We intend to expand our transportation and distribution systems, processing and fractionation capacity, and develop new gas export ventures. We intend to continue to explore and develop non-associated gas reserves with the support of private investors. We are engaged in the development of a large gas distribution network in different cities to provide gas for residential, commercial and industrial purposes. We intend to promote an increased and more diverse use of gas in Venezuela.

Private Sector Participation in Natural Gas. In 2001, the Ministry of Petroleum and Mining completed a round of on-shore non-associated gas licensing bids for exploration and production activities in 11 new on-shore areas. Six areas were awarded to foreign and domestic investors: Yucal-Placer Norte, Yucal-Placer Sur, Barrancas, Tinaco, Tiznado and Barbacoas. During the first quarter of 2003, the Venezuelan government assigned two blocks within the Deltana Platform area (eastern Venezuela and on the maritime border with Trinidad & Tobago) to Statoil, Chevron and ConocoPhillips. In addition, the Ministry of Petroleum and Mining has plans for a new bidding round to explore and develop off-shore resources in the west and northeast of Venezuela. These developments are likely to include projects for the production of LNG once demand in Venezuela has been met. The Ministry of Petroleum and Mining has defined an off-shore gas project called Rafael Urdaneta located in the Venezuelan Gulf and northeast of Falcon State with an area of 30,000 km^2 divided into 29 blocks to be offered in three phases. Phase one began during the second quarter of 2005, when the Venezuelan government offered the first six blocks to 37 national

and foreign oil companies. During this phase, three blocks were awarded. During the third quarter, phase two began with the offering of 5 blocks (4 new and 1 from the 1st phase), 2 of which were awarded. Blocks Urumaco I and II were awarded to the Russian company Gazprom, block Cardón III was awarded to Chevron, block Cardón IV was awarded to Repsol-ENI and block Moruy II was awarded to Petrobras-Teikoku. The third phase is to be defined in the future.

A discovery of approximately 9,500 million cubic feet was made in 2010 in La Perla field (9.5 TCF), located within the Cardón IV Area. A new joint venture will be formed by the end of 2013, for the development phase of this field, where we will hold 35% of the shares and the remaining 65% will be equally owned by REPSOL and ENI. In 2012, the Ministry of Petroleum and Mining approved the commercial status of this field, and a contract for the sale of gas was entered into between the parties and PDVSA Gas, which guarantees the off-take and gas price for the project.

Regulatory Framework in Venezuela

The hydrocarbons industry in Venezuela is regulated pursuant to the Organic Hydrocarbons Law, effective as of 2001, as amended, and the Organic Law of Gaseous Hydrocarbons, enacted in 1999. The Organic Hydrocarbons Law reserves oil-related activities to Venezuela. Under the Organic Hydrocarbons Law, private participation in hydrocarbon upstream activities, as well as gathering and initial transportation and storage, is allowed only through *Empresas Mixtas*, or joint ventures, in which the Venezuelan government has more than 50% equity ownership. The Organic Law of Gaseous Hydrocarbons, which governs gas-related activities, provides for a non-reserved legal regime. Under the Organic Law of Gaseous Hydrocarbons, gas-related activities may be carried out by government entities or national and foreign private companies with no minimum government participation.

Exploration, Production and Upgrading

During 2012, our production was 1,063 million barrels of oil, which has allowed us to reach an aggregate production of 67,076 million barrels of oil from January 1, 1914 through December 31, 2012. Venezuela's commercial oil production is concentrated in the Maracaibo-Falcón Basin (previously known as the Western-Zulia Basin) which covers the states of Zulia and Falcón; the Barinas-Apure Basin (previously known as West Central Barinas and Apure Basin) which covers the Apure and Barinas states; the Eastern Basin which covers the states of Guárico, Anzoátegui, Monagas and Sucre; and the Carúpano Basin, incorporated since 2006, which covers the northern part of the state of Sucre, the state of Nueva Esparta as well as the territorial waters located off-shore eastern Venezuela.

The following table presents our proved reserves, proved and developed reserves, production volume for 2012 and the ratio of proved reserves to annual production in Venezuela as of December 31, 2012.

	For the year ended December 31, 2012			
	Proved[1]	**Proved developed**	**Production**	**Ratio Reserves/ Production**
	(mmb)	**(mbpd)**	**(mbpd)**	
Crude Oil:				
Condensed	2,618	639	107	67
Light[2]	10,390	1,891	487	58
Medium	9,786	2,071	875	31
Heavy and Extra-Heavy	274,941	8,374	1,441	521
Total Crude Oil	**297,735**	**12,975**	**2,910**	**280**
Gas in boe[3]	33,864	6,768	768	120
Total Natural Hydrocarbon in boe[4]	**331,599**	**19,759**	**3,678**	**246**

(1) Developed and undeveloped.
(2) Production obtained from the top of wells, including condensates.
(3) Net natural gas production (gross production less natural gas reinjected).
(4) Does not include LPG.

The following table presents the location, production volume for 2012, discovery year, proved reserves and the ratio of proved reserves to annual production for each of our largest oil fields in Venezuela as of December 31, 2012.

Name of field	Location	2012 production	Year of discovery	Proved Reserves	Ratio Reserves/ Production
	(State of)	(mbpd)		(mmb)	(years)
Zuata Principal	Anzoátegui	232	1985	53,575	632
Iguana Zuata	Anzoátegui	-	1981	33,965	-
Cerro Negro	Monagas	218	1979	22,919	288
Cerro Negro	Anzoátegui	158	1979	32,240	556
Machete	Guárico	-	1955	42,471	-
Zuata Norte	Anzoátegui	38	1981	9,607	696
Lache	Anzoátegui	-	1979	6,719	-
Río Negrino	Anzoátegui	-	1979	6,232	-
Huyapari	Anzoátegui	165	1979	4,193	69
Tía Juana Lago	Zulia	102	1925	6,336	84
Mamo	Anzoátegui	-	1980	6,611	-
Makiritare	Anzoátegui	-	1979	7,550	-
Bare	Anzoátegui	75	1950	1,905	70
Mulata	Monagas	196	1941	3,354	14
Bloque VII: Ceuta	Zulia	111	1956	3,140	46
Bachaquero Lago	Zulia	56	1930	3,142	77
Farante	Anzoátegui	-	1980	1,588	-
Kuripaco	Anzoátegui	-	1980	1,488	-
El Furrial	Monagas	365	1986	2,235	8
Dobokubi	Anzoátegui	19	1981	1,409	205
Guahibo	Anzoátegui	-	1979	2,772	-
Boscán	Zulia	107	1945	2,573	32
Mamo	Monagas	-	1980	1,173	-

Reserves

All oil and gas reserves located in Venezuela belong to the State. We calculate oil and gas reserves and they are validated by the Ministry of Petroleum and Mining pursuant to Ministry of Petroleum and Mining's hydrocarbon reserve manual definitions and rules. The Ministry of Petroleum and Mining's rules include specific processes to calculate reserves, as well as to control data required by the State, which enables a comparison among Venezuela's and other countries' reserves because these rules are similar to those used worldwide.

Proved reserves are volumes of hydrocarbons that are estimated with reasonable certainty. They are recoverable from known reservoirs in accordance with available geological and engineering data. Given the inherent uncertainty and limited nature of the reservoir data, the estimates of proved oil and gas reserves are subject to modifications overtime, as additional information becomes available. In accordance with our production facilities, proved reserves are classified as developed and not developed. Proved developed reserves are identified by the volume of hydrocarbons that is commercially recoverable from reservoirs from available wells. Proved reserves that are not developed are identified as those with significant hydrocarbons which will be obtained through investments in drilling new wells in areas not drained or the completion of existing wells.

The estimates of reserves are not precise and are subject to revision. We review these crude oil and gas reserves annually to take into account, among other things, production levels, field reviews, the addition of new reserves from discoveries, year-end prices, and economic and other factors. Proved reserve estimates may be materially different from the quantities of crude oil and gas that are ultimately recovered.

Proved developed reserves of crude oil and gas represented approximately 90% and 10%, respectively, of Venezuela's total estimated proved crude oil and gas reserves on an oil equivalent basis at December 31, 2012.

Crude Oil. Venezuela had estimated proved crude oil reserves at December 31, 2012 totaling approximately 297,735 billion barrels. Based on production levels for 2012, estimated proved reserves of crude oil, including heavy and extra-heavy crude oil reserves that will require significant future development costs to produce and refine, have a remaining life of approximately 280 years.

Natural Gas. Venezuela had estimated proved reserves of gas totaling approximately 196,409 bcf (including an estimated 35,949 bcf associated with extra-heavy crude oil in the Eastern and Barinas-Apure Basin) as of December 31, 2012 compared to 195,234 bcf (or 37,065 mmb or boe) as of December 31, 2011. Venezuela's gas reserves are comprised of associated gas that is developed incidental to the development of our crude oil reserves. A large proportion of our Venezuelan gas reserves are developed. During 2012, approximately 39% of the gas that we produced was reinjected for well pressure maintenance purposes.

The following table presents Venezuela's proved reserves of crude oil and gas, which include both developed and undeveloped reserves. All of these reserves are located in Venezuela.

	For the year ended December 31,				
	2012	**2011**	**2010**	**2009**	**2008**
	(in millions of barrels, unless otherwise indicated)				
Proved reserves:					
Condensate	2,618	2,647	1,977	1,844	1,788
Light	10,390	10,157	10,229	10,390	9,867
Medium	9,786	9,650	10,437	10,822	11,333
Heavy	17,805	17,733	17,630	17,852	17,724
Extra-heavy[(1)]	257,136	257,384	256,228	170,265	131,611
Total crude oil	**297,735**	**297,571**	**296,501**	**211,173**	**172,323**
Ratio Reserves/Production (years)	**279**	**273**	**274**	**192**	**144**
Natural gas in bcf	196,409	195,234	195,096	178,877	176,015
Natural gas in boe	33,864	33,661	33,637	30,841	30,347
Total hydrocarbons in boe	**331,599**	**331,232**	**330,138**	**242,014**	**202,670**
Proved developed reserves:					
Condensate	639	674	400	399	346
Light	1,891	1,932	2,099	2,209	2,221
Medium	2,071	2,237	2,474	2,875	3,431
Heavy	4,321	4,464	4,666	4,822	4,631
Extra-heavy	4,053	4,345	4,609	4,749	5,669
Total crude oil	**12,975**	**13,652**	**14,248**	**15,054**	**16,298**
Natural gas in bcf	39,252	37,217	36,283	36,682	38,682
Natural gas in boe	6,768	6,417	6,256	6,324	6,669
Total hydrocarbons in boe	**19,759**	**20,069**	**20,504**	**21,378**	**22,967**
Percent of proved developed to total reserves:					
Crude Oil	4%	5%	5%	7%	9%
Natural gas	20%	19%	19%	21%	22%

(1) Proved reserves of extra-heavy crude oil located in the Orinoco Oil Belt have a low development grade, and for December 31, 2012, included approximately 254,874 mmb.

Operations

During 2012, our exploration projects were completed in accordance with strategic guidelines included in the *Plan de Desarrollo Económico y Social de la Nacion 2007-2013* (National Plan for Social and Economic Development) and the Business Plan. We incorporated new proved and probable reserves through the drilling, evaluation and completion of three exploratory wells.

In 2012, we continued our geophysical operations and acquired 1,150 km^2 of 3D seismic lines including 934 km^2 in the project Barinas Este 07G 3D, in the Boyacá region, for a total amount of 5,479 km^2 of 3D seismic lines.

The following table summarizes our drilling activities for the periods indicated.

	For the year ended December 31,				
	2012	2011	2010	2009	2008
	(Number of wells)				
Exploration wells:					
Completed	2	2	1	3	2
Suspended	-	-	-	1	-
Under evaluation	1	1	-	-	1
In progress	5	3	1	-	2
Dry or abandoned	1	-	2	1	-
Total	**9**	**6**	**4**	**5**	**5**
Of which are carry-overs	4	1	1	3	3
Development wells drilled[(1)]	**469**	**402**	**368**	**495**	**604**

(1) Includes wells in progress, even if they were wells drilled in previous years, and injector wells. The breakdown of the 469 wells for the year ended December 31, 2012 is as follows: 432 corresponds to PDVSA Petróleo and 37 corresponds to PDVSA GAS. This does not include 125 wells from the Liviano-Mediano joint venture and 296 wells from the Orinoco Oil Belt joint venture, for a total of 890 wells.

In 2012, Venezuela's crude oil production capacity was 3,368 mmb, of which 2,059 mmb corresponds to PDVSA's own production (871 mmb in the eastern region, 706 mmb in the western region and 482 in the Orinoco Oil Belt), 546 mmb corresponds to the medium and light joint ventures, 719 mmb corresponds to the Orinoco Oil Belt joint venture, and 44 mmb corresponds to PDVSA Gas.

Our average crude oil production for 2012 reached 2,910 mbpd, including 1,826 mbpd of direct production, 850 mbpd in the eastern region, 530 mbpd in the western region, 417 mbpd corresponding to the Orinoco Oil Belt and 29 mbpd corresponding to PDVSA Gas, S.A., 441 mbpd for medium and light joint ventures and 643 mbpd for mixed companies and our participation in the Orinoco Oil Belt joint ventures. During 2012, our average production cost of crude oil was of approximately $11.09 per barrel, including joint ventures. During 2012, our natural gas production amounted to 7,327 mmcfd, out of which 2,871 was re-injected with the purpose of maintaining existing reservoir pressure. Net natural gas production reached 768 boe.

The following table summarizes our historical average net daily crude oil and natural gas production by type and by basin and the average sales price and production cost for the periods specified.

	For the year ended December 31,				
	2012	2011	2010	2009	2008
	(in thousand barrels per day, unless otherwise indicated)				
Production					
Crude oil:					
Condensate	107	104	96	103	141
Light	487	511	577	578	579
Medium	875	917	863	941	911
Heavy/Extra-heavy	1,441	1,459	1,439	1,390	1,604
Total crude oil	**2,910**	**2,991**	**2,975**	**3,012**	**3,235**
Liquid petroleum gas	124	138	147	158	162
Total crude oil and LPG	**3,034**	**3,129**	**3,122**	**3,170**	**3,397**
Natural gas (mmcfd):					
Gross production	7,327	7,125	6,961	6,990	6,904
Less: Reinjected	2,871	2,884	2,958	2,800	3,081
Net natural gas (mmcfd)	**4,456**	**4,241**	**4,003**	**4,190**	**3,823**
Net natural gas (in mbpd boe)	**768**	**731**	**690**	**722**	**659**
PDVSA's crude oil production by basin:					
Maracaibo-Falcón	796	806	832	943	1,084
Barinas-Apure	46	55	61	71	81
Eastern	2,068	2,130	2,082	1,998	2,070
Total crude oil	**2,910**	**2,991**	**2,975**	**3,012**	**3,235**

	For the year ended December 31,				
	2012	2011	2010	2009	2008
	(in thousand barrels per day, unless otherwise indicated)				
Natural gas production by basin (mmcfd):					
Maracaibo-Falcón	796	787	849	931	945
Barinas-Apure	7	35	40	4	46
Eastern	6,524	6,303	6,072	6,055	5,913
Total natural gas	**7,327**	**7,125**	**6,961**	**6,990**	**6,904**
Average export price ($/Bl)					
Crude oil ($ per barrel)	103.42	100.11	72.18	57.01	86.49
Gas ($ per MPC)	0.95	0.88	0.65	1.18	1.63
Average production cost ($/boe)[(1)]					
Including operating service agreements (*Empresas Mixtas*)	11.09	7.53	5.53	6.33	7.10
Excluding operating service agreements (*Empresas Mixtas*)	10.86	7.23	5.23	5.64	5.84

(1) The average production cost per barrel is calculated by dividing the sum of direct and indirect costs of production (excludes depreciation and amortization) divided by the total volumes of production of crude oil, natural gas and liquid natural gas.

Venezuelan Crude Oil Production and Liquid Natural Gas Production Subject to Royalties

In 2012, Venezuela's total crude oil production subject to royalties amounted to approximately 3,034 mbpd, which includes approximately 1,826 mbpd from our own production, approximately 441 mbpd from joint ventures producing light and medium crude oil, approximately 643 mbpd from joint ventures operating in the Orinoco Oil Belt, and approximately 124 mbpd from our LPG operations.

In 2011, Venezuela's total crude oil production subject to royalties amounted to approximately 3,129 mbpd, which includes approximately 2,080 mbpd from our own production, approximately 405 mbpd from joint ventures producing light and medium crude oil, approximately 506 mbpd from joint ventures operating in the Orinoco Oil Belt, and approximately 138 mbpd from our LPG operations.

Initiatives Involving Private Sector Participation

In the 1990s, we encouraged private initiatives and investment in the oil industry with the approval of the Venezuelan National Assembly, and we were permitted to enter into operating and association agreements with private entities. Pursuant to the guidelines of the Ministry of Petroleum and Mining, beginning in 2005, agreements and ventures with private parties were converted into joint ventures -*Empresas Mixtas*- where we held and continue to hold through CVP, one of our subsidiaries, a majority of the shares in each joint venture, as provided in the Organic Hydrocarbons Law.

Former Operating Service Agreements. During 1992, 1993 and 1997, we auctioned the rights to 32 oil fields that no longer met our minimum rate of return on investment threshold and entered into agreements with several international companies. The agreements reactivated the operation of these oil fields using secondary and tertiary recovery techniques.

In 2005, pursuant to the Organic Hydrocarbons Law, the Ministry of Petroleum and Mining instructed us to convert the operating service agreements to a regime of *Empresas Mixtas*, or joint ventures, in which we held and continue to hold between 60% and 80% stock ownership.

Conversion of Operating Service Agreements to Empresas Mixtas

During 2006, 19 joint-operating agreements were converted into joint ventures, in which the CVP has an equity holding between 60% and 80%.

Field	Joint Venture	PDVSA's interest (through CVP)	Private shareholder's interest
Kaki	Petrolera Kaki, S.A.	60%	Inemaka 40%
Cabimas	Petrocabimas, S.A.	60%	Sepca 40%
Onado	Petronado, S.A.	60%	CGC 40%
Guárico Oriental	Petroguárico, C.A.	60%	Teikoku 40%
Mene Grande	Petroquiriquire, C.A.	60%	Repsol 40%
Quiriquire	Petroquiriquire, C.A.	60%	Repsol 40%
Boscán	Petroboscán, C.A.	60%	Chevron 40%
LL-652	Petroindependiente, C.A.	74.80%	Chevron 25.20%
Falcón Este	Petrocumarebo, S.A.	60%	Vinccler 40%
Falcón Oeste	Petrocumarebo, .S.A.	60%	Vinccler 40%
Casma Anaco	Petrocuragua, S.A.	60%	Open 40%
Colón	Baripetrol, S.A.	60%	Tecpetrol 40%
Urdaneta Oeste	Petroregional del Lago, S.A.	60%	Shell 40%
Acema	Petroven-Bras, S.A.	60%	Petrobras 40%
La Concepción	Petrowayu, S.A.	60%	Petrobras 40%
Mata	Petrokariña, S.A.	60%	Petrobras 40%
Oritupano-Leona	Petroritupano, S.A.	60%	Petrobras 40%
Pedernales	Petrowarao, S.A.	60%	Perenco 40%
Ambrosio	Petrowarao, .S.A	60%	Perenco 40%
B2X 70/80	Lagopetrol, S.A.	69%	Hocol 31%
Monagas Sur	Petrodelta, S.A.	60%	Harvest 40%
Caracoles	Petrolera Sino-Venezolana, S.A.	75%	CNPC 25%
Intercampo Norte	Petrolera Sino-Venezolana, S.A.	75%	CNPC 25%
DZO	Petroperijá, S.A.	60%	BP 40%
Boquerón	Boquerón, S.A.	60%	BP 40%

Exploration and Production in New Areas under Former Profit-sharing Agreements. In July 1995, the Venezuelan Congress approved profit-sharing arrangements pursuant to which private sector oil companies were offered the right to explore, drill and develop light and medium crude oil in ten designated blocks with a total area of approximately 13,774 km^2, pursuant to the terms of the profit-sharing agreements entered into by such companies and CVP, our subsidiary appointed to coordinate, control and supervise these agreements. Under the profit-sharing agreements, CVP had the right to participate, at its option, with an ownership interest of between 1% and 35% in the development of any recoverable reserves with commercial potential. Eight oil fields were awarded to 14 companies in 1996. The awards were based on the percentage of pretax earnings that the bidders were willing to share with the Venezuelan government. The profit-sharing agreements provided for the creation of a control committee, as the authority with oversight power with respect to these agreements.

Originally, CVP was entitled to hold shares representing a maximum of 35% participation in the joint ventures that could be formed pursuant to profit-sharing agreements in the following oil fields.

Field	CVP Partners	Joint Venture
Western Paria Gulf	Conoco Venezuela, C.A. — ENI — OPIC[(1)]	Compañía Agua Plana, S.A.
Eastern Paria Gulf	Ineparia — Conoco Venezuela, C.A. – ENI – OPIC	Administradora del Golfo de Paria Este, S.A.
La Ceiba	ExxonMobil – PetroCanada	Administradora Petrolera La Ceiba, C.A.

(1) Profit-sharing agreements under Phase I (development).

On February 26, 2007, President Chávez issued Decree-Law No. 5,200 establishing the timeline and general guidelines for the transfer of the association agreements to joint ventures. As a result, our ownership interest increased to at least 60%. The subsequent transition decrees were published in the Official Gazette, completing the incorporation process of the referred joint ventures.

The following are the joint ventures operating the projects:

- Petrolera Paria, S.A.: operating the Golfo de Paria Este project formed between our subsidiary CVP holding 60% of the shares and Sinopec International Petroleum Exploration and Production Corporation holding 40% of the shares.

- Petrosucre, S.A.: operating the Golfo de Paria Oeste project formed between our subsidiary CVP holding 74% of the shares and Eni Venezuela B.V. holding 26% of the shares.

- Petrolera Güiria, S.A.: operating the Golfo de Paria Central project formed between our subsidiary CVP holding 64% of the shares and Eni Venezuela B.V. holding 36% of the shares.

Additionally, La Ceiba field is currently directly operated by our subsidiary PDVSA Petróleo.

Orinoco Oil Belt Extra-heavy Crude Oil Projects. Between 1993 and 1997, the Venezuelan National Assembly approved the creation of four vertically integrated joint venture projects in the Orinoco Oil Belt for the exploitation and upgrading of extra-heavy crude oil of average API gravity of 9° and marketing of the upgraded crude oil with API gravities ranging from 16° to 32°. These joint venture projects were implemented through association agreements between various foreign participating entities and us.

On February 26, 2007, President Chávez issued Decree-Law No. 5,200 establishing the timeline and general guidelines for the transfer of the association agreements to joint ventures. As a result, our ownership interest increased to at least 60%. The subsequent transition decrees were published in the Official Gazette, completing the incorporation process of the referred joint ventures. Under this decree, the associations of Hamaca, Sincor and Cerro Negro became joint ventures as described below. The fourth association, Petrozuata, is wholly owned by PDVSA Petróleo and was not transformed into a joint venture.

The current joint ventures operating in Orinoco Oil Belt are as follows:

- Petropiar, S.A. joint venture, operating the Hamaca project between our subsidiaries CVP holding 66% of the shares, Chevron Orinoco Holdings B.V. holding 30% of the shares and PDVSA Social, S.A. holding 4% of the shares.

- Petrocedeño, S.A. joint venture, operating the Sincor Project between our subsidiary CVP holding 56% of the shares, Total Venezuela, S.A. holding 30.32% of the shares, Sincor Netherlands B.V. (Statoil) holding 9.68% of the shares and PDVSA Social, S.A. holding 4% of the shares.

- Petromonagas, S.A. joint venture, operating the Cerro Negro Project by our subsidiary CVP holding 79.33% of the shares, Veba Oil & Gas Cerro Negro GmbH (subsidiary of BP plc) holding 16.67% of the shares and PDVSA Social, S.A. holding 4% of the shares.

- Petrolera Sinovensa, S.A. (or Petrosinovensa) joint venture, operating in the Carabobo area between our subsidiary CVP holding 60% of the shares and CNPC Venezuela B.V. holding 40% of the shares.

As of December 31, 2012, total investments in the Petropiar, Petrocedeño, Petromonagas and Petrosinovensa projects were $7,599 million.

Oilfield Service Sector Entities

On May 7, 2009, the Venezuelan government enacted the Organic Law that Reserves to the State the Assets and Services Related to Primary Hydrocarbons Activities (the "Reserve Law"), which provides for the reservation, in favor of the State, of those assets and services related to the performance of the "primary activities" as set forth in the Organic Hydrocarbons Law (essentially, the activities of exploration, extraction in natural stage, gathering, transport, and initial storage of liquid hydrocarbons and associated gas). Those assets and services were previously provided by private oil service providers. It further provides that the reserved activities shall be directly carried out by us or any of our affiliates designated for such purposes, or through joint venture companies under our control or the control of any of our affiliates.

In accordance with the provisions of the Reserve Law, the assets and services related to the primary activities that are subject to reserve are the following:

- Injection of water, steam or gas to increase a reservoir's energy and improvement of the recovery factor;

- Compression of gas; and

- Those associated with activities in Lake Maracaibo: ships for the transportation of personnel, divers and maintenance; crane barges for the transportation of materials, diesel, industrial water and other inputs; tugs; flat barges, light vessels, cranes, cutting barges, pipeline and sub-aquatic cable laying or replacing barges; ship maintenance in workshops, docks and any type of dykes.

The Reserve Law explicitly provides that the reserved activities shall be performed by Venezuela, by us or our affiliates, or through joint ventures under our control or the control of our affiliates. The Reserve Law provides that the Ministry of Petroleum and Mining will set out, by means of resolutions, those assets and services of companies or business sectors that are included within the scope of the Reserve Law. As of the date of these listing particulars, the assets and activities of about 70 domestic and foreign companies have been named in a special resolution issued by such Ministry.

Following the mandate of the Reserve Law, during 2009 we were instructed by the Venezuelan government to take control of assets associated with the services activities subject to reserve pursuant to the Reserve Law. As of December 31, 2012, we were negotiating, on behalf of Venezuela, the applicable compensation to be paid, and as of today we have reached agreements with several of these entities.

Other Joint Ventures for exploration and production of light-medium crude

During 2007 and 2008, transfer decrees for the following joint ventures were completed:

- Petrozumano, S.A. is a joint venture formed by our subsidiary CVP (which holds 60% of the shares) and CNPC Venezuela B.V. (holding the remaining 40%) to conduct exploration and production activities of light-medium crude in the Freites and Aguasay municipalities of Anzoátegui and Monagas State, respectively;

- Petrolera Bielovenezolana, S.A. is a joint venture formed by our subsidiary CVP (which holds 60% of the shares) and Belorusneft (holding the remaining 40%) that was incorporated to conduct exploration and production activities of light-medium crude in the Freites municipality, Oritupano Norte and Ostra in Anzoategui State and in Lake Maracaibo; and

- Petrolera Indovenezolana, S.A is a joint venture that was formed by our subsidiary CVP (holding 60%) and ONGC Nile Ganga B.V. (holding 40%) to conduct exploration and production activities of light-medium crude in the San Cristóbal area of Anzoátegui and Guárico State.

During 2012, transfer decrees for the following joint ventures were completed:

- Petrozamora, S.A. is a joint venture formed by CVP (holding 60% of the shares) and Gazprombank Latin America Ventures B.V. (holding the remaining 40%) to conduct exploration and development in Lagunillas Tierra – Bachaquero Tierra;

- Petrourdaneta, S.A. is a joint venture formed by CVP (holding 60% of the shares) and Odebrecht E&P España (holding the remaining 40% of the shares) to conduct exploration and development in Mara Este, Mara Oeste and la Paz, Zulia state; and

- Petrolera Venangocupet, S.A. is a joint venture formed by CVP (holding 60% of the shares) and Commercial Cupet, S.A. from Cuba Pesquisa and Produção, S.A. from Angola (together holding 40% of the shares) to operate in Miga y Melones, Anzoategui state.

Overview of Main Projects with Private Sector Participation

We plan to invest substantially in upstream and downstream projects. We have 525 projects planned between 2013 and 2019 in seven strategic sectors. These projects include the construction of oil wells and production infrastructure, oil and gas pipelines, oil storage capacity, refineries and upgraders and loading docks and distribution facilities that will contribute to the development of Venezuela, while diversifying our markets, and strengthening energy integration.

The following table sets forth a distribution of our main projects by sector:

Sector	Number of Projects
Oil & Natural Gas Exploration	103
Oil & Natural Gas Production	191
PDVSA Gas	27
Domestic Operative Refineries	84
New Refineries, Upgraders & Terminals	13
Trade and Supply	26
Non-oil Subsidiaries	81
Total	**525**

Orinoco Oil Belt Development Project

The Business Plan provides for the production of 4,014 mbpd of extra-heavy oil in the Orinoco Oil Belt by 2019, and the development of five upgraders with a 200 mbpd capacity each. In addition, the total estimated capital investment in the region for the period of 2013 through 2019 will be approximately $93,642 million.

During 2009, the Ministry of Petroleum and Mining initiated the Carabobo project, which provides for the construction of three integrated extra-heavy crude oil production projects through joint ventures with private sector participation of up to 40% of the shares in these companies.

As of December 31, 2012 there were two joint ventures in operation with respect to the Carabobo project:

(i) Petrocarabobo, where we hold 60% of the shares, and Repsol Exploración S.A., PC Venezuela Ltd. (Petronas), Petrocarabobo Ganga, B.V., and Indoil Netherlands B.V. (a consortium formed by Oil Indian Limited together with Indian Oil Corporation) holding 11%, 11%, 11% and 7% of the remaining shares, respectively. The expected production of Petrocarabobo is 400 mbpd, and its purpose is to develop the primary activities in Blocks Carabobo Center and Carabobo North of the Carabobo Area; and

(ii) Petroindependencia, where we hold 60% of the shares, while Chevron Carabobo Holdings APS, Mitsubishi Corp (together with Inpex Corp.) forming Japan Carabobo UK Ltd., and Suelopetrol, hold 34.0%, 5.0% and 1.0% of the remaining shares, respectively.

The expected production of Petroindependencia is 400 mbpd by 2017, and its purpose is to develop primary activities in Blocks Carabobo 2 South, Carabobo 3 North and Carabobo 5 of the Carabobo Area. In 2012, a new joint venture, Petrovictoria, was entered into in the Carabobo project. We hold 60% of the shares and Rosneft holds the remaining 40% of the shares. The expected production of Petrovictoria is 400 mbpd.

The following table outlines each party's percentage interest in each of the joint ventures relating to the Carabobo project:

Project	Company	Percentage Interest	Expected Production (bpd)
Petrocarabobo	PDVSA	60%	400
	REPSOL	11%	
	PC Venezuela	11%	
	Petrocarabobo Ganga	11%	
	Indoil Netherlands B.V.	7%	
Petroindependencia	PDVSA	60%	400
	Chevron	34%	
	JCU	5%	
	Suelopetrol	1%	
Petrovictoria	PDVSA	60%	400
	Rosneft	40%	

We have entered into four currently operational joint venture agreements with respect to the Junín project: Petromacareo (Junín 2), Petrourica (Junín 4), Petrojunin (Junín 5) and Petromiranda (Junín 6). Each joint venture agreement corresponding to the Junín projects grants PDVSA a 60% ownership of the entity's outstanding shares. Petrovietnam Exploration Production Corporation, Ltd. holds the remaining 40% of outstanding shares in Junín 2. CNPC holds the remaining 40% of outstanding shares in Junín 4. ENI holds the remaining 40% of outstanding shares in Junín 5. A consortium comprised of Gazprom Neft, Rosneft OJSC, and Lukoil holds 40% of the remaining shares in Junín 6, respectively. The expected production levels for Junín 2, Junín 4, Junín 5 and Junín 6 are 200 bpd, 400 bpd, 240 bpd and 400 bpd, respectively.

The following table outlines each party's percentage interest in each of the joint ventures relating to the Junin project:

Project	Company	Percentage Interest	Expected Production (bpd)
Petromiranda	PDVSA	60%	400
	Consorcio Nacional Petrolero	40%	
Petromacareo	PDVSA	60%	200
	Petrovietnam	40%	
Petrourica	PDVSA	60%	400
	CNPC	40%	
Petrojunin	PDVSA	60%	240
	ENI	40%	

We expect that the combined production capacity of the Carabobo and Junín projects will be 2,440 bpd by 2019.

We are also realizing a major investment plan called the "PSO Project" (Orinoco Socialist Project) which consists of designing and constructing all the required facilities for the provision of industrial services relating to the construction and operation of different upgraders, production facilities, pipelines (water, oil, gas and diluent), roads, trains and urban development works. The PSO Project will contribute to the social development of different regions impacted by the projects being executed in the northern region of Venezuela's Orinoco river area, Bolívar and Sucre state area.

To export the production, a pipeline system (42" and 580 km) will be developed from the upgraders and a new terminal will be located in Araya, in the northwest region of Sucre. This terminal will have a storage capacity of 72.8 million bls and loading docks facilities for ships with dead weight capacity of 300,000 tons.

Mariscal Sucre Project

The Mariscal Sucre project focuses on the development of non-associated gas located off-shore Venezuela in the Dragón, Patao, Mejillones and Rio Caribe fields, in the Northeast region of Venezuela. The main objective of the project is to develop new non-associated gas reserves to meet domestic market demand as well as for exploration of new reserves. This project includes the execution of 14 projects that will consist of drilling activities and the construction of production facilities and subsea gas pipelines. The estimated capital investment for the Mariscal Sucre project is $15,718 million, of which $5,508 million has been invested as of December 31, 2012. The Mariscal Sucre project is expected to produce 600 mmcfd upon completion of the project's first phase towards the end of 2017 (includes initial production 300 mmpcd by the end of 2014), and 1,250 mmcfd by 2022, once the second phase of the plan has been completed.

Jusepin 120 Project

The Jusepin 120 project focuses on reducing gas emissions from the Jusepin complex through the installation of four motor-compressors with a capacity of 30 mmcfd. The total investment for this project is estimated to be $14 million and as of December 31, 2012 the project is in the phase of implementation and capitalization.

Perla 3x Project

In August 2013, PDVSA entered into an agreement with Italian energy company ENI SpA (ENI) to create a joint venture to exploit offshore condensate gas reserves in the Perla oil field, which is located off of the coast of the northern state of Falcon. PDVSA will have a 60% stake in the joint venture and ENI will own the remaining 40%.

Projects with Energy Companies in India

In October 2013, PDVSA announced that it has entered into cooperation agreements with a number of major energy companies in India, including ONGC Vindesh Ltd., Oil & Natural Gas Corp., Reliance Industries Ltd. and Essar Group, in order to collaborate on the development of projects related to the exploration and production of hydrocarbon resources for purposes of helping India meet its increasing demand for fuel and to reduce oil imports by expanding its portfolio of overseas oil and gas assets. The agreement between ONGC Videsh Ltd. and PDVSA is for joint exploration and production of hydrocarbon resources in the Faja area. The agreement between Reliance Industries Ltd. and PDVSA is for the development of the Ayacucho Block 8 in the Orinoco Oil Belt. The agreement between Oil & Natural Gas Corp. and PDVSA is aimed at the development of energy infrastructure in Venezuela and the agreement between Essar Group and PDVSA is for the transportation of hydrocarbons and also includes studies for the construction of a thermoelectric power plant.

Complejo Industrial Gran Mariscal de Ayacucho: CIGMA Project

We expect to process the natural gas produced off-shore Venezuela in a new industrial complex to be located near the city of Güiria, in the state of Sucre, in the Northeast region of Venezuela. This project, which is part of the Mariscal Sucre Natural Gas project, consists of the construction of the necessary infrastructure to incorporate the off-shore gas production to the domestic market, including the construction of sea pipelines, roads, dock and services, gas processing plants, power generation, transmission and distribution lines and other infrastructure.

During 2009, the first delivery of equipment and materials was made for the construction of the *Planta de Acondicionamiento de Gas al Mercado Interno* in the *Complejo Industrial Gran Mariscal de Ayacucho***.**

The complex will include a power generation facility of 950 MW at 400/230 KV, and seven electrical substations and a power distribution system of 230/115/34.5 KV.

The budget for the CIGMA project is $1,462.07 million, of which $671.07 million has been invested as of December 31, 2012. The CIGMA project is scheduled to be completed in 2023.

Rafael Urdaneta Project

This is an off-shore natural gas project located in Western Venezuela. The objective of the project is to develop exploration activities in the Gulf of Venezuela, mainly in the Róbalo, Merluza, Liza and Sierra camps. Areas of this project have been granted to different consortiums. The following list divides the project by areas and the consortium to which each area was granted.

- Cardon block I - Gazprom.
- Cardon block III - Chevron.
- Cardon block IV - Repsol – ENI.
- Moruy block II - Petrobras- Teikoku.
- Castillete block II – Vinccler
- Urumaco block I – Gazprom
- Urumaco block II - Gazprom

A discovery of approximately 9.5 trillion cubic feet of In-Site Original Gas was made in 2010 in La Perla field, located within the Cardón IV Area. A new joint venture will be formed for the development phase, where PDVSA, REPSOL and ENI hold 35%, 32.5% and 32.5% of the shares, respectively. The estimated capital investment in this project is expected to be approximately $4,996 million by 2028. We expect that this development will produce 1,200 mmcfd by 2021 with an initial production of 300 mmcfd in 2015. The project also focuses in the development of infrastructure to produce off-shore gas, pipelines for the transport of gas, a gas processing plant to extract liquids, and storage and loading docks for modern ships.

Bachaquero Tierra – Lagunilla Tierra

On February 10, 2012, the Ministry of Petroleum and Mining announced the selection of Gazprombank Latin America Ventures B.V. ("Gazprombank") as a participant in a joint venture with CVP for the exploration and production of crude oil and natural gas in the Bachaquero Tierra – Lagunilla Tierra field in the state of Zulia. In March 2012, CVP and Gazprom entered into a joint venture agreement to create Petrozamora, S.A., whereby CVP and Gazprombank have a 60% and 40% participation in the venture, respectively.

Oil Production Growth

We are currently investing in mature areas in order to meet our projected total oil production capacity of 6,000 bpd by 2019.

Our Business Plan also provides for the development of 294 E&P projects and a total capital investment of $189 billion, which we partially plan to execute in association with international enterprises.

The existing production facilities/area covers 59,035 km^2, 10,508 km of pipelines, 24 tank farms, 17,072 active oil wells and 266 drilling and work-over rigs/year.

Development of Major Projects in Refineries

We plan to develop new refining centers in Venezuela to expand our refinery capacity from approximately 2.8 mbd to 4.6 mbd by 2019, as well as to develop foreign refining projects. There are currently seven main refining projects in Venezuela. The execution of those projects requires a capital investment of $43,381 million.

The following table includes a description of certain of our most significant domestic refining projects based on projected refining capacity:

Project	Capacity (bpd)
Petrobicentenario	350
Batalla Santa Ines refinery	100
Cabruta refinery	220
Puerto la Cruz refinery - Residual Conversion into Distillates.	Conversion project
Residuals to Distillates Conversion Project - CRP	Conversion project
El Palito refinery Deep Conversion Project	Conversion and expansion project
Paraguaná Petrochemical Complex	Pectrochemical project

The following table includes a description of certain of our most significant foreign refining projects based on projected refining capacity:

Project	Capacity (bpd)
Brazil, Abreu e Lima refinery.	240
Ecuador, Manabi refinery.	300
Jamaica, Kingston refinery.	50
Nicaragua, Supremo Sueño de Bolívar refinery.	150
Cuba, Matanzas refinery.	150
Cuba, Cienfuegos refinery.	85
Cuba, Hermanos Diaz	50
Siria, Siria refinery.	140
China, Shangai refinery.	200
China, Lie Yan refinery.	380
China, Weihai refinery.	200
Vietnam, Vietnam refinery.	200

On-shore Gas Sector Development

We intend to expand our natural gas production capacity through the development of 27 on-shore gas projects. The estimated capital investment in these projects is $22.8 billion. The following table includes a description of certain of our most important on-shore projects based on projected capacity:

Project	Capacity/size
Gas pipeline Sistema Nororiental de Gas: SINORGAS	731 Kms, 36” to 6”

Project	Capacity/size
Gas pipeline Norte Llanero (Phase I)	250 Kms, 26" & 30"
IV train San Joaquin NGL Plant	50 mbpd
Gas Anaco Project: gas field development project	2,559 mmscfd
Gas San Tomé project: gas field development project	600 mmscfd
V train NGL fractionation plant in Jose.	50 bpd
Pirital I NGL Extraction Plant	42 bpd
Soto I&II NGL Extraction Plant	15 bpd

Crude and Products Tanker Fleet Project

We expect to increase the number of tankers and transport capacity in order to accomplish the expected increase in production and enhanced distribution of crude oil and refined petroleum products. The tankers will be purchased from countries such as Brazil, Korea and Japan. The estimated total investment involved in this project is $2,037 million.

This project is expected to increase our crude and product shipping capability through the construction of the following tankers:

Tanker Type	Quantity	tdwt	Capacity (Tons)
Handymax	6	47	282
Panamax	8	70	560
Panamax	4	113	452
Suezmax	4	157	628
VLCC	4	180	720
Total	**26**	**567**	**2,642**

Shipyard Construction, Rehabilitation and Expansion

PDVSA Naval, a subsidiary, has undertaken to rehabilitate and expand the following shipyards: (i) Astillero del Alba (Astialba), (ii) Astilleros Navales Venezolanos (Astinave), (iii) Astillero de Diques y Astilleros Nacionales, C.A. (Dianca), and (iv) Albanave, S.A. (Albanave). The estimated total investment in this project is $2,654 million from 2013 through 2019.

Refining and Marketing

Refining

Our downstream strategy is focused on the expansion and upgrade of our refining operations in Venezuela, the Caribbean, Central America, South America and Asia to allow us to increase our production of refined petroleum products of high commercial value. We have invested in our National and International Refining Systems (*Sistema de Refinación Nacional e Internacional*) in order to increase refining capacity and complexity, as well as improve its installations, to satisfy global quality standards. Deep conversion capabilities in our Venezuelan refineries have enabled us to improve yields by allowing a greater percentage of higher value products to be produced.

The following table sets forth the refineries in which we hold an interest, the rated crude oil refining capacity and our net interest at December 31, 2012.

Location	Owner	PDVSA's Interest	Refining Capacity: Total Rated Crude Oil	Refining Capacity: PDVSA's Net Interest
		(%)	(mbpd)	(mbpd)
Venezuela:				
CRP, Falcón	PDVSA	100	955	955
Puerto La Cruz, Anzoátegui	PDVSA	100	187	187
El Palito, Carabobo	PDVSA	100	140	140
Bajo Grande, Zulia	PDVSA	100	16	16
San Roque, Anzoátegui	PDVSA	100	5	5
Total Venezuela			**1,303**	**1,303**
Caribbean:				
Isla (1)	PDVSA	100	335	335
Camilo Cienfuegos	Cuvenpetrol (2)	49	65	32
Jamaica	Petrojam (3)	49	35	17
Haina, Dominican Republic	Refidomsa PDV SA (4)	49	34	17
Total Caribbean			**469**	**401**
United States:				
Lake Charles, Louisiana	CITGO	100	425	425
Corpus Christi, Texas	CITGO	100	157	157
Lemont, Illinois	CITGO	100	167	167
Chalmette, Louisiana	Chalmette (5)	50	184	92
Saint Croix, U.S. Virgin Islands	Hovensa (6)	50	495	248
Total United States			**1,428**	**1,089**
Europe:				
Nynäshamn, Sweden	Nynäs (7)	50	29	15
Gothenburg, Sweden	Nynäs (7)	50	11	5
Dundee, Scotland	Nynäs (7)	50	9	4
Eastham, England	Nynäs (7)	25	18	5
Total Europe			**67**	**29**
Worldwide Total			**3,267**	**2,822**

(1) Leased in 1994. The lease expires in 2019.
(2) A joint venture with Commercial Cupet S.A.
(3) A joint venture with Petroleum Corporation of Jamaica (PCJ).
(4) A joint venture with Refidomsa.
(5) A joint venture with ExxonMobil Co.
(6) A joint venture with Hess Co.
(7) A joint venture with Neste Oil AB.

In order to maintain our competitiveness within international markets, we have an intensive Business Plan, which involves large investments in Venezuela and overseas. These investments are made to improve our refining systems and to adapt them to meet environmental regulations and domestic and international product quality requirements. The business refining plan includes projects aimed at manufacturing gasoline and diesel through deep conversion. All investment efforts will support our commercial strategy of market diversification.

Venezuela and the Caribbean. Our refineries in Venezuela are located in Amuay-Cardón (CRP), Puerto La Cruz, El Palito, Bajo Grande and San Roque, with rated crude oil refining capacities of 955 mbpd, 187 mbpd, 140 mbpd, 16 mbpd and 5 mbpd, respectively. We also operate the Isla refinery in Curaçao, which is leased on a long-term basis from the Netherlands-Antilles government through 2019. The Isla refinery has a nominal refining capacity of 335 mbpd. Through these refineries, we produce reformulated gasoline and distillates to meet U.S. and other international regulatory requirements and quality standards.

The Amuay-Cardón refinery (CRP) is located in the peninsula of Paraguaná, in the state of Falcon. Approximately 58% of the products obtained in the Amuay-Cardón refinery are supplied to the Venezuelan market,

and 42% are exported to the Caribbean, Central and South America, Europe and Africa. It meets the strictest global standards in its production of oil. Additionally, we are improving the Amuay-Cardón refinery to meet the future standards of the European diesel market, as well as diminishing the production of residue. We have implemented the *Proyecto de Expansión de la Unidad de Desintegración Catalítica de Cardón* to carry out these goals. On August 25, 2012, an accident occurred at the Amuay-Cardon refinery. As a result of the accident, the level of production for that facility during 2012 was reduced to approximately the same capacity as for 2011.

The products from the Puerto La Cruz refinery are supplied to Venezuelan markets, while the excess surplus of light crude, jet and diesel are exported abroad. Presently the Puerto La Cruz refinery is undergoing a deep conversion project focusing on processing of extra-heavy crude through an expansion project, which will commence in 2015. This project will also include, among other things, the following advancements: the improvement of distillation equipment to maximize their capacity from 187 mbpd to 210 mbpd; the development of an HDHPLUS conversion unit; the development of a hydroprocessing unit; and the construction of storage tanks.

The El Palito refinery is undergoing a deep conversion project. The goal is to increase heavy crude oil refining processing capacity by approximately 140 mbpd (to 286 mbpd) by 2016, leaving current medium crude oil feed for the new Batalla de Santa Inés refinery, planned to start operations by 2014. Through this project, the El Palito refinery is expected to be able to eliminate residual production and process heavy crude with an API of 22°. Such improvements will permit the refinery to produce lighter oil products with higher economic value than other heavier oil products. On September 19, 2012, two storage tanks at the El Palito refinery caught fire after being struck by lightning during a storm. The fire did not affect the refinery's processing areas, and foam dispensing trucks were successfully used to put out the flames in a timely manner. PDVSA does not believe that the fire will impair the conversion project.

Our 2013-2019 Business Plan for refining contemplates the construction of three new refineries in Venezuela: the Cabruta, Petrobicentenario and Batalla de Santa Ines. Cabruta refinery will process 220 mbpd inputs for the petrochemical industry (ethylene, propylene, benzene and p-xylene). This refinery will be located in Cabruta in the southern part of the state of Guárico. The refinery is scheduled to install processing units by 2017 (phase I) with a phase II scheduled for 2022 and a phase III scheduled for 2027. The new Batalla de Santa Ines refinery, located in the state of Barinas, will process 100 mbpd of crude oil of 26° API and will attempt to satisfy local market demands by 2016. Additionally, we plan to construct a new refinery in Jose, the Petrobicentenario refinery, with a capacity of 350 mbpd. This refinery will be developed jointly with ENI.

In Cuba, we have approved enhancements to the Cienfuegos refinery and the construction of Matanzas and Hermanos Diaz refineries. The Cienfuegos refinery has a refining capacity of approximately 65 mbpd, with an outlook to expand its refining capacity to 150 mbd using delayed coking and hydrocracking technologies. Additionally, pursuant to the Petrocaribe agreement, an expansion of the Kingston refinery in Jamaica is being developed to increase the refinery’s installed capacity from 35 mbpd to 50 mbpd, through the adoption of deep conversion techniques. During 2012, the average processing of the Jamaica refinery was 23.8 mbpd. We are responsible for 49% of the necessary investment in both refineries. Crude oil feed will be provided by Venezuela.

In May 2010, we entered into an agreement with the Dominican Republic for the acquisition of 49% of the shares of the Refinería Dominicana de Petróleo S.A. (REFIDOMSA), which has a 34 mbpd refining capacity and a 130 mbpd storing capacity, for $135 million. On August 2, 2010, the House of Representatives of the Dominican Republic approved this transaction.

Central and South America. In Nicaragua, we are undertaking a refinery project called “El Supremo Sueño de Bolivar” to be completed by 2019 with a processing capacity of 150 mbpd in its initial phase. Through our affiliate, PDVSA do Brasil, Ltda., we are currently undertaking a project to construct a refinery, Refinería Abreu e Lima, in Pernambuco, Brazil. The refinery is being designed to process 240 mbpd of heavy crude oil from the Orinoco Oil Belt (50%) and Brazilian Marlin crude oil (50%) using a deep conversion process. Operations are scheduled to start in 2015 in an effort to meet Brazilian demand for refined products. In Ecuador, we continue to develop the “Eloy Alfaro Delgado” Pacific Refinery Complex, which we expect will have a 300 mbpd refining capacity.

Asia. Three refineries are planned in China, the Nanhai refinery to be completed by 2014 with a processing capacity of 380 mbpd, the Shanghai refinery to be completed by 2019 with a capacity of 200 mbpd, and the Weihai refinery to be completed by 2016 with a capacity of 200 mbpd. There is one refinery planned in Vietnam to be completed by 2016 with capacity of 200 mbpd.

United States. Through our wholly owned subsidiary, CITGO, we produce light fuels and petrochemicals primarily through our refineries in Lake Charles, Louisiana; Corpus Christi, Texas; and Lemont, Illinois. CITGO is committed to the refining, marketing and transportation of products such as gasoline, diesel, petrochemicals and lubricants. CITGO's crude refining capacity is 749 mbpd.

Through the Chalmette refinery, a co-controlled joint venture between PDVSA and ExxonMobil, we have a 50% participation in a 184 mbpd capacity refinery located in Louisiana. The Chalmette refinery has capacity to process upgraded crude produced by the Petromonagas mixed company. Through PDV Chalmette, we have the option to purchase up to 50% of the refined products produced by the Chalmette refinery.

Our subsidiary PDV Holding and ConocoPhillips participate in a joint-controlled joint venture, Merey Sweeny, which owns and operates a 58 mbpd coker and 110 mbpd vacuum crude distillation unit in ConocoPhillip's refinery located in Sweeny, Texas. We have entered into long-term supply agreements with ConocoPhillips to supply the Sweeny refinery with heavy acid crude. This business unit comprises a supply ranging from 175 to 190 mbpd of 16° API Merey Crude from Venezuela. The long term supply agreement has a 20-year term at market prices using the Maya benchmark. Merey Sweeny's income is derived from the payment of an operating fee by ConocoPhillips, plus any income that is generated from the sale of coker to third parties. Currently, we and ConocoPhillips are in disagreement over the ownership of these assets, as ConocoPhillips, based on an alleged breach by us of certain of our obligations under the referred long term supply agreement, has exercised a call option to acquire all of our interests in Merey Sweeny.

We are currently involved in arbitration proceedings with ConocoPhillips regarding the exercise of a call option on all of our interest in Merey Sweeny by ConocoPhillips. See "*Business – Legal Proceedings – ConocoPhillips Petrozuata and Phillips Petroleum Company*."

Through our subsidiary PDVSA V.I., we owned 50% of the shares of the Hovensa refinery, located in the U.S. Virgin Islands. The other 50% of Hovensa's shares were owned by the Hess Corporation. The Hovensa refinery had a refining capacity of approximately 495 mbpd. We had entered into long-term supply agreements for Mesa/Merey crude with Hovensa. This refinery was strategically located to supply gasoline and lubricants in the markets located in the United States Gulf Coast and the east coast of the United States. Hovensa also received and processed other foreign crude. The Hovensa refinery operated an Advanced Catalytic Cracking Unit (FCC) with 150 mbpd capacity, which was one of the world's largest. In addition, the Hovensa refinery operated a delayed coking unit with a 58 mbpd capacity.

During 2011, the Hovensa refinery processed 283 mbpd of crude, a decrease of 106 mbpd from the 389 mbpd that was processed during 2010. This decrease was due mainly to the implementation of a new operational system at the beginning of January 2011, which resulted in outages of some of the units, and to market conditions.

Given the unfavorable conditions existing in the international refining market, the management of Hovensa closed the refinery as of February 2012 and plans to convert the refinery complex into a petroleum storage facility. As a result of preparations to close the refinery, Hovensa experienced operating losses, of which $474 million correspond to PDVSA's equity interest in the Hovensa refinery.

Europe. Through Nynäs, a joint venture owned 50.01% by PDV Europa and 49.99% by Neste Oil, we own interests in three specialized refineries: Nynäshamn and Gothenburg in Sweden and Dundee in Scotland. Our net interest in crude oil refining capacity in each of these refineries at December 31, 2012 was 15 mbpd, 5 mbpd and 4 mbpd, respectively. The Nynäs refineries are specially designed to process heavy sour crude oil. Nynäs also owns a 25% interest in a refinery in Eastham, England. The Eastham refinery is a specialized asphalt refinery in which our net interest in crude oil refining capacity at December 31, 2012 was 5 mbpd.

The Nynäs refineries in Nynäshamn produce asphalt and naphthenic specialty oils. The Dundee, Gothenberg and Eastham refineries are specialized asphalt refineries. Nynäs purchases crude oil from us and produces asphalt and naphthenic specialty oils, two products for which Venezuelan heavy sour crude oil is particularly well-suited feedstock due to its proportions of naphthenic, paraffinic and aromatic compounds. Asphalt products are used for road construction and various industrial purposes, while naphthenic specialty oils are used mainly in electrical transformers, as mechanical process oils and in the rubber and printing ink industries.

The following table sets forth our aggregate refinery capacity, input supplied by us (out of our own production or bought in the open market), utilization rate and product yield for the three-year period ended December 31, 2012.

Refining Production	**At or for the year ended December 31,**					
	2012		**2011**		**2010**	
	(mbpd)		**(mbpd)**		**(mbpd)**	
Total Refining Capacity	**3,267**		**3,267**		**4,275**	
PDVSA's net interest in refining capacity	**2,822**		**2,822**		**3,035**	
Refinery input[1]						
Crude Oil - Sourced by PDVSA						
Light	320	15%	446	18%	503	20%
Medium	660	30%	643	26%	563	22%
Heavy	467	21%	467	19%	449	18%
Sub-total	**1,447**	**66%**	**1,556**	**64%**	**1,515**	**60%**
Crude Oil - Sourced by Others						
Light	214	10%	243	10%	451	18%
Medium	96	4%	171	7%	97	4%
Heavy	130	6%	204	8%	175	7%
Sub-total	**440**	**20%**	**618**	**25%**	**723**	**29%**
Other Feedstock						
Sourced by PDVSA	173	8%	137	6%	166	7%
Sourced by Others	133	6%	145	6%	149	6%
Total Transfers[5]	**(12)**	**-**	**(15)**	**-**	**(23)**	**(1)%**
Gasoline / Naphtha	(6)	-	(8)	-	(6)	-
Distillate	(6)	-	(6)	-	(16)	-
Lubricants	-	-	(1)	-	(1)	-
Others	-	-	-	-	-	-
Sub-total	**294**	**13%**	**267**	**11%**	**292**	**12%**
Total Refining Input						
Sourced by PDVSA[2]	1,620	74%	1,693	69%	1,681	67%
Sourced by Others	573	26%	763	31%	872	34%
Transfers	(12)	-	(15)	-	(23)	(1)%
Total refinery input	**2,181**	**100%**	**2,441**	**100%**	**2,530**	**100%**
Crude Utilization[3]	77%		77%		74%	
Product Yield[4]						
Gasoline / Naphtha	745	-	838	-	860	-
Gasoline / Transferred Naphtha[5]	(6)	-	(8)	-	(6)	-
Total Gasoline/Naphtha	**739**	**34%**	**830**	**34%**	**854**	**34%**
Distillate	709	-	778	-	801	-
Transferred Distillate[5]	(6)	-	(6)	-	(16)	-
Total Distillate	**703**	**32%**	**772**	**32%**	**785**	**32%**
Low Sulfur Residual	101	5%	95	4%	86	3%
High Sulfur Residual	251	12%	291	12%	279	11%

	2012		2011		2010	
	(mbpd)		(mbpd)		(mbpd)	
Asphalt / Coke[6]	30	1%	24	1%	24	1%
Naphthenic Specialty Oil	18	-	16	-	15	-
Transferred Naphthenic Specialty Oil[5]	-	-	(1)	-	(1)	-
Total Naphthenic Specialty Oil	**18**	**1%**	**15**	**1%**	**14**	**1%**
Petrochemicals	**57**	**3%**	**87**	**4%**	**105**	**4%**
Others	283	-	320	-	387	-
Transferred Others[5]	-	-	-	-	-	-
Total Others	**283**	**13%**	**320**	**13%**	**387**	**15%**
Net output	2,182	100%	**2,434**	**100%**	**2,534**	**100%**
Consumption, net (gain)/loss	(1)	-	7	-	(4)	-
Total yield	**2,181**	**100%**	**2,441**	**100%**	**2,530**	**100%**

(1) Our refineries sourced 74%, 69% and 66% of the refineries' total crude oil requirements from crude oil produced by us in 2012, 2011 and 2010, respectively.
(2) Includes our interest in crude oil and other feedstock.
(3) Crude oil refinery input divided by the net interest in refining capacity.
(4) PDVSA's participation in the product range.
(5) Received and shipped goods from and to the international and national refining system.
(6) Starting in 2010 only asphalt is reported herein. Coke is reflected in other products.

In 2012, we supplied all of the crude oil requirements to our Venezuelan refineries (approximately 932 mbpd), approximately 165 mbpd of crude oil to our leased refinery in Curaçao and an aggregate of 440 mbpd of crude oil to refineries owned by our international subsidiaries or in which we otherwise have an interest (refinery input takes into account our net interest in crude oil). Of the total volumes supplied by us to our international affiliates, approximately 15.6 mbpd were purchased by us in the global market and supplied to our European affiliates. Additionally, CITGO purchased a total of approximately 259 mbpd of crude oil from us for processing in its refineries.

Marketing

In 2012, we exported 2,568 mbpd of crude oil, or 20%, of our total exports and 508 mbpd of refined petroleum products produced in Venezuela. Exports of crude oil and refined petroleum products to North America amounted to approximately1,002 mbpd (or 39% of total exports).

Of our total crude oil exports in 2012, a total of approximately 934 mbpd (45%) was exported to North America, 315 mbpd (15%) to the Caribbean, 22 mbpd (1%) to South America, 11 mbpd (1%) to Central America, 120 mbpd (6%) to Europe, and 658 mbpd (32%) to Asia and other localities.

Of our total refined petroleum products produced in Venezuela in 2012, approximately 681 mbpd were used in the domestic market and approximately 508 mbpd were exported. Of the total exports of refined petroleum products in 2012, approximately 68 mbpd (13%) were sold to North America, approximately 51 mbpd (10%) to South America, approximately 40 mbpd (8%) to the Caribbean, approximately 36 mbpd (7%) to Europe, approximately 21 mbpd (4%) to Africa, approximately 13 mbpd (3%) to Central America, approximately 266 mbpd (52%) to Asia, and approximately 13 mbpd (3%) to other localities.

The following table sets forth the composition and average prices of our exports of crude oil and refined petroleum products from Venezuela for the three-year period ending December 31, 2012.

	For the year ended December 31,		
	2012	2011	2010
	mbpd	mbpd	mbpd
Crude oil			
Light	358	400	388

	For the year ended December 31,		
	2012	2011	2010
	mbpd	mbpd	mbpd
Medium	202	138	151
Heavy and extra-heavy	1,500	1,379	1,372
Sub-total crude oil	**2,060**	**1,917**	**1,911**
Third Party Participation in the Orinoco Oil Belt	-	-	-
Refined products			
Gasoline/naphtha	30	46	49
Distillates	43	64	63
Fuel oil residual	258	268	215
Other	177	174	177
Sub-total products	**508**	**552**	**504**
Third Party Participation in the Orinoco Oil Belt	-	-	-
Total Exports	**2,568**	**2,469**	**2,415**
Average Export Price ($/Bl)			
Crude oil:			
Light crudes	107.73	106.92	78.03
Medium	99.84	97.96	71.59
Heavy	98.61	96.79	69.34
Extra-heavy	103.01	95.08	64.23
Refined products	106.35	105.73	76.18
Average export price	**103.42**	**100.11**	**72.18**

The following table sets forth the geographic breakdown of our exports segregating crude oil and products for the three-year period ended December 31, 2012.

	For the year ended December 31,					
	2012		2011		2010	
	mbpd	%	mbpd	%	mbpd	%
Crude Oil						
North America	934	45.4%	1,053	54.9%	1,170	61.2%
Latin America & Caribbean	348	16.9%	364	19.0%	242	12.7%
Europe	120	5.8%	100	5.2%	135	7.1%
Asia & Others	658	31.9%	400	20.9%	364	19.1%
Sub-Total Crudes	**2,060**	**100%**	**1,917**	**100%**	**1,911**	**100%**
Refined Products (1)						
North America	68	13.3%	113	20.5%	92	18.2%
Latin America & Caribbean	104	20.5%	133	24.1%	158	31.3%
Europe	36	7.1%	40	7.2%	65	12.9%
Asia & Others	300	59.1%	266	48.2%	190	37.6%
Sub-total Refined Products	**508**	**100%**	**552**	**100%**	**505**	**100%**
Crude Oil and Refined Products (2)						
North America	1,002	39%	1,166	47.2%	1,262	52.3%
Latin America & Caribbean	452	17.6%	497	20.1%	400	16.6%
Europe	156	6.1%	140	5.7%	199	8.2%
Asia & Others	958	37.3%	666	27.0%	554	22.9%
Total Crude Oil and Refined Products	**2,568**	**100%**	**2,469**	**100%**	**2,415**	**100%**

(1) Includes LGNs.
(2) Excludes PDVSA's share in the Orinoco Oil Belt joint venture.

Marketing in the United States

Sales of Crude Oil to Affiliates. We supply our international refining affiliates with crude oil and feedstock either produced by us or purchased in the open market. Some of our U.S. affiliates have entered into

long-term supply contracts with us that require us to supply minimum quantities of crude oil and other feedstock to such affiliates, usually for two to three years.

The crude contracts between PDVSA and CITGO incorporate price formulas for certain conventional crude types based on widely traded crude oil prices and other hydrocarbon prices plus adjustments for market change. For any other specific heavy crude oils, the price is subject to negotiation on a case-by-case basis. The feedstock agreements between PDVSA and CITGO incorporate market-based naphtha prices from a recognized index adjusted semi-annually.

Some of these contracts provide that, under certain circumstances, if supplies are interrupted, we are required to compensate the affected affiliate for any additional costs incurred in securing crude oil or other feedstock. These crude oil supply contracts may be terminated by mutual agreement, by either party in the event of a material default, bankruptcy or similar financial hardship on the part of the other party or, in certain cases, if we no longer hold, directly or indirectly, 50% or more of the ownership interests in the related affiliate.

Sales of Crude Oil to Third Parties. Most of our export sales of crude oil to third parties, including customers in the United States with which we maintain long-standing commercial relationships, are made at market prices pursuant to our general terms and conditions, and priced in dollars. Among our customers are major oil companies and other medium-sized companies.

Sales of Refined Products. We conduct all our retail sales in the United States through CITGO. CITGO's major products are light fuels (including gasoline, jet fuel and diesel fuel), industrial products, petrochemicals and lubricants.

CITGO markets gasoline to approximately 420 marketers who in turn sell to approximately 5,700 independently owned and operated CITGO-branded retail outlets located east of the Rocky Mountains, in addition to a company-owned retail outlet that opened in March 2013. CITGO also markets jet fuel directly to major airline customers as well as to resellers for use at various airports, including Ft. Lauderdale and Miami. CITGO's light fuel marketing activities are supported by an extensive terminal distribution network throughout its service regions. CITGO owns or has equity ownership in 48 refined product storage and transfer terminals located across 22 states of the United States with a total storage capacity of approximately 22 million barrels. In addition, CITGO has access to over 130 third-party terminals through exchange, arrangements for new terminals and other similar arrangements with other major refined product suppliers and terminal operators.

CITGO also produces a diverse range of petrochemicals, industrial products and lubricants, including benzene, cumene, mixed xylenes, toluene, cyclohexane, refinery-grade propylene and solvents. CITGO sells its petrochemicals primarily to large chemical and petrochemical manufacturers for use in the production of plastics, fibers and building materials, including paints, adhesives and coatings. Industrial products are byproducts that are produced or consumed during the refining process. CITGO's industrial products include sulfur, which is sold to the U.S. and international fertilizer industries; cycle oils, which are sold for feedstock processing and blending; natural gas liquids, which are sold to the U.S. fuel and petrochemical industry for gasoline blending, heating and as feedstocks for petrochemicals; petroleum coke, which is sold primarily in international markets for use as kiln and boiler fuel; and residual fuel blendstocks, which are sold to a variety of fuel oil blenders or other refiners for further processing. CITGO also blends and markets lubricants such as industrial lubricants and automotive oils on a branded basis, with particular penetration in the retail markets for 2-cycle and small engine oil, grease products, metal working fluids and environmentally friendly and food-grade lubricants.

Crude Oil and Refined Product Purchases. CITGO does not own crude oil reserves or production facilities and must therefore rely on purchases of crude oil and feedstocks for its refinery operations. We are CITGO's largest single supplier of crude oil, and CITGO has entered into supply agreements with us with respect to the crude oil requirements for CITGO's Gulf Coast refineries. CITGO also purchases crude oil in the market. In addition, to optimize CITGO's refineries and meet its customers' demands, CITGO buys and sells gasoline and distillate through bulk sales channels. CITGO's bulk purchases and sales are with various unaffiliated oil companies and trading companies and allow CITGO to balance location, grade, volume and timing differences between CITGO's supply sources and demand from its customers. CITGO also purchases refined petroleum products from its affiliates, including Hovensa, pursuant to long-term contracts. On February 21, 2012, Hovensa announced

completion of the shutdown of its refinery located in St. Croix, U.S. Virgin Islands. In 2012, CITGO purchased a total of approximately 213 mbpd of refined petroleum products from third party and affiliated vendors.

Marketing in Europe. We supply crude oil to our European affiliates pursuant to various supply agreements. The crude oil that we supply to our European affiliates exceeds, as a percentage of total supply, our aggregate net ownership interest in such entities' combined refining capacity. In 2012, we supplied to the European refineries in which we held an interest, approximately 55.7 mbpd of crude oil, of which approximately 40.1 mbpd were exported from Venezuela and approximately 15.6 mbpd were purchased in international markets.

Nynäs purchases crude oil from us and produces asphalt and naphthenic specialty oils, two products for which Venezuelan heavy sour crude oil is a particularly well-suited feedstock due to its high content of naphthenic, paraffinic and aromatic compounds. Nynäs does not own crude oil reserves or crude production facilities and, therefore, must purchase crude oil for its refining operations. Nearly all crude oil purchased by Nynäs is supplied by us pursuant to long-term supply contracts. We only supply Nynäs with high sulfur, extra-heavy crude oil.

Nynäs markets asphalt products through an extensive marketing network in several European countries. Nynäs markets its naphthenic specialty oils throughout Europe, Africa, the Middle East, Australia, North America, Latin America and Asia and the distillates that it produces are either sold as fuel or further processed into naphthenic specialty oils. Nynäs distributes its refined products primarily by a terminal network, specialized bitumen ships, rail tanks and trucks.

Marketing in Latin America and the Caribbean. We have been pursuing a commercial strategy based on integration of the oil and gas industries in Latin America and the Caribbean that entails the completion of several projects in countries located in the region within the scope of the PetroAmerica initiative. This initiative proposes the establishment of cooperation and integration agreements and the utilization of the resources and potential of Latin American and Caribbean nations, in order to support the socio-economic development of the Latin American and Caribbean population.

In 2005, we created PDVSA-Cuba in order to promote refining and marketing businesses in the Caribbean area. During 2006, we supplied, under special terms, crude oil and refined products to Caribbean and Central American nations through the Petrocaribe Energy Cooperation Agreement and the Caracas Energy Cooperation Agreement.

Marketing in Venezuela. The following table shows our sales of refined petroleum products and natural gas to the Venezuelan domestic market.

	For the year ended December 31,		
	2012	**2011**	**2010**
		(mbpd, unless otherwise indicated)	
Refined Products:			
Liquefied petroleum gas	89	77	82
Motor gasoline	301	293	315
Diesel	216	181	183
Other	75	95	94
Total refined products	**681**	**646**	**674**
Natural gas (mmcf)	1,537	1,465	1,765
Natural gas in boe	265	253	304
Total hydrocarbons in boe	**946**	**899**	**978**

Since 1993, the Venezuelan government has allowed private sector participants to market lubricants in Venezuela.

The retail price for vehicle gasoline is set by the Venezuelan government and represents approximately 3% of the export price for vehicle gasoline in 2012. In accordance with MINPEM's resolution, PDVSA has discounted

from royalties expenses the difference between the settlement price of production taxes and $40 per barrel of the volumes sold at regulated price destined to the domestic market.

Pursuant to the Liquid Fuel Domestic Market Deregulation Law (*Ley de Apertura del Mercado Interno de Combustibles Líquidos),* enacted in 1998, private domestic and international third parties were permitted to participate in marketing activities in Venezuela. However, since 2008, after the Organic Law for the Reorganization of the Liquid Fuel Domestic Market (*Ley Orgánica de Reordenamiento del Mercado Interno de Combustibles Líquidos*) was enacted, Venezuela, through us, assumed all of the oil marketing activities in the country.

Gas

According to a comparative study published by Petroleum Intelligence Weekly on January 7, 2013, Venezuela is the sixth largest owner of proved gas reserves in the world and the largest owner of proved gas reserves in Latin America. These reserves were estimated at 453 tcf at the end of 2012, of which 196,400 bcf are proved reserves. Our total sales of natural gas in the Venezuelan market amounted to 265 mbpd for the year ended December 31, 2012.

Capital Expenditures

The following table sets forth our actual capital expenditures by geographic locations for fiscal years ended December 31, 2012, December 31, 2011 and December 31, 2010:

	For the year ended December 31,		
	2012	**2011**	**2010**
	(in millions of U.S. dollars)		
Venezuela	24,110	17,284	11,596
United States	391	405	759
Other Countries	531	219	503
Total	**25,032**	**17,908**	**12,858**

Overview of Main Projects Wholly-Owned by PDVSA

Morichal, San Tomé and Cabrutica Districts Enhancement Project. The main objective of this project is to develop the underground and surface production plans to enhance the average production of the districts affected by the project, in order to achieve a 796 mbpd average oil production (with a maximum production expected for 2019 of 836 mbpd) and a 532 mmcfd average gas production. The estimated investment in this project is $25,784 million. As of December 31, 2012, approximately 15% of this project has been completed and the total investment in the project has amounted to $2,576 million.

The Anaco Gas Project. The objective of the Anaco Gas Project is to satisfy the Venezuelan demand for gas in two phases. The project includes designing and building the facilities anticipated to yield a production of approximately 2,559 mmcfd of gas and approximately 34.55 mbpd of associated light crude. The total estimated capital investment for the project is $2,741 million. As of December 31, 2012, approximately 54% of this project has been completed and the total investment in the project has amounted to $2,194 million.

Calidad de Gas al Mercado Interno Project. This project consists of a plan to build facilities for sweetening and processing natural gas, including pipelines for gas transportation and power generator facilities. This project is expected to be completed in 2018. The estimated total capital investment for this project is $2,744 million. As of December 2012, the total investment in this project has amounted to $52 million.

Jose Fifth Train Project. The main purpose of the Jose Fifth Train project is to fractionate additional NGL Production from the operational Eastern Areas.

The project includes a fractionation unit with capacity to fraction 50,000 bpd of NGL and pipeline to transport NGL from new NGL extraction plant to Jose. The project will also expand the marine terminal of the Jose Condominium and construct and expand NGL pipelines.

The estimated capital investment for the project is $1,184 million. Completion of this project is scheduled for 2017 and, as of December 31, 2012, the total investment in the project amounted to $266 million.

The Mariscal Sucre Gas Project. The Mariscal Sucre Natural Gas project is aimed at developing and exploiting reserves of non-associated off-shore gas and condensate in the North Paria Fields (the five fields of Rio Caribe, Mejillones, Mejillones South, Patao and Dragon) in the north coast of Venezuela. The project includes an off shore platform, gas gathering systems, a gas pipeline, gas facilities and a gas conditioning plant to deliver gas production to the domestic market.

The investment required for the development of the off-shore fields and the associated infrastructure is estimated at $15,718 million. As of December 31, 2012, the total investment in this project has amounted to $5,508 million.

Sistema Nor Oriental de Gas (SINORGAS) Project. The objective of this Project is to construct the gas transportation infrastructure required to handle the future gas production of the Northeastern off-shore areas, as well as to satisfy the local gas demand of the refining, industrial and domestic sectors.

The estimated capital investment for the project is $2,162 million. The completion of this project is scheduled for 2015. As of December 31, 2012, approximately 51% of this project had been completed and the total investment in the project amounted to $1,631 million.

Gasificación Nacional Project. The objective of this project is to install gas distribution facilities throughout the 23 states of Venezuela. The completion of this project is scheduled for the last quarter of 2016 and approximately 728,900 people will benefit from the project. As of December 31, 2012, approximately 46% of this project had been completed and the remaining investment in the project was approximately $4,063 million.

Auto Gas Project. This project, commenced in 2006, is aimed at reducing the domestic gasoline demand by creating vehicle natural gas dispatch facilities and converting vehicles to dual fuel engines on a national scale. The project's goals include the construction of 457 new compressed natural gas (CNG) stations, and the reactivation of 141 existing stations, as well as the construction and outsourcing of more than 200 vehicle conversion centers. Completion of this project is scheduled for 2019 and the total estimated investment in this project for the period beginning 2013 through 2019 is expected to be approximately $1,635 million.

IV Tren San Joaquin Project. This project consists of the construction of facilities to process and service an NGL plant in Anaco with a 1,000 mmcfd capacity and a propane recovery ratio of 98% (C3+), generating 50 mbpd of NGL and 890 mmcfd of residual gas for Venezuela's gas transportation system. The completion of this project is estimated to be the second quarter of 2018. The estimated cost of the project is $2,351 million. As of December 31, 2012, approximately 39% of this project had been completed and the total investment in this project amounted to $590 million.

The Pirital I Project. This project consists of the construction and use of a deep extraction facility for ethanol and NGL with a processing capacity of 1,000 mmcfd, together with the transportation of products for local consumption in Pirital, in the state of Monagas. The completion of this project is expected to be in 2017. The estimated cost of this project is $3,796 million. As of December 31, 2012, approximately 8.33% of this project had been completed and the total investment in this project amounted to $17 million.

Deep Conversion Project at Puerto La Cruz Refinery. The Deep Conversion project at Puerto La Cruz refinery involves the revamping of distillation units DA-1 and DA-2 in order to process 80 and 90 mbpd of Merey heavy crude oil, respectively, and 40 mbpd of Santa Bárbara 40° API. The project also involves the construction of a 130 mbpd vacuum distillation unit and a 50 mbpd deep conversion plant based on Venezuelan HDHPLUS® technology. The refinery is expected to lead to minimum production of residuals, as well as increased production of gasoline, jet A-1, diesel, all in compliance with international environmental quality standards. The basic engineering efforts have commenced.

The estimated capital investment for the project is $5,164 million. The completion of this project is scheduled for 2015. As of December 31, 2012, approximately 27% of this project had been completed and the total investment in the project amounted to $1,164 million.

Expansion Project at the El Palito Refinery. The expansion project at the El Palito refinery involves the development of all engineering phases to install new distillation, distillate hydrotreater and reforming units, taking into account the impact in industrial services, storage, docking capacity, tankage, and auxiliary plants, all of which will entail a major refinery expansion. The primary objectives of the project are to increase refinery processing capacity of 22° API gravity crude oil by 280 mbpd.

The estimated capital investment for the project is $4,644 million. The completion of this project is scheduled for 2016 and, as of December 31, 2012, the total investment in the project amounted to $451 million.

New Refinery Projects: Cabruta and Batalla de Santa Inés. The Cabruta refinery is being designed to process 220 mbpd of 8.5° API gravity crude oil from the Orinoco Oil Belt. The refinery is also designed to produce high quality refined products such as gasoline, distillates and jet fuel for export and to have a deep conversion unit. The refinery will be located northern Cabruta in Santa Rita (the southern region of the state of Guarico). The project has three phases. Phase I of the refinery project is expected to be completed and to commence operations in 2017.

The Batalla de Santa Inés refinery is being designed to process 100 mbpd of 28° API gravity Guafita Blend. The process scheme configuration does not involve deep conversion processing. The refinery is expected to be completed in two phases, the first in 2014 and the second in 2016.

The estimated capital investment for the Cabruta refinery and the Batalla de Santa Inés refinery is $12,973 million and $2,974 million, respectively. As of December 31, 2012, we have invested $257 million in the project for the construction of the Batalla de Santa Inés refinery.

Deep Extraction Plant (Soto). The operation of the deep extraction plant at Soto involves the development of a liquid extraction module to supply raw material for the Parque Industrial Petroquimico to process 200 mmcfd of natural gas in Anaco and San Tome, which will increase the production of liquefied natural gas by 15 mbpd. As of December 31, 2012, approximately 45% of this project had been completed and the total investment in the project amounted to $253 million.

Transportation and Infrastructure

Pipelines and Storage. We have an extensive transportation network in Venezuela consisting of approximately 5,096 km of crude oil pipelines. These pipelines connect production areas to terminal facilities and refineries. We have a network of gas pipelines in Venezuela totaling approximately 5,031 km. Our network is comprised of the Western and East Central systems, stretching from Lake Maracaibo, Zulia to Punto Fijo, Falcón and from Puerto Ordaz, Bolívar to Barquisimeto, Lara. We also have a network of 1,144 km of products pipelines with a total flow capacity of approximately 379 mbpd.

We plan to build a facility for the loading and storage of crude oil and refined products in Araya. This project is expected to be completed by 2018. The estimated total investment for this project is $5.5 million. As part of the project, PDVSA plans to build 1,200 km of oil pipelines from Junin and Carabobo to the Araya Loading and Storage Terminal. The storage terminal will have a capacity of 72.8 mmbls and six loading docks facilities for ships.

We plan to build a storage terminal for solid products such as coke and sulfur in the Orinoco River region. This project includes the construction of a storage facility and a fluvial terminal in the Orinoco River. The estimated total investment for this project is $1.9 million. The project is expected to be completed in 2018.

The main purpose of the Mariscal Sucre Project is the development of the North Paria fields, in the northeast of Venezuela, to produce non-associated natural gas and condensate from five fields (Rio Caribe, Mejillones, Mejillones South, Patao and Dragon).

We maintain total crude oil and refined petroleum products storage capacity of approximately 30 mmbls and 74 mmbls, respectively, in Venezuela including tank farms, refineries and shipping terminals, of which approximately 16.3 mmbls are available at our refineries. Our terminal facilities are comprised of nine maritime ports as well as two river ports.

In addition to the storage and terminal facilities in Venezuela, we maintain storage and terminal facilities in the Caribbean, located in Bonaire and Curaçao, with an aggregate storage capacity of 17.04 mmbls as of December 31, 2012. The Curaçao oil terminal, which is leased from the Netherlands Antilles government, had a storage capacity of approximately 18.74 mmbls at December 31, 2012.

United States. CITGO owns and operates a crude oil pipeline and three products pipeline systems. CITGO also has equity interests in two crude oil pipeline companies and four refined product pipeline companies.

Europe. Through equity interests in Nynäs AB, PDVSA refines crude oil, and commercializes and transports asphalt products, specialized lubricants and other refined products.

Shipping. As of December 31, 2012, PDV Marina, our wholly owned subsidiary, owned and operated 20 tankers with a total capacity of approximately 2,208 tdwt with an average age at December 31, 2012 of approximately 18.9 years.

Research and Development

INTEVEP is our wholly owned subsidiary responsible for research and technology support. INTEVEP focuses on generating integral technological solutions, particularly relating to exploration and production activities, refining and industrialization. INTEVEP also develops new technologies and promotes cooperation and integration with the Venezuelan scientific community. For example, in 2009 INTEVEP developed combustion tests through geologic models and reservoir simulations, which allowed it to select wells with an estimated recovery rate of 47% to 53%. As of December 31, 2012, INTEVEP has a portfolio of 40 projects, including 396 activities and 293 planned products.

As a result of its technological development, during 2011, PDVSA approved additional guidelines in the areas of pollution and toxic substances. These guidelines have influenced PDVSA's and its affiliates' discovery of 16 new inventions and the registration of 49 new patents and seven new trademarks to date.

Environmental and Safety Matters

Environment and Occupational Health. We and our subsidiaries are subject to a complex environmental and occupational health regulation framework. Under this framework, we and our subsidiaries may be required to make significant expenditures to modify our facilities and to prevent or remedy the effects of waste disposal, pollutant spills, and accidents on the environment and the population's health.

We are taking important steps to prevent risks to the environment, the population's health, and the integrity of our installations. During 2012 and 2013, we continued the implementation of our company-wide Integral Risk Management System (SIR-PDVSA®). The system is based on international practices and standards, such as ISO 14001 for Environmental Management, ISO 18000 and British Standard BUSINESS 8800 for health, and the Occupational Safety and Health Administration (OSHA)'s and American Petroleum Institute (API) for process safety.

We have invested $42 million to complete the implementation of SIR-PDVSA®. In addition, we are undertaking an investment plan to comply with Venezuelan environmental laws under which $88 million was invested during 2011, $115 million was invested during 2012 and $32 million during the six months ended June 30, 2013. In addition, CITGO plans to invest approximately $291 million for projects managing environmental risks between 2013 and 2017.

As part of our environmental responsibility initiative, we have also instituted a plan to recover oil pits that were left behind from oil exploration and production activities until 2004. Oil pits are excavations made on the soil surface to store oil sludge and drilling cuts. The plan includes the recovery, recycling and transformation of the disposed waste, including abandoned installations, in order to convert them into financial and environmental assets. The plan was first implemented in 2001 and has an expected duration of twelve years. Since 2005, a total of 3,223 oil pits have been closed and restored. In 2012, 565 oil pits were closed and restored. As of December 31, 2012, the total amount of restored oil pits are 5,081. In 2012, 2011 and 2010, we registered remediation and restoration expenses having an aggregate amount of $176 million, $217 million and $164 million, respectively.

Our subsidiary CITGO has received several notices of violation from the Environmental Protection Agency of the United States and other government authorities, which include notices of violation under the Federal Clean Air Act that may lead to CITGO being deemed liable, jointly with other companies, for remediation of contamination in respect of certain properties pursuant to the Comprehensive Environmental Response, Compensation and Liability Act. Such notices of violation are currently being analyzed by CITGO and, in certain cases, remediation actions are being performed. CITGO is committed to negotiate and settle with the governmental authorities in respect of such matters.

As of December 31, 2012, CITGO's non-current liabilities included an environmental accrual of $135 million compared with $127 million as of December 31, 2011. CITGO estimates a possible additional loss of $72 million as of December 31, 2012 in connection with environmental matters.

On February 4, 2012, two surface pipelines in the Venezuelan state of Monagas ruptured, resulting in a spill of light crude oil. The resulting oil spill spread over a distance of approximately 0.5 km to the Guarapiche River. A water treatment plant that treats water from the Guarapiche River and provides such water to residents of certain areas of the state of Monagas was temporarily shut down while PDVSA contained and conducted a clean-up of the oil spill. During such shut down, PDVSA distributed potable water to residents of the affected areas. In consultation with experts, PDVSA deployed containment barriers and equipment for purposes of containing and removing the oil. After containing the spill, PDVSA worked to remediate the affected water and soil. The clean-up of the spill and the restoration of the water supply to affected residents was completed within forty days of the incident.

Since May 2012, the following changes to PDVSA's environmental safety initiatives have occurred: (i) PDVSA has increased the number of environmental indicators certified by KPMG; (ii) PDVSA has engaged in the development of the subsoil injection of waste, which has allowed PDVSA to safely dispose of approximately 650,000 barrels of mud and industrial water; (iii) PDVSA has designed and implemented new plans to address oil spills; (iv) PDVSA has commenced 174 environmental projects in different facilities throughout Venezuela; and (v) PDVSA has incorporated additional environmental policies to seven projects to be developed by PDVSA.

Safety. As part of our operational plan, we have also taken steps to assure the integrity of people's health and installations, including, without limitation, revising technical safety standards to meet the terms of new regulations, technologies and best practices; visualizing and analyzing new trends and technologies in safety matters, and investing in safety equipment for several of our subsidiaries.

Legal Proceedings

Mobil Cerro Negro Ltd.

On January 27, 2008, a subsidiary of ExxonMobil, Mobil Cerro Negro Ltd. ("Mobil Cerro Negro") filed an arbitration request before the International Court of Arbitration of the International Chamber of Commerce against PDVSA and PDVSA Cerro Negro, S.A. ("PDVSA Cerro Negro"), claiming an entitlement to indemnity from PDVSA Cerro Negro under the association agreement relating to the Cerro Negro Project (the "Cerro Negro Association Agreement") and from PDVSA under the terms of a guaranty granted by PDVSA of PDVSA Cerro Negro's obligations under the Cerro Negro Association Agreement. In December 2007, Mobil Cerro Negro had obtained from the United States District Court for the Southern District of New York an attachment order on funds of PDVSA Cerro Negro, deposited in accounts held in the Bank of New York Mellon. Pursuant to that order, $300

million of PDVSA Cerro Negro funds remained attached pending completion of the arbitration procedure. Additionally, on January 24, 2008, Mobil Cerro Negro had obtained ex parte a worldwide freezing order from the High Court of Justice in London, restricting PDVSA from disposing of certain assets and ordering it to maintain, on a global basis, assets having an aggregate value of $12 billion. However, the High Court of Justice vacated the order on March 18, 2008, upon PDVSA's application. Ex parte attachment orders were also obtained by Mobil Cerro Negro in The Netherlands, attaching the shares of a subsidiary, and The Netherlands Antilles and Aruba, which have not interfered with PDVSA's ordinary course of business.

Although the provisional measures proceedings in the national courts were based on an alleged indemnity claim of $12 billion, Mobil Cerro Negro reduced its claim in the arbitration to approximately $6.5 billion to $7 billion, plus interest and costs. The claim in the arbitration was for indemnification under Article XV of the Cerro Negro Association Agreement, which provided that PDVSA Cerro Negro would indemnify Mobil Cerro Negro, subject to certain limitations, for governmental actions defined as "Discriminatory Measures" having a "Material Adverse Impact" on Mobil Cerro Negro as defined in the Association Agreement. Mobil Cerro Negro claimed that various royalty, tax and production cutback measures starting in 2004 as well as the migration process of 2007 which required all associations operating outside of the legal framework established by the Organic Hydrocarbons Law to migrate to the mixed company structure under that law, constituted "Discriminatory Measures" as defined in the Cerro Negro Association Agreement, triggering the indemnity obligation of PDVSA Cerro Negro and PDVSA's guaranty. The hearing on all issues in the arbitration concluded on September 24, 2010 and post-hearing briefing and the submission of costs claims was completed on January 24, 2011.

The arbitral tribunal issued its final award on December 23, 2011, and the award was delivered to the parties on December 30, 2011. The tribunal determined that PDVSA Cerro Negro and PDVSA were liable to Mobil Cerro Negro in the amount of $907,581,000 with respect to "Discriminatory Measures" under the Cerro Negro Association Agreement, with an offset based upon counterclaims asserted by PDVSA and PDVSA Cerro Negro in the amount of $160,643,042. The arbitral tribunal found that PDVSA Cerro Negro had not breached the Cerro Negro Association Agreement and that PDVSA had not breached the guaranty and awarded no pre-award interest. The tribunal also did not award Mobil Cerro Negro any part of its cost claim. The tribunal awarded post-award interest on the amount of $736,937,958 at the New York Prime Rate and granted PDVSA Cerro Negro and PDVSA 60 days to pay the award. Prior to February 23, 2012, the monetary aspect of the award was satisfied in full by the release to Mobil Cerro Negro of the funds that were attached in New York, the cancelation of Cerro Negro project bonds that PDVSA acquired in 2007, and the payment in cash by PDVSA to Mobil Cerro Negro of the balance.

The New York attachment proceeding was terminated by a stipulation and order dated June 6, 2012 (the "Stipulation and Order") pursuant to which PDVSA was joined to the action and PDVSA and PDVSA CN agreed to (i) pay into the Venezuelan Treasury or otherwise satisfy, on behalf of Mobil Cerro Negro, any tax liability that may be imposed by the Venezuelan Government on Mobil Cerro Negro's compensation awarded by the Tribunal and/or Mobil Cerro Negro's income from the Cerro Negro Project; and (ii) hold Mobil Cerro Negro harmless from any such tax liabilities, including, but not limited to, any related penalties, interest, or fees. A judgment to the same effect was entered on July 7, 2012. In connection with the resolution of the New York attachment, the attachment orders in The Netherlands, The Netherlands Antilles and Aruba were vacated.

ConocoPhillips Petrozuata and Phillips Petroleum Company

On December 30, 2009, ConocoPhillips Petrozuata B.V. ("CPZ") and Phillips Petroleum Company Venezuela Limited ("Phillips Venezuela") filed requests for arbitration before the International Court of Arbitration of the International Chamber of Commerce in New York, against PDVSA based upon guaranties of the obligations of its subsidiaries, Maraven, S.A and Corpoguanipa, S.A. under the association agreement relating to the Petrozuata Project and the association agreement relating to the Hamaca Project, respectively. CPZ and Phillips Venezuela claimed that the PDVSA subsidiaries breached obligations in respect of certain production and export cutbacks ordered by the government of Venezuela. The arbitral tribunal was formed in July 2010, the two cases were consolidated, and the terms of reference were adopted in late 2010. On December 10, 2010, CPZ and Phillips Venezuela submitted their Statement of Claim, on May 10, 2011, PDVSA submitted its Statement of Defense and on August 10, 2011, CPZ and Phillips Venezuela submitted their Reply. PDVSA filed its Rejoinder on November 10, 2011, and the hearing in the case took place during January 10-14, 2012. CPZ was seeking a recovery in the

amount of $38.50 million for losses it claims it suffered plus interest thereon (for a total claim in excess of $59 million). Phillips Venezuela is seeking a recovery in the amount of $63.64 million for losses it claims it suffered plus interest thereon (for a total claim in excess of $98 million).

A final award (the "Award") was granted on September 17, 2012, and issued to the parties on September 19, 2012. The tribunal rejected the claims of Phillips Venezuela but upheld the claims of CPZ and awarded a total amount $66,876,773.81 (including interest through September 15, 2012) plus interest at the rate of 10.55%, compounded on a quarterly basis, from the date of the receipt of Award through the date of payment. The tribunal ruled that each party was to bear its own costs.

PDV Sweeny and ConocoPhillips Company

On February 25, 2010, PDV Sweeny, Inc. ("PDV Sweeny") and PDV Texas, Inc. ("PDV Texas") filed a request for arbitration with the International Chamber of Commerce (the "ICC") against ConocoPhillips Company ("ConocoPhillips") and Sweeny Coker Investor Sub, Inc. ("Sweeny Sub"), in connection with the exercise of a call option by ConocoPhillips and Sweeny Sub to purchase the interests of PDV Sweeny and PDV Texas in the joint venture for no consideration (the "Call Option Arbitration"). PDV Sweeny and PDV Texas seek an award declaring, among other things, that the exercise of the call option was invalid and ineffective and that they are entitled to their interests in the joint venture. Thereafter, on August 16, 2010 (amended on September 29, 2010), ConocoPhillips filed a request for arbitration with the ICC against PDVSA and its wholly-owned subsidiary PDVSA Petróleo, S.A., alleging that PDVSA Petróleo, S.A., breached an obligation under a crude oil supply agreement to participate in a joint calculation of an adjustment to the price of crude oil for the second half of 2008, and all of 2009, and that as a result ConocoPhillips suffered damages in excess of $242 million, and further alleging that PDVSA, as guarantor, had an obligation to indemnify ConocoPhillips for such damages (the "Lookback Adjustment Arbitration"). On December 17, 2010, an arbitral tribunal granted the request of PDVSA and its affiliates to consolidate the Call Option Arbitration and the Lookback Adjustment Arbitration. On February 4, 2011, ConocoPhillips resubmitted its claim related to the Lookback Adjustment Arbitration as a counterclaim and submitted two additional counterclaims, alleging that PDVSA Petróleo, S.A., under a crude oil supply agreement and PDVSA as guarantor were liable for damages caused by their failure to supply crude oil during the months of January, March, April, June, July and August 2009, in excess of $16 million, as well as damages caused by demurrage, in excess of $3.3 million. On May 3, 2011, the tribunal and the parties signed the terms of reference, and on May 26, 2011, the tribunal issued a procedural order, establishing a schedule for the arbitration. In accordance with that procedural order, PDVSA and its affiliates submitted their Statement of Claim on August 3, 2011, and the Statement of Defense and Counterclaim was filed on December 20, 2011. A hearing was conducted in December 2012. The Secretariat of the ICC has informed the parties that the ICC has extended the time limit for rendering the award until October 31, 2013.

OPIC Arbitration

On November 19, 2010, Opic Karimun Corporation ("OPIC") filed a request for arbitration before the International Court of Arbitration of the International Chamber of Commerce in New York, against Corporación Venezolana del Petróleo, S.A. ("CVP") and PDVSA under the exploration at risk and profit sharing association agreements relating to the Gulf of Paria East and Gulf of Paria West (the "Gulf of Paria Agreements") and PDVSA's guaranties of CVP's obligations thereunder. OPIC alleges that PDVSA and CVP are liable under a variety of theories, including breach of the Gulf of Paria Agreements and the guaranties, and seeks damages in the amount of approximately $200 million as a result of the migration process of 2007 in accordance with Decree-Law 5.200. On January 14, 2011, PDVSA and CVP filed their Answer to the Request for Arbitration. Thereafter, following the constitution of the arbitral tribunal and the establishment of the terms of reference, the parties have submitted their initial briefs and have engaged in document production.

A pre-hearing briefing on the matter was completed on December 14, 2012 and a hearing on the merits was held on January 21, 2013 through January 28, 2013. The parties submitted their post-hearing briefs on March 15, 2013. Thereafter, the Secretariat of the ICC informed the parties that the ICC International Court of Arbitration has extended the time limit for rendering the award until November 29, 2013. The tribunal has yet to issue an award.

SIMCO Arbitration

On March 26, 2010, Simco Consortium, formed by Wood Engineering Limited, filed an arbitration request against PDVSA Petróleo, S.A. before the International Court of Arbitration of the International Chamber of Commerce in New York, based on an alleged breach by PDVSA Petróleo, S.A. of a contract for the provision of water treatment and injection services in Lake Maracaibo. Plaintiffs are seeking damages for $62,243,663 and Bs.163,348,885.

The arbitral tribunal was formed on December 2, 2010. The parties filed their supporting briefs in the first half of 2011. Additional briefs were filed late 2011 and early 2012. The hearing took place in April 2012. The parties filed post-hearing briefs in July 2012. On December 31, 2012 the International Court of Arbitration of the International Chamber of Commerce in New York issued an order extending the decision term until February 2013, and on July 30, 2013 the Court of Arbitration decided to further extend the decision term until October 31, 2013. The arbitration has been suspended to allow for settlement negotiations. Our expectation is that such negotiations may be successfully concluded by the end of 2013.

PDVSA Petróleo

On July 30, 2007, the Venezuelan 9th Superior Tax Court issued a decision in connection with a recourse filed by PDVSA Petróleo regarding certain rulings of the Venezuelan tax authority challenging the deductibility of a contribution made in compliance with Section 6 of the Organic Hydrocarbons Law. Said decision held that only crude oil exports were subject to deduction, and that, in contrast, other hydrocarbons products or sub-products were not allowed to be deducted. Although our management and our legal advisors understand there are legal grounds to uphold said ruling, we will file an appeal with the Venezuelan Supreme Court. As of December 31, 2012 and December 31, 2011, we registered allowances of $673 million for contingencies in respect of said procedure and the potential impact it may have in other deductions made in reliance of Section 6 of the Organic Hydrocarbons Law.

As of December 31, 2012 and December 31, 2011, we registered allowances of $68 million for contingencies in respect of certain tax obligations of PDVSA Petróleo pertaining to 1994, 1995 and 1996 having a $415 million aggregate principal amount. In such connection, we have made cash and in kind payments by delivering Reimbursement Tax Certificates to the SENIAT for an aggregate principal amount of $682 million and $13 million, respectively.

Other Claims; Allowances for Contingencies

As of December 31, 2012, we were subject to other legal claims and procedures in the ordinary course of business having an aggregate amount of $1,318 million.

As of December 31, 2012 and December 31, 2011, we registered allowances for contingences having an aggregate amount of $1,244 million and $1,097 million, respectively.

MANAGEMENT AND EMPLOYEES

Directors and Senior Management

In accordance with our charter, we are primarily managed by our Board of Directors and secondly by our president. Our Board of Directors is responsible for convening our shareholders' meetings, preparing our year-end accounts, presenting our year-end accounts at our shareholders' meetings and reviewing and monitoring our economic, financial and technical strategies and procedures.

Our Board of Directors consists of eleven members: a president, two vice presidents, five internal directors and three external directors. Our Board of Directors is directly appointed by the President of Venezuela for an initial term of two years, which may be extended indefinitely until a new board of directors is appointed. Our Board of Directors meets weekly and, from time to time, when summoned by our president.

Pursuant to our charter, our president has broad powers to act on our behalf and to represent us in our dealings with third parties, subject only to the authority expressly reserved to our Board of Directors or to our general shareholders' meeting. Our president determines and is responsible for the implementation of our goals, strategies and budgets (which must be approved at our general shareholders' meeting) for our different businesses. Such goals, strategies and budgets are monitored by our Board of Directors.

Our Board of Directors was appointed in April 2013 and will serve until April 2015, or until new directors are appointed. Our Board of Directors and executive officers as of the date of these listing particulars are set forth below.

Name	Position with PDVSA	Age	Year of Appointment
Rafael Ramírez Carreño	President	50	2013
Asdrúbal Chávez	Vice President	59	2013
Eulogio del Pino	Vice President	57	2013
Ricardo Coronado	Internal Director	60	2013
Victor Aular	Internal Director	49	2013
Jesús Luongo	Internal Director	53	2013
Orlando Chacín	Internal Director	60	2013
Ower Manrique	Internal Director	46	2013
Jorge Giordani	External Director	73	2013
Wills Rangel	External Director	53	2013
Nelson Merentes	External Director	59	2013

Information on our directors and executive officers is set forth below. Unless otherwise indicated, the principal office for all of our directors and executive officers is located in Caracas, Venezuela.

Mr. Rafael Ramírez Carreño, Vice President of Economic Affairs, Minister of Energy and Petroleum of Venezuela and President of PDVSA

Mr. Rafael Ramírez is a mechanical engineer who graduated from Universidad de los Andes in 1989. He also holds a Master's degree in Energy Studies from the Universidad Central de Venezuela. He began his career in the oil industry at INTEVEP, where he was initially assigned to work on the handling of Orinoco Oil Belt extra-heavy crude oil. Further assignments and appointments to positions of our other subsidiaries provided him with wide experience in the development, coordination and management of engineering and construction projects. His work abroad includes the development of the Cardón refinery's upgrading and expansion project in the United States and Nigeria's LNG project in France. Mr. Ramírez was the founding president of Enagas, the national gas entity charged with the responsibility of structuring the National Gas Plan and the design, development and promotion of the state policies for the gas sector. Mr. Ramírez is also the president of the Corporación Venezolana de Minería, S.A.

In February 2002, he was appointed our external director and in July of that year was sworn in as Minister of Energy and Petroleum by President Hugo Chávez. On November 20, 2004, under Presidential Decree No. 3264, Mr. Ramírez was named our president, which position he concurrently holds together with that of Minister of Energy and Petroleum, fifth Vice President of Venezuela's Revolutionary Ministers' Counsel for Economic Affairs, and vice president for the Ministers' Conference of the Gas Exporting Countries Forum. In addition, Mr. Ramírez is also the president of Petrocaribe, director of the Partido Socialista Unido de Venezuela (PSUV), president of the Energy Commission of Unasur, coordinator of the Housing Superior Organ and president of the Fondo Simón Bolivar para la Reconstrucción S.A.

Mr. Asdrúbal Chávez, Vice President

Mr. Asdrúbal Chávez graduated as a Chemical Engineer from the Universidad de los Andes in 1979. Mr. Chávez joined the Venezuelan oil industry in 1979 at our El Palito refinery, as a startup engineer for PAEX, the refinery's major expansion project. Mr. Chávez held various positions in areas such as industrial services, distillation and specialties, conversion and treatment, crude and products movement, programming and economics, and process engineering. In 1989, he was assigned to UOP L.L.C. in the USA. In 1990, he was appointed project leader of the project to expand El Palito's crude and vacuum distillation units. From 1995 to 1999, Mr. Chávez held various supervisory and managerial positions, and in 2000, we assigned him, on a temporary basis, to the Ministry for Production and Commerce to assist in the restructuring of the Ministry and in the Economic Constituent Process. In 2001, he was assigned to BITOR, one of our subsidiaries, as the human resources manager, and led the team that worked on the restructuring of the company's expansion project. In 2002, Mr. Chávez was named assistant to our Board of Directors, and in January 2003, he was appointed manager of the El Palito refinery. In August 2003, he was appointed executive director for human resources and served as leader of the team that negotiated the 2004-2006 collective labor contract. In March 2004, he was appointed executive director for trade and supply. In January 2005, Mr. Chávez was appointed as director responsible for trade and supply, president of PDV Marina, director of CITGO, and our representative in different of our affiliates and joint ventures, which positions he concurrently holds. Additionally, Mr. Chávez led the team that worked in the negotiation of the 2007-2009 collective labor contract. In May 2007, he was appointed Refinery, Commerce and Supply Vice President, and, in December 2009, was appointed Venezuelan Petrochemical Vice Minister, an office dependent of the Minister of Energy and Petroleum.

Mr. Eulogio Del Pino, Vice President

Mr. Eulogio Del Pino is a Geophysical Engineer who graduated from the Universidad Central de Venezuela in 1979 and holds a Master's degree in Oil Exploration from Stanford University in 1985. In 1979, Mr. Del Pino began his career in the Venezuelan oil industry at INTEVEP, where he held different technical and supervisory positions until 1990. In 1990, he was appointed Latin America technical manager for Western Atlas Company. In 1991, he returned to work with us, holding several managerial positions at Corpoven (our affiliate which ceased to exist in 1997 as a result of corporate restructuring). In 1997, he was appointed Exploration and Delineation Manager of PDVSA Exploration and Production. As Exploration and Delineation manager, he coordinated our off-shore exploration campaign in the Plataforma Deltana in 2001. In 2003, he was appointed General Manager of the Orinoco Oil Belt Associations at the CVP, our affiliate in charge of representing the Orinoco Oil Belt Associations, and, in 2004, was appointed Director of CVP. Additionally, Mr. Del Pino has been elected president and vice president of the Venezuelan Society of Geophysical Engineers (1990-1994), vice president of the US Society of Exploration Geophysicists (1996-1997), and founder and coordinator of the Latin American Geophysical Union. Mr. Del Pino is a member of our Board of Directors since January 2005 and, in September 2008, was appointed Exploration and Production Vice President. Currently, Mr. Del Pino serves as President of CVP.

Mr. Ricardo Coronado, Director

Mr. Ricardo Coronado is a Mechanical Engineer who graduated from the Oklahoma State University, United States, in 1981, and holds a post-graduate degree in Management from LUZ. He began his career in the oil industry in 1981 as plant engineer in Anaco, State of Anzoátegui. From 1985 through 1997, he held several technical and supervisory positions in different plants in Venezuela. In 1997, he served as risk analysis superintendent for the Safety Procedures Department in Maracaibo. In 1998, Mr. Coronado was appointed

procedures security manager in Barinas. In 2000, he served as production operations manager in the State of Apure, same office which he held in Barinas during 2001. In 2003, Mr. Coronado was appointed operational coordination manager in Barinas and Apure, and production business unit manager in Barinas. In February 2004, he was appointed exploration and production general vice manager for the Eastern Region and, during 2005, he served as general manager of said department. In 2007, Mr. Coronado was appointed off-shore division manager and, from January 2008 through September 2008, he served as production corporate manager. Mr. Coronado is a member of our Board of Directors since September 2008. Additionally, he currently holds the following offices: president of PDVSA Gas, director of Bariven, director of REMAPCA, vice president of PDVSA Insurance Company, Ltd. and general coordinator of the *Respuesta Rápida Generación Eléctrica Autosuficiente PDVSA* project.

Mr. Victor Aular, Director

Mr. Victor Aular is a certified public accountant who graduated from the Universidad Central de Venezuela. Mr. Aular currently teaches various finance related courses at the Universidad Central de Venezuela. He was given the responsibility to update accounting records and financial reports when he first joined PDVSA after the oil strike. Mr. Aular has been a member of our Board of Directors since May 2011. He currently serves as PDVSA's chief financial officer.

Mr. Jesús Luongo, Director

Mr. Luongo is a chemical engineer who graduated from the Universidad Central de Venezuela. He holds a master's degree in oil refining from the Instituto Francés del Petróleo (French Institute of Oil). During the oil strike, Mr. Luongo was one of the two people that continued working as an engineer at the Centro de Refinación Paraguaná (Paraguaná Refining Complex) in the state of Falcón. He has assumed responsibilities over operational activities, as well as the dispatching of oil to various parts of Venezuela. He currently serves as the General Manager of the Center for Refining in Paraguaná. Mr. Luongo has been a member of our Board of Directors since May 2011

Mr. Orlando Chacín, Director

Mr. Chacín is a geodetic engineer who graduated from the Universidad de Zulia. He holds a master's degree in geophysics from the University of Tulsa in the United States. He started working in the oil industry in 1983 and has held various positions in the areas of geologic operations and oilfields. During the oil strike, he became the general manager for production and exploration of PDVSA Intevep and coordinated production operations for the Western and Eastern Division. Mr. Chacín has been a member of our Board of Directors since May 2011. Currently, Mr. Chacín serves as Director of the Western Division.

Mr. Ower Manrique, Director

Mr. Manrique is a systems engineer who graduated from the Universidad Nacional Experimental Politécnica Antonio José de Sucre (formerly known as Instituto Universitario Politécnico Luis Caballero Mejías). He has held various supervisory roles in the areas of implementation, maintenance and automation of production since he entered the oil industry in 1989. He has held the position of corporate manager of industrial automation activities. He currently serves as Director of the automation, computer science and telecommunications department of PDVSA and President of PDVSA Industrial. Mr. Manrique has been a member of our Board of Directors since May 2011.

Jorge Giordani, Minister of Planning

Mr. Giordani is an electrical engineer who graduated from the University of Bologna, Italy. He holds a master's degree in Developmental Planning from the Developmental Studies Center at the University of Central Venezuela. He also holds a doctorate degree in Developmental Planning from the University of Sussex in the United Kingdom. He serves as a principal director of the Central Bank of Venezuela. Currently, he serves as Minister of Planning. Mr. Giordani has served as an external director of PDVSA since May 2011.

Wills Rangel, President of Federación Unitaria de Trabajadores del Petróleo, Gas, Similares y Derivados de Venezuela (Venezuelan Workers Union of Petroleum, Gas and Derivatives, or FUTPV)

Mr. Rangel has extensive experience in the hydrocarbon sector. He currently serves as the president of FUTPV, which seeks to defend labor rights in the oil, gas and derivatives industry. Mr. Rangel has served as an external director of PDVSA since May 2011. He holds an Oil & Gas technician degree and has worked for 22 years in the field.

Nelson Merentes, Minister of Finance

Mr. Merentes has a degree in mathematics from the Central University of Venezuela and graduated summa cum laude from the University of Budapest, Hungary, with a doctorate in mathematics. He has taken elective courses in economics and finance as well as Techniques for the Study of Economic Problems. Mr. Merentes was a member of Congress and then in the year 2000 he assumed the Presidency of the Subcommittee of Economy and Finance of the National Legislative Commission. He was vice minister of Regulation and Control of the Finance Ministry, as well as Minister of Science and Technology and Finance Minister. Since 2009, Mr. Merentes has been the President of the Central Bank of Venezuela. Currently, he is vice president of economic affairs and People's Minister of Finance.

Compensation

For the year ended December 31, 2012, the aggregate amount paid by us as compensation to our directors and executive officers for services in all capacities was $2.02 million (based on the 2012 average exchange rate of Bs.4.30 to $1).

Board practices

Our directors are appointed for an initial term of two years, which may be extended until a new board of directors is appointed.

Audit Committee Structure and Objectives

Basic Function

Our Audit Committee assists our Board of Directors in the monitoring of the quality and adequacy of the internal control system. The committee monitors the internal control system through the evaluation of the following matters:

- Risk analysis of the different businesses.
- Follow up of the elements of the internal control system, in the Venezuelan and international operations.
- The performance of our corporate control units.
- Compliance with requirements of existing laws and regulations, in Venezuela and with our norms and procedures.
- The results of the internal and external audits.
- The quality and adequacy of corporate financial information.

Authority

Our Board of Directors has granted full authority to the Audit Committee so that it can carry out its responsibilities. The Audit Committee may employ the services of the corporate control units, the external auditors, independent consultants, or any other group or internal or external resource to carry out studies or investigations necessary to better comply with its responsibilities.

Organization

The Audit Committee consists of six members who are appointed by our Board of Directors. The chairman of the committee is our president. Our general internal auditor deputy is the secretary of the committee and two members are external directors of our board.

The president of the Audit Committee is responsible for directing and prioritizing the issues overseen by the Audit Committee. Our internal controller and prevention and loss control manager assist the Audit Committee on a regular basis. Other corporate officials, including the CFO, attend these meetings whenever it is required.

Main Functions

- To assure the adequacy of our internal control system and to monitor information processes.
- To recommend to our Board of Directors any course of action regarding the main issues of the internal control system, including actions required to improve corporate information systems.
- To set guidelines and support the activities of our corporate control units.
- To review and approve the internal audit policy and norms, including the relationship between the corporate internal audit organization and the audit units within subsidiaries or joint ventures.
- To ensure the application of general auditing standards issued by the Venezuelan government.
- To ensure the independence and objectivity of the internal audit function.
- To review the external auditors' opinion of our financial statements, the quality of the internal control system, the main risk areas and the adequacy of the financial reports.
- To evaluate on an annual basis the performance of the external auditors.
- To review its annual performance and to submit its activity report to our Board of Directors.

Employees

The following table shows our number of employees as of December 31 for the last three years.

	As of December 31,		
	2012	**2011**	**2010**
In Venezuela	106,465	98,422	93,769
Abroad	4,877	5,765	6,098
Total number of employees	**111,342**	**104,187**	**99,867**
Contractors	**15,603**	**14,851**	**14,082**

As of December 31, 2012, approximately 25% of our workers in Venezuela were affiliated with *Federación Unitaria de Trabajadores del Petróleo, del Gas, sus Similares y Derivados de Venezuela* (FUTPV)

(Venezuelan Workers Union of Petroleum, Gas and Derivatives). Our directors, corporate staff, professional employees and security personnel are generally not affiliated with any unions.

Organic Labor and Workers Law

In the Official Gazette N° 6,076 of May 7, 2012, the new Organic Labor and Workers Law was published, which replaces the Organic Labor Law of 1997. Several provisions of the Organic Labor and Workers Law have increased our labor related costs and expenses, such as (i) our employees are entitled to a minimum of 15 days of paid vacation bonus, (ii) severance benefits will be calculated retroactively on an employee's latest salary from the latter of June 19, 1997 or the hiring date (for purposes of this calculation, salary includes all compensation received by the employee, even if not paid on a regular basis), (iii) the floor on profit sharing payments have increased from 15 days of salary to 30 days, (iv) the weekly working hours were limited to a maximum of 40 hours per week (37.5 per week for mixed working hours), effective as of one year after the enactment of the law, and (v) the illegal outsourcing, understood as the outsourcing performed with the purpose of avoiding labor obligations by employers, is prohibited. Venezuelan companies have three years from enactment of the law to include the workers of such illegal outsourcing to their payroll. Meanwhile, workers of the contractor are protected with a bar against dismissal and are entitled to receive the same labor benefits as the workers hired by the Venezuelan companies that hired the contractor.

Share ownership

Our common stock is not publicly traded and, as of December 31, 2012, our share capital amounted to Bs. 1,280 million, represented by 51,204 fully paid-in shares having a Bs.25 million value per share. All of our issued and outstanding shares of common stock are owned by Venezuela.

PRINCIPAL SHAREHOLDERS

We are the holding company of a group of oil and gas companies in Venezuela. We were formed by the Venezuelan government in 1975 pursuant to the Nationalization Law. The Nationalization Law reserves for the Venezuelan government the industry and trade of hydrocarbons, and our operations are supervised by Venezuela's Ministry of Petroleum and Mining, who now also serves as our president. The Ministry of Petroleum and Mining establishes our general policies and approves our production levels, capital expenditures and operating budgets annually, while our Board of Directors is responsible for implementing these policies.

Since our formation, we have been operated as a commercial entity, vested with commercial and financial autonomy. The Bolivarian Republic of Venezuela is not legally liable for our obligations, including our guarantees of indebtedness, or for the debt or obligations of our subsidiaries. Under the Venezuelan Constitution, Venezuela must retain exclusive ownership of our shares. However, the Venezuelan Constitution does not require Venezuela to retain ownership of our subsidiaries' shares or of our interests in various exploration and joint venture arrangements. Through our subsidiaries, we supervise, control and develop the crude oil, petroleum products and gas industries in Venezuela. These activities are complemented by our operating companies abroad, which are responsible for refining and marketing activities in North America, Europe, Latin America and the Caribbean. See note 1 to our consolidated financial statements.

Our oil-related activities are governed by the Organic Hydrocarbons Law, which came into effect in January 2002 and its amendment as of May 2006. We are subject to regulations adopted by the executive branch of the Venezuelan government and other laws of general application, such as the Commercial Code of Venezuela. We and our Venezuelan subsidiaries are organized under the Commercial Code, which regulates the rights and obligations of Venezuelan commercial companies. Under the Commercial Code, we and our subsidiaries are permitted to develop and execute shareholders' objectives as a corporate entity.

Our gas-related activities are regulated by the Organic Law of Gaseous Hydrocarbons of September 1999 and its regulations dated June 2000.

Ownership of Reserves

All oil and hydrocarbon reserves within Venezuela are owned by Venezuela and not by us. Under the Nationalization Law, every activity related to the exploration, exploitation, manufacture, refining, transportation by special means, and domestic and foreign sales of hydrocarbons and their derivatives is reserved to Venezuela. We were formed as an entity to coordinate, monitor and control all operations related to hydrocarbons.

Joint Ventures (*Empresas Mixtas*)

Pursuant to the Organic Hydrocarbons Law, private participation in hydrocarbon upstream activities, as well as gathering and initial transportation and storage, is allowed only through joint ventures – *Empresas Mixtas* – in which we hold a majority of the shares. Accordingly, through our subsidiary, CVP, we hold a majority interest in the joint venture created to operate (i) the fields of the former operating agreements, (ii) the Orinoco Oil Belt projects, (iii) the former Profit-sharing agreements and (iv) other new ventures with foreign third party participants. See "*Business – Initiatives Involving Private Sector Participation*."

RELATED PARTY TRANSACTIONS

We consider our stockholder, non-consolidated investees, jointly controlled companies, our directors and executives and their families, employee retirement funds, companies that are also property of the stockholder and other government institutions as related parties.

A summary of transactions and balances with related parties for the six months ended June 2013 and June 2012 follows (in millions of dollars):

	For the six months ended June 30,	
	2013	**2012**
Activities for the period:		
Income:		
Sales:		
Non-consolidated investees and jointly controlled entities	1,270	2,086
Companies owned by the Stockholder and other government institutions	152	185
Costs and expenses:		
Purchases of crude oil and refined products, net	83	589
Production tax, extraction tax and other taxes	8,922	7,971
Equity in net earnings of non-consolidated investees and jointly-controlled entities:	46	(14)
Cost of non-recoverable value-added tax (VAT)	152	110
Other expenses (net):		
Other taxes	457	386
Estimated income tax expenses in Venezuela	4,550	2,296
Social development contributions	4,642	6,184
Contributions for FONDEN	5,250	9,140
Amounts received from FONDEN	(2,613)	(2,693)
Estimated income tax expenses deferred in Venezuela	(1,894)	1,127

	For the six months ended June 30,	For December 31,
	2013	**2012**
Balances at the end of the period:		
Investments non-consolidated investees and joint controlled entities	1,220	1,381
Buildings used by government entities	101	108
Recoverable value-added tax	7,969	9,272
Funds for social development projects	802	1,034
Income tax paid in advance and prepaid income tax	274	252
Prepaid special contribution	463	453
Income tax payable in Venezuela	2,829	2,224
Secured loans and investment certificates	3,476	5,498
Accruals and other liabilities[(1)]	37,232	41,840
Accounts payable to suppliers	23	22
Notes and accounts receivable:		
Non-consolidated investees and jointly controlled entities	415	1,648
Companies owned by the Stockholder and other government institutions	30,841	31,590
Total notes and accounts receivable	**31,256**	**33,238**

Balances and Transactions with the Stockholder

During the six-month periods ended June 30, 2013 and 2012, the total amount of production tax paid in cash to the Republic was $4,165 million and $4,442 million, respectively.

During the six-month periods ended June 30, 2013 and 2012, PDVSA delivered crude oil and products in the amount of 315 TBPD and 372 TBPD, respectively, with a value of $6,299 million and $7,977 million, respectively, pursuant to the Energy Cooperation Agreements. Of this amount, 195 TBPD and 221 TBPD, with a value of $3,903 million and $4,744 million, respectively, or approximately 50% of the total deliveries under the Energy Cooperation Agreements, correspond to the portion of sales that are financed on a long term basis.

During the six-month periods ended June 30, 2013 and 2012, PDVSA delivered crude oil and products in the amount of 526 TBPD and 478 TBPD, amounting to $8,931 million and $8,842 million, respectively, under the Chinese-Venezuelan Fund Incorporation Agreement, payment of which was received by BANDES. During the six-month periods ended June 30, 2 013 and 2012, BANDES transferred $5,720 million and $8,300 billion, respectively, to PDVSA, which corresponded to the collections it received under this agreement.

PDVSA was charged with the management and administration of the funds related to the implementation of the "Gran Misión Vivienda Venezuela" plan, and the administration of the "Fondo Simón Bolívar para la Reconstrucción" fund (the "Fund"). The Fund was created by the Law Decree with Merit of Organic Law for the Formation of "Fondo Simón Bolívar para la Reconstrucción," which was published in the Official Gazette No. 39,835 of December 29, 2010. PDVSA formed a trust with BANDES (the "Trust") to administer funds related to the "Gran Misión Vivienda Venezuela," and as the settlor of the Trust, agreed to transfer such amounts as are necessary to satisfy the obligations of the Trust. The funds of such Trust consist of regular or special revenues set by the National Government of Venezuela, any income from its own operation or administration and any other income received from donations of any nature. Within the scope of the cooperation agreements between the Bolivarian Republic of Venezuela and several Venezuelan banking institutions, it was agreed that dematerialized participation certificates (Certificados de Participación Desmaterializados ("CPDs")) would be issued through the Trust. In September 2011, PDVSA, as the settlor of the Trust, confirmed its commitment to transfer to the Trust such amounts as are necessary for the Trust to satisfy its obligations under the CPDs, up to an amount of Bs.9,681,000,000. At December 31, 2011, PDVSA had contributed $4,010 million to this fund, included as social development expenses in PDVSA's consolidated interim statements of comprehensive income.

As provided in an amendment of Law Decree with Merit of Organic Law for the Formation of "Fondo Simón Bolívar para la Reconstrucción" published in the Official Gazette No. 39,892 of March 27, 2012, the Fund was terminated after a new state-owned corporation named "Fondo Simon Bolívar para la Reconstrucción, S.A." (the "FSBRSA") was formed. The FSBRSA is wholly-owned by the Bolivarian Republic of Venezuela and under the control of the Governing Body of the National Housing and Habitat System. The FSBRSA is the successor to all rights and obligations previously held by the Fund, and upon its creation PDVSA ceased to have existing obligations toward the Fund. All funds received by the FSBRSA are fully supported by the Bolivarian Republic of Venezuela. Starting in 2012, with the incorporation of the FSBRSA, PDVSA continues to provide administrative assistance to the funds on behalf of that company.

Balances and Transactions with Non-Consolidated Investees and Jointly Controlled Entities

The supply agreements entered into by PDVSA's subsidiary, PDVSA Petróleo, S.A. (the Guarantor), with non-consolidated investees and jointly controlled entities as of June 30, 2013 remain effective and have the same conditions as those disclosed at December 31, 2012.

According to these supply agreements, during the six-month periods ended June 30, 2013 and 2012, PDVSA Petróleo sold $1,059 million and $1,870 million worth of crude oil and products to non-consolidated investees and jointly controlled entities, respectively. As of June 30, 2013 and December 31, 2012, the outstanding receivables related to these transactions were $252 million and $881 million, respectively, and were reported as notes and accounts receivable from companies and related entities.

During the six-month periods ended June 30, 2013 and 2012, CITGO Petroleum Corporation (CITGO) sold crude oil and refined products at market prices for $211 million and $217 million, respectively, to its subsidiaries. As of June 30, 2013 and December 31, 2012, the outstanding receivables related to these transactions were $68 million and $72 million, respectively, and were reported as notes and accounts receivable from companies and related entities.

During the six-month periods ended June 30, 2013 and 2012, CITGO purchased refined products from several non-consolidated investees (Chalmette Refining, L.L.C. and Mount Vernon Phenol Plant) under long-term agreements. These purchases, for $83 million and $227 million, respectively, were included in the consolidated and condensed interim statement of comprehensive income as purchases of crude oil and products. As of June 30, 2013 and December 31, 2012, accounts payable to suppliers related to those transactions totaled $23 million and $22 million, respectively.

Balances and Transactions with Companies Owned by the Stockholder and Other Government Institutions

As of June 30, 2013 and December 31, 2012, accounts receivable from Corporación Eléctrica Nacional ("CORPOELEC" by its Spanish acronym) were $1,213 million and $2,676 million, respectively, and mainly consisted of operations carried out by PDVSA Petróleo to supply light diesel and financial support for the acquisition of equipment for the national electric system. These receivables were offset against amounts reflecting energy supplied by CORPOELEC. Therefore, during the six-month periods ended June 30, 2013 and 2012, PDVSA Petróleo offset accounts receivable from CORPOELEC for $2 million and $4 million, respectively.

Balances of accounts receivable with companies owned by the Bolivarian Republic of Venezuela and other government institutions are expected to be repaid through recovery plans to be agreed upon with the Bolivarian Republic of Venezuela in the near future. As of June 30, 2013 and December 31, 2012, a total of $29,331 million and $31,082 million of these accounts receivable, respectively, are part of our current assets.

TAX CONSIDERATIONS

The following is a general description of certain tax considerations relating to the Notes. It does not purport to be a complete analysis of all tax considerations relating to the Notes. Prospective purchasers of Notes should consult their tax advisors as to the consequences under the tax laws of the country of which they are resident for tax purposes and the tax laws of Venezuela of acquiring, holding and disposing of Notes and receiving payments of interest, principal and/or other amounts on the Notes. This summary is based upon the law as in effect on the date of these listing particulars and is subject to any change in law that may take effect after such date.

Venezuelan Taxation

As used herein, the term "Resident of Venezuela" generally refers to an individual who is physically present in Venezuela for at least 183 days during the current calendar year or the previous calendar year and a legal entity that either is organized under Venezuelan law or maintains a registered branch or a permanent establishment pursuant to the definition contained in Venezuela's tax law and/or the tax treaties entered into by Venezuela with other countries.

Generally, if a non-Venezuelan legal entity maintains a permanent office in Venezuela, this office should be subject to Venezuelan taxation to the extent income is attributable to the conduct of activities thereby. The term "Non-Resident of Venezuela" generally refers to a natural person who is not physically present in Venezuela for a period or periods aggregating more than 183 days during the calendar year or the previous calendar year and a legal entity that neither is organized under Venezuelan law nor maintains a registered branch or a permanent establishment in Venezuela.

Payment of interest by the Issuer on the Notes to holders who are legal entities who are Non-Residents of Venezuela generally will be subject to income tax in Venezuela at a rate of up to 34%, unless a lower rate is applicable under a relevant tax treaty with Venezuela. Payment of interest will be subject to withholding at source at a rate equivalent to 32.3%. Withheld amounts are creditable toward final income tax liability.

Payment of interest by the Issuer on the Notes to holders who are legal entities who are Residents of Venezuela will be subject to income tax in Venezuela at a rate of up to 34%. Payment of interest will be subject to withholding at source at a rate equivalent to 5%. Withheld amounts are creditable toward final income tax liability.

Payment of interest by the Issuer on the Notes to holders who are offshore non-domiciled qualified financial institutions will be subject to Venezuelan income tax at a flat rate of 4.95% payable through withholding. Capital gains realized by offshore non-domiciled qualified financial institutions will be subject to Venezuelan income tax at a flat rate of 4.95%.

Capital gains realized by legal entities who are Non-Residents of Venezuela will be subject to income tax in Venezuela at a rate of up to 34%, unless a lower rate is applicable under a relevant tax treaty with Venezuela. This income tax on capital gains realized by legal entities who are Non-Residents of Venezuela is not subject to withholding at source.

Capital gains realized from the sale of the Notes by holders who are entitled to the benefits of tax treaties in effect between Venezuela and the United States of America, Germany, Austria, Barbados, Belarus, Belgium, Brazil, Canada, China, Korea, Cuba, Denmark, Spain, France, Netherlands, Indonesia, Iran, Italy, Kuwait, Malaysia, Norway, Portugal, Qatar, Czech Republic, Russia, Sweden, Switzerland, Trinidad & Tobago, the United Kingdom, and Vietnam, will not be subject to income tax in Venezuela.

Although not free from doubt, Venezuelan counsel to the Issuer believes that capital gains from the sale of the Notes realized by individuals who are for tax purposes Residents of Venezuela will not be subject to income tax in Venezuela.

Although not free from doubt, notwithstanding the tax treatment of interest and capital gains described above, since payments on the Notes will be made by the Issuer to the common depositary of the Notes, and the common depositary of the Notes is an off-shore non-domiciled qualified financial institution for purposes of the

Venezuelan Income Tax law, the Issuer has concluded that payments on the Notes to the applicable common depositary will be subject to Venezuelan Income Tax at a flat rate of 4.95% payable through withholding.

The Issuer has applied to obtain an income tax exemption with respect to interest payments from the President of Venezuela who may or may not grant such exemption at his discretion.

Inheritance and Gift Tax

Transfer of the Notes through inheritance or gift to Residents of Venezuela or Non-Residents of Venezuela will be subject to Venezuelan inheritance tax, at bracket levels, ranging from 1% up to 55%.

Stamp Tax

The issuance of the Notes will not be subject to stamp tax in Venezuela.

Material U.S. Federal Income Tax Consequences

PURSUANT TO THE U.S. INTERNAL REVENUE SERVICE (THE "IRS") CIRCULAR 230, WE HEREBY INFORM YOU THAT ANY DISCUSSION IN THESE LISTING PARTICULARS OF U.S. FEDERAL TAX ISSUES IS NOT INTENDED OR WRITTEN TO BE USED, AND SUCH DESCRIPTION CANNOT BE USED, BY ANY HOLDER FOR THE PURPOSE OF AVOIDING ANY PENALTIES THAT MAY BE IMPOSED ON HOLDERS UNDER THE U.S. INTERNAL REVENUE CODE OF 1986, AS AMENDED (THE "CODE"). SUCH DESCRIPTION IS INCLUDED TO SUPPORT THE PROMOTION OR MARKETING OF THE NOTES. EACH HOLDER SHOULD SEEK ADVICE BASED ON ITS PARTICULAR CIRCUMSTANCES FROM AN INDEPENDENT TAX ADVISOR.

The following discussion is a summary of the material U.S. federal income tax consequences of acquiring, owning and disposing of the Notes. Except where otherwise noted, this discussion applies only to Holders (as defined below) that purchase the Notes on the date of these listing particulars for their fair market value and that hold the Notes as "capital assets" (generally, property held for investment). This discussion is based on the Code, its legislative history, existing final, temporary and proposed U.S. Treasury Regulations, administrative pronouncements by the IRS, and judicial decisions, all as currently in effect and all of which are subject to change (possibly on a retroactive basis) and to different interpretations. For purposes of this discussion, a "Holder" is any beneficial owner of the Notes.

This discussion does not purport to address all U.S. federal income tax consequences that may be relevant to a particular Holder and you are urged to consult your own tax advisor regarding your specific tax situation. The discussion does not address the tax consequences that may be relevant to Holders subject to special tax rules, including, for example:

- insurance companies;
- tax-exempt organizations;
- dealers in securities or currencies;
- traders in securities that elect to mark-to-market their securities holdings;
- banks or other financial institutions;
- partnerships or other pass through entities;
- U.S. Holders (as defined below) whose functional currency for U.S. federal income tax purposes is not the U.S. dollar;
- U.S. expatriates; or

- Holders that hold the Notes as part of a hedge, straddle, conversion or other integrated transaction.

Further, this discussion does not address market discount, acquisition premium or the alternative minimum tax consequences of holding the Notes or the consequences to partners in partnerships (or any other entities treated as partnerships for U.S. federal income tax purposes) that own the Notes. In addition, this discussion does not address the state, local and non-U.S. tax consequences of acquiring, owning and disposing of the Notes.

You are a "U.S. Holder" if you are a beneficial owner of the Notes and you are for U.S. federal income tax purposes:

- an individual who is a citizen or resident of the United States;
- a corporation, or any other entity taxable as a corporation, created or organized in or under the laws of the United States, any state thereof, or the District of Columbia;
- an estate the income of which is subject to U.S. federal income tax regardless of its source; or
- a trust if (i) a court within the United States is able to exercise primary supervision over its administration and one or more U.S. Persons have the authority to control all substantial decisions of the trust or (ii) the trust has an election in effect under current U.S. Treasury Regulations to be treated as a U.S. Person.

A Non-U.S. Holder is a beneficial owner of Notes that is neither a U.S. Holder nor a partnership (or other entity that is treated as a partnership for U.S. federal income tax purposes). If a partnership (or any other entity treated as a partnership for U.S. federal income tax purposes) holds the Notes, the tax treatment of the partnership and a partner in such partnership generally will depend on the status of the partner and the activities of the partnership. Such partner or partnership should consult its own tax advisor as to its consequences of holding the Notes.

Stated Interest and Original Issue Discount

If you are a U.S. Holder, stated interest paid to you on a Note, including any amount withheld in respect of any taxes and any Additional Amounts, will be includible in your gross income as ordinary interest income at the time such payments are received or accrued in accordance with your usual method of tax accounting for U.S. federal income tax purposes.

The Notes are expected to be issued with original issue discount ("OID") for U.S. federal income tax purposes. As discussed in more detail below, in such case you will be required to include OID on the Notes in your gross income in advance of the receipt of corresponding cash payments on such Notes. The amount of OID with respect to the Notes will be equal to the excess of (i) the stated redemption price at maturity of the Notes, over (ii) the issue price of the Notes. A Note's stated redemption price at maturity is the sum of all payments due under the Note other than payments of stated interest.

The issue price of a debt instrument, such as a Note generally will be equal to the fair market value of the debt instrument, determined as of the date of the issuance, if (i) a substantial amount of the debt instruments in an issue is considered "traded on an established market" for U.S. federal income tax purposes during the 31-day period ending 15 days after the date of the issuance and (ii) the debt instrument is issued for property (which includes certain currencies other than the functional currency of the issuer). Applicable U.S. Treasury Regulations require an issuer to determine whether debt instruments are "traded on an established market" for such purposes and, if so, their fair market value. If an issuer determines the debt instruments are traded on an established market, the issuer is required to make that determination as well as the fair market value of the debt instrument (which can be stated as the issue price of the debt instrument) available to holders in a commercially reasonable fashion, including by electronic publication, within 90 days of the date of issuance. Each determination by an issuer is binding on a holder of the debt instrument unless the holder explicitly discloses that its determination is different from the issuer's in the manner required by the applicable U.S. Treasury Regulations. If an issuer for any reason does not make the issue price of a debt instrument reasonably available to a holder, the holder must determine the issue price

of the debt instrument in accordance with the applicable U.S. Treasury Regulations. PDVSA expects that the Notes will be traded on an established market for this purpose. Therefore, PDVSA anticipates that the issue price of the Notes will be their fair market value as of the date of the issuance. If the Notes are not "traded on an established market," it is unclear how their issue price should be determined. You should consult your tax advisor as to the issue price of the Notes.

In general, you will be required to include OID in gross income under a constant-yield method over the term of the Notes in advance of cash payments attributable to such income, regardless of whether you are a cash or accrual method taxpayer, and without regard to the timing or amount of any actual payments. Under this treatment, you will include in ordinary gross income the sum of the "daily portions" of OID on the Notes for all days during the taxable year that you own the Notes. The daily portions of OID on a Note are determined by allocating to each day in any accrual period a ratable portion of the OID allocable to that accrual period. Accrual periods may be of any length and may vary in length over the term of the Notes, provided that no accrual period is longer than one year and each scheduled payment of principal or interest occurs on either the final day or the first day of an accrual period. The amount of OID on a Note allocable to each accrual period will be the excess, if any, of the "adjusted issue price" (as defined below) of the Note at the beginning of the accrual period multiplied by the "yield to maturity" (as defined below) of such Note over the amount of any stated interest paid in that period. The "adjusted issue price" of a Note at the beginning of any accrual period generally will be the sum of its issue price, which includes any pre-issuance accrued interest on the Notes, if any, and the amount of OID allocable to all prior accrual periods, reduced by the amount of payments made on the Note other than stated interest. The "yield to maturity" of a Note will be the discount rate (appropriately adjusted to reflect the length of accrual periods) that causes the present value of all payments on the Note to equal the issue price of such Note.

In addition, interest and accruals of OID on the Notes will be treated as foreign source income for U.S. Federal income tax purposes. Subject to generally applicable restrictions and conditions, if any foreign income taxes are withheld on interest payments on the Notes, a U.S. Holder will be entitled to a foreign tax credit in respect of any such foreign income taxes. Alternatively, the U.S. Holder may deduct such taxes in computing taxable income for U.S. Federal income tax purposes provided that the U.S. Holder does not elect to claim a foreign tax credit for any foreign income taxes paid or accrued for the relevant taxable year. For U.S. foreign tax credit limitation purposes, the limitation on foreign income taxes eligible for credit is calculated separately with respect to specific classes of income. In this regard, interest and OID on the Notes generally will constitute "passive category income" for most U.S. Holders. Additionally, a foreign tax credit for foreign income taxes imposed with respect to the Notes may be denied where you do not meet a minimum holding period requirement during which you are not protected from risk of loss. The rules governing the foreign tax credit are complex. You are urged to consult your tax advisor regarding the availability of the foreign tax credit under your particular circumstances.

Subject to the discussion below under the caption "—U.S. Backup Withholding and Information Reporting," if you are a Non-U.S. Holder, payments to you of interest and accruals of OID on a Note generally will not be subject to U.S. Federal income tax unless the income is effectively connected with your conduct of a trade or business in the United States (and if an income tax treaty applies, such income is attributable to a permanent establishment maintained by you in the United States).

Sale, Exchange or Other Taxable Disposition

If you are a U.S. Holder, upon the sale, exchange or other taxable disposition (including a redemption) of a Note you will recognize taxable gain or loss equal to the difference, if any, between the amount realized on the sale, exchange or other taxable disposition, other than accrued but unpaid stated interest which will be taxable as ordinary income to the extent not previously included in your gross income, and your adjusted tax basis in the Note. Your adjusted tax basis in a Note generally will equal the cost of the Note to you, increased over time by the amount of OID included in your gross income and decreased by the amount of payments on the Notes other than payments of stated interest. Any such gain or loss generally will be capital gain or loss. Certain non-corporate U.S. Holders (including individuals) may be eligible for preferential rates of U.S. federal income tax in respect of long-term capital gains. The deductibility of capital losses is subject to limitations under the Code.

Any gain or loss realized on the sale, exchange or other taxable disposition of a Note generally will be treated as U.S. source gain or loss, as the case may be. As a result, if any such gain is subject to foreign income tax,

U.S. Holders may not be able to credit such tax against their U.S. federal income tax liability under the U.S. foreign tax credit limitations of the Code, unless such income tax can be credited (subject to applicable limitations) against U.S. federal income tax due on other income treated as derived from foreign sources.

Subject to the discussion below under the caption "—U.S. Backup Withholding and Information Reporting," if you are a Non-U.S. Holder, any gain realized by you upon the sale, exchange or other taxable disposition of a Note generally will not be subject to U.S. federal income tax, unless:

- the gain is effectively connected with your conduct of a trade or business in the United States (and if an income tax treaty applies, the gain is attributable to a permanent establishment maintained by you in the United States); or

- if you are an individual Non-U.S. Holder, you are present in the United States for 183 days or more in the taxable year of the sale, exchange or other taxable disposition and certain other conditions are met.

U.S. Backup Withholding and Information Reporting

Backup withholding and information reporting requirements generally apply to payments of principal of, and interest on, a Note and to proceeds of the sale or redemption of a Note, to U.S. Holders. Information reporting generally will apply to accruals of OID and payments of principal of, and interest on, Notes, and to proceeds from the sale or redemption of, Notes within the United States, or by a U.S. Payor or U.S. Middleman, to a U.S. Holder (other than an exempt recipient). Backup withholding will be required on payments made within the United States, or by a U.S. Payor or U.S. Middleman, on a Note to a U.S. Holder, other than an exempt recipient, if the U.S. Holder fails to furnish its correct taxpayer identification number or otherwise fails to comply with, or establish an exemption from, the backup withholding requirements. Payments within the United States, or by a U.S. Payor or U.S. Middleman, of principal and interest to a Non-U.S. Holder generally will not be subject to backup withholding and information reporting requirements if an appropriate certification is provided by the Non-U.S. Holder to the payor and the payor does not have actual knowledge or a reason to know that the certificate is incorrect.

Backup withholding is not an additional tax. You generally will be entitled to credit any amounts withheld under the backup withholding rules against your U.S. federal income tax liability or to a refund of the amounts withheld provided the required information is furnished to the IRS in a timely manner.

Medicare Contribution Tax on Unearned Income

A 3.8% Medicare Tax is generally imposed on the net investment income of U.S. Holders that are individuals, estates, and trusts. "Net Investment Income" generally includes, among other things: (i) gross proceeds from interest other than from the conduct of a non-passive trade or business; (ii) other gross income from a passive trade or business; and (iii) net gain attributable to the disposition of property other than property held in a non-passive trade or business. As a result, certain U.S. Holders who are individuals, estates or trusts may be required to pay up to an additional 3.8% tax on interest and capital gains earned with respect to the Notes.

The above description is not intended to constitute a complete analysis of all tax consequences relating to the ownership of Notes. Prospective purchasers of Notes should consult their own tax advisors concerning the tax consequences of their particular situations.

DESCRIPTION OF THE NOTES

The Issuer will issue the notes (the "Notes") under an indenture (the "Indenture"), among the Issuer, and PDVSA Petróleo S.A. (the "Guarantor"), Law Debenture Trust Company of New York, as Trustee, Citibank, N.A., as principal paying agent (the "Principal Paying Agent"), transfer agent (the "Transfer Agent") and registrar (the "Registrar") and Banque Internationale à Luxembourg, société anonyme, as Luxembourg listing agent and paying agent. You are urged to read the Indenture because it, and not this description, defines your rights. The terms of the Notes include those stated in the Indenture. You can obtain a copy of the Indenture, upon written request, at the offices of the Principal Paying Agent located at 388 Greenwich Street, 14th Floor, New York, New York 10013, Attention: Citibank Agency & Trust – PDVSA and, for so long as the Notes are listed on the Official List of the Luxembourg Stock Exchange, at the office of the listing agent in Luxembourg.

You can find definitions of certain capitalized terms used in this description under "Certain Definitions."

The Principal Paying Agent will initially act as paying agent and as registrar for the Notes. You may present Notes for registration of transfer and exchange at the offices of the registrar, which initially will be the Principal Paying Agent's corporate trust office. No service fee will be charged for any registration of transfer or exchange or redemption of Notes, but the Issuer may require payment in certain circumstances of a sum sufficient to cover any tax or other governmental charge that may be imposed in connection therewith. The Issuer may change any paying agent and registrar without notice to Holders of the Notes.

Application has been made to list the Notes on the Official List of the Luxembourg Stock Exchange and to trade them on the Euro MTF market of such exchange.

Brief Description of the Notes and the Guaranty

The Notes. The Notes will:

- Irrevocable and unconditional;
- be senior unsecured Obligations of the Issuer;
- rank equally in right of payment with all existing and future senior unsecured Obligations of the Issuer (other than Obligations preferred by statute or operation of law);
- rank senior in right of payment to all existing and future Obligations of the Issuer that by their terms are subordinated to the Notes; and
- be effectively subordinated to all existing and future secured Indebtedness of the Issuer to the extent of the value of the assets securing such Indebtedness.

As of December 31, 2012, the Issuer had consolidated total indebtedness of $40,026 million.

The Guaranty. The full and prompt payment of all Obligations of the Issuer under the Indenture and the Notes will be unconditionally guaranteed by the Guarantor (the "Guaranty"). The Guaranty will:

- be a senior unsecured Obligation of the Guarantor;
- rank equally in right of payment with all existing and future senior unsecured Obligations of the Guarantor (other than Obligations preferred by statute or by operation of law);
- rank senior in right of payment to all existing and future secured Indebtedness of the Guarantor to the extent of the value of the assets securing Indebtedness.

As of December 31, 2012, the Guarantor had total indebtedness of $481 million, excluding indebtedness incurred with the Issuer.

Additional Notes

The Issuer may, without your consent, incur additional Indebtedness. At the Issuer's option, this additional Indebtedness may consist of additional Notes ("Additional Notes") issued in one or more transactions, which have substantially identical terms (other than issue price, issue date and date from which the interest will accrue) as Notes issued on the Issue Date, provided, however, that if the Additional Notes are not fungible with the Notes issued on the Issue Date for U.S. federal income tax purposes, the Additional Notes will have a separate CUSIP. Any Additional Notes will be consolidated and form a single class with the Notes issued on the Issue Date, so that, among other things, Holders of any Additional Notes will have the right to vote together with Holders of Notes issued on the Issue Date as one class.

Principal, Maturity and Interest

The Issuer will issue the Notes in fully registered form without coupons. The Notes will have minimum denominations of U.S. $100 and integral multiples of U.S. $1.00 in excess thereof. The Notes will be issued for an initial aggregate principal amount of U.S. $4,500,000,000, but the Issuer may issue an unlimited principal amount of Notes under the Indenture, subject to the limitations set forth therein.

The Notes will mature on November 15, 2026, unless earlier redeemed in accordance with the terms of the Notes. See "*Redemption*" below. Interest on the Notes will accrue at the rate of 6.00% per annum and will be due and payable in cash semi-annually in arrears on each November 15 and May 15, commencing on May 15, 2014 (each an "Interest Payment Date"). Principal payments on the Notes will be payable in three equal installments. The first principal installment will be payable on November 15, 2024, the second will be payable on November 15, 2025 and the third will be payable on the maturity date (each a "Principal Payment Date," and together with the Interest Payment Dates, the "Payment Dates"). For the avoidance of doubt, if any such Payment Date is not a Business Day, such Payment Date will be the next succeeding Business Day. Each payment of principal and/or interest will be made to the Persons who are registered Holders of the Notes at the close of business of the date which is fifteen calendar days immediately preceding the applicable Payment Date (whether or not a Business Day). Interest on the Notes will accrue from the most recent date to which interest has been paid or, if no interest has been paid, from and including the Issue Date. Interest will be computed on the basis of a 360-day year comprised of twelve 30-day months.

Redemption

Optional Redemption. The Issuer may redeem the Notes in whole or in part at any time or from time to time, at its option, at a redemption price equal, determined by the Issuer, to the greater of (1) 100% of the then outstanding principal amount of the Notes to be redeemed, and (2) the sum of the present values of the remaining scheduled payments of principal, interest (exclusive of interest accrued but unpaid, if any, to the date of redemption) and Additional Amounts, if any, on the Notes to be redeemed discounted to the date of redemption on a semi-annual basis (assuming a 360-day year consisting of twelve 30-day months) at the applicable Treasury Rate plus 50 basis points, plus accrued and unpaid interest, if any, on the principal amount being redeemed and Additional Amounts, if any, to, but excluding, the date of redemption.

The Issuer and its Subsidiaries may acquire Notes by means other than a redemption, whether by tender offer, open market purchases, negotiated transactions or otherwise, in accordance with applicable securities laws.

Selection and Notice of Redemption. Notice of redemption will be mailed by first-class mail at least 30 days but not more than 60 days before the redemption date to each holder of the Notes to be redeemed at its registered address. Notices of redemption shall be irrevocable and unconditional. Notice of redemption shall identify the Notes to be redeemed and shall state the redemption date (and that interest thereon will cease to accrue on and after such date), the redemption price, and the place of payment of the redemption price. If Notes are to be redeemed in part only, the notice of redemption shall state the portion of the principal amount thereof to be redeemed. A new Note in a principal amount equal to the unredeemed portion thereof will be issued in the name of

the holder thereof upon cancellation of the original Note. For so long as the Notes are listed on the Luxembourg Stock Exchange, the Issuer will cause notices of redemption to also be published as provided under "– Notices."

In the event that the Issuer elects to redeem less than all of the Notes at any time, selection of the Notes for redemption will be made as follows:

(1) if the Notes are listed, in compliance with the requirements of the principal securities exchange on which the Notes are listed, which is expected to be the Luxembourg Stock Exchange; or

(2) if such securities exchange has no requirement governing redemptions of the principal securities exchange or if the Notes are not so listed on a securities exchange, DTC will select the Notes to be redeemed by lot in the case of Notes represented by Global Notes and otherwise on a pro rata basis, by lot or by such method as the Principal Paying Agent may reasonably determine is fair and appropriate.

No Notes of a principal amount of U.S. $100 shall be redeemed in part, and Notes of a principal amount in excess of U.S. $100 may be redeemed in part in multiples of U.S. $1.00 only.

Notes called for redemption become due on the date fixed for redemption. The Issuer will pay the redemption price for any Note together with accrued and unpaid interest, and Additional Amounts, if any, thereon, through the date of redemption. On and after the redemption date, interest will cease to accrue on Notes or portions thereof called for redemption as long as the Issuer has deposited with the paying agent funds in satisfaction of the applicable redemption price pursuant to the Indenture. Upon redemption of any Notes by the Issuer, such redeemed Notes will be cancelled.

Redemption for Tax Reasons. The Issuer may, at its option, at any time redeem, in whole but not in part, upon not less than 30 days, nor more than 60 days' notice, the Notes at a redemption price equal to 100% of the outstanding principal amount thereof, plus accrued and unpaid interest, if any, to the redemption date (subject to the right of Holders of record on the relevant record date to receive interest due on the relevant interest payment date) and Additional Amounts, if any, to the redemption date, if as a result of:

(1) any amendment to, or change in, the laws (or rules or regulations promulgated thereunder) of a Relevant Taxing Jurisdiction, or

(2) any amendment to or change in an official interpretation or application regarding such laws, rules or regulations (including a holding, judgment or order by a court or administrative body of competent jurisdiction),

which amendment, change, interpretation or application is proposed and becomes effective on or after the Issue Date, the Issuer has become or would become obligated to pay, on or before the next date on which any amount would be payable with respect to such Notes, any Additional Amounts in excess of those attributable to Taxes that are imposed, deducted or withheld at a rate of 4.95% (or such lower rate as may be contemplated by any regulation issued by the National Executive or new law enacted by the Venezuelan National Assembly or decision by the President of Venezuela exempting payments of interest under the Notes from Venezuelan income tax or reducing the current 4.95% income tax withholding rate) on or from any payments of interest under the Notes (See "*Tax Considerations—Venezuelan Taxation*") and such obligations cannot be avoided by taking commercially reasonable measures available to the Issuer (which, for the avoidance of doubt, do not include changing the jurisdiction of incorporation of the Issuer); provided that:

(a) no such notice of redemption may be given earlier than 90 days prior to the earliest date on which the Issuer would be obligated to pay such Additional Amounts were a payment in respect of the Notes then due and payable, and

(b) at the time such notice is given, such obligation to pay such Additional Amounts remains in effect.

No such redemption shall be effective unless and until the Principal Paying Agent receives the amount payable upon redemption as set forth above.

Immediately prior to the publication of any notice of redemption pursuant to this provision, the Issuer will deliver to the Trustee and the Principal Paying Agent:

(i) an Officer's Certificate (A) stating that (i) the amendment, change, interpretation or application as a result of which the Issuer has or will become obligated to pay such Additional Amounts is effective with respect to all companies in the Relevant Taxing Jurisdiction and (ii) the Issuer is entitled to effect such redemption and (B) setting forth a statement of facts showing that the conditions precedent to the right of the Issuer so to redeem have occurred, and

(ii) an Opinion of Counsel (which may be Issuer's counsel) to the effect that (i) the Issuer has or will become obligated to pay such Additional Amounts as a result of such amendment, change, interpretation or application and (ii) the amendment, change, interpretation or application as a result of which the Issuer has or will become obligated to pay such Additional Amounts is effective with respect to all companies in the Relevant Taxing Jurisdiction.

No Mandatory Redemption; Open Market Purchases. The Issuer is not required to make any mandatory redemption or sinking fund payments with respect to the Notes. The Issuer and its Subsidiaries may acquire Notes by means other than a redemption, whether by tender offer, open market purchases, negotiated transactions or otherwise, in accordance with applicable securities laws.

Additional Amounts

All payments made by the Issuer under, or with respect to, the Notes will be made free and clear of, and without withholding or deduction for or on account of, any present or future tax, duty, levy, impost, assessment or other governmental charge (including penalties, interest and other liabilities related thereto) (collectively, "*Taxes*") imposed or levied by or on behalf of Venezuela or any other jurisdiction in which the Issuer is organized or any political subdivision or taxing authority or governmental agency thereof or therein having the power to tax (each, a "*Relevant Taxing Jurisdiction*"), unless the Issuer is required to withhold or deduct Taxes by law or by the official interpretation or administration thereof.

If the Issuer is so required to withhold or deduct any amount for, or on account of, such Taxes of any Relevant Taxing Jurisdiction from any payment made under or with respect to the Notes, the Issuer will pay such additional amounts ("*Additional Amounts*") as may be necessary so that the net amount received by each holder (including Additional Amounts) after such withholding or deduction will not be less than the amount such holder would have received if such Taxes had not been required to be withheld or deducted; *provided*, *however*, that the foregoing obligation to pay Additional Amounts does not apply to:

(1) any Taxes that would not have been so imposed but for the existence of any present or former connection between the relevant holder (or between a fiduciary, settlor, beneficiary, member or shareholder of, or possessor of power over the relevant holder, if the relevant holder is an estate, nominee, trust, partnership, limited liability company or corporation) and the Relevant Taxing Jurisdiction (other than the receipt of such payment or the ownership or holding of or the execution, delivery, registration or enforcement of such Note);

(2) any estate, inheritance, gift, sales, excise, transfer, personal property tax or similar Tax, assessment or governmental charge;

(3) any Taxes that would not have been so imposed but for the presentation of such Notes (where presentation is required) for payment on a date more than 30 days after the date on which such payment became due and payable or the date on which payment thereof is duly provided for, whichever is later, except to the extent that the beneficiary or holder thereof would have been entitled to Additional Amounts had the Notes been presented for payment on any date during such 30 day period;

(4) any Taxes that would not have been so imposed or would have been imposed at a lower rate if the holder of the Note had provided to the Issuer any information, certification, documentation or evidence

required under applicable law, rules, regulations or generally published administrative practice of the Relevant Taxing Jurisdiction for such Taxes not to be imposed or to be imposed at a lower rate (provided that (a) such information, certification, documentation or evidence is required by the applicable law, rules, regulations or generally published administrative practice of the Relevant Taxing Jurisdiction as a precondition to exemption from the requirement to deduct or withhold all or part of such Taxes and (b) at least 30 days prior to the first payment date with respect to which such information, certification, documentation or evidence is required under the applicable law, rules, regulations or generally published administrative practice of the Relevant Taxing Jurisdiction, the relevant holder at that time has been notified in writing by the Issuer or any other Person through whom payment may be made, that such information, certification, documentation or evidence is required to be provided to the Issuer);

(5) any withholding or deduction imposed on a payment to an individual that is required to be made pursuant to the European Union Directive on the taxation of savings income (the "Directive") implementing the conclusions of the European Council of Economic and Finance Ministers meeting on June 3, 2003, or any law implementing or complying with, or introduced in order to conform to, such Directive;

(6) any Tax imposed other than by way of withholding or deduction; or

(7) any Tax imposed on overall net income (or any branch profits tax imposed in lieu thereof).

Such Additional Amounts will also not be payable where, had the beneficial owner of the Note been the Holder of the Note it would not have been entitled to payment of Additional Amounts by reason of clauses (1) to (7) inclusive above.

Notwithstanding the foregoing, the limitations on the Issuer's obligation to pay Additional Amounts set forth in clause (4) above shall not apply if the provision of information, certification, documentation or other evidence described in such clause (4) would be substantially more onerous, in form, in procedure or in the substance of information disclosed, to a holder or beneficial owner of a Note (taking into account any relevant differences between U.S. law, rules, regulations or administrative practice and those of the Relevant Taxing Jurisdiction) than comparable information or other reporting requirements imposed under U.S. tax law, regulations and administrative practice (such as IRS Forms W-8IMY, W-8BEN and W-9).

The foregoing provisions will survive any termination or discharge of the Indenture and shall apply *mutatis mutandis* to any taxing jurisdiction with respect to any successor Person to the Issuer. The Issuer will (i) make such withholding or deduction of Taxes as is required under applicable law and (ii) remit the full amount deducted or withheld to the Relevant Taxing Jurisdiction in accordance with applicable law. The Issuer will use reasonable efforts to obtain certified copies of tax receipts evidencing the payment of any Taxes so deducted or withheld from each Relevant Taxing Jurisdiction imposing such Taxes, and will furnish such certified copies to the Principal Paying Agent promptly after the date the payment of any Taxes so deducted or so withheld is due pursuant to applicable law or, if such tax receipts are not reasonably available, furnish such other documentation that provides reasonable evidence of such payment.

In the event that Additional Amounts actually paid with respect to the Notes as described above are based on rates of deduction or withholding of withholding taxes in excess of the appropriate rate applicable to the holder of such Notes, and, as a result such holder is entitled to make a claim for a refund or credit in respect of such excess from the authority imposing such withholding tax, then by accepting such Notes such holder shall be deemed to have assigned and transferred all right, title, and interest to any such claim for a refund or credit in respect of such excess to the Issuer.

At least 30 days prior to each date on which any payment under or with respect to the Notes is due and payable (unless such obligation to pay Additional Amounts arises shortly before or after the 30th day prior to such date, in which case it shall be promptly thereafter), if the Issuer will be obligated to pay Additional Amounts with respect to such payment, the Issuer will deliver to the Trustee and Principal Paying Agent an Officer's Certificate stating the fact that such Additional Amounts will be payable and the amounts so payable and will set forth such other information necessary to enable the Principal Paying Agent to remit such Additional Amounts to Holders of

Notes on the payment date. Each such Officer's Certificate shall be relied upon until receipt of a new Officer's Certificate addressing such matters.

The Issuer will pay any present or future stamp, transfer, court or documentary taxes, or any other excise or property taxes, charges or similar levies or Taxes which arise in any Relevant Taxing Jurisdiction from the initial execution, delivery or registration of the Notes, the Indenture or any other document or instrument in relation thereto and the enforcement of the Notes following the occurrence and during the continuance of any Default, excluding all such Taxes, charges or similar levies imposed by any Relevant Taxing Jurisdiction outside of Venezuela other than those resulting from, or required to be paid in connection with, the enforcement of the Notes or any other document or instrument in relation thereto following the occurrence and during the continuance of any Default with respect to the Notes, and the Issuer will agree to indemnify each of the Trustee, the Principal Paying Agent and the Holders of the Notes for any such Taxes paid by the Trustee, the Principal Paying Agent or such Holders.

Whenever these listing particulars, the Indenture or the Notes mention, in any context, the payment of principal, premium or interest, if any, or any other amount payable under or with respect to the Notes by the Issuer, such mention shall be deemed to include mention of the payment of Additional Amounts to the extent that, in such context, Additional Amounts are, were or would be payable in respect thereof.

Certain Covenants

Set forth below are summaries of certain covenants contained in the Indenture.

Limitation on Liens. The Issuer will not, and will not cause or permit any of its Subsidiaries to, incur, permit or suffer to exist any Liens (the "*Initial Lien*"), other than Permitted Liens, of any kind against or upon any Property or assets of the Issuer or any of its Subsidiaries whether owned on the Issue Date or acquired after the Issue Date, secure any Indebtedness, unless it has made or will make effective provision whereby (a) the Notes will be secured by such Lien equally and ratably with (or prior to, in the event such Indebtedness is subordinated in right of payment to the Notes) all other Indebtedness of the Issuer or any of its Subsidiaries secured by such Lien and (b) if such Lien secures Obligations subordinated to the Notes in right of payment, such Lien shall be subordinated to a Lien securing the Notes in the same Property as that securing such Lien to the same extent as such subordinated Obligations are subordinated to the Notes.

Any Lien created for the benefit of the Holders of the Notes pursuant to the preceding sentence shall provide by its terms that such Lien will be automatically and unconditionally released and discharged upon release and discharge of the Initial Lien.

Limitation on Consolidation, Merger, Sale or Conveyance. The Issuer will not, in one or a series of transactions, consolidate or amalgamate with or merge into any corporation or convey, lease or transfer substantially all of its properties, assets or revenues to any Person or entity (other than a direct or indirect subsidiary of the Issuer) or permit any person (other than a direct or indirect subsidiary of the Issuer) to merge with or into it unless:

- either the Issuer is the continuing entity or the Person (the "successor company") formed by the consolidation or into which the Issuer is merged or that acquired or leased the property or assets of the Issuer will assume (jointly and severally with the Issuer unless the Issuer will have ceased to exist as a result of that merger, consolidation or amalgamation), by a supplemental indenture, all of the Issuer's obligations under the Indenture and the Notes;

- the successor company (jointly and severally with the Issuer unless the Issuer will have ceased to exist as part of the merger, consolidation or amalgamation) agrees to indemnify each Holders of Notes against any tax, assessment or governmental charge thereafter imposed on the Holders of Notes solely as a consequence of the consolidation, merger, conveyance, transfer or lease with respect to the payment of principal of, or interest, the Notes;

- immediately after giving effect to the transaction, no Default or Event of Default has occurred and is continuing; and

- the Issuer has delivered to the Trustee and the Principal Paying Agent an Officers' Certificate and an Opinion of Counsel, each stating that the transaction complies with the terms of the Indenture and that all conditions precedent provided for in the Indenture and relating to the transaction have been complied with.

Notwithstanding anything to the contrary in the foregoing, so long as no Default or Event of Default under the Indenture or the Notes will have occurred and be continuing at the time of the proposed transaction or would result from the transaction:

- the Issuer may merge, amalgamate or consolidate with or into, or convey, transfer, lease or otherwise dispose of all or substantially all of its properties, assets or revenues to a direct or indirect Subsidiary of the Issuer in cases when the Issuer is the surviving entity in the transaction and the transaction would not have a material adverse effect on the Issuer and its Subsidiaries taken as a whole, it being understood that if the Issuer is not the surviving entity, the Issuer will be required to comply with the requirements set forth in the previous paragraph; or

- any direct or indirect Subsidiary of the Issuer may merge or consolidate with or into, or convey, transfer, lease or otherwise dispose of assets to, any Person (other than the Issuer or any of its Subsidiaries or affiliates) in cases when the transaction would not have a material adverse effect on the Issuer and its Subsidiaries taken as a whole; or

- any direct or indirect Subsidiary of the Issuer may merge or consolidate with or into, or convey, transfer, lease or otherwise dispose of assets to, any other direct or indirect Subsidiary of the Issuer; or

- any direct or indirect Subsidiary of the Issuer may liquidate or dissolve if the Issuer determines in good faith that the liquidation or dissolution is in the best interests of the Issuer, and would not result in a material adverse effect on the Issuer and its Subsidiaries taken as a whole and if the liquidation or dissolution is part of a corporate reorganization of the Issuer;

- the Issuer may omit to comply with any term, provision or condition set forth in certain covenants or any term, provision or condition of the indenture, if before the time for the compliance the Holders of at least a majority in principal amount of the outstanding Notes waive the compliance, but no waiver can operate except to the extent expressly waived, and, until a waiver becomes effective, the Issuer's obligations and the duties of the Trustee in respect of any such term, provision or condition will remain in full force and effect.

Reports to Holders. The Issuer shall provide the Trustee, the Principal Paying Agent and the Holders of the Notes

(1) within 180 days following the end of each fiscal year of the Issuer after the Issue Date, the annual consolidated financial statements (including the notes thereto) of the Issuer, prepared in accordance with IFRS and presented in the English language, and a report thereon by the Issuer's certified independent accountants; and

(2) within 180 days following the end of the second fiscal quarter in each fiscal year of the Issuer beginning with the second fiscal quarter ending after the Issue Date, the semi-annual consolidated financial statements of the Issuer, prepared in accordance with IFRS and presented in the English language; provided that each annual and semi-annual financial statement shall include a "management discussion and analysis" or other report of management providing an overview in reasonable detail of the results of operations and financial condition of the Issuer and its Subsidiaries;

Concurrently with providing the Trustee, the Principal Paying Agent and the Holders of the Notes with the information described above, the Issuer will post copies of such information on a web site maintained by the Issuer or provide substantially comparable public availability of such information.

Delivery of reports, information and documents to the Trustee and the Principal Paying Agent is for informational purposes only and their respective receipt of such reports shall not constitute constructive notice of any information contained therein or determinable from information contained therein, including the Issuer's, the Guarantor's or any other Person's compliance with any of its covenants under the Indenture or the Notes (as to which the Trustee and the Principal Paying Agent are entitled to rely exclusively on Officer's Certificates).

Neither the Trustee nor the Principal Paying Agent shall be obligated to monitor or confirm, on a continuing basis or otherwise, the Issuer's, the Guarantor's or any other Person's compliance with the covenants described herein or with respect to any reports or other documents filed under the Indenture.

For so long as any of the Notes remain outstanding and constitute "restricted securities" under Rule 144, the Issuer will furnish to the holders of the Notes and prospective investors, upon their request, the information required to be delivered pursuant to Rule 144A(d)(4) under the Securities Act.

For so long as the Notes are listed on the Luxembourg Stock Exchange and the rules of that exchange so require, the above information will also be made available through the offices of the paying agent in Luxembourg. See "—*Listing*."

Ratings. The Issuer will maintain international foreign currency global ratings by at least two of the three Rating Agencies for as long as the Notes remain outstanding.

U.S. Dollar Equivalent. For purposes of determining compliance with any covenant in the Indenture that is limited or otherwise refers to a specified amount of U.S. dollars, the amount of any item denominated in a currency other than U.S. dollars shall be the U.S. Dollar Equivalent of such item.

Additional Covenants. The Indenture will also contain customary covenants with respect to, among other things, the following matters: (1) payment of principal and interest; (2) maintenance of corporate existence; (3) maintenance of insurance; (4) compliance with laws, (5) maintenance of books and records and (6) obtaining and maintaining of all necessary governmental approvals to comply with the Issuer's obligations under the Notes.

Events of Default

The following events are defined in the Indenture as "*Events of Default*":

(1) the failure to pay the principal of, or premium, if any, on any Notes, when such principal becomes due and payable, at any of the Principal Payment Dates, upon redemption or otherwise;

(2) the failure to pay interest and Additional Amounts, if any, on any Notes when the same becomes due and payable and the default continues for a period of 30 days;

(3) a default in the observance or performance of any other covenant or agreement contained in the Indenture (other than the payment of the principal of, or premium, if any, or interest and Additional Amounts, if any, on any Note) which default continues for a period of 60 days after the Issuer receives written notice specifying the default (and demanding that such default be remedied) from Holders of at least 25% of the Outstanding principal amount of the Notes;

(4) the failure to pay at final stated maturity (giving effect to any applicable grace periods and any extensions thereof) the principal amount of any Indebtedness of the Issuer or any of its Significant Subsidiaries, or the acceleration of the final stated maturity of any such Indebtedness (which acceleration is not rescinded, annulled or otherwise cured within 30 days from the date of acceleration) if the aggregate principal amount of such Indebtedness, together with the principal amount of any other such Indebtedness in default for failure to pay principal at final stated maturity or which has been accelerated (in each case with respect to which the 30-day period described above has elapsed), aggregates U.S. $100 million or more at any time;

(5) one or more judgments in an aggregate amount in excess of U.S. $100 million shall have been rendered against the Issuer or any of its Significant Subsidiaries and such judgments remain undischarged, unpaid or, unstayed, unbonded or not suspended by agreement for a period of 60 days after such judgment or judgments become final and non-appealable;

(6) the Issuer or any Significant Subsidiary shall (a) apply for or consent to the appointment of a receiver, conciliador, trustee, fiscal agent liquidator or similar official for all or any substantial part of the Property of the Issuer or such Significant Subsidiary, (b) make a general assignment for the benefit of the creditors of the Issuer or such Significant Subsidiary, (c) be adjudicated bankrupt (declaración de quiebra), in reorganization (concurso mercantil) or insolvent, or (d) file a voluntary petition in bankruptcy or a petition or an answer seeking reorganization (concurso mercantil) or seeking to take advantage of any applicable insolvency law;

(7) the entry by a court having jurisdiction in the premises of (A) a decree or order for relief in respect of the Issuer or any Significant Subsidiary, in an involuntary case or proceeding under any applicable bankruptcy, insolvency, suspension of payments, concurso mercantil, quiebra, reorganization or other similar law, or (B) a decree or order adjudging the Issuer or any Significant Subsidiary bankrupt or insolvent, or suspending payments, or approving as properly filed a petition seeking reorganization, arrangement, adjustment or composition of or in respect of the Issuer or any Significant Subsidiary under any applicable law, or appointing a custodian, receiver, liquidator, assignee, fiscal agent, trustee, síndico, conciliador, sequestrator or other similar official of the Issuer or any Significant Subsidiary or of any substantial part of the property of the Issuer or any Significant Subsidiary, or ordering the winding up or liquidation of the affairs of the Issuer or any Significant Subsidiary, and the continuance of any such decree or order for relief or any such other decree or order unstayed and in effect for a period of 60 consecutive days; and

(8) any of the Notes, the Indenture or any part thereof, shall cease to be in full force and effect (except as contemplated by the terms thereof) or is declared to be null and void and unenforceable in a judicial proceeding or inadmissible in evidence in the courts of Venezuela, or the Issuer shall contest the enforceability of, deny or disaffirm its material obligations under the Notes.

If an Event of Default (other than an Event of Default specified in clauses (6) or (7) above) shall occur and be continuing and has not been waived, Holders of at least 25% in principal amount of Outstanding Notes may declare the principal of, and premium, if any, accrued interest and Additional Amounts, if any, on all the Notes to be due and payable by notice in writing to the Issuer and the Trustee specifying the Event of Default and that it is a "notice of acceleration," and the same shall become immediately due and payable.

If an Event of Default specified in clauses (6) or (7) above occurs and is continuing, then all unpaid principal of, and premium, if any, and accrued and unpaid interest and Additional Amounts, if any, on all of the Outstanding Notes shall *ipso facto* become and be immediately due and payable without any declaration or other act on the part of Trustee any Holder.

The Indenture will provide that, at any time after a declaration of acceleration with respect to the Notes as described in the preceding paragraphs, the Holders of a majority in principal amount of the Notes may rescind and cancel such declaration and its consequences:

(a) if the rescission would not conflict with any judgment or decree;

(b) if all existing Events of Default have been cured or waived except nonpayment of principal, premium, if any, interest or Additional Amounts, if any, that has become due solely because of the acceleration;

(c) if the Issuer has paid or deposited with the Principal Paying Agent (to the extent the payment of such interest is lawful) interest on overdue installments of interest and overdue principal and premium, if any, and Additional Amounts, if any, which has become due otherwise than by such declaration of acceleration; and

(d) if the Issuer has paid or deposited with the Principal Paying Agent the reasonable compensation of the Trustee and the Principal Paying Agent and reimbursed the reasonable expenses, disbursements, indemnity amounts and advances of each of the Trustee and the Principal Paying Agent, and their respective agents, and counsel under the Indenture.

No such rescission shall affect any subsequent Default or impair any right consequent thereto.

The Holders of a majority in principal amount of the Notes may waive any existing Default or Event of Default under the Indenture, and its consequences, except a default in the payment of the principal of or premium, if any, interest or Additional Amounts, if any, on any Notes.

Subject to certain limitations, Holders of a majority in aggregate principal amount of the then Outstanding Notes voting as a single class may direct the Trustee in its exercise of any trust or power. Subject to the provisions of the Indenture relating to the duties of the Trustee, in case an Event of Default occurs and is continuing, the Trustee will be under no obligation to exercise any of the rights or powers under the Indenture at the request or direction of any Holders unless such Holders have offered to the Trustee indemnity or security satisfactory to the Trustee against any loss, liability or expense.

Except to enforce the right to receive payment of principal, premium, if any, or interest when due, no Holder may pursue any remedy with respect to the Indenture or the Notes unless:

(1) such Holder has previously given the Trustee notice that an Event of Default is continuing;

(2) Holders of at least 25% in aggregate principal amount of the then Outstanding Notes voting as a single class have requested the Trustee to pursue the remedy;

(3) such Holders have offered the Trustee security or indemnity satisfactory to the Trustee against any loss, liability or expense;

(4) the Trustee has not complied with such request within 60 days after the receipt of the request and the offer of security or indemnity; and

(5) Holders of a majority in aggregate principal amount of the then Outstanding Notes voting as a single class have not given the Trustee a direction inconsistent with such request within such 60-day period.

Under the Indenture, the Issuer will be required to provide an Officer's Certificate to the Trustee and the Principal Paying Agent promptly upon any Officer obtaining knowledge of any Event of Default that has occurred and is continuing (provided that such Officer's Certificate shall be provided at least annually whether or not such Officer knows of any such Event of Default) and, if applicable, describe such Event of Default and the status thereof.

If a Default or an Event of Default occurs and is continuing, and is actually known to a responsible officer of the Trustee, the Trustee will notify each Holder (or cause each Holder to be notified) as provided herein under "—Notices" of the Default or Event of Default within thirty (30) days after obtaining knowledge thereof; provided that except in the case of a Default or an Event of Default in payment of principal of, premium, if any, or interest on any Notes, the Trustee may withhold the notice to the Holders if a committee of its trust officers in good faith determines that withholding the notice is in the interest of the Holders.

Satisfaction and Discharge

The Indenture will be discharged and will cease to be of further effect (except as to surviving rights or registration of transfer or exchange of the Notes, as expressly provided for in the Indenture) as to all Outstanding Notes when:

(1) either:

(a) all the Notes theretofore authenticated and delivered (except lost, stolen or destroyed Notes which have been replaced or paid and Notes for whose payment money has theretofore been deposited in trust or segregated and held in trust by the Issuer and thereafter repaid to the Issuer or discharged from such trust) have been delivered to the Principal Paying Agent for cancellation; or

(b) in respect of all Notes not theretofore delivered to the Principal Paying Agent for cancellation (i) the entire principal amount of such Notes has become due and payable, (ii) such Notes will become due and payable at their stated maturity within one year or (iii) such Notes are to be called for redemption within one year under arrangements reasonably satisfactory to the Principal Paying Agent, and the Issuer has irrevocably deposited or caused to be deposited with the Principal Paying Agent funds in an amount sufficient to pay and discharge the entire Indebtedness on the Notes not theretofore delivered to the Principal Paying Agent for cancellation, for principal of, premium, if any, interest and Additional Amounts, if any, on the Notes to the date of deposit together with irrevocable instructions from the Issuer directing the Principal Paying Agent to apply such funds to the payment thereof at maturity or redemption, as the case may be;

(2) the Issuer has paid all other sums payable by it under the Indenture; and

(3) the Trustee and the Principal Paying Agent shall have received an Officer's Certificate of the Issuer and an Opinion of Counsel stating that all conditions precedent under the Indenture relating to the satisfaction and discharge of the Indenture have been complied with.

Modification of the Indenture

From time to time, the Issuer, the Trustee and the Principal Paying Agent, without the consent of the Holders adversely affected thereby, may amend, modify or supplement the Indenture and the Notes:

(1) to cure any ambiguity, defect or inconsistency contained therein;

(2) to provide for uncertificated Notes in addition to or in place of certificated Notes;

(3) to make any change that would provide any additional rights or benefits to the Holders or that does not adversely affect in any material respect the legal rights of the Holders under the Indenture or the Notes;

(4) to allow any Subsidiary or any other Person to guarantee the Notes;

(5) to provide for the issuance of additional Notes in accordance with the Indenture Notes;

(6) to evidence the replacement of the Trustee or Principal Paying Agent as provided for under the Indenture;

(7) if necessary, in connection with any addition or release of any security permitted under the Notes; or

(8) to conform the text of the Indenture or the Notes to any provision of this Description of the Notes to the extent that such provision in this Description of the Notes was intended to be a verbatim recitation of a provision of the Indenture or the Notes.

Other amendments of, modifications to and supplements to the Indenture and the Notes may be made with the consent of the Holders of a majority in principal amount of the then Outstanding Notes issued under the Indenture, except that, without the consent of each Holder affected thereby, no amendment may:

(a) reduce the percentage of the principal amount of the Notes whose Holders must consent to an amendment, supplement or waiver of any provision of the Indenture or the Notes;

(b) reduce the stated rate of or extend the stated time for payment of interest, including defaulted interest, or Additional Amounts on any Notes;

(c) reduce the principal of any of the Notes, change the principal installment amount on any Notes, change the fixed final maturity of any Notes or extend any Principal Payment Date, or change the date on which any Notes may be subject to redemption or reduce the redemption price therefor;

(d) make any Note payable in money other than that stated in the Notes;

(e) impair the right of each Holder to receive payment of principal of, premium, if any, interest and Additional Amounts, if any, on such Note on or after the due date thereof or to institute suit to enforce such payment;

(f) subordinate the Notes in right of payment to any other Indebtedness of the Issuer; or

(g) make any change in the preceding amendment and waiver provisions which require each Holder's consent.

The consent of the Holders is not necessary under the Indenture to approve the particular form of any proposed amendment. It is sufficient if such consent approves the substance of the proposed amendment. After an amendment under the Indenture becomes effective, the Issuer will be required to give notice to the Luxembourg Stock Exchange and the Holders as provided under "—Notices," briefly describing such amendment. The failure to give such notice to all Holders, or any defect therein, will not impair or affect the validity of such amendment.

Each of the Trustee and the Principal Paying Agent will be entitled to rely on such evidence as it deems appropriate, including, without limitation, solely on an Opinion of Counsel to the effect that such amendment, modification or supplement, is authorized or permitted by the terms and conditions of the Indenture.

In addition, under certain circumstances the Holders of a majority in principal amount of the Notes Outstanding may waive compliance with certain restrictive covenants and provisions of the Indenture. See "—*Events of Default*".

Currency Indemnity

U.S. dollars are the sole currency of account and payment for all sums payable by the Issuer under the Notes and the Indenture. Any amount received or recovered in a currency other than U.S. dollars in respect of the Notes (whether as a result of, or of the enforcement of, a judgment or order of a court of any jurisdiction, in the winding-up or dissolution of the Issuer, any Subsidiary of the Issuer or otherwise) by the Holder in respect of any sum expressed to be due to it from the Issuer shall constitute a discharge of the Issuer only to the extent of the U.S. dollar amount which the recipient is able to purchase with the amount so received or recovered in that other currency on the date of that receipt or recovery (or, if it is not practicable to make that purchase on that date, on the first date on which it is practicable to do so). If that U.S. dollar amount is less than the U.S. dollar amount expressed to be due to the recipient under any Note, the Issuer shall indemnify the recipient against the cost of making any such purchase. If that U.S. dollar amount is more than the U.S. dollar amount expressed to be due to the recipient under any Note, such recipient will promptly remit the excess to the Principal Paying Agent who, in turn, will remit such amount to the Issuer. For purposes of this indemnity, it will be sufficient for the Holder to certify (indicating the sources of information used) that it would have suffered a loss had the actual purchase of U.S. dollars been made with the amount so received in that other currency on the date of receipt or recovery (or, if a purchase of U.S. dollars on such date had not been practicable, on the first date on which it would have been practicable).

The above indemnity, to the extent permitted by law:

- constitutes a separate and independent obligation from the other obligations of the Issuer;
- shall give rise to a separate and independent cause of action;
- shall apply irrespective of any waiver or indulgence granted by any Holder; and

- shall continue in full force and effect despite any other judgment, order, claim or proof for a liquidated amount in respect of any sum due under any Note or any other judgment.

Consent to Jurisdiction and Service of Process; Sovereign Immunity

The Issuer has consented to the non-exclusive jurisdiction of any court of the State of New York or any United States federal court sitting in the Borough of Manhattan, New York City, New York, United States, and any appellate court from any thereof, and has waived any immunity from the jurisdiction of such courts over any suit, action or proceeding that may be brought in connection with the Indenture and the Notes. The Issuer has appointed Corporation Service Company as its agent to receive and forward any writs, process and summonses in any suit, action or proceeding brought in connection with the Indenture or the Notes against the Issuer in any court of the State of New York or any United States federal court sitting in the Borough of Manhattan, New York City and has agreed that such appointment shall be so long as the Notes remain Outstanding or until the appointment by the Issuer of a successor in The City of New York as its agent for such purpose and the acceptance of such appointment by such successor.

To the extent that the Issuer has or hereafter may acquire any immunity from jurisdiction of any court or from any legal process, the Issuer will waive such immunity and will agree not to assert, by way of motion, as a defense or otherwise, in any suit, action or proceeding the defense of sovereign immunity or any claim that it is not personally subject to the jurisdiction of the above-named courts by reason of sovereign immunity or otherwise, or that it is immune from any legal process (whether through service of notice, attachment prior to judgment, attachment in aid of execution, execution or otherwise) with respect to itself or its property or from attachment either prior to judgment or in aid of execution by reason of sovereign immunity.

Governing Law

The Indenture will provide that the Notes will be governed by, and construed in accordance with, the laws of the State of New York.

Prescription

According to the laws of the State of New York, claims against the Issuer for the payment of principal and premium, if any, and interest on the Notes will be prescribed unless made within six years from the due date for payment thereof.

The Trustee and the Principal Paying Agent

The Law Debenture Trust Company of New York is the Trustee under the Indenture. Its address is 400 Madison Avenue, New York, NY 10017, Attention: Corporate Trust – PDVSA.

The Indenture will provide that, except during the continuance of an Event of Default, the Trustee will perform only such duties as are specifically set forth in the Indenture. During the existence of an Event of Default, the Trustee will exercise such rights and powers vested in it by the Indenture, and use the same degree of care and skill in its exercise as a prudent person would exercise or use under the circumstances in the conduct of such person's own affairs.

The Trustee may resign at any time by so notifying the Issuer. In addition, the Holders of a majority in aggregate principal amount of the Notes then Outstanding and the Issuer may remove the Trustee by so notifying the Trustee and may appoint a successor Trustee satisfactory to the Issuer.

If the Trustee resigns, is removed by the Issuer or by the Holders of a majority in aggregate principal amount of the Notes then Outstanding and such Holders do not reasonably promptly appoint a successor Trustee, or if a vacancy exists in the office of the Trustee for any reason, the Issuer shall promptly appoint a successor Trustee. So long as the Notes are listed on the Luxembourg Stock Exchange and the rules of that exchange so require, the successor Trustee shall mail a notice of its succession to Holders of the Notes and give notice as described under "—Notices."

Citibank, N.A. is the Principal Paying Agent under the Indenture. Its address is (a) for purposes other than transfers, exchanges or surrender of the Notes, at 388 Greenwich Street, 14th Floor, New York, NY 10013, Attention: Citibank Agency & Trust - PDVSA and (b) for transfers, exchanges or surrender of the Notes, at 480 Washington Boulevard, 30th Floor, Jersey City, New Jersey 07310, Attention: Citibank Agency & Trust - PDVSA.

The Indenture will provide that the Principal Agent will perform only such duties as are specifically set forth in the Indenture.

The Principal Paying Agent may resign at any time by so notifying the Issuer. In addition, the Holders of a majority in aggregate principal amount of the Notes then Outstanding and the Issuer may remove the Principal Paying Agent by so notifying the Principal Paying Agent and may appoint a successor Principal Paying Agent satisfactory to the Issuer.

If the Principal Paying Agent resigns, is removed by the Issuer or by the Holders of a majority in aggregate principal amount of the Notes then Outstanding and such Holders do not reasonably promptly appoint a successor Principal Paying Agent, or if a vacancy exists in the office of the Principal Paying Agent for any reason, the Issuer shall promptly appoint a successor Principal Paying Agent. So long as the Notes are listed on the Luxembourg Stock Exchange and the rules of that exchange so require, the successor Principal Paying Agent shall mail a notice of its succession to Holders of the Notes and give notice as described under "—Notices."

Listing

We intend to apply to list the Notes on the Luxembourg Stock Exchange in accordance with the rules of that exchange; however, the Notes are not yet listed and the Issuer cannot assure you they will be accepted for listing. Following the issuance of the Notes, the Issuer will use its best efforts to obtain and maintain listing of the Notes on the Luxembourg Stock Exchange. In addition, so long as the Notes are listed on the Luxembourg Stock Exchange and the rules of that exchange so require, a listing agent and a paying agent will be maintained in Luxembourg. The address of the listing agent and paying agent are set forth on the last page of these listing particulars.

Notices

All notices shall be deemed to have been given upon the mailing by first class mail, postage prepaid, of such notices to Holders at their registered addresses as recorded in the Notes register not later than the latest date, and not earlier than the earliest date, prescribed in the Notes for the giving of such notice. Any requirement of notice hereunder may be waived by the Person entitled to such notice before or after such notice is required to be given, and such waivers shall be filed with the Trustee.

As long as the Notes are listed on the Luxembourg Stock Exchange and its rules so require, the Issuer will also give notices to Holders by publication in a daily newspaper of general circulation in Luxembourg. If publication in Luxembourg is impracticable, the Issuer will make the publication in a widely circulated newspaper in Western Europe. By "daily newspaper" the Issuer means a newspaper that is published on each day, other than a Saturday, Sunday or holiday, in Luxembourg or, when applicable, elsewhere in Western Europe. If the Issuer is unable to give notice as described in this paragraph because the publication of any newspaper is suspended or it is otherwise impractical for the Issuer to publish the notice, then the Issuer, the Trustee or the Principal Paying Agent acting on the Issuer's instructions, will give Holders notice in another form, such as by electronic transmission or publication in Luxembourg on the website of the Luxembourg Stock Exchange (www.bourse.lu). That alternate form of notice will be sufficient notice to you. Any such notice will be deemed to have been delivered on the date of first publication.

Neither the failure to give any notice to a particular Holder, nor any defect in a notice given to a particular Holder, will affect the sufficiency of any notice given to another Holder.

Certain Definitions

Set forth below is a summary of certain of the defined terms to be used in the Indenture. Reference is made to the Indenture for the full definition of all such terms, as well as any other terms used herein for which no definition is provided.

"*Additional Amounts*" has the meaning set forth under "Additional Amounts" above.

"*Additional Notes*" has the meaning set forth under "Additional Notes" above.

"*Affiliate*" means, with respect to any specified Person, any other Person who directly or indirectly through one or more intermediaries controls, or is controlled by, or is under common control with, such specified Person. Solely for purposes of this definition, the term "control" means the possession, directly or indirectly, of the power to direct or cause the direction of the management and policies of a Person, whether through the ownership of voting securities, by contract or otherwise. For purposes of this definition, the terms "controlling" and "controlled" have meanings correlative of the foregoing.

"*Board of Directors*" means, as to any Person, the board of directors or similar governing body of such Person or any duly authorized committee thereof.

"*Bolívar*" or "*Bolívares*" means the lawful currency of Venezuela.

"*Business Day*" means a day other than a Saturday, Sunday or any day on which banking institutions are authorized or required by law to close in The City of New York, New York or in Venezuela.

"*Comparable Treasury Issue*" means the United States Treasury security selected by an Independent Financial Advisor as having a maturity comparable to the remaining term ("Remaining Life") of the Notes to be redeemed that would be utilized, at the time of selection and in accordance with customary financial practice, in pricing new issues of corporate debt securities of comparable maturity to the remaining term of such Notes.

"*Comparable Treasury Price*" means, with respect to the redemption date, (1) the average of five Reference Treasury Dealer Quotations for the redemption date, after excluding the highest and lowest Reference Treasury Dealer Quotations or (2) if the Independent Financial Advisor obtains fewer than five such Reference Treasury Dealer Quotations, the average of all such quotations.

"*Default*" means an event or condition the occurrence of which is, or with the lapse of time or the giving of notice or both would be, an Event of Default.

"*Exchange Act*" means the Securities Exchange Act of 1934, as amended, and the rules and regulations of the SEC promulgated thereunder.

"*Guarantor*" means PDVSA Petróleo, S.A.

"*Holder*" means the Person in whose name a Note is registered on the registrar's books.

"*IFRS*" means the International Financial Reporting Standards promulgated from time to time by the International Accounting Standards Board or any successor institution ("IASB") (which includes standards and interpretations approved by the IASB and International Accounting Standards issued under its previous constitutions), together with its pronouncements thereon from time to time.

"*Indebtedness*" means any obligation (whether present or future, actual or contingent and including, without limitation, any Guarantee) for the payment or repayment of money which has been borrowed or raised.

"*Independent Financial Advisor*" means a nationally recognized accounting, appraisal or, investment banking firm or consultant in the United States: (1) which does not, and whose directors, officers and employees or Affiliates do not, have a direct or indirect financial interest in the Issuer or any of its Subsidiaries; and (2) which, in

the judgment of the Issuer's Board of Directors, is otherwise independent and qualified to perform the task for which such firm is being engaged.

"*Issue Date*" means the date of original issuance of the Notes.

"*Lien*" means any lien, mortgage, pledge, security interest, charge or similar encumbrance.

"*Obligations*" means all payment obligations, whether or not contingent, for principal, premium, interest, Additional Amounts, penalties, fees, indemnification, reimbursements, damages and other liabilities payable under the documentation governing any Indebtedness.

"*Officer*" means the Chief Executive Officer, the Chairman of the Board of Directors, the Chief Financial Officer, the Secretary of the Board of Directors, the Treasurer or the Controller of the Issuer (or any equivalent officer of the Issuer).

"*Officer's Certificate*" means a certificate signed by two Officers of the Issuer, at least one of whom shall be the principal financial officer of the Issuer, and delivered to the Trustee and the Principal Paying Agent.

"*Opinion of Counsel*" means a written opinion of counsel, who may be an employee of or counsel for the Issuer and who is reasonably acceptable to the Trustee and the Principal Paying Agent.

"*Outstanding*" when used with respect to the Notes, means, as of the date of determination, all Notes theretofore authenticated and delivered under this Indenture, except:

(1) Notes theretofore canceled by the Principal Paying Agent or delivered to the Principal Paying Agent for cancellation;

(2) Notes, or portions thereof, for whose payment or redemption money in the necessary amount has been theretofore deposited with the Principal Paying Agent or any paying agent (other than the Issuer) in trust or set aside and segregated in trust by the Issuer (if the Issuer shall act as their own paying agent) for the Holders of such Notes; provided that, if such Notes are to be redeemed, notice of such redemption has been duly given pursuant to the Indenture or provision therefor satisfactory to the Principal Paying Agent has been made; and

(3) Notes which have been paid pursuant to the provisions for "Mutilated Notes" under the Indenture or in exchange for or in lieu of which other Notes have been authenticated and delivered pursuant to the Indenture, other than any such Notes in respect of which there shall have been presented to the Principal Paying Agent proof satisfactory to it that such Notes are held by a bona fide purchaser in whose hands such Notes are valid obligations of the Issuer;

provided, however, that in determining whether the Holders of the requisite principal amount of the Outstanding Notes have given any request, demand, authorization, direction, notice, consent or waiver hereunder, Notes owned by the Issuer or its Subsidiaries shall be disregarded and deemed not to be Outstanding, except that, in determining whether the Trustee and/or the Principal Paying Agent, as the case may be, shall be protected in relying upon any such request, demand, authorization, direction, notice, consent or waiver, only Notes which a Responsible Officer of the Trustee and/or the Principal Paying Agent, as the case may be, actually knows to be so owned shall be so disregarded. Notes so owned which have been pledged in good faith may be regarded as Outstanding if the pledgee establishes to the reasonable satisfaction of the Trustee and/or the Principal Paying Agent, as the case may be, the pledgee's right so to act with respect to such Notes and that the pledgee is not either of the Issuer or its Subsidiaries.

"*Permitted Liens*" means the following types of Liens:

(1) Liens for taxes, assessments or governmental charges or claims either (a) not delinquent (taking into account all available extensions) or (b) contested in good faith by appropriate proceedings and as to which

the Issuer or its Subsidiaries shall have set aside on its books such reserves to the extent required pursuant to IFRS;

(2) statutory Liens of landlords and Liens of carriers, warehousemen, mechanics, suppliers, materialmen, repairmen and other Liens imposed by law or pursuant to customary reservations or retentions of title Incurred in the ordinary course of business for sums not yet delinquent or being contested in good faith, if such reserve or other appropriate provision, if any, to the extent required by IFRS shall have been made in respect thereof;

(3) Liens Incurred or deposits made in the ordinary course of business in connection with workers' compensation, unemployment insurance and other types of social security, or to secure public or statutory obligations, the performance of tenders, statutory obligations, surety and/or appeal bonds, bids, leases, government contracts, performance and return-of-money bonds and other similar obligations (exclusive of obligations for the payment of borrowed money), including any Lien securing letters of credit issued in the ordinary course of business in connection therewith;

(4) any judgment Lien not giving rise to an Event of Default;

(5) easements, rights-of-way, zoning restrictions and other similar charges or encumbrances in respect of real Property not interfering in any material respect with the ordinary conduct of the business of the Issuer or any of its Subsidiaries;

(6) any interest or title of a lessor under any Capitalized Lease Obligation provided that such Liens do not extend to any Property or assets which are not leased Property subject to such Capitalized Lease Obligation;

(7) Liens granted upon or with respect to any assets hereafter acquired by the Issuer or any Subsidiary to secure the acquisition costs of such assets or to secure Indebtedness incurred solely for the purpose of financing the acquisition of such assets, including any Lien existing at the time of the acquisition of such assets as long as the maximum amount so secured shall not exceed the aggregate acquisition costs of all such assets or the aggregate Indebtedness incurred solely for the acquisition of such assets, as the case may be;

(8) Liens upon specific items of inventory or other goods and proceeds of any Person securing such Person's obligations in respect of bankers' acceptances issued or created for the account of such Person to facilitate the purchase, shipment or storage of such inventory or other goods;

(9) Liens securing reimbursement obligations with respect to commercial letters of credit which encumber documents and other Property relating to such letters of credit and products and proceeds thereof;

(10) Liens arising in the ordinary course of business in connection with Indebtedness maturing not more than one year after the date on which such Indebtedness was originally incurred and which are related to the financing of export, import or other trade transactions;

(11) Liens encumbering deposits made to secure obligations arising from statutory, regulatory, contractual, or warranty requirements of the Issuer or any of its Subsidiaries, including rights of offset and set-off;

(12) Liens securing Hedging Obligations otherwise permitted under the Indenture;

(13) Liens existing on any asset or on any stock of any Subsidiary prior to the acquisition thereof by the Issuer or any Subsidiary as long as such Lien is not created in anticipation of such acquisition;

(14) Liens existing as of the Issue Date;

(15) Liens securing the Notes and all other monetary obligations under the Indenture;

(16) Liens in favor of the Issuer or any Subsidiary of the Issuer;

(17) Liens on property of a Person existing at the time such Person is merged with or into or consolidated with the Issuer or any Subsidiary of the Issuer or becomes a Subsidiary of the Issuer; provided that such Liens were in existence prior to the contemplation of such merger or consolidation and do not extend to any other assets owned by the Issuer or the Subsidiary of the Issuer;

(18) Liens in favor of customs and revenue authorities arising as a matter of law to secure payment of customs duties in connection with the importation of goods or other Liens on inventory and goods to facilitate the purchase, shipment, or storage of such inventory or goods;

(19) Liens on assets that are the subject of a Sale and Lease-Back Transaction;

(20) Liens arising by operation of law;

(21) Liens arising solely by virtue of any statutory or common law provisions relating to banker's Liens, rights of set-off or similar rights and remedies as to deposit accounts or other funds maintained with a depositary institution;

(22) Liens on the receivables or inventory of the Issuer or any Subsidiary of the Issuer securing obligations under or in connection with any lines of credit or working capital facilities;

(23) leases, licenses, subleases or sublicenses granted to others in the ordinary course of business that do not interfere in any material respect with the business of the Issuer and its Subsidiaries;

(24) Liens in favor of the Venezuelan government or any agency or instrumentality thereof to secure payments under any agreement entered into between such entity and the Issuer or a Subsidiary of the Issuer;

(25) Liens to secure obligations of the Issuer or a Subsidiary of the Issuer under agreements that provide for indemnification, adjustment of purchase price or similar obligations, in each case, incurred in connection with the disposition of any business, assets or Subsidiary; provided that the maximum aggregate liability in respect of all such Liens will at no time exceed the gross proceeds actually received by the Issuer and the Subsidiary of the Issuer in connection with such disposition;

(26) Lien over any Qualifying Asset relating to a project financed by, and securing Indebtedness incurred in connection with, the Project Financing of such project by the Issuer, any of the Issuer's Subsidiaries or any consortium or other venture in which the Issuer has any ownership or similar interest; and

(27) Lien in respect of Indebtedness the principal amount of which in the aggregate, together with all Liens not otherwise qualifying as the Issuer's Permitted Liens pursuant to this definition, does not exceed 15% of the Issuer's consolidated total assets (as determined in accordance with IFRS) at any date as at which the Issuer's balance sheet is prepared and published as provided herein.

"*Person*" means an individual, partnership, corporation, limited liability company, unincorporated organization, trust or joint venture, or a governmental agency or political subdivision thereof.

"*Project Financing*" of any project means the incurrence of Indebtedness relating to the exploration, development, expansion, renovation, upgrade or other modification or construction of such project pursuant to which the providers of such Indebtedness or any trustee or other intermediary on their behalf or beneficiaries designated by any such provider, trustee or other intermediary are granted security over one or more Qualifying Assets relating to such project for repayment of principal, premium and interest or any other amount in respect of such Indebtedness.

"*Qualifying Asset*" in relation to any Project Financing means:

- any concession, authorization or other legal right granted by any governmental authority to the Issuer or any of the Issuer's subsidiaries, or any consortium or other venture in which the Issuer or any subsidiary has any ownership or other similar interest;

- any drilling or other rig, any drilling or production platform, pipeline, marine vessel, vehicle or other equipment or any refinery, oil or gas field, processing plant, real property (whether leased or owned), right of way or plant or other fixtures or equipment;

- any revenues or claims that arise from the operation, failure to meet specifications, failure to complete, exploitation, sale, loss or damage to, such concession, authorization or other legal right or such drilling or other rig, drilling or production platform, pipeline, marine vessel, vehicle or other equipment or refinery, oil or gas field, processing plant, real property, right of way, plant or other fixtures or equipment or any contract or agreement relating to any of the foregoing or the project financing of any of the foregoing (including insurance policies, credit support arrangements and other similar contracts) or any rights under any performance bond, letter of credit or similar instrument issued in connection therewith;

- any oil, gas, petrochemical or other hydrocarbon-based products produced or processed by such project, including any receivables or contract rights arising therefrom or relating thereto and any such product (and such receivables or contract rights) produced or processed by other projects, fields or assets to which the lenders providing the project financing required, as a condition therefore, recourse as security in addition to that produced or processed by such project; and

- shares, rights or other ownership interest in, and any subordinated debt rights owing to the Issuer by, a special purpose company or vehicle formed solely for the development of a project, and whose principal assets and business are constituted by such project and whose liabilities solely relate to such project.

"*Reference Treasury Dealer*" means a primary U.S. government securities dealer in New York City, New York designated by the Issuer.

"Reference Treasury Dealer Quotations" means, with respect to each Reference Treasury Dealer and any redemption date, the average, as determined by the Independent Financial Advisor, of the bid and asked prices for the Comparable Treasury Issue (expressed in each case as a percentage of its principal amount) quoted in writing to the Independent Financial Advisor at 5:00 p.m., New York City, New York time, on the third Business Day preceding such redemption date.

"Relevant Taxing Jurisdiction" has the meaning set forth under *"—Additional Amounts."*

"Responsible Officer" means, with respect to the Trustee or the Principal Paying Agent, any officer within the corporate trust office of the Trustee or the Principal Paying Agent, respectively, with direct responsibility for the administration of this Indenture and also, with respect to a particular matter, any other officer to whom such matter is referred because of such officer's knowledge of and familiarity with the particular subject.

"*Sale and Lease-Back Transaction*" means any direct or indirect arrangement relating to Property now owned or hereafter acquired whereby the Issuer or a Subsidiary of the Issuer transfers such Property to another Person and the Issuer or a Subsidiary of the Issuer leases it from such Person.

"Securities Act" means the Securities Act of 1933, as amended, and the rules and regulations of the SEC promulgated thereunder.

"*Significant Subsidiary*" means any Subsidiary of the Issuer that would be a "Significant Subsidiary" of the Issuer within the meaning of Rule 1-02 under Regulation S-X promulgated by the SEC.

"Subsidiary" with respect to any Person, means:

(1) any corporation of which the outstanding Capital Stock having at least a majority of the votes entitled to be cast in the election of directors under ordinary circumstances shall at the time be Beneficially Owned by such Person; or

(2) any other Person of which at least a majority of the voting interest under ordinary circumstances is at the time Beneficially Owned by such Person.

"*Taxes*" has the meaning set forth under "—Additional Amounts."

"*Treasury Rate*" means, with respect to the redemption date, (1) the yield, under the heading which represents the average for the immediately preceding week, appearing in the most recently published statistical release designated "H.15(519)" or any successor publication which is published weekly by the Board of Governors of the Federal Reserve System and which establishes yields on actively traded United States Treasury securities adjusted to constant maturity under "Treasury Constant Maturities," for the maturity corresponding to the Comparable Treasury Issue (if no maturity is within three months before or after the Remaining Life, yields for the two published maturities most closely corresponding to the Comparable Treasury Issue will be determined and the Treasury Rate will be interpolated or extrapolated from such yields on a straight line basis, rounding to the nearest month) or (2) if such release (or any successor release) is not published during the week preceding the redemption date or does not contain such yields, the rate per annum equal to the semi-annual equivalent yield-to-maturity of the Comparable Treasury Issue, calculated using a price for the Comparable Treasury Issue (expressed as a percentage of its principal amount) equal to the Comparable Treasury Price of the redemption date. The Treasury Rate will be calculated on the third Business Day preceding the redemption date.

"*U.S. Dollar Equivalent*" means, with respect to any monetary amount in a currency other than U.S. dollars, at any time of determination thereof, the amount of U.S. dollars obtained by translating such other currency involved in such computation into U.S. dollars at the spot rate for the purchase of U.S. dollars with the applicable other currency as published in U.S. dollars on the date that is two Business Days prior to the date of such determination; provided that the exchange rate published by the *Banco Central de Venezuela* in the Venezuelan Federal Official Gazette, as the exchange rate for satisfaction of foreign currency denominated obligations in effect on the relevant date, will be used for any such translation of Venezuelan Bolívares into U.S. dollars. Notwithstanding any other provision of the Indenture, no specified amount of U.S. dollars shall be deemed to be exceeded due solely to the result of fluctuations in the exchange rates of currencies.

"*Venezuela*" means the Bolivarian Republic of Venezuela.

Book-Entry; Delivery and Form

The Notes are being offered and sold in connection with the initial offering thereof solely to "qualified institutional buyers," as that term is defined in Rule 144A under the Securities Act, pursuant to Rule 144A, and in offshore transactions to persons other than "U.S. Persons," as defined in Regulation S under the Securities Act, in reliance on Regulation S. Following the initial offering of the Notes, the Notes may be resold to qualified institutional buyers pursuant to Rule 144A, non-U.S. Persons in offshore transactions in reliance on Regulation S, and pursuant to Rule 144 under the Securities Act, as described under "Transfer Restrictions."

The Global Notes

Rule 144A Global Note

Notes offered and sold to qualified institutional buyers pursuant to Rule 144A (the "*Rule 144A Notes*") will initially be issued in the form of one or more registered notes in global form (the "*Rule 144A Global Note*"), without interest coupons. The Rule 144A Global Note will be deposited on the date of the closing of the sale of the Rule 144A Notes with, or on behalf of, The Depository Trust Company, or "DTC," and registered in the name of Cede & Co., as nominee of DTC, and will remain in the custody of Citibank, N.A., as custodian pursuant to the FAST Balance Certificate Agreement between DTC and Citibank, N.A., as custodian. Interests in the Rule 144A Global Note will be available for purchase only by qualified institutional buyers.

Regulation S Global Note

Notes offered and sold in offshore transactions to non-U.S. Persons in reliance on Regulation S under the Securities Act (the "*Regulation S Notes*") will initially be issued in the form of one or more registered notes in global form (the "*Regulation S Global Note*"), without interest coupons. The Regulation S Global Note will be deposited upon issuance with, or on behalf of, a custodian for DTC in the manner described in the preceding paragraph for credit to the respective accounts of the purchasers, or to such other accounts as they may direct, at Euroclear Bank S.A./N.V., as operator of the Euroclear System ("*Euroclear*") or Clearstream Banking, *société anonyme* ("*Clearstream*") as participants in DTC.

Investors will hold their interests in the Regulation S Global Notes through Euroclear or Clearstream, if they are participants in either such system, or directly through organizations that are participants therein. Euroclear and Clearstream will hold interests in the Regulation S Global Notes on behalf of their participants through clients' securities accounts in their respective names in the books of their respective depositaries. Such depositaries, in turn, will hold such interests in the Regulation S Global Note in customers' securities accounts in the depositaries' names on the books of DTC.

Except as set forth below, the Rule 144A Global Note and the Regulation S Global Note, collectively referred to in this section as the "global notes," may be transferred, in whole and not in part, solely to another nominee of DTC or to a successor of DTC or its nominee.

A beneficial interest in the Regulation S Global Note may be transferred to a Person who wishes to hold such beneficial interest through the Rule 144A Global Note only upon receipt by the Principal Paying Agent of a written certification of the transferee (a "Rule 144A certificate") to the effect that such transferee is a qualified institutional buyer within the meaning of Rule 144A under the Securities Act in a transaction meeting the requirements of Rule 144A.

A beneficial interest in a Regulation S Global Note may be transferred to a Person who wishes to hold such beneficial interest in the form of a certificated note only upon receipt by the Principal Paying Agent of a Rule 144A certificate of the transferee.

A beneficial interest in the Rule 144A Global Note may be transferred to a Person who wishes to hold such beneficial interest through the Regulation S Global Note only upon receipt by the Principal Paying Agent of a written certification of the transferor (a "Regulation S certificate") to the effect that such transfer is being made in compliance with Regulation S under the Securities Act.

A beneficial interest in the Rule 144A Global Note may be transferred to a Person who wishes to hold such beneficial interest in the form of a certificated note only upon receipt by the Principal Paying Agent of (x) a Rule 144A certificate of the transferee or (y) a Regulation S certificate of the transferor.

The restrictions on transfer described in the preceding four paragraphs will not apply (1) to Notes sold pursuant to a registration statement under the Securities Act or to exchange notes or (2) after such time (if any) as PDVSA determines and instructs the Principal Paying Agent that the Notes are eligible for resale pursuant to Rule 144 under the Securities Act without the need for current public information. There is no assurance that the Notes will become eligible for resale pursuant to Rule 144.

Any beneficial interest in one global note that is transferred to a Person who takes delivery in the form of an interest in another global note will, upon transfer, cease to be an interest in such global note and become an interest in the other global note and, accordingly, will thereafter be subject to all transfer restrictions applicable to beneficial interests in such other global note for as long as it remains such an interest.

PDVSA will apply to DTC for acceptance of the global notes in its book-entry settlement system.

The following description of the operations and procedures of DTC, Euroclear and Clearstream are provided solely as a matter of convenience. These operations and procedures are solely within the control of the

respective settlement systems and are subject to changes by them. Neither the Issuer nor the Structuring Agents take responsibility for these operations and procedures and urge holders to contact the system or their participants directly to discuss these matters.

DTC, Euroclear and Clearstream have advised the Issuer as follows:

DTC. DTC is (i) a limited purpose trust company organized under the laws of the State of New York, (ii) a "banking organization" within the meaning of the New York Banking Law, (iii) a member of the Federal Reserve System, (iv) a "clearing corporation" within the meaning of the Uniform Commercial Code, as amended, and (v) a "clearing agency" registered pursuant to Section 17A of the Exchange Act. DTC was created to hold securities for its participants and facilitates the clearance and settlement of securities transactions between participants through electronic book-entry changes to the accounts of its participants, thereby eliminating the need for physical transfer and delivery of certificates. DTC's participants include securities brokers and dealers (including the Structuring Agents), banks and trust companies, clearing corporations and certain other organizations. Indirect access to DTC's system is also available to other entities such as banks, brokers, dealers and trust companies, or indirect participants that clear through or maintain a custodial relationship with a participant, either directly or indirectly. Investors who are not participants may beneficially own securities held by or on behalf of DTC only through participants or indirect participants.

Euroclear. Euroclear Bank holds securities for its participants and clears and settles transactions between its participants through simultaneous electronic book-entry delivery against payment. Euroclear Bank provides various other services, including safekeeping, administration, clearance and settlement and securities lending and borrowing, and interfaces with domestic markets in several countries. Securities clearance accounts and cash accounts with Euroclear Bank are governed by the Terms and Conditions Governing Use of Euroclear and the related Operating Procedures of the Euroclear System, and applicable law (collectively, the "Euroclear Terms and Conditions"). The Euroclear Terms and Conditions govern transfers of securities and cash within Euroclear, withdrawals of securities and cash from Euroclear, and receipts of payments with respect to securities in Euroclear.

Clearstream. Clearstream is incorporated under the laws of The Grand Duchy of Luxembourg as a professional depositary. Clearstream holds securities for its participants and facilitates the clearance and settlement of securities transactions between its participants through electronic book-entry changes in accounts of its participants, thereby eliminating the need for physical movement of certificates. Clearstream provides to its participants, among other things, services for safekeeping, administration, clearance and settlement of internationally traded securities and securities lending and borrowing. Clearstream interfaces with domestic markets in several countries.

We expect that pursuant to procedures established by DTC (i) upon deposit of each global note, DTC will credit the accounts of participants designated by the Structuring Agents with an interest in the global note and (ii) ownership of the Notes will be shown on, and the transfer of ownership thereof will be effected only through, records maintained by DTC (with respect to the interests of participants) and the records of participants and the indirect participants (with respect to the interests of persons other than participants).

The laws of some jurisdictions may require that certain purchasers of securities take physical delivery of such securities in definitive form. Accordingly, the ability to transfer interests in the Notes represented by a global note to such persons may be limited. In addition, because DTC can act only on behalf of its participants, who in turn act on behalf of persons who hold interests through participants, the ability of a person having an interest in Notes represented by a global note to pledge or transfer such interest to persons or entities that do not participate in DTC's system, or to otherwise take actions in respect of such interest, may be affected by the lack of a physical definitive security in respect of such interest.

So long as DTC or its nominee is the registered owner of a global note, DTC or such nominee, as the case may be, will be considered the sole owner or holder of the Notes represented by the global note for all purposes under the Indenture. Except as provided below, owners of beneficial interests in respect of a global note will not be entitled to have Notes represented by such global note registered in their names, will not receive or be entitled to receive physical delivery of certificated notes, and will not be considered the owners or holders thereof under the Indenture for any purpose, including with respect to the giving of any direction, instruction or approval to the

Trustee or the Principal Paying Agent thereunder. Accordingly, each holder owning a beneficial interest in respect of a global note must rely on the procedures of DTC and, if such holder is not a participant or an indirect participant, on the procedures of the participant through which such holder owns its interest, to exercise any rights of a holder of Notes under the Indenture or such global note. We understand that under existing industry practice, in the event that we request any action of holders of Notes, or a holder that is an owner of a beneficial interest in respect of a global note desires to take any action that DTC, as the holder of such global note, is entitled to take, DTC would authorize the participants to take such action and the participants would authorize holders owning through such participants to take such action or would otherwise act upon the instruction of such holders. Neither we, the Trustee, the Principal Paying Agent or any paying agent, security registrar or transfer agent will have any responsibility or liability for any aspect of the records relating to or payments made on account of Notes by DTC, or for maintaining, supervising or reviewing any records of DTC relating to such Notes.

Subject to the transfer restrictions set forth under "Transfer Restrictions," transfers between participants in DTC will be effected in accordance with DTC's procedures, and will be settled in same-day funds and transfers between participants in Euroclear and Clearstream will be effected in accordance with their respective rules and operating procedures.

Payments on the Notes

Payments on the Notes will be made in U.S. dollars.

Payments of principal and interest under each global note will be made to DTC's nominee as the registered owner of such global note. PDVSA expects that the nominee, upon receipt of any such payment, will immediately credit DTC participants' accounts with payments proportional to their respective beneficial interests in the principal amount of the relevant global note as shown on the records of DTC. PDVSA also expects that payments by DTC participants to owners of beneficial interests will be governed by standing instructions and customary practices, as is now the case with securities held for the accounts of customers registered in the names of nominees for such customers. Such payments will be the responsibility of such participants, and none of PDVSA, the Trustee, the Principal Paying Agent, the custodian or any paying agent or registrar will have any responsibility or liability for any aspect of the records relating to or payments made on account of beneficial interests in any global note or for maintaining or reviewing any records relating to such beneficial interests.

Certificated Notes

A certificated note may be transferred to a Person who wishes to hold a beneficial interest in the Rule 144A Global Note only upon receipt by the Principal Paying Agent of a Rule 144A certificate of the transferee. A certificated note may be transferred to a Person who wishes to hold a beneficial interest in the Regulation S Global Note only upon receipt by the Principal Paying Agent of a Regulation S certificate of the transferor. A certificated note may be transferred to a Person who wishes to hold a certificated note only upon receipt by the Principal Paying Agent of (x) a Rule 144A certificate of the transferee or (y) a Regulation S certificate of the transferor. The restrictions on transfer described in this paragraph will not apply (1) to Notes sold pursuant to a registration statement under the Securities Act or to exchange notes or (2) after such time (if any) as PDVSA determines and instructs the Principal Paying Agent that the Notes are eligible for resale pursuant to Rule 144 under the Securities Act without the need for current public information. There is no assurance that the Notes will become eligible for resale pursuant to Rule 144. Notwithstanding the foregoing, certificated notes that do not bear the restricted legend set forth under "Transfer Restrictions" will not be subject to the restrictions described above applicable to transfers to Persons who will hold in the form of beneficial interests in the Regulation S Global Note or certificated notes.

If DTC notifies PDVSA that it is unwilling or unable to continue as depositary for a global note and a successor depositary is not appointed by PDVSA within 90 days of such notice, or an Event of Default has occurred and the Principal Paying Agent has received a request from DTC, the Principal Paying Agent will exchange each beneficial interest in that global note for one or more certificated notes registered in the name of the owner of such beneficial interest, as identified by DTC. Any such certificated note issued in exchange for a beneficial interest in the Rule 144A Global Note or the Regulation S Global Note will bear the restricted legend set forth under "Transfer Restrictions" and accordingly will be subject to the restrictions on transfer applicable to certificated notes bearing such restricted legend.

Same Day Settlement and Payment

The Indenture will require that payments in respect of the Notes represented by the global notes be made by wire transfer of immediately available funds to the accounts specified by holders of the global notes. With respect to Notes in certificated form, PDVSA will make all payments by wire transfer of immediately available funds to the accounts specified by the holders thereof or, if no such account is specified, by mailing a check to each holder's registered address.

The Notes represented by the global notes are expected to be eligible to trade in DTC's Same-Day Funds Settlement System, and any permitted secondary market trading activity in such Notes will, therefore, be required by DTC to be settled in immediately available funds. PDVSA expects that secondary trading in any certificated notes will also be settled in immediately available funds.

STRUCTURING AGENTS

We have entered into a Structuring Agent Agreement dated November 8, 2013, or the Structuring Agent Agreement, among us and the Structuring Agents, pursuant to which we have retained the Structuring Agents to act on our behalf as structuring agents in connection with the offering of the Notes. The Structuring Agents' obligations pursuant to the Structuring Agent Agreement will terminate upon the initial distribution of the Notes. The Notes are new securities for which there currently is no market.

We will agree to indemnify the Structuring Agents against certain liabilities, including liabilities under the Securities Act, or to contribute to payments that the Structuring Agents may be required to make in respect of those liabilities.

The Notes have not been registered under the Securities Act and may not be offered or sold in the United States or to, or for the account or benefit of, U.S. Persons except to qualified institutional buyers in reliance on Rule 144A under the Securities Act and to persons in offshore transactions in reliance on Regulation S under the Securities Act. The Structuring Agents propose to solicit offers of the Notes in transactions not requiring registration under the Securities Act or applicable state securities laws pursuant to Rule 144A and Regulation S. Terms used in this paragraph have the meanings given to them by Regulation S under the Securities Act. Resales of the Notes are restricted as described under "Transfer Restrictions."

In addition, until 40 days after the date that PDVSA notifies the Trustee and the Principal Paying Agent that PDVSA and any of its affiliates have completed the distribution of the Notes, which date shall be no later than March 31, 2014, an offer or sale of Notes within the United States by a broker/dealer (whether or not it is participating in the offering) may violate the registration requirements of the Securities Act if such offer or sale is made otherwise than pursuant to Rule 144A.

In the ordinary course of its business, the Structuring Agents and certain of their respective affiliates have in the past and may in the future engage in investment banking or other transactions of a financial nature with PDVSA, including the provision of certain advisory services, for which they have received customary compensation.

Investors in the Notes may be required to pay stamp taxes and other charges in accordance with the laws and practices of the country of purchase in addition to the offering price of the Notes so purchased.

None of the Structuring Agents is obligated to facilitate trading in the Notes and any such activities, if commenced, may be discontinued at any time, for any reason, without notice. If the Structuring Agents do not facilitate trading in the Notes for any reason, there can be no assurance that another firm or person will do so.

A portion of the Notes will be offered to certain of PDVSA's suppliers and vendors in satisfaction of accounts payable owed by PDVSA to them. Such Notes will be offered to such suppliers directly by PDVSA outside of the scope of the Structuring Agent Agreement without the involvement of the Structuring Agents. See "*Use of Proceeds*" for further information regarding such offers.

Notice to Prospective investors in Venezuela

On January 8, 2010, the Venezuelan government, through the Ministry of Finance and the Central Bank, enacted Foreign Exchange Agreement No. 14, which established a dual exchange rate regime (*Convenio Cambiario No. 14*) which was in place throughout 2010. As of January 11, 2010, the dual exchange rate regime established an exchange rate of Bs.2.60 to $1 for essential goods, including food, health, imports of machinery and equipment, science and technology, as well as all non-petroleum public sector transactions and other special cases. The exchange rate for all other transactions was set at Bs.4.30 to $1. This dual exchange rate regime abrogated Foreign Exchange Agreement No. 2 from March 1, 2005, which established a single exchange rate for all transactions of Bs.2.15 to $1.

Subsequently, the Ministry of Finance and the Central Bank enacted Foreign Exchange Agreement No. 18, dated as of June 1, 2010 (*Convenio Cambiario No. 18*), under which the Central Bank was vested with the authority

to regulate the transaction in Bolívares of securities denominated in foreign currency issued or to be issued by Venezuela and other entities owned directly or indirectly by Venezuela.

On December 30, 2010, the Venezuelan government, through the Ministry of Finance and the Central Bank, enacted an amendment to the Foreign Exchange Agreement No. 14 (*Convenio Cambiario No. 14*), effective as of January 1, 2011, which abrogated the multiple official exchange rates regime in effect since January 2010, establishing a single official fixed exchange rate. Pursuant to such amendment to the Foreign Exchange Agreement No. 14, the single official exchange rate was fixed, for all purposes, at Bs.4.30/$1 for the sale of foreign currency and at Bs.4.2893/$1 for the purchase of foreign currency.

On February 8, 2013 the Ministry of Finance and the Central Bank enacted an amendment of the Foreign Exchange Agreement No. 14 (*Convenio Cambiario No. 14*), effective as of February 13, 2013. Pursuant to this amendment the official exchange rate was fixed at Bs. 6.30/$1 for the sale of foreign currency, and Bs. 6.2842/$1 for the purchase of foreign currency.

The purchase and sale of the Notes in the secondary market in Venezuela in transactions payable in Bolívares by individuals and legal entities domiciled in Venezuela can occur only through universal banks and microfinance banks acting through the SICAD unless otherwise authorized by the Central Bank, in accordance with the terms and conditions set forth by the Central Bank in its instruction manuals and procedures pursuant to the Resolution No.13-07-01 published in the Official Gazette No. 40,201 dated July 04, 2013 and the Exchange Control Agreement No. 22 dated July 02, 2013 and published in the Official Gazette No. 40,199 dated July 02, 2013.

These regulations do not apply to the purchase and sale of notes effected in the international markets.

In the future, the Notes might be sold in Venezuela in the Public Securities Exchange (*Bolsa Pública de Valores Bicentenaria*), created pursuant to the Public Securities Exchange Law (*Ley de la Bolsa Pública de Valores Bicentenaria*) published in the Special Official Gazette No. 5,999 dated November 13, 2010 and its General Rules (*Reglamento General de la Bolsa Pública de Valores Bicentenaria*) published in the Official Gazette No. 39,566 dated December 3, 2010, as amended by Official Gazette No. 39,659 dated April 25, 2011, in accordance with the procedures and subject to the terms and conditions established in the Rules relating to the Registration, Negotiation and Settlement of Securities in the Public Securities Exchange (*Reglamento de Inscripción, Negociación y Liquidación de Valores en la Bolsa Pública de Valores Bicentenaria*) issued by the Venezuelan Superintendency of Securities (*Superintendencia Nacional de Valores*) and published in the Official Gazette No. 39,600 dated January 24, 2011.

Notice to Prospective Investors in the European Economic Area

In relation to each member state of the European Economic Area that has implemented the Prospectus Directive (each, a relevant member state), with effect from and including the date on which the Prospectus Directive is implemented in that relevant member state (the relevant implementation date), an offer of notes described in these listing particulars may not be made to the public in that relevant member state other than:

- to any legal entity which is a qualified investor as defined in the Prospectus Directive;
- to fewer than 100 or, if the relevant member state has implemented the relevant provision of the 2010 PD Amending Directive, 150 natural or legal persons (other than qualified investors as defined in the Prospectus Directive), as permitted under the Prospectus Directive, subject to obtaining the prior consent of the relevant Dealer or Dealers nominated by us for any such offer; or
- in any other circumstances falling within Article 3(2) of the Prospectus Directive,
- provided that no such offer of securities shall require us or any underwriter to publish a prospectus pursuant to Article 3 of the Prospectus Directive.

For purposes of this provision, the expression an “offer of securities to the public” in any relevant member state means the communication in any form and by any means of sufficient information on the terms of the offer and the securities to be offered so as to enable an investor to decide to purchase or subscribe for the securities, as the expression may be varied in that member state by any measure implementing the Prospectus Directive in that member state, and the expression “Prospectus Directive" means Directive 2003/71/EC (and amendments thereto, including the 2010 PD Amending Directive, to the extent implemented in the relevant member state) and includes any relevant implementing measure in each relevant member state. The expression 2010 PD Amending Directive means Directive 2010/73/EU.

The sellers of the notes have not authorized and do not authorize the making of any offer of notes through any financial intermediary on their behalf, other than offers made by the Structuring Agents with a view to the final placement of the notes as contemplated in these listing particulars. Accordingly, no purchaser of the notes, other than the Structuring Agents, is authorized to make any further offer of the notes on behalf of the sellers or the Structuring Agents.

Notice to Prospective Investors in the United Kingdom

These listing particulars are only being distributed to, and is only directed at, persons in the United Kingdom that are qualified investors within the meaning of Article 2(1)(e) of the Prospectus Directive that are also (i) investment professionals falling within Article 19(5) of the Financial Services and Markets Act 2000 (Financial Promotion) Order 2005 (the “Order”) or (ii) high net worth entities, and other persons to whom it may lawfully be communicated, falling within Article 49(2)(a) to (d) of the Order (each such person being referred to as a “relevant person”). These listing particulars and its contents are confidential and should not be distributed, published or reproduced (in whole or in part) or disclosed by recipients to any other persons in the United Kingdom. Any person in the United Kingdom that is not a relevant person should not act or rely on this document or any of its contents.

TRANSFER RESTRICTIONS

The Notes have not been registered under the Securities Act and may not be offered or sold within the U.S. or to, or for the account or benefit of, U.S. Persons except pursuant to an exemption from, or in a transaction not subject to, the registration requirement of the Securities Act. Accordingly, the Notes are being offered and sold only (1) to "qualified institutional buyers" (as defined in Rule 144A under the Securities Act) ("QIBs") in compliance with Rule 144A and (2) outside the United States to persons other than U.S. Persons in reliance upon Regulation S under the Securities Act.

The Notes are subject to restrictions on transfer as summarized below. By purchasing the Notes in a sale made in reliance on Rule 144A or Regulation S, each investor will be deemed to have made the following acknowledgements and representations to and agreements with the Issuer and the Structuring Agents (terms used in this paragraph that are defined in Rule 144A or Regulation S under the Securities Act are used herein as defined therein):

(1) Each investor represents that it (A) (i) is a qualified institutional buyer, (ii) is aware that the sale to it is being made in reliance on Rule 144A and (iii) is acquiring the Notes for its own account or for the account of a qualified institutional buyer or (B) is not a U.S. Person (as defined in Regulation S) or purchasing for the account or benefit of a U.S. Person, other than a distributor, and such investor is purchasing the Notes in an off-shore transaction in accordance with Regulation S.

(2) Each investor understands that the Notes are being offered in a transaction not involving any public offering in the United States within the meaning of the Securities Act, that the Notes have not been and will not be registered under the Securities Act and that (A) if in the future it decides to offer, resell, pledge or otherwise transfer any of the Notes, such Notes may be offered, resold, pledged or otherwise transferred only (i) to PDVSA or any of its subsidiaries (ii) pursuant to an effective registration statement under the Securities Act, (iii) to a QIB in compliance with Rule 144A, (iv) outside the U.S. in compliance with Rule 904 under the Securities Act, or (v) pursuant to the exemption from registration provided by Rule 144 under the Securities Act (if available) or any other available exemption from registration under the Securities Act, and that (B) the investor will, and each subsequent holder is required to, notify any subsequent investor that purchases the Notes from it of the resale restrictions referred to in (A) above.

(3) Each investor acknowledges that none of the Issuer, the Structuring Agents, the Trustee, the Principal Paying Agent nor any person representing the Issuer, the Structuring Agents, the Trustee or the Principal Paying Agent has made any representation to such investor with respect to the Issuer or the offering of the Notes, other than the information contained in these listing particulars. The investor represents that it is relying only on these listing particulars in making its investment decision with respect to the Notes as it has deemed necessary in connection with its decision to purchase the Notes, including an opportunity to ask questions and request information from the Issuer.

(4) Each investor represents that it is purchasing the Notes for its own account, or for one or more other investor's accounts for which it is acting as a fiduciary or agent, in each case not with a view to, or for offer or sale in connection with, any distribution of the Notes in violation of the Securities Act, subject to any requirement of law that the disposition of the investor's property or the property of that other investor's account or accounts be at all times within its or their control and subject to its or their ability to resell the Notes pursuant to any available exemption from registration under the Securities Act.

(5) Each investor understands that the Notes (other than those issued to investors purchasing Notes in reliance on Regulation S) will, until the expiration of the one year period following the date that PDVSA notifies the Trustee and the Principal Paying Agent that PDVSA and any of its affiliates have completed the distribution of the Notes, which date shall be no later than March 31, 2014, unless otherwise agreed by us, bear a legend substantially to the following effect:

> THIS NOTE HAS NOT BEEN REGISTERED UNDER THE SECURITIES ACT OF 1933, AS AMENDED (THE "SECURITIES ACT"), AND MAY NOT BE OFFERED, SOLD, PLEDGED OR OTHERWISE TRANSFERRED EXCEPT IN ACCORDANCE WITH THE FOLLOWING SENTENCE. BY ITS ACQUISITION HEREOF OR OF A BENEFICIAL INTEREST HEREIN, THE ACQUIRER

(1) REPRESENTS THAT:

(A) IT AND ANY ACCOUNT FOR WHICH IT IS ACTING IS A "QUALIFIED INSTITUTIONAL BUYER" (WITHIN THE MEANING OF RULE 144A UNDER THE SECURITIES ACT) AND THAT IT EXERCISES SOLE INVESTMENT DISCRETION WITH RESPECT TO EACH SUCH ACCOUNT OR

(B) IT IS NOT A UNITED STATES PERSON (WITHIN THE MEANING OF REGULATION S UNDER THE SECURITIES ACT); AND

(2) AGREES FOR THE BENEFIT OF THE COMPANY THAT IT WILL NOT OFFER, SELL, PLEDGE OR OTHERWISE TRANSFER THIS NOTE OR ANY BENEFICIAL INTEREST HEREIN, EXCEPT IN ACCORDANCE WITH THE SECURITIES ACT AND ANY APPLICABLE SECURITIES LAWS OF ANY STATE OF THE UNITED STATES AND ONLY:

(A) TO PETROLEOS DE VENEZUELA, S.A. OR ANY OF ITS SUBSIDIARIES,

(B) PURSUANT TO A REGISTRATION STATEMENT WHICH HAS BECOME EFFECTIVE UNDER THE SECURITIES ACT,

(C) TO A QUALIFIED INSTITUTIONAL BUYER IN COMPLIANCE WITH RULE 144A UNDER THE SECURITIES ACT,

(D) IN AN OFFSHORE TRANSACTION IN COMPLIANCE WITH RULE 904 OF REGULATION S UNDER THE SECURITIES ACT, OR

(E) PURSUANT TO AN EXEMPTION FROM REGISTRATION PROVIDED BY RULE 144 UNDER THE SECURITIES ACT OR ANY OTHER AVAILABLE EXEMPTION FROM THE REGISTRATION REQUIREMENTS OF THE SECURITIES ACT.

PRIOR TO THE REGISTRATION OF ANY TRANSFER IN ACCORDANCE WITH (2)(C) ABOVE OR (2)(D) ABOVE, A DULY COMPLETED AND SIGNED CERTIFICATE (THE FORM OF WHICH MAY BE OBTAINED FROM THE PRINCIPAL PAYING AGENT) MUST BE DELIVERED TO THE PRINCIPAL PAYING AGENT. PRIOR TO THE REGISTRATION OF ANY TRANSFER IN ACCORDANCE WITH (2)(E) ABOVE, THE COMPANY RESERVES THE RIGHT TO REQUIRE THE DELIVERY OF SUCH LEGAL OPINIONS, CERTIFICATIONS OR OTHER EVIDENCE AS MAY REASONABLY BE REQUIRED IN ORDER TO DETERMINE THAT THE PROPOSED TRANSFER IS BEING MADE IN COMPLIANCE WITH THE SECURITIES ACT AND APPLICABLE STATE SECURITIES LAWS. NO REPRESENTATION OR WARRANTY IS MADE AS TO THE AVAILABILITY OF ANY RULE 144 EXEMPTION FROM THE REGISTRATION REQUIREMENTS OF THE SECURITIES ACT; AND

(3) AGREES THAT IT WILL DELIVER TO EACH PERSON TO WHOM THIS NOTE OR AN INTEREST THEREIN IS TRANSFERRED A NOTICE SUBSTANTIALLY TO THE EFFECT OF THIS LEGEND.

THIS LEGEND CAN BE REMOVED ONLY AT THE OPTION OF THE ISSUER.

In addition to the representations, acknowledgements and agreements herein made by the investors purchasing the Notes, each investor purchasing Notes offered in reliance on Regulation S will be deemed to have represented and agreed that (i) it is not a U.S. Person (as such term is defined in Regulation S) and is purchasing the Notes in an offshore transaction pursuant to Regulation S, (ii) it is purchasing the Notes for its own account or an account for which it exercises sole investment discretion and that it and any such account is a foreign purchaser that is outside the United States and acknowledge that the Notes have not been and will not be registered under the Securities Act or with any securities regulatory authority in any jurisdiction and may not be offered or sold within the United States or to, or for the account or benefit of, U.S. Persons except as set forth below; (iii) if it should resell or otherwise transfer the Notes prior to the expiration of a restricted period (defined as 40 days after the date that

PDVSA notifies the Trustee and the Principal Paying Agent that PDVSA and any of its affiliates have completed the distribution of the Notes, which date shall be no later than March 31, 2014), it will do so only (a)(i) outside the United States in compliance with Rule 904 under the Securities Act or (ii) to a qualified institutional buyer in compliance with Rule 144A, and (b) in accordance with all applicable securities laws of the states of the United States or any other applicable jurisdiction and (iv) it understands that such Notes will, unless otherwise agreed by us, bear an additional legend substantially to the following effect:

THIS NOTE HAS NOT BEEN AND WILL NOT BE REGISTERED UNDER THE U.S. SECURITIES ACT OF 1933, AS AMENDED (THE "**SECURITIES ACT**"), OR WITH ANY SECURITIES REGULATORY AGENCY IN ANY JURISDICTION, AND, ACCORDINGLY, MAY NOT BE OFFERED OR SOLD WITHIN THE UNITED STATES OR TO, OR FOR THE ACCOUNT OR BENEFIT OF, U.S. PERSONS, EXCEPT PURSUANT TO AN EFFECTIVE REGISTRATION STATEMENT UNDER THE SECURITIES ACT OR PURSUANT TO AN EXEMPTION FROM REGISTRATION UNDER THE SECURITIES ACT OR IN A TRANSACTION NOT SUBJECT TO THE REGISTRATION REQUIREMENTS OF THE SECURITIES ACT. THIS NOTE IS SUBJECT TO THE RESTRICTIONS ON TRANSFER SET FORTH IN THE REVERSE HEREOF. PRIOR TO THE EXPIRATION OF A RESTRICTED PERIOD ENDING ON THE 40TH DAY AFTER THE DATE THAT PDVSA NOTIFIES THE TRUSTEE AND THE PRINCIPAL PAYING AGENT THAT PDVSA AND ANY OF ITS AFFILIATES HAVE COMPLETED THE DISTRIBUTION OF THE NOTES, WHICH DATE SHALL BE NO LATER THAN MARCH 31, 2014, THIS SECURITY, OR ANY BENEFICIAL INTEREST HEREIN, MAY NOT BE RESOLD OR OTHERWISE TRANSFERRED EXCEPT (A)(1) OUTSIDE THE UNITED STATES IN COMPLIANCE WITH RULE 904 UNDER THE SECURITIES ACT OR (2) TO A QUALIFIED INSTITUTIONAL BUYER WITHIN THE MEANING OF RULE 144A UNDER THE SECURITIES ACT IN COMPLIANCE WITH RULE 144A, AND (B) IN ACCORDANCE WITH ALL APPLICABLE SECURITIES LAWS OF THE STATES OF THE UNITED STATES OR ANY OTHER APPLICABLE JURISDICTION. BY ITS ACQUISITION HEREOF OR OF A BENEFICIAL INTEREST HEREIN, THE ACQUIRER AGREES THAT IT WILL DELIVER TO EACH PERSON TO WHOM THIS NOTE OR AN INTEREST THEREIN IS TRANSFERRED A NOTICE SUBSTANTIALLY TO THE EFFECT OF THIS LEGEND. THIS LEGEND CAN BE REMOVED ONLY AT THE OPTION OF THE ISSUER.

(6) Each investor also acknowledges that the Issuer, the Structuring Agents, the Principal Paying Agent and others will rely upon the truth and accuracy of the above acknowledgements, representations and agreements. The investor agrees that if any of the acknowledgements, representations and agreements the investor is deemed to have made by its purchase of the Notes is no longer accurate, the investor will promptly notify the Issuer, the Principal Paying Agent and the Structuring Agents. If the investor is purchasing any Notes as a fiduciary or agent for one or more investor accounts, the investor represents that it has sole investment discretion with respect to each of those accounts and that it has full power to make the above acknowledgements, representations and agreements on behalf of each account.

LEGAL MATTERS

Certain legal aspects of U.S. law and New York law and the issuance of the Notes offered hereby will be passed upon for us by Hogan Lovells US LLP as our U.S. legal counsel. Certain legal matters with respect to U.S. law and New York law and the issuance of the Notes offered hereby will be passed upon for the Structuring Agents by Davis Polk & Wardwell LLP as its U.S. legal counsel. Certain legal matters with respect to Venezuelan law will be passed upon for us by Despacho de Abogados Hogan Lovells, S.C. as our Venezuelan legal counsel. Certain legal matters with respect to Venezuelan law will be passed upon for the Structuring Agents by D'Empaire Reyna Abogados as its Venezuelan counsel.

INDEPENDENT AUDITORS

Our consolidated financial statements as of December 31, 2012, 2011 and 2010 and for the years then ended included in these listing particulars have been audited by Rodríguez Velázquez & Asociados (formerly Alcaraz Cabrera Vázquez), a member firm of KPMG International, an independent auditor in accordance with International Standards on Auditing, as stated in their audit report appearing herein, which contains an emphasis paragraph referring to the fact that PDVSA, as the national oil company wholly-owned by the Bolivarian Republic of Venezuela and, according to its corporate objective and specific responsibilities, undertakes significant transactions with its stockholder, government institutions and others related entities, resulting in significant effects on the consolidated financial statements. These transactions are mainly related to: fiscal obligation regarding to production tax and other taxes, contributions for social development, contributions to FONDEN and the "Gran Misión Vivienda Venezuela," management support of the agreements executed by the Republic as well as the accomplishment of obligations derived from these agreements through delivery of crude oil and products, acquisition and transfer of assets, debt transactions with related financial institutions, and transactions derived from the administration of the "Fondo Simón Bolívar para la Reconstrucción."

With respect to our unaudited interim condensed consolidated financial statements as of June 30, 2013 and 2012 and for the six-month periods then ended included in these listing particulars, Rodríguez Velázquez & Asociados, a member firm of KPMG International, the independent auditor, has reported that they have applied limited procedures in accordance with professional standards for a review of such information. However, their separate report appearing herein states that they did not audit and they do not express an opinion on that interim condensed consolidated financial information. Accordingly, the degree of reliance on their report on such information should be restricted in light of the limited nature of the review procedures applied. Their report also contains an emphasis paragraph referring to the fact that PDVSA, as the national oil company owned by the Bolivarian Republic of Venezuela, performs significant transactions with its Stockholder, government institutions and other related entities, primarily related to fiscal obligations, including production tax and other taxes, government grants made by the Bolivarian Republic of Venezuela through the National Development Fund (Fondo de Desarrollo Nacional, S.A. – FONDEN) and contributions for social development, acquisitions and transfer of assets, debt transactions with related financial institutions owned by the Bolivarian Republic of Venezuela, and transactions derived from the administration of Simon Bolivar Fund for Reconstructions ("Fondo Simón Bolívar para la Reconstrucción"). In addition, their report also contains an emphasis paragraph referring to the fact that the consolidated financial statements for the year ended December 31, 2012, and the condensed consolidated interim financial statements as of June 30, 2012, were restated to include the effect of the amendment of the International Accounting Standard (IAS) 19 Employee Benefits, which shall be applied retrospectively and for annual periods beginning on or after January 1, 2013.

AVAILABLE INFORMATION

We will furnish, upon prior written request of any registered owner of a note, or noteholder, or beneficial owner of a note, or note owner, such information as is specified in paragraph (d)(4) of Rule 144A under the Securities Act: (a) to such noteholder or note owner, (b) to a prospective purchaser of such note (or beneficial interest therein) who is a qualified institutional buyer designated by such noteholder or note owner or (c) to the Principal Paying Agent for delivery to such noteholder or note owner or such prospective purchaser so designated, in each case in order to permit compliance by such noteholder or note owner with Rule 144A in connection with the resale of such note (or a beneficial interest therein) in reliance upon Rule 144A unless, at the time of such request,

(1) we are subject to the reporting requirements of Section 13 or 15(d) of the Exchange Act, or (2) we qualify for the exemption to Rule 12g3-2(b).

GENERAL INFORMATION

1. The issuance of the Notes has been authorized by the resolutions of our board of directors dated October 21, 2013. The issuance of the Guarantee has been authorized by the resolutions of the Guarantor's board of directors dated October 21, 2013.

2. Except as disclosed herein, there are no litigation or arbitration proceedings against or affecting us or the Guarantor or any of our or its assets, nor are we or the Guarantor aware of any pending or threatened proceedings, which are or might reasonably be expected to be material in the context of the issuance of the Notes.

3. Except as disclosed herein, there has been no adverse change, or any development reasonably likely to involve an adverse change, in the condition (financial or otherwise) or our or the Guarantor's general affairs since June 30, 2013 (respectively, the end of our and the Guarantor's most recent period for which financial statements have been prepared) that is material in the context of the issuance of the Notes.

4. For so long as any Notes remain outstanding, copies of the Indenture under which the notes will be issued may be inspected during normal business hours at the offices of each of the Luxembourg paying agent and the Luxembourg listing agent and our principal office, at the addresses listed on the inside back cover page of these listing particulars.

5. For so long as any Notes remain outstanding, copies of the following documents (together, where necessary, with English translations thereof) may be obtained during normal business hours at the offices of each of the Luxembourg paying agent, the Luxembourg listing agent and our principal office, at the addresses listed on the inside back cover page of these listing particulars:

- our latest published unaudited interim and audited year-end financial statements;
- the Guarantor's latest audited year-end financial statements;
- our *estatutos sociales* (by-laws); and
- the Guarantor's *estatutos sociales* (by-laws).

6. The Guarantor does not publish interim financial statements as of June of any year. The annual financial statements of the Guarantor have been reviewed by Rodríguez Velázquez & Asociados (formerly Alcaraz Cabrera Vázquez), a member of the firm KPMG international, an independent auditor, and has reported that they have applied limited procedures in accordance with professional standards for a review of such information. The address of Rodríguez Velázquez & Asociados is below:

Rodríguez Velázquez & Asociados
Torre KPMG, Piso 11
Intersección de las Avs. Fco. de Miranda y Libertador
Chacao, Caracas 1060 A
Venezuela

7. The Guarantor represents approximately 50% of the Issuer and has its registered office at Av. Libertador, Edificio Petróleos de Venezuela, Torre Este, Caracas 1050, Venezuela. The Guarantor is involved in the exploration, exploitation, manufacture, refining, marketing and transportation of petroleum and other hydrocarbons. The Guarantor was incorporated in 1998 and operates under Venezuelan law. The Guarantor's total assets (i) for the six months ended June 30, 2013 were approximately US$120,732 million and (ii) for the years ended December 31, 2012 and 2011 were approximately US$112,972 million and US$93,976 million, respectively. The Guarantor's total liabilities (i) for the six months ended June 30, 2013 were approximately US$69,115 million and (ii) for the years ended December 31, 2012 and 2011 were approximately US$59,467 million and US$43,024 million, respectively. The Guarantor's total income (i) for the six months ended June 30, 2013 was approximately US$39,794 million and (ii) for the years ended December 31, 2012 and 2011 was approximately US$87,264 million and US$75,526 million, respectively. The Guarantor's share capital is Bs.1,464 million represented by 1,464,310

shares, all of which are owned by the Issuer. Pursuant to Venezuelan law, these shares may not be transferred or encumbered in any way.

8. To the best of our knowledge, the information contained in these listing particulars is in accordance with the facts and does not omit anything likely to affect the import of such information. Accordingly, we accept responsibility.

9. The global notes representing the notes have been accepted into the systems used by DTC. The CUSIP, ISIN and Common Code numbers, as applicable, for the notes are as follows:

Rule 144A note CUSIP:	Rule 144A note ISIN:	Rule 144A note Common Code:
716558 AF8	US716558AF83	099583053
Regulation S note CUSIP:	Regulation S note ISIN:	Regulation S note Common Code:
P7807H AR6	USP7807HAR68	099583070

SUBSCRIPTION AND SALE

The Notes were issued on November 15, 2013. A portion of the Notes, representing 33.3% of the aggregate principal amount thereof were sold on November 15, 2013. A portion of the Notes, representing 66.6% of the aggregate principal amount thereof, will be offered to certain of our suppliers and vendors in satisfaction of accounts payable owed by us to them. The Notes offered to suppliers may be offered at prices negotiated between PDVSA and such suppliers, which prices may differ from the prices at which the Notes are offered at the issue date, reflecting additional factors. Any such Notes issued hereunder and offered to suppliers that are not sold or exchanged prior to March 31, 2014 shall be cancelled, thereby reducing the aggregate amount of the Notes.

TECHNICAL AND REGULATORY TERMS

A unit conversion table and a glossary of certain oil and gas terms, including abbreviations for certain units, used in these listing particulars are contained below. When used in these listing particulars, the following terms mean:

"m" means thousand;
"mm" means million;
"b" means billion;
"t" means trillion;
"one billion" means one thousand million;
"bcf" means billion cubic feet;
"bls" means barrels;
"boe" means barrel-of-oil equivalent;
"bpd" means barrel per day;
"dwt" means deadweight tons, a designation for the size or displacement of a ship;
"km" means kilometer;
"mboe" means thousand barrel-of-oil equivalent;
"mbpd" means thousand barrels per day;
"mmbpd" means million barrels per day;
"mmcf" means million cubic feet;
"mmcfd" means million cubic feet per day;
"mmscfd" means million standard cubic feet per day;
"tcf" means thousand cubic feet; and
"tdwt" means thousand of dead weight tons.

Equivalent measures are based upon:

1 barrel equals 42 U.S. gallons;
1 barrel of oil equivalent equals 1 barrel of crude oil;
1 barrel of oil equivalent equals 5,800 cubic feet of natural gas;
1 barrel of crude oil per day equals 50 tons of crude oil per year (33º degrees API);
1 cubic meter equals 33.315 cubic feet;
1 metric ton equals 1,000 kilograms; and
1 metric ton crude oil equals 7.3 barrels of crude oil (33º degrees API).

Terms:

"3D" means three dimensional seismic lines (square kilometers).

"API gravity" means an indication of density of crude oil or other liquid hydrocarbon as measured by a system recommended by the American Petroleum Institute (API), measured in degrees. The lower the API gravity, the heavier the compound. For example, asphalt has an API gravity of 8º and gasoline has a gravity of 50º.

"barrels" means barrel of crude oil, including condensates and natural gas liquids.

"condensate" means light carbon substance produced from natural gas that condenses into liquid at normal temperatures and pressures associated with surface production equipment.

"crude slate" means a listing of the various crudes that are processed in a refinery during a given period in a given configuration.

"Distillate" means liquid hydrocarbons distilled from crude or condensates.

"Empresas Mixtas" means joint stock contractual structure between us and third party companies.

“feedstock” means partially refined products that are added to the crude slate and converted into refined petroleum products.

“fractionation” means a processing unit that breaks down feedstock into desired fractions (specific boiling ranges).

“HDHPLUS®” is a high conversion process for heavy and extra heavy oils and refinery residuals via hydro conversion that produces a very good performance in output liquids (115%) to high quality products. It is a flexible technology that allows for processing different crude streams with high sulfur and metals content. At the same time, it reduces the handling of solids and refinery byproducts and is environmentally friendly.

“light crude oil” means, unless the context otherwise requires, crude oil with average API gravity of 30º or more.

“LNG” means liquefied natural gas.

“LPG” means liquefied petroleum gas.

“medium crude oil” means, unless the context otherwise requires, crude oil with an average API gravity between 21º, inclusive, and 30º.

“NGL” means natural gas liquids.

“proved developed reserves” means the reserves that can be expected to be recovered through existing wells with existing equipment and operating methods. Additional oil and gas expected to be obtained through the application of fluid injection or other improved recovery techniques for supplementing natural forces and mechanisms of primary recovery are included as “proved developed reserves” only after testing by a pilot project or after the operating of an installed program has confirmed through production response that increased recovery will be achieved.

“proved reserves” means the estimated quantities of crude oil, natural gas and natural gas liquids which geological and engineering data demonstrates with reasonable certainty to be recoverable in future years from known reserves under existing economic and operating conditions, i.e., prices and costs as of the date the estimate is made. Prices include consideration of changes in existing prices provided only by contractual arrangements, but not escalations based upon future conditions.

“Ratio Reserves/Production” means remaining reserves life in years of proved crude oil reserves at the end of the period divided by production from the top of the wells.

Company Abbreviations:

“BANDES” means Banco de Desarrollo Económico y Social de Venezuela (Bank for Social and Economic Development of Venezuela).

“BCV” or “Central Bank” means Banco Central de Venezuela.

“BITOR” means Bitumenes Orinoco, S.A.

“BP” means BP Plc.

“Cerro Negro” means Petrolera Cerro Negro, S.A.

“CGC” means Compania General de Combustibles.

“Chalmette Refining” means Chalmette Refining L.L.C.

“Chevron” means Chevron Corporation.

“CITGO” means CITGO Petroleum Corporation.

“CNPC” means China National Petroleum Corporation.

“ConocoPhillips” means ConocoPhillips Company.

“CPZ” means ConocoPhillips Petrozuata B.V.

“CRP” means Centro Refinador Paraguaná (Paraguaná Refining Complex).

“CVP” means Corporación Venezolana del Petróleo, S.A.

“Deutsche BP” means Deutsche BP AG.

“ENI” means Eni B.V.

“ExxonMobil” means ExxonMobil Corporation.

“FEM” means Fondo para la Estabilización Macroeconómica (Macroeconomic Stabilization Fund).

“Hamaca” means Petrolera Hamaca, C.A.

“Hess” means Hess Corporation.

“Hovensa” means HOVENSA, L.L.C.

“ICC” means International Chamber of Commerce.

“INTEVEP” means INTEVEP, S.A.

“Isla refinery” means Refinería Isla (Curazao), S.A.

“Merey Sweeny” means Merey Sweeny, L.P.

“MINPEM” means Ministry of Petroleum and Mining.

“Mobil Cerro Negro” means Mobil Cerro Negro Ltd.

“Neste Oil” means Neste Oil Corporation.

“Nynäs” means AB Nynäs Petroleum.

“ONT” means the National Treasury Office (Oficina Nacional del Tesoro).

“OPEC” means Organization of Petroleum Exporting Countries.

“OPIC” means OPIC Karimun Corporation.

“Orinoco Oil Belt” means natural bitumen and extra-heavy crude reserves located in eastern Venezuela.

“PDV America” means PDV America, Inc.

“PDV Chalmette” means PDV Chalmette, Inc.

“PDV Europa” means PDV Europa B.V.

“PDV Holding” means PDV Holding, Inc.

“PDV Marina” means PDV Marina, S.A.

“PDV Sweeny” means Sweeny Coker LLC.

“PDV Texas” means PDV Texas, Inc.

“PDVSA Cerro Negro” means PDVSA Cerro Negro, S.A.

“PDVSA-Cuba” means PDVSA Cuba S.A.

“PDVSA Gas” means PDVSA Gas, S.A.

“PDVSA P&G” means PDVSA Petroleo y Gas, S.A.

“PDVSA Petróleo” means PDVSA Petróleo, S.A.

“PEQUIVEN” means Petroquimica de Venezuela, S.A.

“PetroCanada” means Petro-Canada La Ceiba, GmbH (formerly Veba Oel & Gas La Ceiba, GmbH).

“Petrozuata” means Petrolera Zuata, C.A.

“Phillips Venezuela” means Phillips Petroleum Company Venezuela Limited.

“Rosneft” means Rosneft Holdings Limited S.A.

“Rühr” means Rühr Oel GmbH.

“SEC” means United States Securities and Exchange Commission.

“SENIAT” means Servicio Nacional Integrado de Administración Aduanera y Tributaria (National Service of Tax and Customs Administration of Venezuela).

“Sincor” means Sincrudos de Oriente, S.A.

“Statoil” means Statoil Sincor AS.

“Sweeny Sub” means Sweeny Coker Investor Sub, Inc.

“Venezuela” means República Bolivariana de Venezuela (The Bolivarian Republic of Venezuela).

“Veba Oel” means Veba Oel AG.

INDEX TO THE CONSOLIDATED FINANCIAL STATEMENTS

Unaudited Interim Condensed Consolidated Financial Statements as of June 30, 2013 and 2012 and for the six months ended June 30, 2013 and 2012.

Independent Auditors' Report A-3

Condensed Consolidated Statement of Comprehensive Income A-5

Condensed Consolidated Statement of Financial Position A-6

Condensed Consolidated Statement of Changes in Equity A-7

Condensed Consolidated Statement of Cash Flows A-8

Notes to the Condensed Consolidated Financial Statements A-9

Consolidated Audited Financial Statements as of December 31, 2012, 2011 and 2010 and for the years ended December 31, 2012, 2011 and 2010.

Independent Auditors' Report B-4

Consolidated Statement of Comprehensive Income B-6

Consolidated Statement of Financial Position B-7

Consolidated Statement of Changes in Equity B-8

Consolidated Statement of Cash Flows B-9

Notes to the Consolidated Financial Statements B-10

PETRÓLEOS DE VENEZUELA, S.A.
AND SUBSIDIARIES (PDVSA)
(Owned by the Bolivarian Republic of Venezuela)

Condensed Consolidated
Interim Financial Statements

Six-month period ended June 30, 2013
With Independent Auditors' Report Thereon

Table of Contents **Pages**

Independent Auditors' Report on Review of Condensed Consolidated Interim Financial Information		1-2
Condensed Consolidated Statement of Comprehensive Income		3
Condensed Consolidated Statement of Financial Position		4
Condensed Consolidated Statement of Changes in Equity		5
Condensed Consolidated Statement of Cash Flows		6
Notes to the Condensed Consolidated Interim Financial Statements:		
(1)	Reporting Entity	7
(2)	Basis of Preparation	7
(3)	Significant Accounting Policies	8
(4)	Operating Segments	10
(5)	Joint Development Activities	12
(6)	Finance Income and Finance Cost	12
(7)	Other Expenses, Net	13
(8)	Contributions for Social Development	13
(9)	Taxes and Production Tax	14
(10)	Property, Plant and Equipment, Net	15
(11)	Accounts Receivable and Other Assets	16
(12)	Restricted Cash	16
(13)	Notes and Accounts Receivable	16
(14)	Prepaid Expenses and Other Assets	17
(15)	Equity	17
(16)	Financial Debt	18
(17)	Provisions	19
(18)	Accruals and Other Liabilities	20
(19)	Financial Instruments	20
(20)	Litigations and Other Claims	22
(21)	Related Parties	22
(22)	New Laws and Resolutions	24
(23)	Subsequent Events	26

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RIF: J-00256910-7

Independent Auditors' Report on Review
of Condensed Consolidated Interim Financial Information

To the Stockholder and Board of Directors of
Petróleos de Venezuela, S.A.:

Introduction

We have reviewed the accompanying June 30, 2013 condensed consolidated interim financial information of Petróleos de Venezuela, S.A. and its subsidiaries (PDVSA) (owned by the Bolivarian Republic of Venezuela), which comprises:

- The condensed consolidated statements of comprehensive income for the three-month and six-month periods ended June 30, 2013;
- The condensed consolidated statement of financial position as of June 30, 2013;
- The condensed consolidated statements of changes in equity for the six-month period ended June 30, 2013;
- The condensed consolidated statements of cash flows for the six-month period ended June 30, 2013; and
- Notes to the condensed consolidated interim financial information.

Management is responsible for the preparation and presentation of this condensed consolidated interim financial information in accordance with the International Accounting Standard 34 (IAS 34), *Interim Financial Reporting*. Our responsibility is to express a conclusion on this condensed consolidated interim financial information based on our review.

Scope of Review

We conducted our review in accordance with the International Standard on Review Engagements 2410, *Review of Interim Financial Information Performed by the Independent Auditor of the Entity*. A review of interim financial information consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with International Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the accompanying June 30, 2013 condensed consolidated interim financial information is not prepared, in all material respects, in accordance with IAS 34 *Interim Financial Reporting*.

(Continued)

Emphasis of Matters

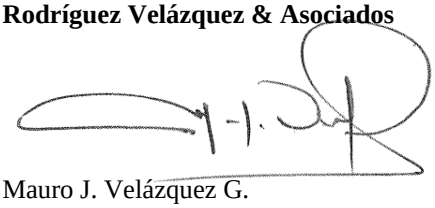
Without qualifying our opinion, we draw attention to the following issues:

- As explained in note 21 to the accompanying condensed consolidated interim financial information, PDVSA as the national oil company owned by the Bolivarian Republic of Venezuela and according to its corporate objectives and specific responsibilities, performs significant transactions with its Stockholder, government institutions and other related entities, resulting significant effects on the condensed consolidated interim financial information. These transactions are mainly related to:

  - Fiscal obligations, including production tax and taxes.
  - Government grants made by the Bolivarian Republic of Venezuela through the National Development Fund (Fondo de Desarrollo Nacional – FONDEN, S.A.), and contributions for social development.
  - Support to manage the agreements executed by the Bolivarian Republic of Venezuela as well as support to accomplish the obligations derived from these agreements through the supply of crude oil and products.
  - Acquisition and transfer of assets.
  - Debt transactions with financial institutions owned by the Bolivarian Republic of Venezuela.
  - Transactions derived from the administration of Simon Bolivar Fund for Reconstruction ("Fondo Simón Bolívar para la Reconstrucción").

- The consolidated financial statements for the year ended December 31, 2012, and the condensed consolidated interim financial information as of June 30, 2012, were restated to include the effect of the amendment to the International Accounting Standard 19 *Employee Benefits*, which shall be applied retrospectively and for annual periods beginning on or after January 1, 2013. See note 3-e to the accompanying condensed consolidated interim financial information.

Rodríguez Velázquez & Asociados



Mauro J. Velázquez G.
Public Accountant
C.P.C. Nº 22237

October 15, 2013
Caracas, Venezuela

PETRÓLEOS DE VENEZUELA, S.A. AND SUBSIDIARIES (PDVSA)

Condensed Consolidated Statements of Comprehensive Income (unaudited)

(In millions of dollars)

	Note	Three-month period ended June 30, 2013	Three-month period ended June 30, 2012 (restated)	Six-month period ended June 30, 2013	Six-month period ended June 30, 2012 (restated)
Income:					
Sales of crude oil and products:	21				
Exports and overseas, net		29,261	30,404	57,885	61,346
In Venezuela		287	409	702	827
Sales of food, services and other		293	168	585	479
		29,841	30,981	59,172	62,652
Costs and expenses:					
Purchases of crude oil and products, net	21	9,983	8,734	19,347	18,592
Operating expenses		4,345	5,309	9,126	9,316
Exploration expenses		48	81	83	106
Depreciation and amortization		1,962	1,821	3,861	3,481
Selling, administrative and general expenses		999	1,306	2,026	2,412
Production tax, extraction tax and other taxes	9 - 21	4,812	4,032	8,922	7,971
Finance income	6	(167)	(195)	(11,872)	(349)
Finance costs	6	1,208	917	2,122	1,589
Equity in net profit or loss of investment in non-consolidated investees and jointly controlled entities	21	(1)	5	46	(14)
Other expenses, net	7	536	773	2,218	1,182
		23,725	22,783	35,879	44,286
Income before contributions for social development and income tax		**6,116**	**8,198**	**23,293**	**18,366**
Contributions for social development	8	4,279	5,418	7,279	12,631
Income before income tax		**1,837**	**2,780**	**16,014**	**5,735**
Income tax:					
Current tax expense	9	1,484	1,245	4,896	2,491
Deferred tax (benefit) expense	9	(983)	574	(1,822)	1,149
		501	1,819	3,074	3,640
Net income		**1,336**	**961**	**12,940**	**2,095**
Other comprehensive income:					
Items that will not be reclassified to net income in subsequent periods -					
Remeasurements of defined benefit liability		-	198	-	396
Items that are or may be reclassified to net income in subsequent periods -					
Differences on translation of foreing operations		470	(42)	(186)	34
Total other comprehensive income		**470**	**156**	**(186)**	**430**
Total comprehensive income		**1,806**	**1,117**	**12,754**	**2,525**
Net income attributable to:					
Company's stockholder		128	172	10,882	627
Non-controlling interests		1,208	789	2,058	1,468
Net income		**1,336**	**961**	**12,940**	**2,095**
Total comprehensive income attributable to:					
Company's stockholder		598	328	10,696	1,057
Non-controlling interests		1,208	789	2,058	1,468
Total comprehensive income		**1,806**	**1,117**	**12,754**	**2,525**

Notes 1 to 23 are an integral part of these condensed consolidated interim financial statements.

PETRÓLEOS DE VENEZUELA, S.A. AND SUBSIDIARIES (PDVSA)

Condensed Consolidated Statement of Financial Position (unaudited)

(In millions of dollars)

	Note	June 30, 2013	December 31, 2012 (restated)
Assets			
Property, plant and equipment, net	10	119,913	115,905
Investments in non-consolidated investees and jointly controlled entities		1,220	1,381
Deferred tax asset	9	11,362	11,627
Accounts receivable and other assets	11	9,215	9,364
Recoverable valued-added tax	9	4,828	5,047
Restricted cash	12	215	218
Total non-current assets		146,753	143,542
Inventories		13,389	11,606
Recoverable valued-added tax	9	3,141	4,225
Notes and accounts receivable	13	41,025	41,706
Prepaid expenses and other assets	14	6,483	7,000
Restricted cash	12	1,482	2,112
Cash and cash equivalents		5,923	8,233
Total current assets		71,443	74,882
Total assets		**218,196**	**218,424**
Equity			
Share capital		39,094	39,094
Retained earnings		29,297	19,553
Stockholder's additional contribution		3,225	3,243
Total equity attributable to the Company's stockholder		71,616	61,890
Non-controlling interests		12,132	10,596
Total equity		**83,748**	**72,486**
Liabilities			
Financial debt	16	34,667	35,647
Employee benefits and other post-employment benefits		10,574	13,797
Deferred tax liability	9	4,917	3,727
Provisions	17	4,385	4,679
Accruals and other liabilities	18	10,935	17,028
Total non-current liabilities		65,478	74,878
Financial debt	16	4,596	4,379
Employee benefits and other post-employment benefits		1,124	1,010
Accounts payable		15,439	16,747
Income tax payable	9	2,887	2,267
Provisions	17	2,147	2,590
Accruals and other liabilities	18	42,777	44,067
Total current liabilities		68,970	71,060
Total liabilities		**134,448**	**145,938**
Total equity and liabilities		**218,196**	**218,424**

Notes 1 to 23 are an integral part of these condensed consolidated interim financial statements.

PETRÓLEOS DE VENEZUELA, S.A. AND SUBSIDIARIES (PDVSA)
Condensed Consolidated Statement of Changes in Equity (unaudited)
(In millions of dollars)

		Equity attributable to the Company's Stockholder						
			Retained Earnings					
	Note	Share capital	Legal reserves and other	Accumulated income	Stockholder's additional contribution	Total	Non-controlling interests	Total equity
Balances as of January 1, 2012 previously reported		39,094	16,743	4,847	3,243	63,927	9,956	73,883
Impact of changes in accounting policies - IAS 19	3-e	-	-	(4,254)	-	(4,254)	-	(4,254)
Balances as of January 1, 2012 (restated)		39,094	16,743	593	3,243	59,673	9,956	69,629
Comprehensive income -								
Net income		-	-	627	-	627	1,468	2,095
Other comprehensive income		-	-	430	-	430	-	430
Total comprehensive income		-	-	1,057	-	1,057	1,468	2,525
Transactions with Stockholder and non-controlling interests, directly recognized in equity -								
Transfer to reserves		-	2,697	(2,697)	-	-	-	-
Dividends declared		-	-	(1,395)	-	(1,395)	(71)	(1,466)
Dividend advances to non-controlling interests		-	-	-	-	-	(80)	(80)
Total transactions directly recognized in equity		-	2,697	(4,092)	-	(1,395)	(151)	(1,546)
Balances as of June 30, 2012		**39,094**	**19,440**	**(2,442)**	**3,243**	**59,335**	**11,273**	**70,608**
Balances as of January 1, 2013 previously reported		39,094	15,617	7,278	3,243	65,232	10,596	75,828
Impact of changes in accounting policies - IAS 19	3-e	-	-	(3,342)	-	(3,342)	-	(3,342)
Balances as of January 1, 2013 (restated)		39,094	15,617	3,936	3,243	61,890	10,596	72,486
Comprehensive income -								
Net income		-	-	10,882	-	10,882	2,058	12,940
Other comprehensive income		-	-	(186)	-	(186)	-	(186)
Total comprehensive income		-	-	10,696	-	10,696	2,058	12,754
Transactions with Stockholder and non-controlling interests, directly recognized in equity -								
Transfer from reserves	15	-	(756)	756	-	-	-	-
Additional contribution from the Stockholder	22	-	-	-	(18)	(18)	(8)	(26)
Dividends declared	15	-	-	(952)	-	(952)	-	(952)
Additional contribution from non-controlling interests	15	-	-	-	-	-	60	60
Share of non-controlling interests on dividends declared	15	-	-	-	-	-	(574)	(574)
Total transactions directly recognized in equity		-	(756)	(196)	(18)	(970)	(522)	(1,492)
Balances as of June 30, 2013		**39,094**	**14,861**	**14,436**	**3,225**	**71,616**	**12,132**	**83,748**

Notes 1 to 23 are an integral part of these condensed consolidated interim financial statements.

PETRÓLEOS DE VENEZUELA, S.A. AND SUBSIDIARIES (PDVSA)
Condensed Consolidated Statements of Cash Flows (unaudited)
(In millions of dollars)

	Note	Six-month period ended June 30, 2013	2012 (restated)
Cash flow from operating activities:			
Net income		12,940	2,095
Adjustments to reconcile net income with net cash provided by operating activities -			
Depreciation and amortization	10	3,861	3,481
Impairment of assets	10	293	671
Gain from exchange rate fluctuations	6	(9,970)	25
Deferred income tax (benefit) expense		(1,822)	1,149
Equity in net profit or loss of investment in non-consolidated investees and jointly controlled entities	21	46	(14)
Work in progress cancelled	10	318	353
Changes in the fair value of non-current accounts receivable and recoverable value-added tax		(126)	13
Net realizable value of inventories		266	259
Increase in the allowance for doubtful accounts		37	57
Changes in operating assets -			
Notes and accounts receivable	13	(10,415)	(10,184)
Inventories		(2,849)	(904)
Prepaid expenses and other assets	11 - 14	(991)	(3,670)
Recoverable value-added tax		(1,640)	(1,200)
Changes in operating liabilities -			
Accounts payable		1,151	458
Income tax payable, accruals and other liabilities	18	13,181	7,510
Provisions	17	164	82
Employee benefits and other post-employment benefits		1,060	2,304
Net cash provided by operating activities		**5,504**	**2,485**
Cash flows from investing activities:			
Acquisitions of property, plant and equipment	10	(9,507)	(8,959)
Decrease in restricted cash	12	565	769
Dividends received from non-consolidated investees and jointly controlled entities		81	7
Other variations in assets		124	129
Net cash used in investing activities		**(8,737)**	**(8,054)**
Cash flows from financing activities:			
Proceeds from issue of debt	16	2,095	5,900
Payment of debt	16	(265)	(1,435)
Additional contribution from non-controlling interests	15	60	-
Dividend advances to non-controlling interests	15	-	(80)
Share of non-controlling interests in dividends declared	15	(574)	(71)
Dividends paid to Stockholder	15	(238)	(1,395)
Net cash provided by financing activities		**1,078**	**2,919**
Effect of exchange rate on cash and cash equivalents		(155)	-
Net decrease, in cash and cash equivalents		**(2,310)**	**(2,650)**
Cash and cash equivalents at beginning of year		8,233	8,610
Cash and cash equivalents at period end		**5,923**	**5,960**

Notes 1 to 23 are an integral part of these condensed consolidated interim financial statements.

(1) Reporting Entity

Petróleos de Venezuela, S.A. is a company incorporated and domiciled in the Bolivarian Republic of Venezuela (the "Republic"), and its headquarters is located at Edificio Petróleos de Venezuela, Torre Este, Avenida Libertador, La Campiña, Apartado N° 169, Caracas 1050-A.

Petróleos de Venezuela, S.A. (the "Parent Company" or the "Company") and its subsidiaries (collectively referred to as "PDVSA") is owned by the Bolivarian Republic of Venezuela, which controls PDVSA as stockholder, through the Ministry of People's Power for Petroleum and Mining (Ministry) (previously known as the Ministry of People's Power for Energy and Petroleum - MENPET by its Spanish acronym). PDVSA is mainly engaged in planning, coordinating, supervising and controlling the activities of exploration, exploitation, transportation, manufacture, refining, storage, marketing or any oil and other hydrocarbons activity within the scope of its subsidiaries, both in Venezuela and abroad. PDVSA is also engaged in promoting or participating in activities aimed at fostering the comprehensive, organic and sustainable development of the country, including agricultural and industrial activities, preparation or processing of goods and their marketing, and rendering services to achieve the adequate alignment between the hydrocarbon resources and the Venezuelan economy. Most of its foreign subsidiaries are involved in refining and marketing activities in the United States of America, Europe, the Caribbean and Latin America. The condensed consolidated interim financial statements of PDVSA, as of June 30, 2013, and for the three-month and six-month period then ended comprise the Company and its subsidiaries, and PDVSA's interest in non-consolidated investees and jointly controlled entities.

The main activities of PDVSA in Venezuela are regulated by the Hydrocarbons Organic Law (Ley Orgánica de Hidrocarburos - LOH by its Spanish acronym), in effect since 2002 and partially amended in May 2006; as well as the Organic Gas Hydrocarbons Law of September 1999 and its Regulation dated June 2000, its Bylaws-Memorandum of Incorporation, and provisions enacted by the National Government through the Ministry and any applicable common law provisions. Outside Venezuela, PDVSA's activities are regulated by the legal framework of the countries where those activities are performed.

The consolidated financial statements of PDVSA as of December 31, 2012 and for the year then ended are available at the headquarters of the Company and at the website www.pdvsa.com.

(2) Basis of Preparation

(a) Statement of Compliance

The condensed consolidated interim financial statements have been prepared in accordance with the International Accounting Standard 34 (IAS 34) *Interim Financial Information*, issued by the International Accounting Standards Board (IASB). Notes and disclosures presented are included to explain events and transactions that are significant to an understanding of the changes in the consolidated financial position and performance of PDVSA since the last consolidated financial statements as of and for the year ended December 31, 2012. These condensed consolidated interim financial statements do not include all the information required for a complete set of annual consolidated financial statements; therefore, should be read together with the consolidated financial statements of PDVSA for the year ended December 31, 2012, and the respective auditors' report thereon dated April 10, 2013.

On October 14, 2013, PDVSA's Board of Directors approved the condensed consolidated interim financial statements as of June 30, 2013 and for the six-month period then ended. The consolidated financial statements as of December 31, 2012 and for the year then ended were approved at the Stockholders' Meeting held on April 12, 2013.

(b) Functional and Presentation Currency

The condensed consolidated interim financial statements are presented in U.S. dollars (dollar or $). The functional currency of the Company is the dollar. All financial information presented in dollars has been rounded to the nearest million.

	June 30,	
	2013	**2012**
Exchange rate of euro (€) respect dollar at the end of the period (€/$1)	0.77	0.79
Exchange rate of yen (¥) respect dollar at the end of the period (¥/$1)	99.19	79.80
Exchange rate of bolivar (Bs.) respect dollar at the end of the period (Bs./$1)	6.30	4.30

(c) Use of Estimates and Judgments

In preparing these condensed consolidated interim financial statements Management makes estimates, judgments and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses. PDVSA uses its best estimates and judgments; however, actual results may differ from these estimates.

The estimates and underlying assumptions used by PDVSA in applying its accounting policies for preparation of these condensed consolidated interim financial statements, key sources of information and significant areas of uncertainty estimates and critical judgments, are the same as those applied to the consolidated financial statements as of December 31, 2012 and for the year then ended.

(3) Significant Accounting Policies

Except as described below, the accounting policies applied by PDVSA in these condensed consolidated interim financial statements are the same as those applied in the PDVSA's consolidated financial statements as of December 31, 2012 and for the year then ended. The following changes in accounting policies are also expected to be reflected in the consolidated financial statements as of December 31, 2013 and for the year then ended.

Changes in Accounting Policies

The Company has adopted the following new standards and amendments to standards with a dated of initial application of January 1°, 2013:

- International Financial Reporting Standards 10 *Consolidated Financial Statements* (IFRS 10) (see (a)).
- International Financial Reporting Standards 11 *Joint Arrangements* (IFRS 11) (see (b)).
- International Financial Reporting Standards 13 *Fair Value Measurement* (IFRS 13) (see (c)).
- International Accounting Standard 1 *Presentation of Financial Statements* (IAS 1) (see (d)).
- International Accounting Standard 19 (2011) *Employee Benefits* (IAS 19) (see (e)).

(a) Subsidiaries

As a result of IFRS 10 (2011), which derogates IAS 27 *Consolidated and Separate Financial Statements* and the interpretation issued by the Interpretations Committee of the International Financial Reporting Standards N° 12 (SIC-12) *Consolidation – Special Purpose Entities*, a new control model is introduced which establishes that an investor controls an entity when the investor is exposed, or has the right, to variable returns from its involvement in the investee and has the ability to affect those returns through its power over the investee.

The Company adopted this standard and determined that does not have any significant effects on its condensed consolidated interim financial statements.

(b) Joint Arrangements

As a result of IFRS 11, which derogates IAS 31 *Interest in Joint Ventures* and SIC-13 *Jointly Controlled Entities – Non-Monetary Contributions by Ventures*, the proportionate consolidation method to recognize jointly controlled entities was eliminated. The management adopted this standard and determined that does not have any significant effects on its condensed consolidated interim financial statements.

(c) Fair Value Measurement

IFRS 13 clarifies the definition of fair value and provides a single guidance to fair values measurement within the framework of IFRS, and includes enhancements to required disclosures. It also replaces and expands the disclosure requirements about fair value measurement made by other IFRS. IFRS 13 does not present any change in items to be measured at their fair value.

In accordance with the transitional provisions of IFRS 13, the Company has prospectively applied the measurement guide of fair value measurements, and it was not necessary to provide any additional or comparative disclosure. This change did not have any significant impact on measurements of Company's assets and liabilities.

(d) Presentation of Financial Statements

As a result of the amendments to IAS 1, is required to present items in other comprehensive income based on whether items would be reclassified to profit and loss in subsequent periods from those that would never be. Accordingly, PDVSA made the corresponding changes to the presentation of its consolidated condensed interim statements of comprehensive income. Comparative information has also been re-presented accordingly. These changes did not impacted recognized assets, liabilities and comprehensive income of PDVSA.

(e) Employee Benefits

The amendment to IAS 19 (2011) includes changes in accounting of employees benefits, being the most significant, the requirement to recognize in the other comprehensive income the cumulative balance of actuarial gain and losses. Also, require that past service cost for vested and non-vested rights of employees must be immediately recognize in comprehensive income of the period. Consequently, PDVSA restated its consolidated financial statements for the year ended as of December 31, 2012 and equity as of December 31, 2011.

As of December 31, 2012, the unrecognized cumulative actuarial loss was $1,549 million and the cumulative balance of unrecognized past service costs was $1,793 million. Until December 31, 2012, both balances were presented offset the net liability for employee benefits.

In accordance with IAS 8 *Accounting Policies, Changes in Accounting Estimates and Errors*, the effects of applying IAS 19 (2011) on the consolidated financial position as of December 31, 2012 and January 1, 2012, are as follows (in millions of dollars):

	Previously balances	Effect of IAS 19	Restated balances
As of January 1, 2012 -			
Employee benefits and other post-employment benefits	6,743	4,254	10,997
Equity	**73,883**	**(4,254)**	**69,629**
As of December 31, 2012 -			
Employee benefits and other post-employment benefits	11,465	3,342	14,807
Equity	**75,828**	**(3,342)**	**72,486**

The effects of applying IAS 19 (2011), on the condensed consolidated statement of comprehensive income for the three-month and six-month periods ended June 30, 2012, follows (in millions of dollars):

	Three-month period ended on June 30, 2012	Six-month period ended on June 30, 2012
Decrease in operatign expenses	10	20
Decrease in selling, administrative and general expenses	20	40
Increase in net income	**30**	**60**
Actuarial gain from employee benefits	198	396
Increase in comprehensive income	**198**	**396**

(4) Operating segments

Interim financial information related to operating profit and net income of the PDVSA's segments for the three-month periods ended June 30, 2013 and 2012, follows (in millions of dollars):

	Exploration and production		Refining, trade and supply		Gas		Others		Eliminations		Total	
	2013	**2012**	**2013**	**2012**	**2013**	**2012**	**2013**	**2012**	**2013**	**2012**	**2013**	**2012**
Sales [1]:												
Sales to external customers:												
In Venezuela	12,319	11,655	5,581	7,132	258	356	27	34	-	-	18,185	19,177
In the United States of America	-	-	10,733	10,831	-	-	-	-	-	-	10,733	10,831
In other countries	-	-	923	973	-	-	-	-	-	-	923	973
Total sales to external customers	12,319	11,655	17,237	18,936	258	356	27	34	-	-	29,841	30,981
Inter-segment sales:												
In Venezuela	15,687	14,730	1,044	499	488	623	71	69	(17,290)	(15,921) [2]	-	-
In the United States of America	-	-	469	-	-	-	-	-	(469)	- [2]	-	-
In other countries	-	-	4,397	3,277	-	-	-	-	(4,397)	(3,277) [2]	-	-
Total inter-segment sales	15,687	14,730	5,910	3,776	488	623	71	69	(22,156)	(19,198)	-	-
Total sales	**28,006**	**26,385**	**23,147**	**22,712**	**746**	**979**	**98**	**103**	**(22,156)**	**(19,198)**	**29,841**	**30,981**
Operating segment gain (loss)												
In Venezuela	8,662	9,679	(1,443)	249	48	94	(521)	403	82	79 [3]	6,828	10,504
In the United States of America	-	-	387	101	-	-	-	-	-	-	387	101
In other countries	-	-	(249)	(314)	-	-	190	(1,366)	-	-	(59)	(1,680)
Total operating segment gain (loss)	**8,662**	**9,679**	**(1,305)**	**36**	**48**	**94**	**(331)**	**(963)**	**82**	**79**	**7,156**	**8,925**
Finance income											167	195
Finance costs											(1,208)	(917)
Equity in net profiit or loss of investment in non-consolidated investees and jointly controlled entities											1	(5)
Contributions for social development											(4,279)	(5,418)
Current tax expense											(1,484)	(1,245)
Deferred tax benefit (expences)											983	(574)
Net income											**1,336**	**961**

(1) Mainly crude oil and natural gas.

(2) Represents eliminations of inter-segment sales.

(3) Represents eliminations of inter-segment gain (loss) from inter-segment transactions.

Interim financial information related to operating profits and income of the PDVSA's segments for the six-month period ended June 30, 2013 and 2012, follows (in millions of dollars):

	Exploration and production		Refining, trade and supply		Gas		Others		Eliminations		Total	
	2013	**2012**	**2013**	**2012**	**2013**	**2012**	**2013**	**2012**	**2013**	**2012**	**2013**	**2012**
Sales [1]:												
Sales to external customers:												
In Venezuela	24,800	25,406	10,097	12,546	627	804	101	120	-	-	35,625	38,876
In the United States of America	-	-	21,326	21,697	-	-	-	-	-	-	21,326	21,697
In other countries	-	-	2,158	2,014	-	-	63	65	-	-	2,221	2,079
Total sales to foreign customers	24,800	25,406	33,581	36,257	627	804	164	185	-	-	59,172	62,652
Inter-segment sales:												
In Venezuela	29,718	27,539	2,148	1,212	871	987	73	92	(32,810)	(29,830) [2]	-	-
In the United States of America	-	-	1,021	-	-	-	-	-	(1,021)	- [2]	-	-
In other countries	-	-	7,820	6,354	-	-	-	-	(7,820)	(6,354) [2]	-	-
Total sales inter-segments	29,718	27,539	10,989	7,566	871	987	73	92	(41,651)	(36,184)	-	-
Total sales	**54,518**	**52,945**	**44,570**	**43,823**	**1,498**	**1,791**	**237**	**277**	**(41,651)**	**(36,184)**	**59,172**	**62,652**
Operating segment gain (loss)												
In Venezuela	17,952	22,849	(4,314)	(1,020)	(164)	86	(752)	(589)	161	(118) [3]	12,883	21,208
In the United States of America	-	-	1,113	230	-	-	-	-	-	-	1,113	230
In other countries	-	-	(388)	(430)	-	-	(19)	(1,416)	-	-	(407)	(1,846)
Total operating segment gain (loss)	**17,952**	**22,849**	**(3,589)**	**(1,220)**	**(164)**	**86**	**(771)**	**(2,005)**	**161**	**(118)**	**13,589**	**19,592**
Finance income											11,872	349
Finance costs											(2,122)	(1,589)
Equity in net profiit or loss of investment in non-consolidated and jointly controlled entities											(46)	14
Contributions for social development											(7,279)	(12,631)
Current tax expense											(4,896)	(2,491)
Deferred tax benefit (expenses)											1,822	(1,149)
Net income											**12,940**	**2,095**

(1) Mainly crude oil and natural gas.

(2) Represents eliminations of inter-segment sales.

(3) Represents eliminations of inter-segment gain (loss) from inter-segment transactions.

(5) Joint Development Activities

Energy Agreements with Latin American and Caribbean Countries and Supply Agreements with the People's Republic of China and other Countries

As of June 30, 2013, the supply agreements signed by the Bolivarian Republic of Venezuela with other countries, remain in force under the same conditions disclosed as of December 31, 2012 (see note 21).

According the crude oil supply agreements signed between the Bolivarian Republic of Venezuela and the People's Republic of China, a yearly increase in the supply of crude oil and products was established, reaching approximately 526 thousand barrels per day (TBPD) and 478 TBPD, at June 30, 2013 and 2012, respectively.

Agreement to Incorporate a Mixed Company

In Official Gazette N° 40,151, dated April 22, 2013, the Ministry published a resolution authorizing the incorporation of a Mixed Company named PetroVictoria, between Corporación Venezolana del Petróleo, S.A. (CVP, by its Spanish acronym) (subsidiary of PDVSA) and the company OJSC Oil Company Rosneft (Rosneft). The Mixed Company will perform the crude oil and associated natural gas exploration and production activities in the Carabobo area of the Orinoco Oil Belt. The Mixed Company will have an initial share interest of 60% for CVP and 40% for Rosneft.

(6) Finance Income and Finance Cost

Finance income and finance cost are as follows (in millions of dollars):

	Three-month period ended on June 30,		Six-month period ended on June 30,	
	2013	**2012**	**2013**	**2012**
Finance income				
Loss (gain) from exchange rate fluctuation	171	53	(9,970)	25
Gain from loan paid in advance	-	-	(1,100)	-
Interest earned	(38)	(125)	(187)	(186)
Amortized cost	101	(19)	14	(27)
Gain from net monetary position	(401)	(104)	(629)	(161)
Total finance income	**(167)**	**(195)**	**(11,872)**	**(349)**
Finance cost				
Financing cost	939	976	1,683	1,281
Amortized cost	88	-	88	-
Adjustment to fair value of financial assets	-	-	-	40
Cost of asset retirement obligations	118	14	193	57
Bank commissions and other finance expense	47	52	123	97
Other finance expenses (income), net	16	(125)	35	114
Total finance cost	**1,208**	**917**	**2,122**	**1,589**

Gain from Exchange Rate Fluctuation

In February 2013, was published the Official Gazette N° 40,108, containing the reform of Exchange Agreement N° 14, which establish the exchange rate at Bs.6.2842 per U.S. dollar for the purchase and Bs.6.30 per U.S. dollar for sale (see note 22-d). At the date of the modification of the exchange rate, PDVSA's net liability monetary position was $21,436 million (Bs.135,045 million), mainly conformed by bolivars, resulting in gain from exchange rate fluctuation of $9,970 million, which is presented as finance income in the condensed consolidated statement of comprehensive income for the sixth-month period ended June 30, 2013.

Net liability monetary position in bolivars at the date of modification of the exchange rate, is mainly represented by accounts payable to related parties, which include account payable to National Treasury Office (ONT, by its Spanish acronym) and Simon Bolivar Fund for Reconstruction, S.A. (Fondo Simón Bolívar para la Reconstrucción, S.A.); accruals payable to contractors that are included in the accruals and other liabilities; account payable to local suppliers; financial debt in bolivars; and the liabilities for employee benefits and other post-employment benefits. Monetary assets are mainly conformed by notes and accounts receivables to companies owned by the stockholder and other government institutions; recoverable valued-added tax and advances to local suppliers and contractors.

Gain from Loan Paid in Advance

During the six-month period ended June 30, 2013, PDVSA received a loan in bolivars from non-financial private entities at 24 month term and interest rate resulting from subtracting 3% from the average market lending rate of the six most important banks in the country, published by the Venezuelan Central Bank (Banco Central de Venezuela - BCV, by its Spanish acronym). In March, 2013, this loan was paid in advance generating the gain from payments in advance for $1,100 million, reported as part of financial income.

(7) Other Expenses, Net

Other expenses, net are as follows (in millions of dollars):

	Three-month period ended on June 30,		Six-month period ended on June 30,	
	2013	**2012**	**2013**	**2012**
Compensation to Exxon Mobil	-	(27)	-	-
Impairment of assets (see note 10)	102	429	293	671
Works in progress cancelled (see note 10)	288	-	318	353
Cost for unrecoverable value-added tax (VAT) (see note 21)	112	69	152	110
Legal contributions (see note 21)	112	72	457	386
Settlement of agreement for nationalized assets pursuant "LOREBSCAPH" (1)	-	-	353	-
Other non-operating (income) expenses	(78)	230	645	(338)
Total other expenses, net	**536**	**773**	**2,218**	**1,182**

(1) Organic Law Reserving the State Assets and Services Related to Primary Hydrocarbon Activities (LOREBSCAPH, by its Spanish acronym)

(8) Contributions for Social Development

Contributions for social development are as follows (in millions of dollars):

	Three-month period ended on June 30,		Six-month period ended on June 30,	
	2013	**2012**	**2013**	**2012**
Contributions for social development	3,667	3,794	4,642	6,184
Special contribution (see note 22-b)	1,884	3,569	5,250	9,140
Government grants through FONDEN	(1,272)	(1,945)	(2,613)	(2,693)
Total	**4,279**	**5,418**	**7,279**	**12,631**

Contributions for Social Development

Based on the social responsibility of PDVSA, established in the Constitution of the Bolivarian Republic of Venezuela, in the Hydrocarbons Organic Law and in its Bylaws - Memorandum of Incorporation, related to its participation in the social and comprehensive development of the country, during the six-month periods ended June 30, 2013 and 2012, PDVSA made contributions for social development of $4,642 million and $6,184 million, respectively, mainly to support of missions and communities (see note 12).

Contributions to the National Development Fund (Fondo de Desarrollo Nacional – FONDEN, S.A.)

The amendment to the Law Creating a Special Contribution for Extraordinary Prices and Exorbitant Prices in the International Hydrocarbons Market establishes the recognition and payment scheme for the contribution to FONDEN (see note 22-b).

During the six-month periods ended June 30, 2013 and 2012, the special contribution expense was $5,250 million and $9,140 million, respectively, net of exemption established by the law of $1,466 million and $1,856 million, respectively.

Government grants through FONDEN

During the six-month periods ended June 30, 2013 and 2012, PDVSA received as government grants from the Republic through FONDEN $2,613 million and $2,693 million, respectively, which are presented in the condensed consolidated statement of comprehensive income, compensating contributions for social development expenses (see note 22-b).

(9) Taxes and Production Tax

A summary of taxes affecting PDVSA's consolidated operations are as follows (in millions of dollars):

	Three-month period ended on June 30,		Six-month period ended on June 30,	
	2013	**2012**	**2013**	**2012**
Income tax:				
Estimated income current tax expense:				
Venezuela (see note 21)	1,353	1,149	4,550	2,296
Foreign	131	96	346	195
Total current income tax expenses	1,484	1,245	4,896	2,491
Deferred income tax (benefit) expense:				
Venezuela (see note 21)	(991)	563	(1,894)	1,127
Foreign	8	11	72	22
Total deferred income tax (benefit) expense	(983)	574	(1,822)	1,149
Total income tax	**501**	**1,819**	**3,074**	**3,640**
Production tax, extraction tax and other taxes:				
Production tax	4,131	3,404	7,635	6,792
Extraction tax	503	531	919	930
Surface tax	78	4	176	70
Export registration tax	11	19	20	35
Special advantages tax	77	68	150	135
Consumption tax	12	6	22	9
Total production tax, extraction tax and other taxes (see note 21)	**4,812**	**4,032**	**8,922**	**7,971**

Income tax expense is recognized as the best Management estimation of the average annual effective income tax rate applied to pre-tax income for the interim period. The effective consolidated income tax rate for the six-month period ended June 30, 2013 was 19% (63% for the six-month period ended June 30, 2012). This decrease in the effective rate is mainly due to the increase in no temporary items related to the determination of fiscal income, as inflation adjustment, and carry-forward losses. At June 30, 2013 and 2012, the estimated income tax payable was $2,887 million and $2,267 million, respectively, which $2,829 million and $2,224 million, respectively, were income tax payable in Venezuela.

In February 2013, the Partial Reform of Decree with Rank, Value and Force of the Law Creating the Special Contribution for Exorbitant Prices in the International Hydrocarbons Market was published, which establishes a ceiling in determination and settlement of production tax, extraction tax, and export registration tax, established in the Organic Hydrocarbons Law of up to $80 per barrel (see note 22-b).

Pursuant to instructions issued by the National Government, during the six-month period ended June 30, 2012 and until January 2013, a conversion rate of Bs.2.60, per each U.S. dollar was used to determinate and pay production tax. From February 2013, a conversion rate of Bs.4.30, per each U.S. dollar was used.

Deferred Tax

As of June 30, 2013, the net movement of deferred tax asset was mainly due to the increase of unpaid taxes and fiscal contributions by $792 million, litigation and other claims provision by $230 million, inventories variations by $344 million, and property, plant and equipment by $815 million. These increases were offset by the effect of the variation in the exchange rate of $2,481 million.

As of June 30, 2013, the movement of deferred tax liability was due to the increase inventories adjustment by $738 million and increase in the assets retirement obligations by $623 million. Likewise, PDVSA recognized a decrease resulting from the variation in the exchange rate by $398 million.

As of June 30, 2013 and December 31, 2012, the accumulated balance of deferred tax assets unrecognized is $17,451 million and $21,938 million, respectively, as a result of the evaluation of their recoverability through future fiscal earnings.

Value-Added Tax (VAT)

A consolidated summary of VAT credits pending recovery or offsetting, during the six-month period ended June 30, 2013, follows (in millions of dollars):

Balance pending recovery or off-setting as of January 1, 2013	9,272
Generated during the year	1,137
Effect from modification of exchange rate	(2,440)
Balance pending recovery or off-setting as of June 30, 2013	**7,969**
Less, current portion	3,141
Non-current portion	**4,828**

At June 30, 2013, the Company is in process of agreements with Venezuelan Tax Authorities to recover these taxes, which are expected to be recovered during 2013 and 2015.

(10) Property, Plant and Equipment, Net

Additions, Disposals and Other Movements

During the six-month periods ended June 30, 2013 and 2012, PDVSA acquired assets of $9,507 million and $8,959 million, respectively. Likewise, during the six-month periods ended June 30, 2013 and 2012, the Company disposed of property, plant and equipment with a net book value of $187 million and $79 million, respectively.

Furthermore, during the six-month period ended June 30, 2013, a decrease of $968 million was resulting from the effect of the exchange rate variation generated from translation of property, plant and equipment of subsidiaries which use bolivars as their functional currency.

Evaluation of Impairment

During the six-month periods ended June 30, 2013 and 2012, PDVSA performed the impairment assessments and considering the current market and related businesses conditions, determined an impairment loss of $293 million and $671 million, respectively, mainly related to several assets from plants and refining facilities, and from wells and production facilities in Venezuela.

Works in Progress

During the six-month periods ended June 30, 2013 and 2012, PDVSA recognized $318 million and $353 million, for works in progress cancelled, which are included in other expenses, net in the condensed consolidated statements of comprehensive income.

(11) Accounts Receivable and Other Assets

Accounts receivable and other assets are as follows (in millions of dollars):

	June 30, 2013	December 31, 2012
Non-current accounts receivable:		
Energy agreements (see note 5)	5,370	5,345
Related entities (see note 21)	1,925	2,156
Employees	679	1,071
Materials and supplies	294	275
Buildings used by government entities (see note 21)	101	108
Others	846	409
Total	**9,215**	**9,364**

(12) Restricted Cash

Restricted cash is as follows (in millions of dollars):

	June 30, 2013	December 31, 2012
Funds for the execution of social development projects:		
Fund for Social and Economic Development of the Country (FONDESPA, by its Spanish acronym)	139	139
Integral Cooperation Agreement with the Republic of Argentina	366	455
Simon Bolivar Fund for the Reconstruction	32	167
Funds at the BCV	24	33
Integral Cooperation Agreement with the Portuguese Republic	241	240
Total funds for execution of social development projects (see note 21)	**802**	**1,034**
Letters of credit	148	160
Liquidity accounts	722	1,121
Others	25	15
	1,697	2,330
Less current portion	**1,482**	**2,112**
Non-current portion	**215**	**218**

(13) Notes and Accounts Receivable

Notes and accounts receivable are as follows (in millions of dollars):

	June 30, 2013	December 31, 2012
Related parties (see note 21)	29,331	31,082
Trade	10,720	9,433
Accounts receivable from employees	131	283
Other accounts receivable	1,387	1,415
	41,569	42,213
Less allowance for doubtful accounts	544	507
Total	**41,025**	**41,706**

(14) Prepaid Expenses and Other Assets

Prepaid expenses and other assets are as follows (in millions of dollars):

	June 30, 2013	December 31, 2012
Advances to suppliers and contractors	4,204	4,724
Income tax paid in excess and prepaid tax (see note 21)	274	252
Advances of special contributions and other taxes (see notes 21 and 22-b)	463	453
Advances to the National Saving Fund of the Working Class	182	606
Investments at cost	10	14
Tradable securities	73	39
Prepaid insurance	730	540
Prepaid services	66	52
Derivative assets	4	7
Other assets	477	313
Total	**6,483**	**7,000**

At June 30, 2013 and December 31, 2012, advances to the National Saving Fund of the Working Class correspond to payments made by PDVSA over obligations arising from special advantages and extraction taxes set forth in the Organic Law related to the National Saving Fund of the Working Class and the Peoples' Saving Fund.

(15) Equity

Non-Controlling Interests

During the six-month period ended June 30, 2013, the Mixed Companies declared dividends of $574 million, to non-controlling interests.

During the six-month period ended June 30, 2013, non-controlling interests made additional capital contributions of $60 million.

Reserves

During the six-month period ended June 30, 2013, the other reserves include movement of the reserve for the realization of deferred income tax assets of $756 million.

Dividends

In April 2013, dividends to the Republic of $952 million were declared and charged to accumulated income. During the six-month period ended June 30, 2013, $238 million of these dividends were paid.

(16) Financial Debt

The debt change during the six-month period ended June 30, 2013 is as follows (in millions of dollars):

	Currency	Interest rate	Nominal value	Balance
Balance at January 1, 2013				40,026
New debt operations:				
Unsecured loans	Bolivar	9.50%	966	966
Unsecured loans	Dollar	LIBOR + 5%	54	54
Unsecured loans	Bolivar	13.50%	139	139
Credit facility	Bolivar	9.50%	313	313
Credit facility	Dollar	LIBOR + 4.55%	60	60
Credit facility	Euro	2.12%	6	6
Credit facility	Dollar	8.70%	178	178
Credit facility	Dollar	LIBOR + 2.20%	191	191
Credit secured facility	Dollar	-	200	200
Payments:				
Unsecured loans				(234)
Secured loans				(478)
Credit facility				(354)
Financial leases				(12)
Amortization of premiums and discounts:				179
Effect of exchange rate variation:				
Exchange rate variation - yen-denominated debt				(26)
Exchange rate variation - euro-denominated debt				(1)
Exchange rate variation - bolivar denominated debt				(1,944)
Balance at June 30, 2013				39,263
Less current portion				4,596
Non-current portion				**34,667**

New Debt Operations

Petróleos de Venezuela, S.A. (Parent Company)

Investment Certificates

During the six-month period ended June 30, 2013, the Company renewed short-term investment certificates with Banco de Venezuela, Banco Universal S.A. (Banco de Venezuela) and Banco del Tesoro, Banco Universal S.A. (Banco del Tesoro) denominated in bolivars totaling $2,185 million, with an annual interest rate of 8.00%, and monthly payments.

Unsecured Loans

During the six-month period ended June 30, 2013, the Company signed with Banco de Venezuela loans denominated in bolivars totaling $799 million with an annual variable interest rate initially of 9.50%, to be invested in the agro-industrial sector.

In May 2013, the Company signed with Banco de Venezuela loans denominated in bolivars for $167 million with a variable interest rate of 9.50% annual, to be used to finance agricultural projects.

In February 2013, the Company entered into a loan with ENI Investments PLC (ENI Investments) for $1,742 million, with an interest rate of LIBOR plus 5.00%, to finance developments in the Orinoco Oil Belt. As of June 30, 2013, PDVSA has used $54 million of the amount agreed to this loan.

Credit Facilities

In March 2013, the Company signed with Banco del Tesoro a credit facility denominated in bolivars for $635 million and an initial annual variable interest rate of 9.50%, to be invested in the agro-industrial sector. As of June 30, 2013, PDVSA has used $313 million of this credit facility.

In January 2013, the Company signed a credit agreement with Banco Nacional de Desenvolvimiento Económico y Social (BNDES by its Spanish acronym), a Brazilian financial institution, for the construction of "Astillero del Alba", a project PDVSA Naval, S.A. (Subsidiary of PDVSA) for $638 million, at an interest rate of LIBOR plus 2.20% and maturity in 2024. As of June 30, 2013, the Company has used $191 million of the amount of this credit facility.

During the six-month period ended June 30, 2013, the Company has used $60 million of the credit facility signed with the China Development Bank Corporation (CDBC) in February 2012.

PDVSA Petróleo, S.A.

During the six-month period ended June 30, 2013, PDVSA Petróleo, S.A. has used $178 million of the credit facility signed with the Credit Suisse AG (Credit Suisse) in June 2012.

PDVSA Industrial, S.A.

During the six-month period ended June 30, 2013, Venezuelan Heavy Industries, C.A. (VHICOA), a subsidiary of PDVSA Industrial, S.A. (subsidiary of PDVSA) signed with the Banco de Venezuela loans denominated in bolivars for $139 million with an annual variable interest rate of 13.50%.

CITGO

Secured Credit Facilities

During the six-month period ended June 30, 2013, CITGO has used $200 million of the credit facility signed with BNP Paribas in September 2008.

Corporación Venezolana de Petróleo, S.A. (CVP)

In May 2013, Petroboscan, S.A. a Mixed Company subsidiary of CVP, signed a loan agreement with Chevron Boscan Finance B.V., for $2,000 million to finance projects to increase Petroboscan's hydrocarbon production, with an interest rate of LIBOR plus 4.5% and maturity of ten years from the applicable draw date. Pursuant to this agreement, PDVSA has a guarantee of 60% of Petroboscan's payment obligations. Such guarantee can be increased to 100% of the borrower's payment obligations under certain circumstances established in the agreement. At June 30, 2013, PDVSA does not have received draws related to this agreement.

(17) Provisions

Provisions are as follows (in millions of dollars):

	June 30, 2013	December 31, 2012
Assets retirement obligations	4,850	4,877
Litigations and other claims (see note 20)	868	1,244
Environmental issues	814	1,148
	6,532	7,269
Less current portion	2,147	2,590
Non-current portion	**4,385**	**4,679**

(18) Accruals and Other Liabilities

Accruals and other liabilities are as follows (in millions of dollars):

	June 30, 2013	December 31, 2012
Accounts payable to related parties (see note 21)	31,256	35,607
Accruals payable to contractors	6,997	10,513
Production tax and other taxes payable (see note 21)	2,425	3,376
Withholdings and contributions payable (see note 21)	1,909	2,496
Advances received from customers	1,144	1,112
Withholdings for the "Empresas de Propiedad Social (EPS)" Program	1,118	1,206
Accounts payable to employees	1,412	1,073
Accounts payable to non-controlling interests	299	310
Accounts payable for purchase of subsidiaries	94	139
Accounts payable for assets acquisition	617	468
Interest payable	920	695
Dividens payable on non-controlling interests	2,195	1,750
VAT (see note 21)	642	361
Others	2,684	1,989
	53,712	61,095
Less current portion	42,777	44,067
Non-current portion	**10,935**	**17,028**

Accounts Payable to Related Parties

Promissory notes to the National Treasury Office

During the six-months period ended June 30, 2013, PDVSA issued promissory notes for $2.857 million denominated in bolivars to the National Treasury Office (ONT - by its Spanish acronym) with maturity between June and September, 2013 and annual interest rate of 0.51%, which $952 million were paid during the six-months period ended June 30, 2013. Additionally, PDVSA paid $1.365 million, corresponding to promissory notes issued in 2012.

Advances Received from Customers

During the six-month period ended June 30, 2013, PDVSA signed several supply contracts at sales prices equivalent to the market value, receiving advances for $856 million. Likewise, during the six-month period ended June 30, 2013, PDVSA supplied crude oil and products equivalent to $797 million, with a remaining balance of $626 million, which are included under advances received from customers.

(19) Financial Instruments

(a) Financial Risk Management

Policies and procedures to measure and manage financial risks, which were applied by PDVSA during the six-month period ended at June 30, 2013, are the same as those disclosed in the consolidated financial statements at December 31, 2012 and for the year then ended.

(b) Classification and Fair Value of Financial Instruments

Fair values of financial assets and liabilities, together with book values presented in condensed consolidated statements of financial position are as follows (in million of dollars):

		June 30, 2013					
	Note	**Designated at fair value** [2]	**Loans and accounts receivable**	**Available for sale**	**Other financial liabilities**	**Total carriying value**	**Fair value**
Non-current accounts receivable	11	-	7,974	-	-	7,974	7,974
Recoverable value-added tax	9	-	7,969	-	-	7,969	7,969
Notes and accounts receivable	13	-	41,025	-	-	41,025	41,025
Derivative assets (included in prepaid expenses and other assets)	14	4	-	-	-	4	4
Restricted cash	12	-	1,697	-	-	1,697	1,697
Tradable securities (included in prepaid expenses and other assets)	14	73	-	-	-	73	73
Investments at cost	14	-	10	-	-	10	10
Cash and cash equivalents		-	5,923	-	-	5,923	5,923
Financial debt	16	-	-	-	(39,263)	(39,263)	(36,509)
Accounts payable		-	-	-	(15,439)	(15,439)	(15,439)
Other liabilities (included in accruals and other liabilities)[1]	18	-	-	-	(45,139)	(45,139)	(45,139)
Derivative liabilities (included in accruals and other liabilities)	18	(4)	-	-	-	(4)	(4)

		December 31, 2012					
	Note	**Designated at fair value** [2]	**Loans and accounts receivable**	**Available for sale**	**Other financial liabilities**	**Total carriying value**	**Fair value**
Non-current accounts receivable	11	-	8,209	-	-	8,209	8,209
Recoverable value-added tax	9	-	9,272	-	-	9,272	9,272
Notes and accounts receivable	13	-	41,706	-	-	41,706	41,706
Derivative assets (included in prepaid expenses and other assets)	14	7	-	-	-	7	7
Restricted cash	12	-	2,330	-	-	2,330	2,330
Tradable securities (included in prepaid expenses and other assets)	14	39	-	-	-	39	39
Investments at cost	14	-	14	-	-	14	14
Cash and cash equivalents		-	8,233	-	-	8,233	8,233
Financial debt	16	-	-	-	(40,026)	(40,026)	(37,219)
Accounts payable to suppliers		-	-	-	(16,747)	(16,747)	(16,747)
Other liabilities (included in accruals and other liabilities)[1]	18	-	-	-	(53,965)	(53,965)	(53,965)
Derivative liabilities (included in accruals and other liabilities)	18	(7)	-	-	-	(7)	(7)

(1) Includes accounts payable to related parties, accruals payable to contractors, production tax and other taxes payable, withholdings and contributions payable, accounts payable to non-controlling interests, accounts payable for acquisition of subsidiaries, accounts payable for assets acquisition, interest payable and VAT.

(2) Fair value of these items is determined based on direct market prices.

(c) Fair Value Hierarchy

The Company analyzes the fair value of financial instruments using the different levels below:

- Level 1: prices quoted on active securities markets for similar financial assets and liabilities. Derivative assets and liabilities, and tradable securities are included in this level.
- Level 2: variables other than quoted prices included in Level 1, which are observable for the asset or liability. Non-current accounts receivable, recoverable VAT, notes and accounts receivable, financial debt and other financial liabilities are included in this level.
- Level 3: variables used for assets or liabilities, which are not based on observable market data. The Company does not maintain assets valued at this level.

(20) Litigations and Other Claims

As of June 30, 2013 and December 31, 2012, based on the analysis of the available information, an estimate of $868 million and $1,244 million, respectively, is included as provisions (see note 17). Although it is not possible to anticipate the outcome of these matters, Management, based in part on advise of its legal consultants, does not believe that it is probable that losses associated with the legal proceedings discussed above, that exceed amounts recognized, will be incurred in amounts that would be material to PDVSA's consolidated financial position or results of consolidated operations.

At June 30, 2013, PDVSA is involved in other claims and litigations in the normal course of its operations, for $2,138 million. In the opinion of its management and its legal counsels, the final outcome of these claims will not have a material adverse effect on the Company's consolidated financial position, the results of its operations or liquidity.

(21) Related Parties

PDVSA considers as related parties its Stockholder, its subsidiaries, jointly controlled entities, the Company's directors and executives and their families, employee retirement funds, companies that are also property of the Stockholder and other government institutions.

A summary of transactions and balances with related parties follows (in millions of dollars):

	Three-month period ended on June 30,		Six-month period ended on June 30,	
	2013	**2012**	**2013**	**2012**
Activities of the period:				
Income:				
Sales:				
Non-consolidated investees and jointly controlled entities	702	923	1,270	2,086
Companies owned by the Stockholder and other government institutions	75	61	152	185
Costs and expenses:				
Purchases of crude oil and products, net	37	404	83	589
Production tax, extraction tax and other taxes (see note 9)	4,812	4,032	8,922	7,971
Interests in profit or loss of non-consolidated investees and jointly controlled entities	(1)	5	46	(14)
Other expenses, net (see note 7):				
Cost from unrecoverable value-added tax (VAT)	112	69	152	110
Legal contributions and others	112	72	457	386
Expenses and contributions for social development: (see note 8)				
Contributions for social development	3,667	3,794	4,642	6,184
Contributions to FONDEN	1,884	3,569	5,250	9,140
Government grants through FONDEN	(1,272)	(1,945)	(2,613)	(2,693)
Estimated income tax expenses in Venezuela (see note 9)	1,353	1,149	4,550	2,296
Deferred tax (benefit) expense in Venezuela (see note 9)	(991)	563	(1,894)	1,127

	June 30, 2013	December 31, 2012
Balances at year end:		
Investments in non-consolidated investees and jointly controlled entities	1,220	1,381
Buildings used by government entities (see note 11)	101	108
Recoverable value-added tax (see note 9)	7,969	9,272
Funds for execution of social development projects (see note 12)	802	1,034
Income tax paid in excess (see note 14)	274	252
Advances as special contributions and other taxes (see note 14)	463	453
Income tax to be paid in Venezuela (see note 9)	2,829	2,224
Financial debt (see note 16)	3,476	5,498
Accruals and other liabilities (see note 18) (1)	36,232	41,840
Accounts payable to suppliers	23	22
Notes and accounts receivable:		
Non-consolidated investees and jointly controlled entities	415	1,648
Companies owned by the Stockholder and other government institutions	30,841	31,590
	31,256	33,238
Less current portion	29,331	31,082
Non-current portion	**1,925**	**2,156**

(1) Includes accounts payable to related parties, production tax and other taxes payable, withholdings and contributions to be paid and value added tax.

Balances and Transactions with the Stockholder

During the six-month periods ended June 30, 2013 and 2012, production tax was paid in cash to the Republic, amounting to $4,470 million and $4,442 million, respectively.

During the six-month periods ended June 30, 2013 and 2012, PDVSA delivered crude oil and products of 315 TBPD and 372 TBPD, respectively, with a value of $6,299 million and $7,977 million, respectively, pursuant to Energy Cooperation Agreements, of which, 195 TBPD and 221 TBPD, with a value of $3,903 million and $4,744 million, respectively, correspond to 50% of the financed long-term portion, subject to compensation and consisting of trust funds of these agreements. According to instructions by the Ministry and pursuant to Article 45 of the Hydrocarbons Organic Law, 50% of the financed long-term portion of volumes delivered on account of the Republic is considered compliance of part of PDVSA production tax obligation (see notes 5 and 9).

During the six-month periods ended June 30, 2013 and 2012, PDVSA, delivered crude oil and products of 526 TBPD and 478 TBPD, amounting to $8,931 million and $8,842 million, respectively, under the Chinese-Venezuelan Fund Incorporation Agreement (see note 5). Collection on the volumes delivered by PDVSA was received by BANDES, to guarantee compliance with the commitments undertaken by the Republic with respect to that agreement. During the six-month periods ended June 30, 2013 and 2012, BANDES transferred to PDVSA $5,720 million and $8,300 million, respectively, corresponding to collections received.

Balances and Transactions with Non-consolidated Investees and Jointly Controlled Entities

Supply agreements entered into by the subsidiary PDVSA Petróleo, S.A. (PDVSA Petróleo) with non-consolidated investees and jointly controlled entities as of June 30, 2013, remain effective under the same conditions disclosed at December 31, 2012.

According to supply agreements signed, during the six-month periods ended June 30, 2013 and 2012, PDVSA Petróleo sold to non-consolidated investees and jointly controlled entities crude oil and products amounting to $1,059 million and $1,870 million, respectively. Outstanding balances receivable related to these transactions, at June 30, 2013 and December 31, 2012, for $252 million and $881 million, respectively, are reported as notes and accounts receivable from companies and related entities.

During the six-month periods ended June 30, 2013 and 2012, CITGO Petroleum Corporation (CITGO) sold to affiliates crude oil and refined products at market prices for $211 million and $217 million, respectively. The outstanding balances receivable in relation to these transactions at June 30, 2013 and December 31, 2012, for $68 million and $72 million, respectively, are reported as notes and accounts receivable from companies and related entities.

During the six-month periods ended June 30, 2013 and 2012, CITGO purchased refined products from several non-consolidated investees (Chalmette Refining, L.L.C. and Mount Vernon Phenol Plant) under long-term agreements. These purchases, for $83 million and $227 million, respectively, are included in the condensed consolidated statements of comprehensive income as purchases of crude oil and products. As of June 30, 2013 and December 31, 2012, accounts payable to suppliers included $23 million and $22 million, respectively, related to those transactions.

Balances and Transactions with Companies Owned by the Stockholder and Other Government Institutions

As of June 30, 2013 and December 31, 2012, accounts receivable from Corporación Eléctrica Nacional (CORPOELEC by its Spanish acronym) amounting to $1,213 million and $2,676 million, respectively, mainly including operations carried out by PDVSA Petróleo to supply light diesel and financial support for the acquisition of equipment for the national electric system, which may be offset against energy supply provided by CORPOELEC. In this regard, during the six-month periods ended June 30, 2013 and 2012, PDVSA Petróleo offset accounts receivable from CORPOELEC for $2 million and $4 million, respectively.

The transactions with related entities during the six-month periods ended June 30, 2013 and June 30, 2012 do not necessarily represent the results that would have been obtained if those transactions had been performed with third parties.

Balances of accounts receivable with companies owned by the Stockholder and other government institutions will be recovered through recovery plans agreed upon with the Stockholder in the short term; therefore they are presented as part of current assets.

(22) New Laws and Resolutions

(a) Ratification of the Board of Directors of PDVSA

On April 24, 2013, Official Gazette N° 40,153 was published, containing the Presidential Decree N° 20, whereby the members of the Company's Board of Directors are ratified.

(b) Law on Partial Reform of Decree N° 8,807 in Full Force and Effect of the Law Creating a Special Contribution for Exorbitant Prices in the International Hydrocarbons Market

Official Gazette N° 40,114 dated February 20, 2013, was published containing the Partial Reform of Decree N° 8,807 in Full Force and Effect of the Law Creating the Special Contribution for Exorbitant Prices in the International Hydrocarbons Market. The aforementioned Law derogates Decree N° 8,807 of the Law dated February 23, 2012.

Pursuant to this reform, extraordinary prices arise when the monthly average of international quotations of the Venezuelan liquid hydrocarbons basket is higher than the price set in the Budget Law of the respective fiscal year, but equal to or lower than $80 per barrel; and exorbitant prices arise when the monthly average of international quotations of the Venezuelan liquid hydrocarbons basket is higher than $80 per barrel. In relation to the extraordinary price aliquot, it was established that when the monthly average of international quotations of the Venezuelan liquid hydrocarbons basket is higher than the price established in the Budget Law of the respective fiscal year, but equal to or lower than $80 per barrel, an aliquot of 20% will be applied on the difference between both prices.

In relation to the exorbitant price aliquot, the Law provided for the following trenches:

- When exorbitant prices are higher than $80 per barrel, but lower than $100 per barrel, an aliquot of 80% of the total amount of the difference between the two prices will be applied.
- When exorbitant prices are equal to or higher than $100 per barrel, but lower than $110 per barrel, an aliquot of 90% of the total amount of the difference between the two prices will be applied.
- When exorbitant prices are equal to or higher than $110 per barrel, an aliquot of 95% of the total amount of the difference between the two prices will be applied.

Furthermore, the following exemptions are ratified in the case of:

- Activities referred to in Articles 6 and 8, as a consequence of the implementation of projects of new deposit developments, as well as volumes associated with recovery and upgrading projects, or production remediation projects, declared as such by the Ministry of the People's Power with competence in oil-related activities and mining. Through resolution, the Ministry will establish the criteria to be taken into account to declare volumes exempt from this contribution as such.
- Export of volumes in compliance with international agreements for cooperation or financing.

Likewise, a ceiling of $80 per barrel was established as maximum price for the calculation and payment of production tax, extraction tax and export registration tax as provided for in the Hydrocarbons Organic Law.

Additionally, provisions of the Law of BCV, enacted on April 8, 2012 and published in the Official Gazette of the Bolivarian Republic of Venezuela N° 39,419 dated May 7, 2010, governing PDVSA contribution to FONDEN, as well as any other equal or lower hierarchy provision that may collide with the aforementioned Law, are repealed.

This law include the method of payment of the special contribution, which establish that if in the case of FONDEN require that the payment of contributions were in bolivars, PDVSA will sell to BCV the corresponding amount in dollars at the exchange rate of the day. From this amount, BCV would transfer to FONDEN, in each opportunity of sell, 50% of the amount sold, unless the international reserves allow transferring a bigger amount.

According with the method established in the special contribution law (see note 22-b), during the six-month periods ended June 30, 2013 and 2012, PDVSA sold dollars to BCV for $5,266 million and $5,386 million, respectively, for the payment of its obligations related with this contribution in bolivars.

(c) Decree transferring Petróleos de Venezuela, S.A., or the subsidiary it may designate, the right to develop Gold Exploration and Exploitation activities

Official Gazette N° 40,109 dated February 13, 2013 was published containing Presidential Decree N° 9,368, which transfers Petróleos de Venezuela, S.A., or the subsidiary designate by it, the right to develop, either directly or through a State-owned entity, Gold Exploration and Exploitation activities, as well as those related and ancillary activities, which will be carried out in accordance with the principles of sustainable development, preservation of the environment and territorial order, under the technical and economic conditions that may prove to be more convenient for the rational development of the deposit.

(d) Exchange Agreement N° 14 and Decree creating the Highest Entity for the Optimization of the Exchange System

Official Gazette N° 40,108 was published on February 8, 2013, containing the reform of Exchange Agreement N° 14, effective as of February 9, 2013. This reform establishes the exchange rate at Bs.6.2842 per U.S. dollar for purchase and Bs.6.30 per U.S. dollar for sale. This resolution superseded Exchange Agreement N° 14 of December 30, 2010, Exchange Agreement N° 15, Article 5 of Exchange Agreement N° 12, as well as any other colliding provision.

Furthermore, Official Gazette N° 40,108 published Decree N° 9,381 creating the Highest Entity for the Optimization of the Exchange System, which will be responsible for the design, planning and implementation of strategies developed by the Republic in exchange-related matters.

(e) Presidential Decree transferring Shares of Corporación de Desarrollo de la Región Zuliana (CORPOZULIA) to PDVSA

In Official Gazette N° 39,982, dated August 9, 2012, Presidential Decree N° 9,131 published an order to transfer to PDVSA., of 70% of common, nominative, non-convertible bearer shares currently held by CORPOZULIA, in the state-owned company Carbones del Zulia, S.A. (CARBOZULIA). During January 2013, shares were transferred and PDVSA take control over the operations of CARBOZULIA. As of June 30, 2013, were recognized $18 million as related to the additional contribution from the Stockholder and $8 million as part of non-controlling interest, a result of this transaction.

(23) Subsequent Events

(a) Projects with Energy Companies in Republic of India

In October 2013, PDVSA announced that it has entered into cooperation agreement with a number of major energy companies in Republic of India, including ONGC Vindesh Ltd., Oil & Natural Gas Corp., Reliance Industries Ltd. and Essar Group, in order to cover the oil demand in Republic of India, in exchange for jointly agreement in exploration and production activities, as well as, the development of energy infrastructure in the Orinoco Oil Belt in Venezuela.

(b) Perla 3x Project

In August 2013, PDVSA entered into an agreement with the Italian energy company ENI S.P.A. (ENI) to create a Mixed Company to exploit offshore condensate gas reserves in the Perla oil field, which is located off of the coast of the northern state of Falcon in Venezuela. PDVSA will have a 60% share in the Mixed Company and ENI will own the remaining 40%.

(c) Renewal of Investment Certificates

In August and July 2013, short-term investment certificates with Banco del Tesoro for a total of $333 million, with an annual interest rate of 8.00% payable on a monthly basis, were renewed (see note 16).

(d) Credit Facility

In August and July 2013, PDVSA used $60 million and $120 million, respectively; of the credit facilities signed with Banco del Tesoro (see note16).

(e) Unsecured Loans

In September 2013, PDVSA entered into loan agreements with Banco del Tesoro for a total amount of $317 million, denominated in bolivars, with an annual interest rate of 12%, and the term is five years to be used in the manufacturing sector and as working capital.

In July 2013, PDVSA signed with Banco de Venezuela loans denominated in bolivars for $66 million, with a yearly variable interest rate, initially fixed at 9.50%, to be destined to the agricultural sector.

(f) Issue of Promissory Notes

In July 2013, PDVSA issued promissory notes for $4,762 million, denominated in bolivars, to the ONT, with a maturity in July 2015, and at annual interest rate of 0.51%.

PETRÓLEOS DE VENEZUELA, S.A.
AND SUBSIDIARIES (PDVSA)
(Owned by the Bolivarian Republic of Venezuela)

Consolidated Financial Statements

December 31, 2012, 2011 and 2010

With Independent Auditors' Report Thereon

Table of Contents **Page**

Independent Auditors' Report		1-2
Consolidated Statement of Comprehensive Income		3
Consolidated Statement of Financial Position		4
Consolidated Statement of Changes in Equity		5
Consolidated Statement of Cash Flows		6
Notes to the Consolidated Financial Statements:		
(1)	Reporting Entity	7
(2)	Basis of Preparation	7
(3)	Significant Accounting Policies	8
(4)	Foreign Exchange Agreement with the Banco Central de Venezuela (BCV)	20
(5)	Determination of Fair Values	20
(6)	Operating Segments	21
(7)	Joint Development Activities	27
(8)	Disposal Group Held for Sale and Discontinued Operations	28
(9)	New Subsidiaries	29
(10)	Other Expenses, Net	31
(11)	Finance Income and Finance Cost	32
(12)	Contributions for Social Development	33
(13)	Taxes and Production Tax	34
(14)	Property, Plant and Equipment, Net	39
(15)	Investments in Non-Consolidated Investees and Jointly Controlled Entities	41
(16)	Accounts Receivable and Other Assets	42
(17)	Restricted Cash	43
(18)	Inventories	44
(19)	Notes and Accounts Receivable	45
(20)	Prepaid Expenses and Other Assets	45
(21)	Equity	45
(22)	Financial Debt	47
(23)	Employee Termination, Pension and Other Post-employment Benefits	53
(24)	Provisions	57
(25)	Accruals and Other Liabilities	58
(26)	Accounts Payable	60
(27)	Financial Instruments	60
(28)	Operating Leases	67
(29)	Commitments and Contingencies	67
(30)	Related Parties	70
(31)	PDVSA Entities	74
(32)	Information on Crude Oil Production, Natural Gas Liquid (NGL), Refining and Exports Activities	75
(33)	Financial Information for Domestic and International Sectors	77

Table of Contents **Page**

(34) Laws, Resolutions and Legal Contributions 83

(35) Subsequent Events 89

Annex I- Supplementary Information on Oil and Gas Exploration and Production Activities (unaudited) 91-96

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Independent Auditors' Report

To the Stockholder and Board of Directors of
Petróleos de Venezuela, S.A.:

Report on the Consolidated Financial Statements

We have audited the accompanying consolidated financial statements of Petróleos de Venezuela, S.A. and its subsidiaries (PDVSA) (owned by the Bolivarian Republic of Venezuela), which comprise the consolidated statements of comprehensive income, changes in equity and cash flows for the year ended December 31, 2012, the consolidated statement of financial position at the date before mentioned, and notes, comprising a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with International Financial Reporting Standards, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audit. We conducted our audit in accordance with International Standards on Auditing. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on our judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, we consider internal control relevant to the entity's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the consolidated financial statements present fairly, in all material respects, the consolidated financial performance and consolidated cash flows of Petróleos de Venezuela, S.A. and its subsidiaries (PDVSA) for the year ended December 31, 2012, and of its consolidated financial position at the date before mentioned in accordance with International Financial Reporting Standards.

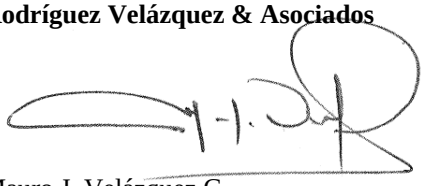
(Continued)

Emphasis of Matter

Without qualifying our opinion, we draw attention to the issue explained in Note 30 to the consolidated financial statements. PDVSA as the national oil company owned by the Bolivarian Republic of Venezuela and, according to its corporate objectives and specific responsibilities, performs significant transactions with its Stockholder, government institutions and other related entities, resulting significant effects on the consolidated financial statements. These transactions are mainly related to:

- Fiscal obligations, including production tax and taxes.
- Contributions for social development and contributions to the National Development Fund (Fondo de Desarrollo Nacional - FONDEN, S.A.)
- Support to manage the agreements executed by the Bolivarian Republic of Venezuela as well as support to accomplish the obligations derived from these agreements through the supply of crude oil and products.
- Acquisition and transfer of assets.
- Debt transactions with related financial institutions.
- Transactions derived from the administration of Simon Bolivar Fund for Reconstruction ("Fondo Simon Bolivar para la Reconstrucción")

Rodríguez Velázquez & Asociados



Mauro J. Velázquez G.
Public Accountant
C.P.C. Nº 22237

April 10, 2013
Caracas, Venezuela

	Note	Years ended December 31, 2012	2011	2010
		(Millions of dollars)		
Continuing operations:				
Income:				
Sales of crude oil and products:	30			
Exports and overseas, net		121.480	122.267	92.744
In Venezuela		1.743	1.675	1.400
Sales of food, services and others		1.236	812	785
		124.459	124.754	94.929
Costs and expenses:				
Purchases of crude oil and products, net	30	40.012	39.783	34.017
Operating expenses		23.014	14.555	11.892
Exploration expenses		492	163	147
Depreciation and amortization	6 - 14	7.105	6.871	6.037
Selling, administrative and general expenses		4.078	3.819	3.729
Production tax, extraction tax and other taxes	13 - 30	17.730	17.671	13.904
Finance income	11	(3.152)	(765)	(419)
Finance costs	11	3.401	3.649	8.810
Equity in net earnings of investments in non-consolidated investees and jointly controlled entities	15 - 30	(64)	278	184
Other expenses, net	10	3.013	3.501	2.039
		95.629	89.525	80.340
Income before contributions for social development and income tax		**28.830**	**35.229**	**14.589**
Contributions for social development	12	9.025	15.604	5.326
Contributions to FONDEN	12	8.311	14.475	1.692
		17.336	30.079	7.018
Income before income tax		**11.494**	**5.150**	**7.571**
Income tax:				
Current tax expense	13	4.982	5.171	6.911
Deferred tax expense (benefit)	13	2.297	(3.164)	(3.062)
		7.279	2.007	3.849
Net income from continuing operations		**4.215**	**3.143**	**3.722**
Discontinued operations:				
Gain (loss) from discontinued operations, net of income tax	8	-	1.353	(558)
Net income		**4.215**	**4.496**	**3.164**
Other comprehensive income:				
Differences on translation of foreign operations		22	87	38
Total comprehensive income		**4.237**	**4.583**	**3.202**
Net income attributable to:				
Company's stockholder		2.678	2.640	2.309
Non-controlling interests		1.537	1.856	855
Net income		**4.215**	**4.496**	**3.164**
Total comprehensive income attributable to:				
Company's stockholder		2.700	2.727	2.347
Non-controlling interests		1.537	1.856	855
Total comprehensive income		**4.237**	**4.583**	**3.202**

Notes 1 to 35 are an integral part of these consolidated financial statements.

	Note	December 31, 2012	2011	2010
		(Millions of dollars)		
Assets				
Property, plant and equipment, net	14	115.905	98.221	87.632
Investments in non-consolidated investees and jointly controlled entities	15	1.381	1.389	1.669
Deferred tax asset	13	11.627	12.753	9.166
Accounts receivable and other assets	16	9.364	7.183	3.446
Recoverable value-added tax	13	5.047	5.613	-
Restricted cash	17	218	314	604
Total non-current assets		**143.542**	**125.473**	**102.517**
Inventories	18	11.606	10.116	8.938
Recoverable value-added tax	13	4.225	822	4.916
Notes and accounts receivable	19	41.706	31.576	20.028
Prepaid expenses and other assets	20	7.000	3.843	5.968
Restricted cash	17	2.112	1.714	1.678
Cash and cash equivalents	3	8.233	8.610	6.017
Assets held for sale	8	-	-	1.703
Total current assets		**74.882**	**56.681**	**49.248**
Total assets		**218.424**	**182.154**	**151.765**
Equity				
Share capital	21	39.094	39.094	39.094
Retained earnings	21	22.895	21.590	21.593
Stockholder's additional contribution	21	3.243	3.243	5.243
Total equity attributable to the Company's stockholder		65.232	63.927	65.930
Non-controlling interests	21	10.596	9.956	9.384
Total equity		**75.828**	**73.883**	**75.314**
Liabilities				
Financial Debt	22	35.647	32.496	21.346
Employee benefits and other post-employment benefits	23	10.455	5.938	4.625
Deferred tax liability	13	3.727	2.556	2.133
Provisions	24	4.679	3.099	2.628
Accruals and other liabilities	25	17.028	17.149	1.623
Total non-current liabilities		**71.536**	**61.238**	**32.355**
Financial Debt	22	4.379	2.396	3.604
Employee benefits and other post-employment benefits	23	1.010	805	626
Accounts payable	26	16.747	12.376	10.137
Income tax payable	13	2.267	4.452	5.878
Provisions	24	2.590	2.090	2.203
Accruals and other liabilities	25	44.067	24.914	21.648
Total current liabilities		**71.060**	**47.033**	**44.096**
Total liabilities		**142.596**	**108.271**	**76.451**
Total equity and liabilities		**218.424**	**182.154**	**151.765**

Notes 1 to 35 are an integral part of these consolidated financial statements.

PETRÓLEOS DE VENEZUELA, S.A. AND SUBSIDIARIES (PDVSA)
Consolidated Statement of Changes in Equity
(In millions of dollars)

		Equity attributable to Company's Stockholder						
			Retained earnings					
	Note	Share capital	Legal reserves and other	Accumulated income	Stockholder's additional contribution	Total	Non-controlling interests	Total equity
Balances as of December 31, 2009		39.094	17.625	1.360	7.243	65.322	9.067	74.389
Comprehensive income -								
Net income		-	-	2.309	-	2.309	855	3.164
Other comprehensive income		-	-	38	-	38	-	38
Total comprehensive income		**-**	**-**	**2.347**	**-**	**2.347**	**855**	**3.202**
Transactions with Stockholder and non-controlling interests, directly recognized in equity -								
Transfer from reserves	21	-	(1.507)	1.507	-	-	-	-
Transfer to accumulated income	21	-	-	2.000	(2.000)	-	-	-
Additional contribution from non-controlling interests	21	-	-	-	-	-	265	265
Dividends paid	21	-	-	(1.000)	-	(1.000)	-	(1.000)
Stockholder's equity distribution	8	-	-	(739)	-	(739)	-	(739)
Dividend advances to non-controlling interests	21	-	-	-	-	-	(318)	(318)
Share of non-controlling interests in dividends declared	21	-	-	-	-	-	(485)	(485)
Total transactions directly recognized in equity		**-**	**(1.507)**	**1.768**	**(2.000)**	**(1.739)**	**(538)**	**(2.277)**
Balances as of December 31, 2010		**39.094**	**16.118**	**5.475**	**5.243**	**65.930**	**9.384**	**75.314**
Comprehensive income -								
Net income		-	-	2.640	-	2.640	1.856	4.496
Other comprehensive income		-	-	87	-	87	-	87
Total comprehensive income		**-**	**-**	**2.727**	**-**	**2.727**	**1.856**	**4.583**
Transactions with Stockholder and non-controlling interests, directly recognized in equity -								
Transfer to reserves	21	-	625	(625)	-	-	-	-
Transfer to accumulated income	21	-	-	2.000	(2.000)	-	-	-
Additional contribution from non-controlling interests	21	-	-	-	-	-	73	73
Dividends declared	21	-	-	(4.730)	-	(4.730)	-	(4.730)
Dividend advances to non-controlling interests	21	-	-	-	-	-	(434)	(434)
Share of non-controlling interests in dividends declared	21	-	-	-	-	-	(923)	(923)
Total transactions directly recognized in equity		**-**	**625**	**(3.355)**	**(2.000)**	**(4.730)**	**(1.284)**	**(6.014)**
Balances as of December 31, 2011		**39.094**	**16.743**	**4.847**	**3.243**	**63.927**	**9.956**	**73.883**
Comprehensive income -								
Net income		-	-	2.678	-	2.678	1.537	4.215
Other comprehensive income		-	-	22	-	22	-	22
Total comprehensive income		**-**	**-**	**2.700**	**-**	**2.700**	**1.537**	**4.237**
Transactions with Stockholder and non-controlling interests, directly recognized in equity -								
Transfer from reserves	21	-	(1.126)	1.126	-	-	-	-
Additional contribution from non-controlling interests	21	-	-	-	-	-	489	489
Dividends declared	21	-	-	(1.395)	-	(1.395)	-	(1.395)
Dividend advances to non-controlling interests	21	-	-	-	-	-	(80)	(80)
Share of non-controlling interests in dividends declared	21	-	-	-	-	-	(1.306)	(1.306)
Total transactions directly recognized in equity		**-**	**(1.126)**	**(269)**	**-**	**(1.395)**	**(897)**	**(2.292)**
Balances as of December 31, 2012		**39.094**	**15.617**	**7.278**	**3.243**	**65.232**	**10.596**	**75.828**

Notes 1 to 35 are an integral part of these consolidated financial statements.

	Note	Years ended December 31, 2012	2011	2010
		(Millions of dollars)		
Cash flows from operating activities:				
Net income		4.215	4.496	3.164
Adjustments to reconcile net income with net cash provided by operating activities -				
Depreciation and amortization	6 - 14	7.105	6.871	6.037
Work in progress cancelled	10	877	703	864
Impairment loss	10 - 14 - 16	991	503	271
(Gain) loss from exchange rate fluctuations	11	(19)	297	1.438
Loss on payment of obligations	11 - 22 - 25	-	-	1.628
Deferred income tax (benefit)	13	2.297	(3.164)	(3.062)
Employees benefits and other post-employment benefits	23	5.496	2.331	1.999
Equity in net earnings of investment in non-consolidated investees and jointly controlled entities	15	(64)	278	184
(Gain) loss from discontinued operations, net of income tax	8	-	(1.353)	558
Excess fair value of net assets over the acquisition cost	9 - 10	-	(26)	(50)
Changes in the fair value of non-current accounts receivable and recoverable value-added tax	13 - 16	770	587	141
Net realizable value of inventories	10 - 18	259	553	116
Increase (decrease) in the allowance for doubtful accounts	27	87	145	(205)
Changes in operating assets -				
Notes and accounts receivable	19	(12.113)	(17.978)	(7.769)
Inventories	18	(2.902)	(2.815)	(1.465)
Prepaid expenses and other assets	16 - 20	(6.674)	(3.902)	450
Recoverable value-added tax	13	(2.875)	(2.053)	(1.109)
Changes in operating liabilities -				
Accounts payable	26	4.371	2.239	6.486
Income tax payable, accruals and other liabilities	13 - 25	40.431	44.259	16.004
Provisions	24	549	502	1.136
Payments of employee benefits and other post-employment benefits	23	(774)	(839)	(853)
Interests paid, net of the amount recorded as assets		(1.645)	(1.210)	(613)
Payments of income tax, production tax and other taxes		(18.839)	(18.032)	(12.707)
Net cash provided by operating activities		**21.543**	**12.392**	**12.643**
Cash flows from investing activities:				
Acquisitions of property, plant and equipment	9 - 14	(25.032)	(17.908)	(12.858)
Acquisitions of subsidiaries, net of acquired cash	9	-	(15)	(454)
(Increase) decrease in restricted cash	17	(302)	254	(255)
Cash received from sale of the group of assets held for sale, net	8	-	3.716	-
Additional contributions to non-consolidated investees	15	(32)	(34)	(128)
Dividends received from non-consolidated investees and jointly controlled entities	15	40	15	16
Other variations in assets		105	244	22
Net cash used in investing activities		**(25.221)**	**(13.728)**	**(13.657)**
Cash flows from financing activities:				
Proceeds from issue of debt	22	7.130	9.521	6.681
Payment of debt	22	(1.537)	(3.308)	(3.314)
Dividends paid to Stockholder	21	(1.395)	(1.000)	(1.000)
Additional contribution from non-controlling interests	21	489	73	-
Dividend advances to non-controlling interests	21	(80)	(434)	(318)
Dividends paid to non-controlling interests	21	(1.306)	(923)	(485)
Net cash provided from financing activities		**3.301**	**3.929**	**1.564**
Effect of exchange rate on cash and cash equivalents		-	-	(1.514)
Net (increase) decrease in cash and cash equivalents		**(377)**	**2.593**	**(964)**
Cash and cash equivalents at beginning of year		8.610	6.017	6.981
Cash and cash equivalents at year end		**8.233**	**8.610**	**6.017**
Supplemental disclosure:				
Significant cash disbursements during the year -				
Contributions for social development		14.994	14.423	6.433
Contributions to FONDEN		15.572	14.452	1.334
Significant non-cash transactions -				
Dividends paid through transfers of accounts receivable	21	-	(3.730)	(9)
Offset of accounts receivable and payable with the Bolivarian Republic of Venezuela	25	1.896	2.844	-
Payment of obligations through delivery of crude oil and products	22	(1.153)	(441)	(233)
Property, plant and equipment acquired pursuant to LECUPS	9 - 14	(45)	(71)	(27)
Property, plant and equipment acquired through business combinations	14 - 25	-	(173)	(422)
Equity distribution to Stockholder	8	-	-	(739)

Notes 1 to 35 are an integral part of these consolidated financial statements.

(1) Reporting Entity

Petróleos de Venezuela, S.A. is a company incorporated and domiciled in the Bolivarian Republic of Venezuela (the "Republic"), and its headquarter is located at Edificio Petróleos de Venezuela, Torre Este, Avenida Libertador, La Campiña, Apartado N° 169, Caracas 1050-A.

Petróleos de Venezuela, S.A. (the "Parent Company" or the "Company") and its subsidiaries (collectively referred to as "PDVSA") is owned by the Republic, which controls PDVSA, as stockholder, through the Ministry of People's Power for Petroleum and Mining (Ministry) (previously known as the Ministry of People's Power for Energy and Petroleum) (see note 34-l). PDVSA is mainly engaged in planning, coordinating, supervising and controlling the activities of exploration, exploitation, transportation, manufacture, refining, storage, marketing or any oil and other hydrocarbons activity within the scope of its subsidiaries, both in Venezuela and abroad. PDVSA is also engaged in promoting or participating in activities aimed at fostering the comprehensive, organic and sustainable development of the country, including agricultural and industrial activities, preparation or processing of goods and their marketing, and rendering services to achieve the adequate alignment of hydrocarbon resources and the Venezuelan economy. Most of its foreign subsidiaries are involved in refining and marketing activities in the United States of America, Europe, the Caribbean and Latin America. The consolidated financial statements of PDVSA, as of and for the years ended December 31, 2012, 2011 and 2010, comprise the Company and its subsidiaries, and PDVSA's interest in non-consolidated investees and jointly controlled entities.

The main activities of PDVSA in Venezuela are regulated by the Hydrocarbons Organic Law (Ley Orgánica de Hidrocarburos - LOH by its Spanish acronym), in effect since 2002 and partially amended in May 2006; as well as the Organic Gas Hydrocarbons Law of September 1999 and its Regulation dated June 2000, its Bylaws-Memorandum of Incorporation, and provisions enacted by the National Government through the Ministry and any applicable common law provisions. Outside Venezuela, PDVSA's activities are regulated by the legal framework of the countries where those activities are performed.

(2) Basis of Preparation

(a) Statement of Compliance

The consolidated financial statements have been prepared in accordance with International Financial Reporting Standards (IFRS), issued by the International Accounting Standards Board (IASB).

On March 18, 2013, PDVSA's Board of Directors approved to submit for consideration at the Stockholder's Meeting the consolidated financial statements as of and for the year ended December 31, 2012, which will soon be presented at the Stockholder's Meeting and are expected to be approved without changes. The consolidated financial statements for the years ended December 31, 2011 and 2010, were approved by the Stockholder on April 16, 2012 and July 25, 2011, respectively.

(b) Basis of Measurement

The consolidated financial statements have been prepared on the historical cost basis, except for certain assets and liabilities that have been adjusted to be presented at fair value or present value. Assets measured and stated at fair value are mainly:

- Derivative financial instruments.
- Recoverable value-added tax.
- Accounts receivable from energy cooperation agreements.
- Restricted cash.

Liabilities measured and stated at present value are mainly:

- Employee benefits and other post-employment benefits.
- Asset retirement obligation.
- Environmental provision.

The methods used to measure fair values are discussed in note 5.

(c) Functional and Presentation Currency

The consolidated financial statements are presented in U.S. dollars (dollar or $). The functional currency of the Company and most of its subsidiaries is the dollar, since the main economic environment of PDVSA's operations is the international market of crude oil and its products. Therefore, a significant portion of revenues and debt, as well as costs, expenses and investments are denominated in dollars.

All financial information presented in dollars has been rounded to the nearest million, except for otherwise indicated.

(d) Use of Estimates and Judgments

The preparation of the consolidated financial statements in conformity with IFRS requires management to make estimates, judgments and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses. PDVSA uses its best estimates and judgments; however, actual results may differ from these estimates.

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates, if any, are recognized in the period which the estimates are reviewed and in any future periods affected.

Information about critical judgment in applying accounting policies that have the most significant effect on the amounts recognized in the consolidated financial statements is included in the following notes:

- Note 6 – Operating segments.
- Note 9 – Business combinations.

  Notes 22 and 28 – Classification and accounting for an arrangement containing a lease.
- Note 27 – Measurement of financial instruments.

Information about assumption and estimation uncertainties that have a significant risk of resulting in a material adjustment in future periods is included in the following notes:

- Note 13 – Deferred income tax and tax carry-forward losses.
- Note 14 – Measurement of property, plant and equipment.
- Note 23 – Measurement of contractual retirement benefit obligations and other post-employment benefits.
- Note 24 – Provision for litigation and other claims, accrual for environmental matters and asset retirement obligations.

(3) Significant Accounting Policies

The accounting policies set out below have been applied consistently by the Company, its subsidiaries, non-consolidated investees and jointly controlled entities, to all periods presented in these consolidated financial statements.

The comparative consolidated statement of comprehensive income has been re-presented as if the operations discontinued during the current year had been discontinued since the beginning of the comparative year (see note 8).

(a) Basis of Consolidation

Investment in Subsidiaries

Subsidiaries are entities controlled by PDVSA. Control exists when PDVSA has the power to control the financial and operating policies of an entity in order to obtain benefits from its activities. The financial statements of subsidiaries are included in the consolidated financial statements, from the date that control commences until the date that control ceases.

On the loss of control, PDVSA derecognizes the assets, liabilities, any non-controlling interest and other components of equity related to the subsidiary. Any resulting difference is recognized in profit or loss. If PDVSA retains any interest in the former subsidiary, it is measured at fair value at the date on which control is lost. Subsequently, it is recorded as an equity-accounted investee or as an available for sale financial asset, depending on the level of control held.

The accounting policies of subsidiaries were changed as required, in order to align them with the policies adopted by PDVSA.

Investments in Non-Consolidated Investees and Jointly Controlled Entities (Equity method)

Non-consolidated investees are those entities in which PDVSA has significant influence, but not control or joint control, over the financial and operating policies. Significant influence is presumed to exist when PDVSA holds directly or indirectly between 20 and 50 percent of the voting power in the investee. Jointly controlled entities are those in which PDVSA has joint control over its activities, established by contractual agreements and requiring unanimous consent of the parties for strategic financial and operating decisions.

Non-consolidated investees and jointly controlled entities are accounted for under the equity method and are recognized initially at cost, plus any goodwill identified upon acquisition. The cost of the investment includes transaction costs.

The consolidated financial statements include the PDVSA's corresponding share of the profit or loss and other comprehensive income, after adjustment to align the accounting policies with those of PDVSA, from the date when significant influence and joint control commences until the date when significant influence and joint control ceases.

When the share of losses exceeds the investment in a non-consolidated investees or jointly controlled entity, the carrying amount of the investment, including any long-term investment that form part thereof, is reduced to zero, and the recognition of further losses is discontinued, except to the extent that PDVSA has an obligation or has made payments on behalf of the investee.

Business Combinations

Business combinations are accounted for using the acquisition method, as at the acquisition date, which is the date on which control was transferred to PDVSA. In assessing control, PDVSA takes into consideration potential voting rights that are currently exercizable.

PDVSA measures the goodwill as of the acquisition date as:

- the fair value of the consideration transferred; plus
- the recognized amount of non-controlling interests in the acquiree; plus
- if the business combination is achieved in stages, the fair value of pre-existing equity interest in the acquiree; less
- the net recognized amount of identifiable assets acquired and liabilities assumed.

When the excess is negative, a bargain purchase gain is recognized immediately in comprehensive income.

The consideration transferred does not include amounts related to the settlement of pre-existing relationships for transaction made before the acquisition date. Such amounts are recognized in comprehensive income.

Cost related to the acquisition, other than those associated with the issue of debt or equity securities, that PDVSA incurs in connection with a business combination are expensed as incurred.

Any contingent consideration payable is recognized at fair value at the acquisition date. If the contingent consideration is classified as equity, then it is not remeasured and settlement is accounted for within equity. Otherwise, subsequent changes to the fair value of the contingent consideration are recognized in the consolidated statement of comprehensive income.

When the initial accounting of a business combination may be determined only on a provisional basis, at the end of the reporting period in which the combination occurs, either because the fair values allocated to assets, liabilities and contingent liabilities of the entity acquired or the cost of the combination may be determined only on a provisional basis, the combination will be recognized using those provisional values. For the purpose of completing the initial accounting, recognition is given to any adjustment made to those provisional values within the twelve months after the acquisition date.

Transactions Eliminated on Consolidation

Balances and transactions between the Parent Company and its subsidiaries (intercompany), and any unrealized gains or expenses arising from intercompany transactions, are eliminated in preparing the consolidated financial statements. Unrealized gains arising from transactions with equity-accounted investees are eliminated against the investment to the extent of PDVSA's interest in the investee. Unrealized losses are eliminated in the same way as unrealized gains, but only to the extent that there is no evidence of impairment.

Other Investments

Investments in shares in which PDVSA does not exercise any control, joint control or significant influence are recognized at fair value, unless there is no market price and their fair values cannot be measured reliably. If this is the case, the investments are recognized at cost. Dividends of those companies are recognized as income once they are declared (see note 20).

Non-Controlling Interests

PDVSA measures any non-controlling interest at its proportionate interest in the identifiable net assets of the acquiree, which generally is the fair value.

The proportionate interests of the non-controlling interest is presented in the consolidated statement of changes in equity as "non-controlling interests" and as net income and comprehensive income attributable to non-controlling interests in the consolidated statement of comprehensive income. Losses in a subsidiary attributable to non-controlling interests are allocated as such even if there is a negative balance in the non-controlling interests.

Acquisitions of non-controlling interests in new subsidiaries are accounted for directly in equity; therefore, goodwill resulting from such transactions is not recognized. Adjustments to non-controlling interests arising from transactions that do not involve the loss of control are based on a proportional amount of the net assets of the subsidiary.

(b) Foreign Currency

Foreign Currency Transactions

Transactions in foreign currencies (any currency other than the functional currency) are translated into the respective functional currency of the PDVSA entities at the exchange rate at the date of the transactions.

Monetary assets and liabilities denominated in foreign currencies at the reporting date are translated into the functional currency using the applicable exchange rate on that date. Net gains or losses resulting from foreign currency exchange are presenting as finance income or finance cost, net, in the consolidated statement of comprehensive income.

Non-monetary assets and liabilities denominated in foreign currencies that are measured at fair value are retranslated into the functional currency at the exchange rate at the date that the fair value was determined. Non-monetary items in a foreign currency that are measured at historical cost are translated using the exchange rate at the date of the transaction.

Translation of Foreign Operations

The assets and liabilities of foreign operations which functional currencies are other than the dollar and under a non-hyperinflationary economy are translated into dollars using the exchange rate effective at the reporting date, and income and expenses at the average exchange rate of the year in accordance with International Accounting Standard 21 *The Effects of Changes in Exchange Rates* (IAS 21). The foreign currency translation effect is recognized in other comprehensive income. When a foreign operation is disposed of, in full or partially, the amount of the effect from foreign currency translation associated to such transaction is recognized in the consolidated statement of comprehensive income as part of profit or loss.

The financial statements of subsidiaries whose functional currency is the bolivar (Bs), were prepared in accordance with International Accounting Standards 29 *Financial Reporting in Hyperinflationary Economies* (IAS 29), and subsequently translated into dollars in accordance with IAS 21, at the exchange rate at the reporting date, for all amounts in the statements of financial position and comprehensive income; therefore, the comparative figures correspond to those presented each year and are not adjusted by subsequent changes in price levels or exchange rates. In accordance with IAS 29, an economy is deemed hyperinflationary if it has a series of characteristics, such as an accumulated inflation rate equal to or greater than 100% over the last three years. For the purpose of IAS 29, Venezuela had been deemed as hyperinflationary economy until December 31, 2003; therefore, the financial statements of subsidiaries whose functional currency is the Bolivar recognized the effects of inflation until that date. Beginning in 2009, the Venezuelan economy is once again deemed hyperinflationary; consequently, the financial statements of subsidiaries whose functional currency is the Bolivar were prepared based on the requirements of IAS 29 as if the economy had always been hyperinflationary, according to International Financial Reporting Interpretations Committee (IFRIC) N° 7 *Applying the Restatement Approach under IAS 29.*

Translation to the Presentation Currency

The translation of the consolidated financial statements of PDVSA, from dollars into bolivars, a presentation currency other than the functional currency, was carried out in accordance with IAS 21 as follows: assets and liabilities at the exchange rate applicable at the date of the consolidated financial statements and income and expenses at the average exchange rate applicable each year. All exchange rate differences generated as a result of the foregoing, are recognized as part of other comprehensive income.

Exchange Rates and Inflation Indexes

A summary of the exchange rates per dollar at closing date along with the annual average exchange rates and inter-annual increases in the National Consumer Price Index (NCPI), published by the Venezuelan Central Bank (Banco Central de Venezuela - BCV) is as follows (see note 34-t):

	December 31,		
	2012	**2011**	**2010**
Exchange rate to euro (€) from dollar at closing date (€/$1)	0.76	0.78	0.76
Exchange rate to yen (¥) from dollar at closing date (¥/$1)	86.11	77.89	81.66
Exchange rate to bolivar (Bs.) from dollar at closing date (Bs./$1)	4.30	4.30	4.30
Average annual exchange rate to bolívar (Bs.) from dollar (Bs./$1)	4.30	4.30	4.30
NCPI Interannual increases (%)	20.07	27.57	27.18

(c) Revenue Recognition

Revenues from crude oil, natural gas and refined products sales and others are measured at fair value of the consideration received or receivable, net of commercial discounts and production taxes of the volumes supplied on behalf of the Republic. Revenue is recognized when risk and rewards have been transferred to the buyer, the recovery of the respective account receivable is probable, there is sufficient evidence of a sale agreement, prices have been fixed or are determinable and PDVSA has no involvement with the assets sold. These transfers are primarily governed by the delivery terms in agreements with customers.

Revenues from activities other than the principal hydrocarbons activity of PDVSA are recognized when the transfer of the risks and rewards associated with the sale of assets is realized; or for construction agreements and other services rendered based on the level of completion of the transaction or agreement as of the reporting date.

(d) Leases

Lease Payments

Payments made under operating leases are recognized in the consolidated statement of comprehensive income on a straight-line basis over the term of the lease. Lease incentives received are recognized as an integral part of the total lease expenses, over the term of the lease.

Minimum lease payments made under finance leases are apportioned between the finance expense and the reduction of the outstanding liability. The finance expense is allocated to each period during the lease term so as to produce a constant periodic rate of interest on the remaining balance of the liability.

Determining whether an arrangement contains a lease

At inception of an arrangement, PDVSA determines whether such agreement contains a lease. PDVSA assesses compliance with the following criteria, a) contract compliance depends on the use of a specific asset or assets and, b) agreement includes the right to use the underlying asset(s).

At inception or on reassessment of the agreement, PDVSA separates payments and other consideration required by the agreement, corresponding to the lease and those relating to other elements, based on their relative fair values. If PDVSA concludes that for a finance lease it is impracticable to separate payments reliably, an asset and a liability are recognized as an amount equal to the fair value of the underlying asset. Subsequently, the liability is reduced as payments are made and imputed interest is recognized on the liability using the incremental borrowing rate of PDVSA.

Leased Assets

Leases under which PDVSA substantially assumes all ownership risks and benefits are classified as financial leases. When initially recognized, the leased asset is measured at the lesser amount between its fair value and the current value of minimum lease future payments (see note 22). Thereafter, the asset is accounted for under its applicable accounting policies (see note 3-j). Other leases are deemed operating leases; accordingly, leased assets are not recognized in the consolidated statement of financial position (see note 28).

(e) Finance Income and Finance Cost

Finance income comprises results of transactions from the sale of financial instruments, debt transactions instruments issued by PDVSA, interest from non-current accounts receivable accounted for at amortized cost, and interest earned on invested funds (see notes 11 and 22).

Finance cost comprises expenses for interest on financial obligations (see note 22), changes (loss) in the fair value of financial assets (see notes 13-l and 16), asset retirement obligations (see notes 3-k and 3-t), losses from transactions with financial instruments, and changes and amendments to exchange rates and currency exchange regulations (see notes 4, 11 and 34-t).

Borrowing costs not directly attributable to the acquisition, construction or production of a qualifying asset are recognized as part of the comprehensive income using the effective interest rate method. A qualifying asset is an asset that requires a substantial period of time to get ready for its intended use.

Foreign currency gains and losses are reported on a net basis as either finance income or finance cost depending on whether foreign-currency fluctuations results in a net asset or liability position (see note 11).

(f) Income Tax

Income tax expense comprises current and deferred tax. Tax expense is recognized in comprehensive income of each year, except to the extent that it relates to items recognized directly in other comprehensive income.

Current tax is the expected tax payable based on the taxable income for the year, using the methodology established by current laws and tax rates at the reporting date and any adjustment to taxes payable from previous years. Deferred tax assets and liabilities are recognized in respect of temporary differences between the carrying amounts of assets and liabilities presented in the consolidated statement of financial position and their value used for tax purposes, plus operating losses and tax credit carry-forwards for future periods. Deferred tax assets and liabilities are measured using the tax rates applicable to taxable income in the year in which temporary differences will be recovered or cancelled, pursuant to current law. The effect of tax rate changes on deferred tax assets and liabilities is recognized in comprehensive income of the year in which they become effective.

In determining the current and deferred tax, PDVSA takes into account the impact of uncertain finance positions and whether additional taxes and interest may be due. PDVSA considers that accruals for tax liabilities are adequate for all open fiscal years, based on its assessment of several factors including interpretations of legal regulations and previous experiences. Such assessment relies on estimates and assumptions and may involve a series of judgments on future events.

A deferred tax asset is recognized only to the extent that it is probable that future taxable profits will be available against which they can be utilized. Deferred tax assets are reviewed at each reporting date and are reduced to the extent that it is no longer probable that the related tax benefit will be realized.

Income tax arising from the distribution of dividends, determined on the basis of the current laws of each tax jurisdiction is recognized as a liability when the obligation to pay the related dividend is recognized.

(g) Research and Development

Research and development costs incurred to obtain new scientific or technical knowledge are recognized as part of operating expenses in the consolidated statement of comprehensive income when incurred. In 2012, 2011 and 2010, those costs amounted to $139 million, $227 million and $188 million, respectively.

(h) Social Development Expenses

Social development expenses comprise of contributions to social programs and projects in which PDVSA participates for the social and integral development of the country (see notes 1, 12 and 17). These contributions are recognized directly as expenses when the obligation is incurred, with the exception of contributions made through different funds, including trusts and other restricted cash, which are recognized directly as social development expenses when the disbursements are made leaving the trustee and beneficiaries with the administrative responsibility over the funds.

Contributions to Fondo de Desarrollo Nacional, FONDEN, S.A. (FONDEN) consist of disbursements transferred under the Decree in Full Force and Effect of the Law establishing the Special Contribution for Extraordinary and Exorbitant Prices in the International Hydrocarbons Market which substitutes the contributions to be transferred previously, according to the Law stipulating its creation, dated September 8, 2005, and the Law on Special Contributions over Extraordinary Prices in the International Hydrocarbons Market, published in April 2011 (see notes 4 and 34-dd).

(i) Financial Instruments

Non-Derivative Financial Assets

Loans and receivable items are initially recognized on the date they are originated. All the other financial assets (including those designated at fair value through profit and loss) are initially recognized on the transaction date, which is the date when PDVSA becomes a party to the contractual provisions of the instrument. Any participation arising from the transfer of financial assets is recognized as an individual asset or liability.

PDVSA derecognizes a financial asset when contractual rights to the cash flows from the asset expire, or if PDVSA transfers the financial asset to another entity without retaining the control or a significant portion of the risks and rewards of ownership of the financial asset. Any interest in such transferred financial assets created or held by PDVSA is recognized as separate asset or liability.

Financial assets and liabilities are offset and the net amount is presented in the consolidated statement of financial position when, and only when, PDVSA has a legal right to offset the amounts and intends either to settle them on a net basis or to realize the asset and settle the liability simultaneously.

The Company classifies its non-derivative financial assets as follows: designated at fair value through profit and loss, loans and accounts receivable, and available for sale.

Financial assets are classified as at fair value through profit and loss if it is classified as available for sale or designated as such on initial recognition. After initial recognition, financial assets designated at fair value through profit and loss are accounted for at fair value and the related changes are recognized in the consolidated statement of comprehensive income. Financial assets are classified at fair value through profit and loss if PDVSA manages these investments and make purchase-sales decisions based on fair value, according to PDVSA's risk management or investment strategy. Financial assets recorded at fair value are presented as tradable securities assets in prepaid expenses and other assets (see note 20).

Loans and receivable assets are financial assets with fixed or definable payments that are not quoted in an active market. These assets are initially recognized at their fair value plus any attributable transaction costs. After initial recognition, these assets are valued at depreciated cost using the effective interest rate to recognize in comprehensive income any difference between the adjusted fair value and the redeemed value during finance term. Loans and receivable accounted for at the amortized cost include non-current accounts receivable from energy agreements and debt instruments issued by PDVSA (see notes 16 and 22). Recoverable value-added tax and restricted cash are accounted for at fair value after being initially recognized (see note 13-l). The other non-derivative financial assets are held at the initially accounted for value.

Cash and cash equivalents (see note 3-o) are subject to a non-significant risk of changes in their fair value and are used by PDVSA to manage its short-term commitments.

Financial assets available for sale are initially recognized at fair value plus any attributable transaction costs. After initial recognition, those assets are accounted for at fair value and changes recognized in other consolidated statement of comprehensive income. When the investment is derecognized, profit and loss accrued in equity are reclassified in the consolidated statement of comprehensive income.

If PDVSA has the intent and possibility to hold investments until they expire, those financial assets are classified as held to maturity. As at December 31, 2012, 2011 and 2010, the Company does not have financial assets under this classification.

Non-Derivative Financial Liabilities

Debt instruments are initially recognized on the date they are created. All the other financial liabilities are initially recognized on the transaction date, which is when PDVSA becomes party to the contractual clauses of the instrument. PDVSA derecognizes financial liabilities when PDVSA's contractual obligations are discharged, cancelled or expire.

Non-derivative financial liabilities are classified with other financial liabilities, which are initially recognized at fair value less any cost directly attributable to the transaction. After initial recognition, those liabilities are accounted for at amortized cost using the effective interest rate method. The other non-derivative financial liabilities mainly include the debt (see note 27).

See in note 3-e the policy to report financial income and finance cost.

Derivative Financial Instruments

Derivative financial instruments are initially recognized at cost and as part of prepaid expenses and other assets and accruals and other liabilities. Costs attributable to the transaction are recognized in the consolidated statements of comprehensive income when they occur. Subsequent, derivatives are measured at fair value with any change to such fair value recognized in the consolidated statements of comprehensive income. The effects of changes in the fair values of derivatives during 2012, 2011 and 2010, are not significant and are included in the consolidated statement of comprehensive income. In those years, no hedge accounting was used.

In accordance with its corporate policy, PDVSA does not issue or holds derivative financial instruments for trading or speculative purposes.

CITGO Petroleum Corporation (CITGO), a PDVSA subsidiary, balances its crude oil and related products to the demand, and manages a portion of its price risk through derivatives related to petroleum products. CITGO uses futures, time contracts, financial swaps and options agreements primarily to reduce its exposure to market risk. In managing those risks, management has defined certain references according to their proper risk profiles for the economic environment in which the Company operates and finances its assets. CITGO also reduces the risk of price volatility for a portion of its inventories of crude oil and products.

CITGO is exposed to shifts in the variable interest rates of its debt resulting from fluctuations in the LIBOR rate (London InterBank Offered Rate). CITGO manages its exposure to interest rates fluctuation by signing interest rate exchange agreements to balance its debt between fixed and variable rates.

(j) Property, Plant and Equipment

Recognition and Measurement

Property, plant and equipment are measured at cost less accumulated depreciation and any accumulated impairment losses (see note 3-p). The successful efforts method of accounting is used for exploration and production activities of crude oil and gas, considering the International Financial Reporting Standard 6 *Exploration and Evaluation of Mineral Resources* (IFRS 6), related to the recognition of assets for exploration and evaluation activities. Costs of development wells and related plant and equipment used in the production of oil and gas are recognized as part of the assets. Costs of exploratory wells are recognized as assets until it is determined whether the well is commercially feasible; otherwise, those costs are charged to exploration expense. Other expenditures related to exploration are expensed as incurred.

The cost of property, plant and equipment includes disbursements for acquisition of those assets, as well as the amounts associated with asset retirement obligations (see note 3-k).

Finance costs of projects requiring major investments and those incurred in financing of specific projects are recognized as property, plant and equipment, when are directly related to the construction or acquisition of a qualified asset. Capitalization of these costs is suspended during the periods in which construction activities are interrupted, and capitalization ceases when the activities required for use of the qualified asset have been substantially completed.

The cost of self-constructed assets includes capitalized borrowing costs, the cost of materials and direct labor as well as any other direct cost attributable to bringing the asset to a working condition for their intended use. It also includes dismantling and removal costs at the location where it is built.

All disbursements related to construction or acquisition of property, plant and equipment in the stage prior to be ready for the intended use are stated at cost and recognized as work in progress. Once the assets are ready for use, they are transferred to property, plant and equipment and depreciation or amortization commences.

The gain or loss from the sale or disposal of an asset from property, plant and equipment is determined by comparing the proceeds from the sale or disposal, if any, with the net carrying amount of the asset, and the net amount is recognized as other expenses, net, in the consolidated statement of comprehensive income.

Subsequent Costs

Major maintenance costs or general repairs and replacement of significant separate components of property, plant and equipment are capitalized when it is probable that such maintenance, repair or replacement will result in future economic benefits to PDVSA and the cost can be measured reliably. These costs are depreciated over the estimated period between one maintenance or replacement and the next. Disbursements for minor maintenance, repairs and renewals to maintain the facilities in normal operating condition are expensed as incurred.

Depreciation and Amortization

Capitalized costs related to wells and facilities for crude oil and gas production are depreciated and amortized using the units of production method by field, based on the proved developed reserves, which comprise the amounts of crude oil and gas that can be recovered from the existing wells, with equipment and methods currently in use. The rates used are reviewed annually, based on an analysis of reserves and are applied retroactively at the beginning of the year.

Capitalized costs of other items of property, plant and equipment are depreciated over their estimated useful lives, mainly using the straight-line method, whose average useful lives in years range from:

Plants and refining facilities	17 - 25
Storage facilities and transportation of crude oil, gas and products	12 - 25
Building and constructions	20
Machinery and equipment	5 - 10
Maritime and air transportation units	3 - 20
Industrial services and field support	10 - 17
Remaining assets	3 - 10

When items of an asset under property, plant and equipment have different useful lives, they are presented for separately as a significant component of that asset.

Depreciation methods, average useful lives and residual value of property, plant and equipment are reviewed annually and adjusted when necessary. Land is not depreciated.

Property, plant and equipment are depreciated from the date that the assets is installed and are ready for use, or in the case of those self-constructed assets, from the date that the asset is complete and ready for use.

(k) Costs Associated with Asset Retirement Obligations

PDVSA capitalizes the estimated costs associated with asset retirement obligations based on the future disposal plan for those assets. Costs are capitalized as part of the related assets and are amortized as operating costs over their useful lives (see notes 3-t and 24).

(l) Goodwill

Goodwill arising from the acquisition of subsidiaries is included under accounts receivable and other assets (see notes 3-a, 9 and 16).

The goodwill arising from the acquisition of non-consolidated investees and jointly controlled entities is included as part of the carrying amount of the investment (see note 15).

For the initial recognition of goodwill originating from business combinations see note 3-a. After the initial recognition the goodwill is measured at cost less accumulated impairment loss. Non-consolidated investees and jointly controlled entities, impairment loss is allocated to the investment balance.

(m) Biological Assets

Biological assets are measured at fair value less estimated costs to sell, with any change therein recognized in profit or loss. Estimated costs to sell include all costs that would be necessary to sell the assets, including transportation costs (see note 16).

(n) Inventories

Inventories of crude oil and its products are measured at the lower of cost or net realizable value. The cost of inventories includes primarily production, refining, transportation, production tax and other costs necessary for their sale and distribution. The cost is calculated using the average cost method. Net realizable value is the estimated selling price in the ordinary course of business, less estimated costs of completion and the estimated costs necessary to make the sale.

Materials and supplies are mainly measured at the lower of the average cost and the net realizable value, and are divided into two groups: non-current assets and current assets (see notes 16 and 18).

The cost of food products located in PDVSA's warehouses, is principally determined by the retailer's method, less an allowance for possible losses. The method includes determining the cost of inventories considering the sales price less the appropriate percentage of gross profit. The percentage applied considers those inventories marked below their original sale price (see notes 8 and 18).

(o) Cash Equivalents

PDVSA considers as cash equivalents deposits and all other cash placements with original maturities of less than three months and availability on a current basis, which at December 31, 2012, 2011 and 2010, amounted to $2,053 million, $2,079 million and $1,126 million, respectively.

(p) Impairment

Non-Derivative Financial Assets

PDVSA assesses the carrying amount of its financial assets at each reporting date to determine whether there is any objective evidence of impairment. A financial asset is impaired if there is objective evidence of impairment as a result of one or more loss events occurred after the initial recognition of the asset, and that loss events had an impact on the estimated future cash flows of that asset that can be estimated reliably.

Objective evidence that the financial assets are impaired may include default or delinquency by a debtor, restructuring of an amount due to PDVSA on terms that would not be considered under other circumstances, indications that a debtor or issuer will enter bankruptcy or disappearance of an active market for an instrument.

Individually significant financial assets are assessed for specific impairment. The remaining financial assets with similar credit-risk characteristics are collectively assessed for impairment (see note 27).

In assessing impairment, PDVSA uses historical trends of the default probability, the timing of recoveries and the amount of loss incurred, adjusted for management's judgment as to whether current economic and credit conditions are such that the actual losses are likely to be greater or less than suggested by historical trends.

An impairment loss in respect to a financial asset measured at amortized cost is calculated as the difference between its carrying amount and the present value of the estimated future cash flows, discounted at the effective interest rate. Impairment losses are recognized in the consolidated statement of comprehensive income. An impairment loss is only reversed if the amount can be objectively related to an event occurring after the impairment loss was recognized (see note 27). An impairment loss in respect to an asset available for sale is recognized by reclassifying the loss accumulated under equity in the consolidated statement of comprehensive income.

Non-Financial Assets

The carrying amounts of non-financial assets, excluding inventory, biological assets and deferred tax, are reviewed at each reporting date to determine whether there is any indicator of impairment. If any such indication exists, then the recoverable amount of the asset is estimated. In the case of goodwill, which has an indefinite useful life, the recoverable amounts are estimated at each reporting date. An impairment loss is recognized when the carrying value of an asset or its cash-generating unit exceeds its recoverable value.

The recoverable amount of an asset or cash-generating unit is the greater of its value in use and its fair value, less cost to sell. To determinate the value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risk specific to the asset or cash-generated unit. Impairment is determined by PDVSA based on the cash-generating units, according to its business segments, geographic locations and end-use of the production generated by each unit. A cash-generating unit is the smallest identifiable group of assets that generates cash flows substantially independent of other assets or groups of assets. To assess impairment, the goodwill resulting from a business combination is allocated to the cash-generating units expected to benefit from synergies of the combination.

Impairment losses are recognized in the consolidated statement of comprehensive income. Impairment loss recognized with respect to cash-generating units is deducted initially from any goodwill associated to those units and then from the carrying amounts of other assets of the unit on a pro rata basis.

An impairment loss is reversed only if there has been a change in the estimates used to determinate the recoverable amount; those reversals may not exceed the carrying amount of assets net of depreciation or amortization as if no impairment loss had ever been recognized. An impairment loss in respect to goodwill is not reversed.

(q) Assets held for Sale or Distribution

Disposal assets or disposal groups of assets and liabilities are classified as held for sale or distribution if their carrying amount will be recovered primarily through sale or distribution to the owner rather than through continuing use. This condition is met only when the sale or distribution is highly probable and disposal assets or disposal groups are available for sale immediately in their present condition, and the sale or distribution is expected to take place within one year from their classification date. Immediately prior to this classification, the disposal assets or disposal groups of assets are recognized in accordance with PDVSA's accounting policies and subsequently measured at the lower of the carrying amount or fair value, less estimated cost to sell or disposal (see note 8).

An impairment loss for a disposal asset or disposal group of assets is first allocated to goodwill, if any, and then to the remaining assets and liabilities on pro rata basis, except that no loss is allocated to inventories, biological assets, financial assets, deferred tax assets or employee benefit assets, which continue to be measured in accordance with PDVSA accounting policies. Impairment losses on initial classification as held for sale or distribution, with a subsequent gain or losses for changes in fair value are recognized in consolidated statement of comprehensive income. A gain from changes in fair value may not exceed any cumulative impairment loss previously recognized.

Intangible assets and property, plant and equipment are not amortized or depreciated after being classified as held for sale or disposal. In addition, the equity method is no longer applied in non-consolidated investees and jointly controlled entities after those assets are classified as held for sale or disposal.

(r) Discontinued Operations

A discontinued operation is a business component of the Company which operations and cash flows can be clearly differentiated from the others; furthermore:

- it represents a separate major line of business or geographical area of operations.
- it is part of a single co-ordinated plan to dispose of a separated major line of business or geographical area of operations, or
- it is a subsidiary acquired exclusively with a view to re-sale.

The classification of a discontinued operation occurs on disposal or when the operation meets the criteria to be classified as held for sale, if earlier. When an operation is classified as a discontinued operation, the comparative consolidated statement of comprehensive income is re-presented as if the operation had been discontinued from the beginning of the comparative year (see note 8).

(s) Employee Termination and Other Postemployment Benefits

Short-Term Benefits

Obligations for short-term benefits, such as employee bonuses, vacations and other benefits are recognized as expenses in the event that the related services are performed by the employee.

Defined Benefits

Severance Indemnities

Severance indemnities of Venezuelan employees are in accordance with labor laws and labor union contracts. A significant portion of employee benefits have been deposited in trust accounts in favor of the employees.

PDVSA's net obligation regarding severance indemnities is defined in current labor union contracts and in the Organic Law of Labor and Workers (Ley Orgánica del Trabajo, los Trabajadores y las Trabajadoras - LOTTT), which became effective as of May 2012, with retroactive application and characteristics of a defined benefit plan in accordance with IAS 19 *Employee Benefits* (see note 34-f). A defined benefit plan is a post-employment benefit plan other than the defined contribution plan.

In accordance with the LOTTT, payment of severance indemnities is proportional to past services provided by employees, calculated based on the salary earned by the employee at the end of employment. The calculation is performed annually by an independent qualified actuary using the projected unit credit method. Modification of this defined benefit plan in the consolidated financial statement as of and for the year ended on December 31 2012, was initially recognized PDVSA in full as past service cost. Consequently, no other comprehensive income for actuarial profit or loss was generated.

PDVSA does not have a specific portfolio to guarantee compliance with this defined benefit obligation. Accordingly no calculation on the fair value of assets exists (see note 23-b).

Most of the termination benefits have been deposited in trust accounts in favor of the employees.

As of January 1, 2013, PDVSA will adopt the amendment to IAS 19 (see note 3-v).

Retirement Plan

PDVSA's net obligation for retirement benefits plans as defined by contract is calculated for each participant in the plan, estimating the amount of future benefits that employees have earned in return for their services during the current and prior periods; this benefit is discounted in order to determine its present value which is reduced by the fair market value of plan assets, any unrecognized past service costs as well as non-recognized actuarial profit (loss). The discount rate reflects the market performance at the date of the consolidated financial statements, which is reflected by financial instruments issued by PDVSA with high credit ratings and maturity dates approximating the terms of the obligations. The calculation is performed annually by an independent qualified actuary using the projected unit credit method.

Improvements to the benefits plan, relating to the cost of past services are recognized as an expense in the consolidated statement of comprehensive income over the estimated period, which in average represents the time when the benefits become vested. To the extent that such improvements to the benefits are irrevocably vested after their approval, the expense is recognized immediately in the consolidated statement of comprehensive income.

PDVSA recognizes as either income or expense the amount of unrecognized actuarial gains or losses for the period exceeding 10% of the greater of the following amounts: a) the present value of defined benefit obligations at the end of the previous year; and b) the fair value of the plan's assets at the end of the previous year. The resulting amount is divided by the average remaining service period of the employees participating in the plan. These limits are determined and applied separately for each defined benefit plan.

Post-employment Benefits Other than Retirement

The net obligation for other contractually defined postemployment benefits is the amount of future benefits that employees have earned for their services during the current and previous periods. These benefits include health and dental plans, funeral insurance and electronic meal cards. The obligation is measured using the projected unit credit method, is discounted to reflect its present value, and is reduced by the fair value of any related assets. The discount rate must reflect the market performance, that is, the yield at the date of the consolidated financial statements on debt instruments of high credit rating issued by PDVSA that have maturity dates approximating the terms of the obligations.

Costs of past services and actuarial gains and losses are recognized using the same methodology as the contractually defined retirement plan.

(t) Provisions

A provision is recognized if, as a result of a past event, PDVSA has a present, legal, or constructive obligation that can be reliably estimated, and it is probable that a future outflow of economic benefits will be required to settle the obligation. The provisions are determined by discounting the expected future cash flow using a discount rate associated with the estimated payment terms, if the term can be estimated reliably as well as the risk associated with those obligations. The unwinding of the discount is recognized as financial cost (see note 24).

Environmental Issues

According to the environmental policies established by PDVSA and applicable current laws, a liability is recognized when costs are probable and can be reliably estimated. Environmental expenditures that relate to environment conservation, associated with income for current or future revenues are expensed or capitalized as appropriate. Expenditures incurred for past operations that do not contribute to generate current or future income are recorded as expenses. Recognition of these provisions is associated with the identification of an obligation for environmental remediation where PDVSA has sufficient information to determine a fair estimation of the respective cost. Subsequent adjustments to estimates, if necessary, are made upon obtaining additional information (see note 29-d).

Asset Retirement

Obligations associated with the retirement of asset are recognized at fair value on the date on the obligation is incurred, based on future discounted cash flows. The fair values are determined based on current regulations, existing technologies and price levels. The carrying value of the provision is annually reviewed and adjusted considering changes in such variables. The discount rate is annually reviewed.

Changes in the fair values of obligations are added to or deducted from the cost of the respective asset. The adjusted depreciable asset amount is depreciated over its remaining useful life. Therefore, once the asset's useful life has expired, all subsequent changes in the fair value of the obligation are recognized in the consolidated statement of comprehensive income. The increase in the obligation for each year elapsed is recognized in the consolidated statement of comprehensive income as finance expenses (see note 3-e).

Costs and obligations associated with the retirement of assets related to the main structures used in refining, trade and supply activities are not estimated, as those assets are deemed to have indefinite useful life as a result of major maintenance and repairs.

Litigations and Other Claims

Provisions for litigation and claims are recognized in the event that legal action has been lodged, government investigations have been initiated and other legal actions are outstanding or subject to be filed in the future against the Company, as a result of past events, which may result in a probable outflow of economic benefits to pay for that obligation which may be reliably estimated (see note 29-c).

(u) Segment Reporting

PDVSA reasonably identifies its operating segments based on its business units and geographical locations. The operating segments of PDVSA include exploration and production activities of crude oil (upstream); refining, trade and supply (downstream); gas and other (see note 6). Unallocated transactions and balances comprise mainly cash, investments in non-consolidated investees and jointly controlled entities, debt, financial leases, revenues and finance expenses, contributions for social development, current income tax and income tax payable, as well as assets and liabilities related to activities of the Simon Bolivar Fund for Reconstruction (see note 30-b).

(v) New Accounting Standards not yet Adopted

New standards, amendments to current standards and interpretations are effective for annual periods beginning after January 1, 2012, and have not been applied in preparing these consolidated financial statements. Management evaluated such standards and determined that they will not have a significant impact on its consolidated financial statements, except for the amendment of IAS 19 *Employee Benefits*, since the accumulated value of actuarial gains and losses has to be recognized in other comprehensive income on January 1, 2013.

At December 31, 2012, the non-recognized accumulated amount of actuarial gain and losses is $1,549 million. Additionally, past service cost will be immediately recognized in the 2013 consolidated statement of comprehensive income. At December 31, 2012, the non-recognized accumulated amount of past service cost is $1,793 million. Up to December 31, 2012, both, actuarial gain and losses and past service costs, are presented offsetting the employee benefits liability (see note 23-c).

Management is also assessing the following standards to determine their potential impact on the consolidated financial statements:

- IFRS 9 *Financial Instruments* (2010 and 2009)

  IFRS 9 (2009) introduces new requirements for the classification and measurement of financial assets. Under IFRS 9 (2009), financial assets are classified and measured based on the business model in which they are held and the characteristic of their contractual cash flows. IFRS 9 (2010) introduces additions related to financial liabilities. Currently, the IASB has an active project for limited amendments to the classification and measurement requirements of IFRS 9 and add new requirements to address the impairment of financial asset value and hedge accounting. IFRS 9 (2010 and 2009) is effective for annual periods beginning on or after January 1, 2015 with early adoption permitted.

- IFRIC interpretation 20 *Stripping Costs in the Production Phase of a Surface Mine.*

  IFRIC 20 recognizes stripping costs incurred in the production phase as an asset, and the initial and subsequent measurement of the stripping activity asset. This interpretation is effective for annual periods beginning on or after January 1, 2013 with early adoption permitted.

(4) Foreign Exchange Agreement with the Banco Central de Venezuela (BCV)

According to the Reform Law of BCV, effective since July 20, 2005, PDVSA must only sell to the BCV the funds in currency other than domestic currency required to meet its obligations in domestic currency (see note 11). The remaining amounts in other than domestic currency can be held by PDVSA to meet its obligations and investments in currency other than domestic currency. Any excess must be transferred by PDVSA to the FONDEN (see notes 3-h, 12 and 34-t).

On November 21, 2005, Official Gazette N° 38,318 was published, containing the Foreign Currency Exchange Agreement 9, which establishes that funds in other than domestic currency deriving from the export of hydrocarbons must be sold to the BCV, except for those to be used for PDVSA's activities as mentioned in the Reform Law of BCV above. This agreement states that PDVSA and its subsidiaries are not allowed to maintain funds in currency other than domestic currency within the National Territory for more than 48 hours and also establishes the conditions for the use of funds by PDVSA.

On March 2, 2006, the Board of Directors of the BCV authorized PDVSA to increase the revolving fund up to $2,000 million, to secure operating payments and investments.

On March 22, 2007, Official Gazette N° 38,650 was published, containing a reform to the Exchange Agreement 9, which establishes that PDVSA may acquire currency other than domestic currency directly from the BCV to replace, up to the authorized amount, funds placed offshore in accordance with Article 113 of the Law of BCV. Based on this agreement, on February 8, 2007, the Board of Directors of BCV authorized PDVSA to keep a special fund in dollars of up to $3,500 million to meet requirements associated with the Plan Siembra Petrolera 2007 - 2013.

On January 8, 2010, Official Gazette N° 39,342 was published, containing the Exchange Agreement N° 14, which sets forth the exchange rates for the purchase and sale of dollars, effective as of January 11, 2010 (see notes 11 and 34-t).

(5) Determination of Fair Values

Certain accounting policies and disclosures of the Company require the determination of fair values, both for financial and non-financial assets and liabilities. Fair values have been determined for measurement and/or disclosure, using available market information and appropriate valuation methodologies and, as required, additional information about fair value estimates of assets and liabilities are included in the specific notes to the consolidated financial statements.

Property, Plant and Equipment

The fair value of property, plant and equipment recognized as a result of a business combination is the estimated amount for which an asset could be exchanged between knowledgeable, willing parties in an arm's length transaction, under mutual independence conditions, after proper marketing analysis wherein both parties have acted with knowledgeably, prudence and without obligation. The fair value of property plant and equipment is based on the market focus and the cost focus using thereby market listed prices for similar assets, when available, and the depreciated replacement cost, where appropriate.

Biological Assets

The fair value of livestock available for sale is based on the market value of livestock of a determined age, breed and genetic make-up.

Restricted Cash

Restricted cash primarily bears interest at variable market rates and the carrying amount approximates its fair value.

Inventories

The fair value of inventories, recognized as a result of a business combination, is based on the estimated selling price in the ordinary course of business, less the estimated costs of completion and sale of the inventories and a reasonable profit margin based on the effort required to complete and sell such inventories.

Non-Derivative Financial Assets and Liabilities

The carrying amounts of financial assets and liabilities included in prepaid expenses and other assets, notes and accounts receivable, cash and cash equivalents and accounts payable to suppliers are approximately their fair value due to the short-term of those instruments.

Derivative Financial Assets and Liabilities

The fair value of derivative financial instruments is determined based on market prices, if available. Otherwise, the fair value is estimated based on the present value of future cash flows, according to contractual terms and maturities, and using the market's interest rate for similar financial instruments. The fair value reflects the instrument's credit risk, and includes the applicable adjustments in accordance with PDVSA and the other parties, as appropriate.

Non-Derivative Financial Obligations

The fair value of non-derivative financial obligations, which is determined for disclosure purposes, is calculated based on information provided by financial institutions and the present value of future principal and future interest cash flows, discounted at the market interest rate at the reporting date, based on the inherent risk of those obligations.

For financial leases, the market interest rate is determined by reference to similar lease agreements.

Other Non-Derivative Financial Assets

The fair value of other non-derivative financial assets is made up by non-current accounts receivable and other assets and by recoverable tax credits. The fair value of those assets is determined based on the current value of future cash flows discounted at the market interest rate on the measuring date.

Other Non-Derivative Financial Liabilities

Other non-derivative financial liabilities are measured at fair value when initially recognized, and for disclosure effects, on each presentation date of the consolidated statement of comprehensive income. Fair value is calculated based on the current value of future flow payments of principal and interest, discounting the market interest rate on the measuring date. For financial leases, market interest rate is taken from similar leases. Other financial liabilities are made up by accruals and other liabilities with non-related financial institutions.

(6) Operating Segments

PDVSA determines and discloses its operating segments based on information internally reported to the Board of Directors, and evaluates the performance of its segments based on net sales, operating profit (net sales less cost and expenses, except for finance income and cost, share in profit or loss of non-consolidated investees and jointly controlled entities and contributions for social development expenses), and net disbursements for investments and property, plant and equipment.

Inter-segment sales, which primarily consist of sales of crude oil and natural gas, are generally measured according to the purpose of the refined products made from them.

Refined products for the domestic market are sold at a regulated price; therefore, PDVSA's management deems it appropriate that inter-segment sales of crude oil and natural gas for local supply be measured at cost less the discount granted by the Ministry for those sales at the regulated price. Additionally, inter-segment sales of crude oil and natural gas for the foreign market are measured at the approximate market prices.

The following are the main business segments of PDVSA:

- Exploration and production activities include the search for crude oil and associated gas reserves, extraction and upgrading of extra-heavy crude, and transportation of crude oil and natural gas to refineries and fractionation plants.
- Refining trade and supply activities in Venezuela include the administration of refineries, marketing and transportation of crude oil and refined products under the brand PDV®. The refining, trade and supply activities in the United States of America comprise the administration of refineries and gasoline and products marketing, mainly in the East and Midwest region of that country, under the brand name CITGO®.
- Gas activities include the management of gas processing plants, marketing and upgrading of natural and liquid gas as well as its transportation, distribution, placement and sale.
- The "Other" segment includes operations performed by subsidiaries conducting activities other than those listed above, related mainly to freight and leasing services, as well as Parent Company's operating activities.

Main Customer

Revenues from the sales of crude oil and products from a customer in the exploration and production, refining, trade and supply segments totaled $16,550 million, $14,637 million and $8,122 million for the years 2012, 2011 and 2010, respectively.

The financial information about reportable segment is indicated in the following tables (in millions of dollars):

	Year ended December 31, 2012						
	Exploration and production	**Refining trade and supply**	**Gas**	**Other**	**Eliminations**	**Total**	**Continuing operations**
Net disbursements to investments:							
In Venezuela	13.793	4.624	2.684	3.009	-	24.110	24.110
In the United States of America	-	391	-	-	-	391	391
In other countries	-	527	-	4	-	531	531
Total net disbursements to investments (see note 14)	**13.793**	**5.542**	**2.684**	**3.013**	**-**	**25.032**	**25.032**
Depreciation and amortization (see note 14)	**4.629**	**1.448**	**390**	**638**	**-**	**7.105**	**7.105**
Impairment of asset (see notes 10, 14 and 16)	**17**	**900**	**-**	**74**	**-**	**991**	**991**
Sales (3):							
Sales to external customers:							
In Venezuela	54.055	21.458	1.380	197	-	77.090	77.090
In the United States of America	-	42.664	-	-	-	42.664	42.664
In other countries	-	4.414	-	291	-	4.705	4.705
Total sales to external customers	54.055	68.536	1.380	488	-	124.459	124.459
Inter-segment sales:							
In Venezuela	59.016	4.749	2.022	365	(66.152) (1)	-	-
In the United States of America	-	665	-	-	(665) (1)	-	-
In other countries	-	16.339	-	-	(16.339) (1)	-	-
Total inter-segment sales	59.016	21.753	2.022	365	(83.156)	-	-
Total sales	**113.071**	**90.289**	**3.402**	**853**	**(83.156)**	**124.459**	**124.459**
Total operating segment profit (loss):							
In Venezuela	41.647	(8.442)	(1.075)	(3.502)	(121) (2)	28.507	28.507
In the United States of America	-	1.671	-	-	-	1.671	1.671
In other countries	-	(1.024)	-	(139)	-	(1.163)	(1.163)
Total operating segment profit (loss)	**41.647**	**(7.795)**	**(1.075)**	**(3.641)**	**(121)**	**29.015**	**29.015**
Finance income						3.152	3.152
Finance cost						(3.401)	(3.401)
Equity in net earings of investments in non-consolidated investees and joint controlled entities						64	64
Contributions for social development						(9.025)	(9.025)
Contributions to FONDEN						(8.311)	(8.311)
Current tax expense						(4.982)	(4.982)
Deferred tax expense						(2.297)	(2.297)
Net income						**4.215**	**4.215**

(1) Represents eliminations of inter-segment sales
(2) Represents eliminations of inter-segments purchases and costs
(3) Mainly crude oil and products

	Year ended December 31, 2011							
	Exploration and production	**Refining trade and supply**	**Gas**	**Other**	**Eliminations**	**Total**	**Discontinued operations (3)**	**Continuing operations**
Net disbursements to investments:								
In Venezuela	9.549	3.581	1.721	2.433	-	17.284	-	17.284
In the United States of America	-	405	-	-	-	405	-	405
In other countries	-	219	-	-	-	219	-	219
Total net disbursements to investments (see note 14)	**9.549**	**4.205**	**1.721**	**2.433**	**-**	**17.908**	**-**	**17.908**
Depreciation and amortization (see note 14)	**4.626**	**1.533**	**484**	**228**	**-**	**6.871**	**-**	**6.871**
Impairment of asset (see notes 10, 14 and 16)	**27**	**267**	**-**	**209**	**-**	**503**	**-**	**503**
Sales (4):								
Sales to external customers:								
In Venezuela	48.557	23.390	1.573	46	-	73.566	-	73.566
In the United States of America	-	43.024	-	-	-	43.024	-	43.024
In other countries	-	7.774	-	390	-	8.164	-	8.164
Total sales to external customers	48.557	74.188	1.573	436	-	124.754	-	124.754
Inter-segment sales:								
In Venezuela	49.006	2.424	1.770	387	(53.587) (1)	-	-	-
In the United States of America	-	80	-	-	(80) (1)	-	-	-
In other countries	-	12.200	-	-	(12.200) (1)	-	-	-
Total inter-segment sales	49.006	14.704	1.770	387	(65.867)	-	-	-
Total sales	**97.563**	**88.892**	**3.343**	**823**	**(65.867)**	**124.754**	**-**	**124.754**
Total operating segment proft (loss):								
In Venezuela	43.909	(2.303)	126	(4.767)	(134) (2)	36.831	-	36.831
In the United States of America	-	1.097	-	-	-	1.097		1.097
In other countries	-	387	-	76	-	463		463
Total operating segment profit (loss)	**43.909**	**(819)**	**126**	**(4.691)**	**(134)**	**38.391**	**-**	**38.391**
Finance income						765	-	765
Finance cost						(3.649)	-	(3.649)
Equity in net earings of investments in non-consolidated investees and joint controlled entities						(278)	-	(278)
Contributions for social development						(15.604)	-	(15.604)
Contributions to FONDEN						(14.475)	-	(14.475)
Current tax expense						(5.171)	-	(5.171)
Deferred tax benefit						3.164	-	3.164
Gain on sale of assets held for sale						1.353	(1.353)	-
Net income						**4.496**	**(1.353)**	**3.143**

(1) Represents eliminations of inter-segment sales
(2) Represents eliminations of inter-segment purchases and costs
(3) See note 8
(4) Mainly crude oil and products

	Year ended December 31, 2010								
	Exploration and production	**Refining trade and supply**	**Gas**	**Discontinued operations (3)**	**Other**	**Eliminations**	**Total**	**Discontinued operations (3)**	**Continuing operations**
Net disbursements to investments:									
In Venezuela	6.897	2.491	1.305	159	744	-	11.596	(159)	11.437
In the United States of America	-	759	-	-	-	-	759	-	759
In other countries	-	503	-	-	-	-	503	-	503
Total net disbursements to investments (see note 14)	**6.897**	**3.753**	**1.305**	**159**	**744**	**-**	**12.858**	**(159)**	**12.699**
Depreciation and amortization (see note 14)	**3.908**	**1.491**	**474**	**10**	**164**	**-**	**6.047**	**(10)**	**6.037**
Impairment of asset (see notes 10 and 14)	**(14)**	**289**	**(4)**	**-**	**-**	**-**	**271**	**-**	**271**
Sales (4):									
Sales to external customers:									
In Venezuela	36.706	15.516	1.016	313	115	-	53.666	(313)	53.353
In the United States of America	-	31.616	-	-	-	-	31.616	-	31.616
In other countries	-	9.538	-	-	422	-	9.960	-	9.960
Total sales to external customers	36.706	56.670	1.016	313	537	-	95.242	(313)	94.929
Inter-segment sales:									
In Venezuela	42.898	3.172	2.028	-	164	(48.262) (1)	-	-	-
In the United States of America	-	-	-	-	-	- (1)	-	-	-
In other countries	-	10.065	-	-	-	(10.065) (1)	-	-	-
Total inter-segment sales	42.898	13.237	2.028	-	164	(58.327)	-	-	-
Total sales	**79.604**	**69.907**	**3.044**	**313**	**701**	**(58.327)**	**95.242**	**(313)**	**94.929**
Total operating segment profit (loss):									
In Venezuela	36.697	(13.753)	2.427	(563)	(586)	(1.328) (2)	22.894	563	23.457
In the United States of America	-	259	-	-	-	-	259		259
In other countries	-	(537)	-	-	(15)	-	(552)		(552)
Total operating segment profit (loss)	**36.697**	**(14.031)**	**2.427**	**(563)**	**(601)**	**(1.328)**	**22.601**	**563**	**23.164**
Finance income							419	-	419
Finance cost							(8.810)	-	(8.810)
Equity in net earings of investments in non-consolidated investees and joint controlled entities							(170)	(14)	(184)
Contributions for social development							(5.326)	-	(5.326)
Contributions to FONDEN							(1.692)	-	(1.692)
Current tax expense							(6.920)	9	(6.911)
Deferred tax benefit							3.062	-	3.062
Net income							**3.164**	**558**	**3.722**

(1) Represents eliminations of inter-segment sales
(2) Represents eliminations of inter-segment purchases and costs
(3) See note 8
(4) Mainly crude oil and products

	December 31, 2012				
	Exploration and production	**Refining trade and supply**	**Gas**	**Other**	**Total**
Unallocated current assets -					74.882
Segment assets:					
Property, plant and equipment, net:					
In Venezuela	69.136	14.013	14.856	11.230	109.235
In the United States of America	-	4.878	-	-	4.878
In other countries	-	1.792	-	-	1.792
Total property, plant and equipment, net	69.136	20.683	14.856	11.230	115.905
Unallocated non-current assets					27.637
Total assets					**218.424**
Segment liabilities:					
In Venezuela	24.723	25.033	3.755	39.991	93.502
In the United States of America	-	2.544	-	-	2.544
In other countries	-	2.671	-	978	3.648
Total segment liabilities	24.723	30.248	3.755	40.968	99.694
Unallocated liabilities					42.902
Total liabilities					**142.596**

	December 31, 2011				
	Exploration and production	**Refining trade and supply**	**Gas**	**Other**	**Total**
Unallocated current assets					56.681
Segment assets:					
Property, plant and equipment, net:					
In Venezuela	57.340	12.932	14.385	6.791	91.448
In the United States of America	-	4.993	-	-	4.993
In other countries	-	1.780	-	-	1.780
Total property, plant and equipment, net	57.340	19.705	14.385	6.791	98.221
Unallocated non-current assets					27.252
Total assets					**182.154**
Segment liabilities:					
In Venezuela	18.921	12.962	2.487	23.341	57.711
In the United States of America	-	2.915	-	-	2.915
In other countries	-	1.872	-	763	2.635
Total segment liabilities	18.921	17.749	2.487	24.104	63.261
Unallocated liabilities					45.010
Total liabilities					**108.271**

	December 31, 2010				
	Exploration and production	**Refining trade and supply**	**Gas**	**Other**	**Total**
Unallocated current assets					49.248
Segment assets:					
Property, plant and equipment, net:					
In Venezuela	52.806	11.157	13.198	3.665	80.826
In the United States of America	-	5.069	-	-	5.069
In other countries	-	1.737	-	-	1.737
Total property, plant and equipment, net	52.806	17.963	13.198	3.665	87.632
Unallocated non-current assets					14.885
Total assets					**151.765**
Segment liabilities:					
In Venezuela	18.581	4.448	2.291	11.792	37.112
In the United States of America	-	2.745	-	-	2.745
In other countries	-	2.483	-	949	3.432
Total segment liability	18.581	9.676	2.291	12.741	43.289
Unallocated liabilities					33.162
Total liabilities					**76.451**

(7) Joint Development Activities

PDVSA has entered into joint development activities with other investors and energy cooperation agreements between the Bolivarian Republic of Venezuelan and governments of other countries.

The most important agreements follow:

(a) Development of the Orinoco Oil Belt Extra-Heavy Crude Oil Reserves, and Risk and Profit Sharing Exploration Agreements

Official Gazette N° 38,785 dated October 8, 2007, contained the Law on the Effect of the Migration Process of Jointly Controlled Entities of the Orinoco Oil Belt to Mixed Companies, as well as Development and Profit Sharing Agreements, which established deadlines for private parties to subscribe the memorandum of incorporation for Mixed Companies, and where no agreement is reached, PDVSA will undertake operations. In 2007, PDVSA received from the National Government the net assets of the partners which decided not to migrate to the Mixed Companies, recognizing a net liability to the Bolivarian Republic of Venezuela of Bs.2,933 million ($682 million) at December 31, 2012 and Bs.3,657 million ($850 million) at December 31, 2011 and 2010, which is included in the consolidated statement of financial position at December 31, 2012, 2011 and 2010, as accounts payable to related parties, in accruals and other liabilities (see notes 25 and 30).

(b) Mixed Companies Incorporated

As approved by the National Assembly and authorized by the National Government, in 2012, 2011 and 2010, the Corporación Venezolana del Petróleo, S.A. (CVP) incorporated the following Mixed Companies in association with other investors for the purpose of performing exploration, extraction, gathering, production, upgrading, transportation, storage and trading of crude oil and natural gas in the Orinoco Oil Belt and in Zulia State:

Mixed Companies	Year of incorporation	PDVSA's share (%)	Area	Partners
PetroZamora, S.A.	2012	60.00	Bachaquero Tierra Lagunillas Tierra	Gazprombank Latin America Ventures B.V. [13] (40%)
PetroUrdaneta, S.A.	2012	60.00	Mara West, Mara East and La Paz	Odebrecht E&P España S.L. [14] (40%)
Petrolera Venangocupet, S.A.	2011	60.00	Miga y Melones West	Comercial Cupet, S.A. (20%) y Sonangol Pesquisa & Produção, S.A. (20%)
PetroIndependencia, S.A.	2010	60.00	Carabobo 2 South, Carabobo 3 North and Carabobo 5	Chevron Carabobo Holdings ApS [1] (34%), Japan Carabobo UK Ltd [2] (5%) and Suelopetrol International, S.A. [3] (1%)
PetroCarabobo, S.A.	2010	60.00	Carabobo 1 North Center	Repsol Exploración, S.A. [4] (11%), PC Venezuela LTD [5] (11%), Petrocarabobo Ganga B.V. [6] (11%) e Indoil Netherlands B.V. [7] (7%)
Petrolera Vencupet, S.A.	2010	60.00	Oficina Central, Adas, Lido - Limón and Niebla	Comercial CUPET, S.A. [8] (40%)
PetroMiranda, S.A.	2010	60.00	Junin Block 6	Consorcio Nacional Petrolero, S.R.L. [9] (40%)
PetroMacareo, S.A.	2010	60.00	Junin Block 2 North	Petrovietnam Exploration Production Corporation LTD. [10] (40%)
PetroUrica, S.A.	2010	60.00	Junin Block 4	CNPC Venezuela, B.V. [11] (40%)
PetroJunín, S.A.	2010	60.00	Junin Block 5	ENI Lasmo PLC [12] (40%)

(1) Subsidiary of Chevron Corporation
(2) Subsidiary of Mitsubishi Corporation and International Petroleum Exploration Corporation (INPEX)
(3) Subsidiary of Suelopetrol C.A., S.A.C.A.
(4) Subsidiary of Repsol YPF, S.A.
(5) Subsidiary of Petroliam Nasional Berhad (PETRONAS)
(6) Subsidiary of Oil and Natural Gas Corporation Ltd (ONGC)
(7) Subsidiary of Indian Oil Corporation Ltd y Oil India Ltd.
(8) Subsidiary of Cubapetróleo, S.A.
(9) Entities jointly controlled by Rosneft Oil Co., Lukoil OAO, Gazprom OAO, TNK-BP Ltd. y OJSC Surgutneftegaz
(10) Subsidiary of Vietnam Oil and Gas Group (PetroVietnam)
(11) Subsidiary of China National Petroleum Corporation
(12) Subsidiary of ENI S.p.A.
(13) Subsidiary of Gazprom OAO
(14) Subsidiary of Organización Odebrecht

In 2011, the Mixed Company PetroBicentenario, S.A. was incorporated between PDVSA and ENI Lasmo PLC., with the purpose of constructing and operating a refinery at the General José Antonio Anzoátegui Oil and Petrochemical Industrial Complex. The Mixed Company will issue an initial share distribution of 60% for PDVSA and 40% for ENI.

The National Assembly published in Official Gazette N° 39,577 dated December 20, 2010, the approval of the incorporation of a Mixed Company between CVP and Petropars UK Limited (Petropars), with the purpose of perform exploration activities and production of crude oil and associated natural gas production in Dobokubi field, in Anzoátegui State. CVP and Petropars would hold interest in this new enterprise of 74% and 26%, respectively. At December 31, 2012, this Mixed Company was in the incorporation process.

(c) Energy Agreements with Latin American and the Caribbean Countries

The Government of the Bolivarian Republic of Venezuela subscribed with the governments of other countries, mainly from Latin America and the Caribbean, the following agreements-together: Caracas Energy Cooperation Agreement (CECA), Integral Agreement of Cooperation (IAC) and the Petrocaribe Energy Cooperation Agreement (PETROCARIBE). These agreements among others, establish that PDVSA would supply crude oil and products to the national oil companies, the participating countries, for approximately 394 thousand barrels per day (TBPD), 463 TBPD and 455 TBPD for the years ended December 31, 2012, 2011 and 2010, respectively.

Most of these supply agreements establish, among other conditions, a selling price equivalent to the market value, payment terms between 30 and 90 days for a significant portion of each shipment, and long-term borrowings for the remaining portion from 15 to 25 years (see notes 13-g, 16 and 30-a). The agreements will be effective for a one-year period and may be renewed by mutual agreement between the parties involved.

(d) Supply Agreement with the People's Republic of China

The Bolivarian Republic of Venezuela signed cooperation agreements with the People's Republic of China where PDVSA participating as a crude oil supplier, holding supply agreements at market prices for approximately 530 TBPD, 480 TBPD and 360 TBPD, at December 31, 2012, 2011 and 2010, respectively (see note 30-a).

(e) Supply Agreement with Other Countries

The Bolivarian Republic of Venezuela has signed energy cooperation agreements with the Republic of Portugal, the Islamic Republic of Iran and the Republic of Belarus, which establish, among other aspects, supply of crude oil and products by PDVSA to the state-owned oil companies of those countries of approximately 99 TBPD, 265 TBPD and 88 TBPD, at December 31, 2012, 2011 y 2010, respectively.

(f) Pre-Payment and Supply Agreement for Crude Oil and its Products

On February 27, 2012, PDVSA entered into a pre-payment and supply agreement of crude oil and its products with Hutong Trading B.V. for $1,500 million, with deliveries to be made at market prices every three months, within three years. At December 31, 2012, no deliveries have been made under this agreement.

(8) Disposal Group Held for Sale and Discontinued Operations

On May 3, 2011, PDVSA completed the purchase process with Rosneft Holdings and in accordance with the purchase agreement entered into on October, 2010 received $3,716 million recognizing a gain of $1,353 million, which is presented in the consolidated statement of comprehensive income for the year ended on December 31, 2011, under profit (loss) of discontinued operations, net of tax.

At December 31, 2012 and 2011, PDVSA does not maintain assets or liabilities classified as held for sale. At December 31, 2010, assets held for sale amounted to the following (in millions of dollars):

PDV Europa B.V.	
Investment in shares - Ruhr Oël GMBH (ROG)	200
PMI Panamá	
Accounts receivable	959
Inventories	544
Total	**1,703**

In the Extraordinary Stockholder's Meeting held on June 30, 2010, a transfer of companies from the agricultural and food sector owned by PDVSA was approved, according to the instructions from the Venezuelan Government through Presidential Decrees N° 7,418 and 7,398, published in Official Gazettes N° 39,435 and 39,451 dated May 31, 2010 and June 22, 2010, respectively, without compensation. Shares and control of financial and operational policies of Lácteos Los Andes, C.A. and its related companies were transferred on June 30, 2010 to the Ministry of People's Power for Agriculture and Land; and Productora y Distribuidora Venezolana de Alimentos, S.A. (PDVAL) and

subsidiaries were transferred on the same date to the Vice Presidency of the Bolivarian Republic of Venezuela. To comply with the guidelines set forth by the Venezuelan National Government, PDVSA will continue to provide financial support to the activities of PDVAL throughout 2012, 2011 and 2010, recognizing $76 million, $356 million and $720 million, respectively, as contributions to social development in the consolidated statement of comprehensive income (see note 12).

The net effect for disposal of such entities during 2010 was $739 million and is presented in the consolidated statement of changes in equity accounts as equity distribution to the Stockholder. A summary of such effect is as follows (in millions of dollars):

Property, plant and equipment, net	357
Inventories	136
Notes and accounts receivable	151
Cash and cash equivalents	48
Accounts payable to suppliers and other liabilities	(94)
Identified assets and liabilities, net	598
Goodwill (see note 16)	141
Equity distribution to Stockholder	**739**

The gain (loss) attributable to discontinued operations follows (in millions of dollars):

	Years ended December 31,	
	2011	**2010**
Food and agricultural entities -		
Sales	-	313
Costs and expenses	-	876
Loss before income tax	-	(563)
Income tax (see note 13-a)	-	(9)
Net loss in the period	-	(572)
Ruhr Oël GmbH -		
Share in net income of jointly controlled entities (see notes 15 and 30)	-	14
Gain for sale of assets held for sale	1,353	-
Total gain (loss) of discontinued operations, net of taxes	**1,353**	**(558)**

Cash flows provided by (used in) discontinued operations, follows (in millions of dollars):

	Years ended December 31,	
	2011	**2010**
Cash (used in) provided by operating activities	-	(652)
Cash provided (used in) investment activities	3,716	636
Cash used in financing activities	-	(1)

For the years ending on December 31, 2012, 2011 and 2010, there are no recognized gains or losses in other comprehensive incomes related to assets held for sale and discontinued operations.

(9) New Subsidiaries

(a) Subsidiaries Incorporated

In accordance with the guidelines of the National Government and the strategic plans of PDVSA, in December 2012 was incorporated the Corporación Venezolana de Minería, S.A., a wholly owned of PDVSA Industrial, S.A. (PDVSA Industrial). This subsidiary was created to develop and perform mining activities; acquire and manage interests in mining projects; implement and execute projects, plans programs in mining industrialization and downstream development of the mining industry, as well as programs for social contribution, economic development and strengthening of equality, welfare and quality of life of communities in mining areas (see notes 34-a, 34-n and 35-c).

On May 16, 2012 was incorporated PDVSA Social, S. A., a wholly owned subsidiary of PDVSA. The main purpose of this subsidiary is to promote and foster social investment development; implement and execute social projects, plans and programs; administer and invest funds aimed at social development, community growth, and ensure community welfare and quality of life (see notes 34-g and 35-c).

Additionally, in accordance with the guidelines of the National Government and the strategic plans of PDVSA, which include promotion or participation in activities aimed at promoting the comprehensive, organic and sustainable development of the country, including those in the areas of agriculture and industrial sectors during the year ended December 31, 2012, several subsidiaries in the agriculture and industrial sectors were incorporated. Some of such subsidiaries are: Minería Industrial y Agregados de Vargas, S.A. (Minavargas), Corporación Socialista Varguense de Infraestructura, S.A (Corsovarin), Empresa Nacional Salinera ENASAL, S.A., Construpatria, S.A., Empresa Nacional de Válvulas, S.A. (Enaval) and Complejo Industrial de Maderero Libertadores de América CIMLA, S.A.

(b) Subsidiaries Acquired

In 2011 and 2010, PDVSA acquired operating and financial control over the following companies:

- On October 3, 2011, PDVSA Argentina, S.A. (PDVSA Argentina) entered into a purchase agreement with ANCSOL, S.A. (S.A.F.I.) and Petrouruguay, S.A. for 47.19% of the shares of the company Petrolera del Cono Sur, S.A. (Petrolera del Cono Sur) (see note 15). According this transaction PDVSA Argentina gained control of 94.38% of the shares of the company. In November 2011, PDVSA Argentina undertook control of the financial and operational policies of Petrolera del Cono Sur. The consolidated statement of comprehensive income for the year ended at December 31, 2011 includes in other expenses, net, $10 million for excess value of assets over acquisition cost (see note 10).
- On November 4, 2009, PDVSA Industrial, S.A. (PDVSA Industrial) entered into a purchase agreement for $198 million with Verhover Investments B.V. for 80% of the shares of the company Venezuelan Heavy Industries, C.A. (VHICOA). In June 2011, PDVSA Industrial undertook control of the operational and financial policies of VHICOA. The consolidated statement of comprehensive income for the year ended December 31, 2011 includes in other expenses, net, $16 million for excess value of assets over acquisition cost (see note 10).

A summary of the effect of these acquisitions in 2011 on the consolidated financial statements of PDVSA as of the date of the beginning of control over those entities are as follows (in millions of dollars):

	Amounts recognized at purchase date
Property, plant and equipment, net (see note 14)	173
Notes and accounts receivable and other assets	289
Accounts payable to suppliers and other liabilities	(245)
Non-controlling interests	(40)
Identified assets and liabilities, net	**177**
Effect of exchange rate fluctuation and inflation on investment	56
Cash payments	(53)
Minority interests previously held by PDVSA	(9)
Excess value of net assets acquired over cost (see notes 3-a and 10)	(26)
Accounts payable for acquisition of subsidiaries (see note 25)	(119)
Cash payments	26
Cash acquired	(11)
Cash paid, net of cash acquired	**15**

PDVSA used the best estimates available as of the purchase date to allocate the price paid for the assets and liabilities acquired.

As of December 31, 2010, PDVSA assumed operational and financial control of companies Fluvialba International Limited (Fluvialba), Accroven S.R.L. (Accroven), MCT, C.A. (MCT), Generación de Vapor, C.A. (GENEVAPCA), Phoenix Internacional, C.A. (Phoenix) and Soldaduras y Tuberías de Oriente, C.A. (SOLTUCA), generating the following effects on the consolidated financial statements of PDVSA on the date of their purchase or transfer (in millions of dollars):

	Amounts recognized at purchase date		
	Entities acquired with goodwill	**Entities acquired with excess value of assets over cost**	**Total**
Property, plant and equipment, net (see note 14)	158	264	422
Notes and accounts receivable and other assets	139	545	684
Accounts payable to suppliers and other liabilities	(146)	(294)	(440)
Identified assets and liabilities, net	**151**	**515**	**666**
Goodwill (see notes 3-a and 16)	113	-	113
Payment to financial institutions	-	150	150
Set-off of accounts receivable	-	(172)	(172)
Excess value of net assets acquired over cost (see notes 3-a and 10)	-	(50)	(50)
Accounts payable for acquisition of subsidiaries (see note 25)	(74)	(171)	(245)
Cash payment	190	272	462
Cash acquired	(2)	(6)	(8)
Cash paid net of cash acquired	**188**	**266**	**454**

Acquired companies reported profits of $23 million at December 31, 2011, and losses of $14 million at December 31, 2010. If the acquisition had been made on January 1 of each year, management believe that the consolidated income and the consolidated comprehensive income of PDVSA would have amounted to $124,906 million and $4,478 million, respectively, for the year ended December 31, 2011 and $95,051 million and $3,160 million, respectively, for the year ended December 31, 2010.

For the year ended December 31, 2011 and 2010, the consolidated statement of comprehensive income includes sales from these companies acquired in each year of $75 million and $29 million, respectively.

(c) Other Acquisitions

On June 19, 2009, PDVSA Agrícola, S.A. (PDVSA Agrícola) entered into a sale and purchase agreement for the acquisition of all of the shares of the companies Lácteos Las Matas, C.A., Agropecuaria Las Matas, C.A., Agropecuaria Coisan, C.A. and Agropecuaria Torunos, C.A. The aggregated amount paid by PDVSA Agrícola to the sellers was $12 million, which is reported as part of prepaid expenses and other assets, under investments at cost (see note 20). At December 31, 2012, PDVSA Agrícola was in the process of undertaking its position as stockholder of those companies.

(10) Other Expenses, Net

A summary of other expenses, net follows (in millions of dollars):

	Years ended December 31,		
	2012	**2011**	**2010**
Provision for litigation and other claims (see notes 24 and 29-c)	284	156	207
Compensation to Exxon Mobil (see note 29-c)	-	640	-
Impairment of assets (see notes 14 and 16)	991	538	451
Reversals for impairment losses (see note 14)	-	(35)	(180)
Other taxes (see note 30)	-	1	25
Work in progress cancelled (see note 14)	577	703	864
Cost for unrecoverable tax credit (VAT) (see note 30)	191	231	136
Excess in value of net assets acquired over the cost of the investment (negative goodwill) (see note 9-b)	-	(26)	(50)
Legal contributions (see notes 30, 34-cc, 34-ee and 34-ff)	872	599	418
Other non-operating expenses	98	694	168
Total other expenses, net	**3,013**	**3,501**	**2,039**

(11) Finance Income and Finance Cost

A summary of finance income and cost follows (in millions of dollars):

	Years ended December 31,		
	2012	**2011**	**2010**
Finance income -			
Gain from sale of promissory notes	(209)	-	-
Gain from credit pre-payment	(1,978)	-	-
Gain from swap and repurchase of bonds (see note 22)	-	(446)	(55)
Gain from payment of obligations	-	-	(62)
Adjustments to the fair value of financial assets (see notes 13-l and 16)	(159)	-	-
Interest earned	(270)	(241)	(297)
Interest on amortized cost items (see note 16)	(235)	(16)	-
Other finance income	(301)	(62)	(5)
Total finance income	**(3,152)**	**(765)**	**(419)**
Finance cost -			
Finance cost (see note 22)	2,224	1,988	1,131
Loss from foreign currency fluctuation (see note 34-t)	176	297	1,438
Adjustment to fair value of finance assets (see notes 13-l and 16)	-	603	-
Interest on amortized cost items (see note 16)	-	-	141
Cost of asset retirement obligations (see note 3-t)	397	144	121
Loss on payment of obligations (see notes 22, 25 and 30)	-	-	1,628
Loss on sale of dollars to the BCV (see notes 4, 30 and 34-t)	-	-	4,048
Bank commissions and other finance expenses	603	617	303
Total finance cost	**3,401**	**3,649**	**8,810**

Sale of Promissory Notes to the BCV

In October 2012, PDVSA sold to BCV promissory notes associated to accounts receivable amounting $1,752 million, and recognized gains of $209 million for the difference between the carrying value and the selling value of those instruments.

Gain from Credit Pre-payment

In March 2012, PDVSA received loan in bolivars from non-financial private entities at 24 month term and interest rate resulting from subtracting 3% from the average market lending rate of the six most important banks in Venezuela, published by the BCV. During the year ended December 31, 2012, this loan was paid in advance generating a discount for credit pre-payment of $1,978 million, reported as part of financial income.

Swap and Repurchase of Debt

During the years ended December 31, 2011 and 2010, PDVSA swapped and repurchased bonds previously issued (see note 22). From these transactions, PDVSA recognized profits of $446 million in 2011 and $55 million in 2010, corresponding to the difference between the carrying amount of the debt and the repurchase value of such bonds. During the year ended December 31, 2012, PDVSA did not report any income under this concept.

Settlement of Obligations

During the years ended December 31, 2010, after repurchasing the bonds, PDVSA carried out finance transactions through which it delivered those bonds to settle certain outstanding obligations with suppliers, recognizing gains of $62 million, resulting from the difference between the carrying amount of accounts payable to suppliers involved in the transaction and the value agreed upon for those bonds, equivalent to its fair value. Each of those suppliers involved signed a settlement agreement relating to the balances paid by PDVSA in this transaction to settle their liabilities. These bonds are denominated in dollars and were received by suppliers at a value agreed upon in bolivars.

Loss from Foreign Currency Fluctuations

On January 8, 2010, the Exchange Agreement 14, effective as of January 11, 2010, establishing new exchange rates for purchase and sale of dollars, was published in Official Gazette N° 39,342. Accordingly, balances in bolivars of monetary items were translated into dollars using the new exchange rate, giving rise to a loss from exchange rate fluctuations from holding a net asset monetary position in bolivars as of the date of the amendment to the exchange rate (see note 34-t); such loss is included in finance cost recognized in the consolidated statement of comprehensive income for the year ended December 31, 2010.

Sale of Dollars to the BCV

From January 11, 2010, the settlement of dollar sale transactions to the BCV have been made at the exchange rates of Bs.4.2893 and Bs.2.5935 per U.S. dollar, in conformity with the rates established by the BCV, pursuant to Foreign Exchange Agreement 14 (see notes 4 and 34-t). During 2010, the average exchange rate on those transactions was Bs.3.77 per U.S. dollar, giving rise to a loss of $4,048 million, included in finance cost.

During the years ended on December 31, 2012 and 2011, settlement of dollar sale operations to the BCV was made in accordance with the amendments to Exchange Agreement N° 14.

(12) Contributions for Social Development

Contributions for Social Development

Based on the social responsibility of PDVSA, related to its participation in the social and comprehensive development of the country, established in the Constitution of the Bolivarian Republic of Venezuela, in the Hydrocarbons Organic Law and in its Memorandum or Incorporation and Bylaws, during 2012, 2011 and 2010, PDVSA made contributions for social development of $9,025 million, $15,604 million and $5,326 million, respectively, mainly through the support of missions and communities as well as social programs, social investment plans and contributions to the Housing Development Mission “Gran Misión Vivienda Venezuela” (GMVV) (see note 30).

The GMVV was created by the National Government in April 2011, to address the housing crisis of the Venezuelan population. The goal of the GMVV is to build two million houses throughout the country in seven years.

For the management of financial resources related to these projects and according the framework of the Law of Emergency of Land and House, the Simon Bolivar Fund for Reconstruction (Simon Bolivar Fund), was created through Presidential Decree N° 7,936 in Full Force and Effect of Organic Law Creating the Simon Bolivar Fund for Reconstruction and was published in the Official Gazette N° 39,583 dated December 29, 2010, currently the Fondo Simon Bolivar para la Reconstrucción, S.A. (see note 34-h).

During the years ended December 31, 2012, 2011 and 2010, contributions for social development were made mainly with resources from the funds for the execution of social development projects maintained by the BCV (see note 17).

Contributions to FONDEN

In accordance with the laws governing the creation of FONDEN and the contributions to this institution, during 2012, 2011 and 2010, PDVSA made contributions as follows (in millions of dollars):

	Years ended December 31,		
	2012	**2011**	**2010**
Regular contributions (see note 17)	-	1,228	1,300
Special contributions (see note 34-dd)	14,994	13,247	392
Contributions received from FONDEN (see note 34-dd)	(6,683)	-	-
Total (see note 30)	**8,311**	**14,475**	**1,692**

According to the scales set forth in the corresponding law, the special contribution for the years ended December 31, 2012, 2011 and 2010, was $14,994 million, $13,247 million and $392 million, respectively, net of exemption established by law for $3,712 million and $1,585 million in 2012 and 2011, respectively.

The amendment to the Law creating a Special Contribution for Extraordinary Prices and Exorbitant Prices in the International Hydrocarbons Market establishes a payment scheme for the contribution to FONDEN, (see note 34-dd).

Under the scheme established in the special contribution law, during the year ended December 31, 2012, PDVSA sold dollars to the BCV for $13,366 million, for settlement of its obligation related to this contribution in bolivars according to instructions issued by FONDEN as beneficiary. From those payments to FONDEN, PDVSA received 50% of the above-mentioned payments as contribution from FONDEN, which represents $6,683 million and were recognized in the consolidated statement of comprehensive income as a decrease in the special contribution expense.

(13) Taxes and Production Tax

A summary of taxes and production tax affecting PDVSA's consolidated operations follows (in millions of dollars):

	Years ended December 31,		
	2012	**2011**	**2010**
Income tax:			
Continuing operations -			
Current tax expense (benefit):			
Venezuela (see note 30)	4,589	4,802	6,985
Foreign	393	369	(74)
Total current tax expenses	**4,982**	**5,171**	**6,911**
Deferred tax expense (benefit) :			
Venezuela (see note 30)	2,252	(3,309)	(3,260)
Foreign	45	145	198
Total deferred tax expense (benefit)	**2,297**	**(3,164)**	**(3,062)**
Income tax expense, continuing operations	7,279	2,007	3,849
Discontinued operations (see note 8)	-	-	9
Total income tax	**7,279**	**2,007**	**3,858**
Production tax, extraction tax and other taxes:			
Production tax	15,370	15,534	12,084
Extraction tax	1,753	1,604	1,314
Special advantages tax	269	287	257
Surface tax	201	190	167
Export registration tax	34	23	59
Other taxes	103	33	23
Total production tax, extraction tax and other taxes (see note 30)	**17,730**	**17,671**	**13,904**

(a) Income Tax

The difference between the statutory income tax rate and the effective consolidated income tax rate for each year is as follows:

	Years ended December 31,					
	2012		2011		2010	
	%	Millions of Dollars	%	Millions of Dollars	%	Millions of Dollars
Net income:						
Continuing operations		4.215		3.143		3.722
Discontinued operations (see note 8)		-		1.353		(558)
Total net income		**4.215**		**4.496**		**3.164**
Income tax:						
Continuing operations		7.279		2.007		3.849
Discontinued operations (see note 8)		-		-		9
Total income tax		7.279		2.007		3.858
Net income (from continuing operations and discontinued operations) before tax		**11.494**		**6.503**		**7.022**
Statutory income tax rate of the petroleum sector	50,0	5.747	50,0	3.252	50,0	3.511
Tax inflation adjustment and effect of translation into dollar	(29,5)	(3.386)	13,4	869	33,6	2.362
Unrealized losses on financial instruments	0,2	18	0,2	13	0,8	53
Tax losses	(1,2)	(134)	(17,1)	(1.109)	(9,3)	(650)
Net temporary provisions	5,4	619	2,9	188	-	-
Effect of subsidiaries subject to lower tax rate	(2,9)	(329)	(14,9)	(971)	(24,2)	(1.696)
Dividend tax	2,8	317	2,8	182	0,4	26
Tax difference in property, plant and equipment, net	44,6	5.132	(11,5)	(746)	1,5	108
Other finance income	(14,9)	(1.710)	-	-	-	-
Other differences, net	4,9	567	(2,8)	(183)	5,2	367
Effective income tax rate in Venezuela	59,5	6.842	23,0	1.494	58,0	4.081
Effect of foreign subsidiaries	3,8	437	7,9	513	(3,2)	(223)
Effective income tax rate	**63,3**	**7.279**	**30,9**	**2.007**	**54,8**	**3.858**

(b) Tax Losses Carry-Forwards

Venezuela's Income Tax Law allows tax losses to be carried forward for up to three years to offset future taxable income, except losses resulting from the application of the tax inflation adjustment, which can be carried forward for one year.

At December 31, 2012, tax credits corresponding to territorial and extraterritorial tax loss carry-forward at approximately $144 million and $547 million, respectively, are available and mature in 2013 and 2014. In Venezuelan tax legislation there is no determination of consolidated taxable income; however each taxpayer determines and files an individual tax income or loss. Accordingly, principal entities that declared tax losses do not anticipate using them in the future as they will not generate taxable income before the carry forward right prescribes.

(c) Tax Inflation Adjustment

Venezuela´s Income Tax Law established an initial tax inflation adjustment for income tax calculation. The value initially adjusted under property, plant and equipment is depreciated and amortized over their remaining useful lives for tax purposes. The Tax Law also provides for the calculation of a regular inflation adjustment to be included in the conciliation of taxable income as a taxable or deductible item.

(d) Transfer Pricing

In accordance with the Income Tax Law of Venezuela, taxpayers subject to income tax who carry out imports, exports and loan transactions with related parties domiciled abroad must determine their income, costs and deductions applying the established transfer pricing methodology. PDVSA has obtained technical analyses

developed according to the methodology established in the law. The resulting effects, if any, for each subsidiary are included in the determination of income tax for each year.

(e) Income Tax Rate

The current Income Tax Law of Venezuela establishes a general tax rate of 50% for companies involved in the exploitation of hydrocarbons and related activities, eliminating the application of the rate of 34% for companies incorporated under the joint venture agreements executed under the superseded Organic Law Reserving the Industry and Trade of Hydrocarbons to the State. Nevertheless, only companies performing integrated or non-integrated activities, exploration and use of non-associated gas, processing, transportation, distribution, storage, marketing and export of gas and its components, or exclusively performing hydrocarbon refining or upgrading of heavy or extra-heavy crude oil are subject to a tax rate of 34%. The applicable income tax rate for most of the foreign subsidiaries is 35%. Additionally, PDVSA subsidiaries domiciled abroad are subject to tax regulations of the countries where they operate.

(f) Deferred Tax

Deferred tax assets (liabilities) reported each year are as follows (in millions of dollars):

	December 31,								
	2012			2011			2010		
	Assets	Liabilities	Net	Assets	Liabilities	Net	Assets	Liabilities	Net
Employee benefits and other post-employment benefits	3,030	198	3,228	2,706	250	2,956	2,037	254	2,291
Property, plant and equipment, net	2,882	(1,044)	1,838	4,561	(281)	4,280	4,097	(1,028)	3,069
Production tax payable	607	-	607	485	-	485	223	-	223
Capitalized borrowing costs	(12)	(566)	(578)	1	(570)	(569)	-	(300)	(300)
Investments in subsidiaries	-	(125)	(125)	-	(87)	(87)	-	(121)	(121)
Inventories	480	(1,398)	(918)	709	(1,403)	(694)	209	(631)	(422)
Payment of dividends	-	(358)	(358)	-	(174)	(174)	-	(164)	(164)
Provision for contingencies	1,580	-	1,580	1,529	-	1,529	1,272	-	1,272
Special provisions	1,364	(85)	1,279	1,024	-	1,024	438	-	438
Other	1,696	(349)	1,347	1,738	(291)	1,447	890	(143)	747
Total	**11,627**	**(3,727)**	**7,900**	**12,753**	**(2,556)**	**10,197**	**9,166**	**(2,133)**	**7,033**

At December 31, 2012, 2011 and 2010, the non-recognized value of deferred assets is $9,770 million, $5,913 million and $3,056 million, respectively, as a result of recovery evaluation and future tax credits. This reduction will be subject to reversal to the extent in which the Company recovers the expectation of sufficient future tax credits necessary to the use non-recognized balances.

Changes in deferred assets (liabilities) reported for each year are as follows (in millions of dollars):

	2009 Assets (liabilities)	Benefit (expense) recognized in comprehensive income	Effect due to change in exchange rate	2010 Asset (liabilities)	Benefit (expense) recognized in comprehensive income	2011 Assets (liabilities)	Benefit (expense) recognized in comprehensive income	2012 Assets (liabilities)
Employee benefits and other post-employment benefits	3,073	435	(1,217)	2,291	665	2,956	272	3,228
Property, plant and equipment, net	2,429	2,249	(1,609)	3,069	1,211	4,280	(2,442)	1,838
Production tax payable	234	78	(89)	223	262	485	122	607
Capitalized borrowing costs	(309)	(4)	13	(300)	(269)	(569)	(9)	(578)
Investments in subsidiaries	(114)	-	(7)	(121)	34	(87)	(38)	(125)
Inventories	411	(67)	(766)	(422)	(272)	(694)	(224)	(918)
Payment of dividends	(180)	(122)	138	(164)	(10)	(174)	(184)	(358)
Provision for contingencies	2,332	474	(1,534)	1,272	257	1,529	51	1,580
Special provisions	515	(145)	68	438	586	1,024	255	1,279
Other benefits	126	164	457	747	700	1,447	(99)	1,347
Total deferred income tax, net	**8,517**	**3,062**	**(4,546)**	**7,033**	**3,164**	**10,197**	**(2,297)**	**7,900**

(g) Production Tax

In accordance with the Hydrocarbons Organic Law of May 2006, production tax is paid based on the crude oil produced and natural gas processed in Venezuela. A tax rate of 30% is applied to the volumes of hydrocarbons and natural gas produced in traditional areas (applicable to PDVSA Petróleo S.A., PDVSA Gas, S.A. and Mixed Companies). Pursuant to instructions issued by the National Government in 2012 and 2011, a conversion rate of Bs.2.60 and in 2010 a conversion rate of Bs.2.15 per U.S. dollar was used to determine and settle this tax each year (see note 17).

During 2012, 2011 and 2010, PDVSA supplied crude oil and related products within the framework of the Energy Cooperation Agreements (see note 7-c). In accordance with the instructions of the Ministry and as provided in Article 45 of the Organic Law on Hydrocarbons, 50% of the non –current financed portion during 2012, 2011 and 2010, of the volumes supplied by PDVSA on behalf of the Bolivarian Republic of Venezuela, are considered as partial compliance of PDVSA's obligation regarding production tax, in accordance with the conversion rate established by the National Government to determine and settle this obligation (see notes 16, and 30-a). PDVSA recognized under this concept a reduction in production tax expense in 2012, 2011 and 2010 of $2,728 million, $2,382 million and $2,484 million, respectively.

In April 2011 the Decree in Full Force and Effect of the Law Creating the Special Contribution for Extraordinary and Exorbitant Prices in the International Hydrocarbons Market was published, which establishes a ceiling in determination and settlement of production tax, extraction tax, and export registration tax, established in the Hydrocarbons Organic Law of up to $70 per barrel, except those subjects exempt from the payment of the special tax (see note 34-dd).

By resolution of the Ministry, PDVSA has discounted from the cost of production tax the difference between the settlement price of production tax and $40 per barrel of volumes sold at regulated prices in the Bolivarian Republic of Venezuela. PDVSA recognized under this concept a reduction in production tax expense in 2012, 2011 and 2010 of $775 million, $1,355 million and $856 million, respectively.

(h) Extraction Tax

The amendment to the Hydrocarbons Organic Law establishes a rate of 33.33% of the value of all liquid hydrocarbons extracted from any reservoir, determined on the same basis established for determining production tax. In determining this tax, the taxpayer may deduct the amount paid for production tax, including the additional production tax paid as special advantages, applicable to Mixed Companies.

(i) Special Advantages Tax

Mixed Companies are subject to the payment of taxes on special advantages, which are determined based on: (a) an interest as additional production tax of 3.33% on the volumes of hydrocarbons extracted in marked areas and delivered to PDVSA, and, (b) an amount equivalent to the difference, if any, between (i) 50% of the value of hydrocarbons extracted in marked areas and delivered to PDVSA during each calendar year, and (ii) the sum of the payments made to the Bolivarian Republic of Venezuela, for the activity conducted in the same calendar year, for taxes, production tax and special advantages on hydrocarbons, including investments in endogenous development projects equivalent to 1% of income before taxes. The taxes on special advantages must be paid before April 20 of each year, according to the provisions set forth in Appendix F of the Contract for Conversion to Mixed Companies (see note 34-y).

(j) Surface Tax

The Hydrocarbons Organic Law establishes the payment of a tax equivalent to 100 tax units (TU) per square kilometer or fraction of surface extension of unexploited land. This tax will be annually increased by 2% during the first five years and by 5% in subsequent years.

(k) Export Registration Tax

The Hydrocarbons Organic Law establishes a rate of 0.1% of the value of all hydrocarbons exported from any port in the national territory, calculated on the sales price of such hydrocarbons. This tax is effective as of May 24, 2006, applicable for 60 continuous days commencing on the date of publication in the Official Gazette.

(l) Value-Added Tax (VAT)

In Official Gazette N° 39.147 dated March 26, 2009, the Partial Amendment Law of the Budget Law for the Fiscal Year 2009 was published, establishing an increase of VAT from 9% to 12%, beginning on April 1, 2009.

The VAT Law establishes an exemption on the trading of certain fuels derived from hydrocarbons and the possibility to recover certain tax credits resulting from export sales from the tax authorities. The amounts pending recovery do not bear interest.

A consolidated summary of VAT credits pending recovery or offsetting follows (in millions of dollars):

	December 31,		
	2012	**2011**	**2010**
Balance pending recovery or off-setting at beginning of year	6,435	4,916	7,615
Generated during the year	2,672	2,053	1,109
Effect from modification of exchange rate	-	-	(3,808)
Fair value adjustments (see note 11)	165	(534)	-
Balance pending recovery or off-setting at year end (see notes 27 and 30)	**9,272**	**6,435**	**4,916**
Less, current portion	4,225	822	4,916
Non-current portion	**5,047**	**5,613**	**-**

In 2012, the Company made agreements to recover tax credits during 2013 to 2015, increasing the current portion up to $4,225 million that is expected to be recovered in the short-term.

(m) Other Taxes

Own Consumption Tax

The Hydrocarbons Organic Law establishes a tax of ten percent (10%) of the value of each cubic meter of oil products produced and consumed as fuel in its own operations, calculated on the price at which they sell to the consumer; in the case the product is not sold on the domestic market, the price will be fixed by the Ministry.

General Consumption Tax

The sale of gasoline and other fuels in Venezuela and the United States of America is subject to consumption tax.

In Venezuela and the United States of America, this tax is paid by the consumer; therefore, it is included in the sales price of the product, collected and paid to government entities without affecting the consolidated comprehensive income of the Company. In 2012, 2011 and 2010 such taxes amounted to approximately $658 million, $744 million and $305 million, respectively, in Venezuela; and $1,843 million, $1,821 million and $1,855 million, respectively, in the United States of America.

Additionally, in Venezuela, certain PDVSA subsidiaries pay this tax, which is recognized as production tax, extraction tax and other taxes in the consolidated statement of comprehensive income.

(14) Property, Plant and Equipment, Net

Property, Plant and Equipment comprise the following (in millions of dollars):

	Wells and production facilities	Plants and refining facilities	Storage facilities and transportation of crude oil, gas and products	Land, buildings and constructions	Machinery and equipment	Maritime and air transportation units	Industrial services field support and other	Construction in progress	Totals
Cost:									
Balances at December 31, 2009	**62,347**	**20,603**	**10,591**	**4,772**	**10,598**	**2,835**	**7,431**	**32,756**	**151,933**
Acquisitions and additions	324	320	265	135	511	30	204	11,518	13,307
Transfers and capitalizations	3,675	2,614	596	255	450	182	352	(8,124)	-
Sales and disposals (see note 8)	(18)	(116)	(11)	(322)	(151)	(76)	(19)	(185)	(898)
Asset retirement obligations	320	-	-	-	-	-	-	-	320
Other	(396)	75	(116)	116	50	35	(52)	(1,056)	(1,344)
Effects of inflation and exchange rate variation on conversion	-	(20)	(27)	(249)	(286)	(39)	10	(598)	(1,209)
Balances at December 31, 2010	**66,252**	**23,476**	**11,298**	**4,707**	**11,172**	**2,967**	**7,926**	**34,311**	**162,109**
Acquisitions and additions	3	409	2	98	174	463	276	16,727	18,152
Transfers and capitalizations	5,234	1,212	311	190	153	218	222	(7,540)	-
Sales and disposals	(23)	(140)	(46)	(15)	(42)	(29)	(35)	-	(330)
Asset retirement obligations	101	12	-	-	-	-	-	-	113
Other	(242)	111	3	(116)	(4)	4	10	(647)	(881)
Effects of inflation on conversion	-	10	8	243	160	24	47	326	818
Balances at December 31, 2011	**71,325**	**25,090**	**11,576**	**5,107**	**11,613**	**3,647**	**8,446**	**43,177**	**179,981**
Acquisitions and additions	2,431	678	87	40	819	100	301	20,621	25,077
Transfers and capitalizations	7,387	1,464	505	412	1,379	181	950	(12,276)	-
Sales and disposals	(220)	(170)	1	(35)	(257)	(29)	(271)	267	(714)
Asset retirement obligations	1,531	-	-	-	-	-	-	-	1,531
Other	(100)	(213)	17	75	7	7	154	(1,086)	(1,139)
Effects of inflation on conversion	-	6	5	86	111	18	85	532	844
Balances at December 31, 2012	**82,354**	**26,855**	**12,190**	**5,685**	**13,671**	**3,923**	**9,665**	**51,235**	**205,580**
Depreciation and amortization:									
Balances at December 31, 2009	**35,112**	**11,164**	**6,317**	**2,986**	**6,216**	**1,579**	**5,102**	**-**	**68,476**
Depreciation and amortization (see note 6)	2,985	1,781	487	159	165	226	244	-	6,047
Sales and disposals (see note 8)	(3)	(97)	(12)	(102)	(94)	(30)	(19)	-	(357)
Asset impairment (see note 10)	(20)	349	(10)	92	(12)	(26)	(102)	-	271
Other	(340)	51	5	61	122	80	279	-	258
Effects of inflation and exchange rate variation on conversion	-	(14)	(15)	(39)	(20)	(22)	(108)	-	(218)
Balances at December 31, 2010	**37,734**	**13,234**	**6,772**	**3,157**	**6,377**	**1,807**	**5,396**	**-**	**74,477**
Depreciation and amortization (see note 6)	3,391	1,778	520	109	408	353	312	-	6,871
Sales and disposals	(20)	(137)	(46)	(9)	(42)	(14)	(25)	-	(293)
Asset impairment (see note 10)	(8)	212	13	12	145	45	30	-	449
Other	(39)	(20)	5	13	5	2	91	-	57
Effects of inflation on conversion	-	7	6	22	65	34	65	-	199
Balances at December 31, 2011	**41,058**	**15,074**	**7,270**	**3,304**	**6,958**	**2,227**	**5,869**	**-**	**81,760**
Depreciation and amortization (see note 6)	3,684	1,755	653	135	344	308	227	-	7,105
Sales and disposals	(233)	(67)	(2)	(35)	(12)	(14)	(110)	-	(472)
Asset impairment (see note 10)	17	656	6	94	16	74	58	-	922
Asset retirement obligations	(1)	-	(209)	-	-	-	-	-	(210)
Other	7	274	(2)	16	22	(3)	92	-	405
Effects of inflation on conversion	-	-	-	10	19	18	117	-	165
Balances at December 31, 2012	**44,532**	**17,692**	**7,716**	**3,525**	**7,348**	**2,610**	**6,253**	**-**	**89,675**
Total net cost at December 31, 2012	**37,822**	**9,163**	**4,474**	**2,160**	**6,323**	**1,313**	**3,412**	**51,235**	**115,905**
Total net cost at December 31, 2011	**30,267**	**10,016**	**4,306**	**1,803**	**4,655**	**1,420**	**2,577**	**43,177**	**98,221**
Total net cost at December 31, 2010	**28,518**	**10,242**	**4,526**	**1,550**	**4,795**	**1,160**	**2,530**	**34,311**	**87,632**

Nationalized Assets

During 2012, 2011 and 2010, PDVSA through its subsidiaries, as established in the Organic Law for Expropriation for Public or Social Interest (LECUPS, by its Spanish acronym), took control over the assets associated with activities governed by this law, recognized under acquisitions and additions for the year $45 million, $71 million and $27 million, respectively (see note 34-aa). At December 31, 2012, PDVSA is determining and negotiating the value of those assets with the parties involved.

Value Impairment

In 2012, PDVSA assessed impairment and considering market conditions and related business, determined the need to recognize $922 million of impairment loss related principally to plants and refining facilities, machinery and equipment and maritime transportation units. As a result of the assessment, a reversal of $7 million of impairment loss relating to certain assets of wells and production facilities, and air transportation units was determined. Likewise, during 2011 and 2010, a reversal of impairment losses of $35 million and $180 million, respectively, was recognized for certain assets in industrial support services and wells and production facilities; and impairment losses of $484 million and $451 million, respectively, were recognized related principally to plants and refining facilities and machinery and equipment (see note 10).

Major Maintenance

At December 31, 2012, 2011 and 2010, PDVSA reported expenditures for major maintenance and general repairs of $2,979 million, $2,562 million and $2,227 million, respectively, which are considered as a separate component of assets and included in property, plant and equipment, principally in plants and refining facilities (see note 3-j).

Assets under Lease Agreement

At December 31, 2012, 2011 and 2010, there are certain refining assets and related equipment acquired under lease agreements amounting approximately $337 million, $366 million and $403 million, respectively, net of accumulated depreciation amounting approximately $175 million, $328 million and $308 million, respectively. The depreciation expense corresponding to those assets in 2012, 2011 and 2010, includes $28 million, $36 million and $40 million, respectively (see note 22).

Business Combinations

During 2011 and 2010, the amounts of $173 million and $422 million, respectively, were recognized in property, plant and equipment, for business combinations presented as part of acquisitions and additions during the year. In 2012, PDVSA did not make any business combination (see note 9-b).

Construction in Progress

The balance of construction in progress consists principally of investment programs aimed at maintaining the production capacity and adjusting the facilities to the production levels set forth in PDVSA business plan, tangible assets for exploration works and various projects in progress that will be capitalized as property, plant and equipment at the date of incorporation into operations. The main constructions in progress currently developed by PDVSA are off-shore projects, construction and expansion of refineries and development of the Orinoco Oil Belt.

During 2012, 2011 and 2010, as a result of the continuous evaluation by operating management of the continuity of investment projects began in previous years, constructions in progress were canceled for $577 million, $703 million and $564 million, respectively, included in others under property, plant and equipment (see note 10).

During 2012, 2011 and 2010, borrowing interest amounting to $918 million, $579 million and $115 million, respectively, were capitalized to construction in progress. The capitalization rate of borrowing interest to construction in progress during 2012, 2011 and 2010 was 47%, 23% and 9%, respectively.

(15) Investments in Non-Consolidated Investees and Jointly Controlled Entities

Investments in non-consolidated investees and jointly controlled entities are summarized as follows (in millions of dollars):

	Reporting date	Share interest %	December 31, 2012	2011	2010
			Equity share		
Foreign:					
United States of America:					
Chalmette Refining, L.L.C. (Chalmette Refining) (2)	December 31	50	319	412	423
Merey Sweeny, L.P. (Merey Sweeny) (2)	December 31	50	25	25	25
Vírgin Islands - Hovensa L.L.C. (Hovensa) (2)	December 31	50	-	-	408
Other subsidiaries in the United States of America	December 31	(*)	103	95	89
Sweden:					
Nynas AB (Nynas) (2)	December 31	50	278	270	255
Other:					
Subsidiaries of PDVSA América, S.A.:					
Petrojam Limited (1)	December 31	49	65	44	27
Refidomsa (1)	December 31	49	73	160	-
YPFB Petroandina, S.A.M. (1)	December 31	40	174	141	113
Ende Andina S.A.M. (1)	December 31	40	78	76	78
Other subsidiaries of PDVSA América	December 31	(*)	56	9	20
Petrolera del Cono Sur, S.A. (1) (see note 9-b)	December 31	46	-	-	7
Other foreign subsidiaries	December 31	(*)	-	7	51
Total foreign			**1,171**	**1,239**	**1,496**
In Venezuela:					
Quiriquire Gas, S.A. (1)	December 31	40	125	83	46
Gas Guárico, S.A. (1)	December 31	30	53	32	18
Other subsidiaries in Venezuela	December 31	(*)	32	35	109
Total Venezuela			**210**	**150**	**173**
Total (see note 30)			**1,381**	**1,389**	**1,669**

(1) Non-consolidated investees.

(2) Jointly controlled entities.

(*) Equity share ranging from 20% to 50% in several investees. None of the investees and jointly controlled entities is listed in public markets; consequently, no listed prices have been published.

A summary of PDVSA's investments in non-consolidated investees and jointly controlled entities follows (in millions of dollars):

	Years ended December 31, 2012	2011	2010
Balances at January 1	1,389	1,669	1,899
Equity interest in net income of non-consolidated investees and jointly controlled entities (see note 30):			
Continuing operations	62	(278)	(184)
Discontinued operations (see note 8)	-	-	14
Reclassification of non-current assets held for sale (see note 8)	-	-	(200)
Addition of new consolidated investees (see note 20)	-	135	-
Additional contributions to non-consolidated investees	7	34	128
Dividends received from non-consolidated investees and jointly controlled entities (1)	(77)	(15)	(16)
Investments, net of foreign exchange effects	-	(156)	28
Balances at December 31	**1,381**	**1,389**	**1,669**

(1) Mainly from investees of AB Nynas Petroleum and subsidiaries of CITGO and PDVSA Gas.

In January 2012, Hovensa L.L.C., a subsidiary of PDVSA, announced the shut-down of its refinery at Saint Croix, Virgin Islands, in the United States of America. The refinery will be converted to an oil storage terminal (see note 30). As a result, in 2011 PDVSA recognized losses due to equity interest up to the amount recorded of the investment in Hovensa LLC. As of December 2011, the amount of non-recognized losses in the consolidated financial statement attributable to PDVSA in Hovensa LLC income is $474 million, as there are no contractual agreements to respond to the losses or obligations of Hovensa LLC.

On August 2, 2010, the sale of 49% of the shares of the Refinería Dominicana de Petróleo, S.A. (REFIDOMSA) to PDVSA for $135 million was approved by the Chamber of Deputies of the Dominican Republic, prior to the approval by this country's Senate, based on a sales agreement signed by the Dominican Republic and the Bolivarian Republic of Venezuela in May 2010. In January 2011, REFIDOMSA's new Board of Directors was established, achieving a significant influence over decisions on financial and operational policies, and therefore, since this date is presented as forming part of the investments in non-consolidated investees and jointly controlled entities (see note 20).

A summary of the combined financial information of non-consolidated investees and jointly controlled entities in Venezuela and abroad follows (in millions of dollars):

	December 31,								
	2012			2011			2010		
	Venezuela	Foreign	Total	Venezuela	Foreign	Total	Venezuela	Foreign	Total
Financial position:									
Non-current asset	517	2,861	3,378	463	4,635	5,098	265	4,775	5,040
Current asset	872	3,277	4,149	865	3,609	4,474	754	2,390	3,144
Non-current liability	(281)	(1,272)	(1,553)	(243)	(1,938)	(2,181)	(5)	(1,394)	(1,399)
Current liability	(533)	(2,742)	(3,275)	(665)	(3,403)	(4,068)	(544)	(3,148)	(3,692)
Equity	**575**	**2,124**	**2,699**	**420**	**2,903**	**3,323**	**470**	**2,623**	**3,093**

	Years ended December 31								
	2012			2011			2010		
	Venezuela	Foreign	Total	Venezuela	Foreign	Total	Venezuela	Foreign	Total
Comprehensive income of the year:									
Sales	385	13,930	14,315	331	17,574	17,905	232	12,620	12,852
Operating income (loss)	149	(1,048)	(899)	145	(1,406)	(1,261)	100	(545)	(445)
Net income (loss)	118	205	323	136	(2,000)	(1,864)	24	(137)	(113)

(16) Accounts Receivable and Other Assets

Accounts receivable and other assets are summarized as follows (in millions of dollars):

	December 31,		
	2012	2011	2010
Non-current accounts receivable (see note 27-a):			
Energy agreements (see note 7-c)	5,345	3,249	1,631
Related entities (see note 30)	1,793	1,864	438
Employees	1,071	820	553
Materials and supplies (see note 18)	275	170	86
Buildings used by government entities (see note 30)	108	109	112
Goodwill (see notes 8 and 9-b)	-	69	123
Other	772	902	503
Total	**9,364**	**7,183**	**3,446**

During the years ended December 31, 2012 and 2011, PDVSA recognized an income of $235 million and $16 million, respectively, as of result of amortization through the effective interest rate method of the difference between the adjusted fair value and redeemed value of non-current accounts receivable associated with energy agreements and related entities. During the year ended December 31, 2010, the foregoing involved to recognize an expense of $141 million (see note 11).

During the years ended December 31, 2012 and 2011, PDVSA determined and adjusted to fair value non-current receivable accounts to related parties, recognizing expenses of $6 million and $69 million, respectively (see note 11).

During the years ended December 31, 2012 and 2011, PDVSA assessed the recoverable amounts of cash-generating units that comprise the goodwill of Interven, S.A. and PDVSA Industrial. As a result, in 2012 and 2011 were recognized $69 million and $54 million, respectively, of impairment loss related to the goodwill of Fluvialba, Soltuca and MCT, which is included in other expenses, net in the consolidated statement of comprehensive income (see note 10).

At December 31, 2012, 2011 and 2010, $7 million, $6 million and $11 million, respectively, biological assets are included in other assets.

(17) Restricted Cash

Restricted cash consists of the following (in millions of dollars):

	December 31,		
	2012	**2011**	**2010**
Funds for the execution of social development projects:			
Fund for Social and Economic Development of the Country (FONDESPA, acronym in Spanish)	139	249	254
Integral Cooperation Agreement with the Republic of Argentina (see note 7-c)	455	24	6
Simon Bolivar Fund for Reconstruction (see notes 12 and 30-b)	167	830	-
Fund for Macroeconomic Stability (FEM, acronym in spanish)	-	-	829
Funds at the Venezuelan Central Bank	33	88	472
Integral Cooperation Agreement with the Republic of Portugal	240	25	80
Total funds for execution of social development projects (see note 30)	**1,034**	**1,216**	**1,641**
Funds for projects of extra heavy crude oil in the Orinoco Oil Belt (see note 29-c)	-	320	318
Letters of credit	160	163	169
Liquidity accounts (see note 22)	1,121	311	122
Other	15	18	32
	2,330	2,028	2,282
Less current portion	2,112	1,714	1,678
Non-current portion	**218**	**314**	**604**

Based on PDVSA's social responsibility (see note 1), trusts have been set up with the Bank for Economic and Social Development of Venezuela (BANDES, acronym in Spanish), Banco Bicentenario Banco Universal C.A., Banco de Venezuela, S.A., Banco Universal and the BCV, to support social programs and projects, works, goods and services for the development of infrastructure, agricultural activities, roads, health and education in the country (see note 30):

Trust for the Execution of Social Development Projects

a) *Fondo para el Desarrollo Económico y Social del País (FONDESPA)*, a trust established in dollars approved in the Stockholder's meeting on January 23, 2004, at BANDES with funds from crude oil exports and its products exceeding the average price per barrel budgeted, net of production tax, taxes and other direct expenses in 2004, 2005 and 2006. This trust has not received funds since 2006.

b) *The Integral Agreement of Cooperation with the Republic of Argentina*, was approved at PDVSA's Board of Directors' Meeting on July 15, 2004, comprises cash and securities in dollars received from Compañía Administradora del Mercado Mayorista Electrico Sociedad Anonima (CAMMESA), Argentina's State energy company, for the sales of crude oil and related products by PDVSA under the agreement (see note 7-c). Payments with this fund will be made only to companies in the Republic of Argentina for the import of products from Argentina into Venezuela, which are included as contributions for social development once they are made. In 2012, a new trust was set up under this agreement that additionally includes collections from Energía Argentina, S.A. (ENARSA). During 2012, 2011 and 2010, contributions to this trust were made of $729 million, $238 million and $81 million, respectively.

c) *Resources received from the Simon Bolivar Fund for Reconstruction*. At December 31, 2012, PDVSA maintains restricted cash in bolivars at Banco Espirito Santo, S.A. (BES) and BANDES of $43 million and $124 million, respectively, from the resources received by the Simon Bolivar Fund for Reconstruction (Simon Bolivar Fund) through accounts handled by PDVSA, in its capacity as administrator of the fund (see note 30-b).

d) *Fund for Macroeconomic Stability*. Established at the BCV by the National Government in November 2003 to promote the stability of State expenses during fluctuations of tax revenues or during economic emergencies. In accordance with the law, PDVSA made contributions in dollars from additional oil revenues until 2003, determined at 50% of the excess income from crude oil and products exports in dollars and the average of such income collected during the last three calendar years, after deducting related taxes. The law and its amendments have not established additional contributions since 2004. Changes in the fund during 2011 were provided by financial interest.

In February 2011 according to instructions of the National Government, $829 million were transferred to FONDEN, corresponding to total funds maintained by PDVSA in FEM, which are included as contributions to FONDEN in the consolidated statement of comprehensive income for the year ended December 31, 2011 (see note 12).

e) *Funds at the Central Bank of Venezuela*. This fund was established in bolivars to support social development projects, with resources mainly acquired from the difference in the determination of production tax contributions using the exchange rate of Bs.2.60, during 2012 and 2011 and 2.15 per U.S. dollar, during 2010, in compliance with instructions from the National Government (see notes 13-g and 12). During 2012, 2011 and 2010, contributions were made of $9,307 million, $9,334 million and $8,198 million, respectively.

f) *Integral Cooperation Agreement with the Republic of Portugal*. A trust in dollars with Banco Caixa Geral de Depósitos comprised of collections from Compañía Petróleos de Portugal – PETROGAL, S.A., a Portuguese energy company, from the sales of crude oil and products made by PDVSA under the Supplementary Economic and Energy Cooperation Agreement entered into between the Bolivarian Republic of Venezuela and the Republic of Portugal in May 2008 (see note 7-e). These funds are used only for payments to companies located in the Republic of Portugal for the import of goods and services from that country, which are included as contributions for social development once payments are made. During 2012, 2011 and 2010, contributions were made to this trust of $54 million; $17 million and $89 million, respectively.

Funds for Extra-heavy Crude Oil Projects in the Orinoco Oil Belt

At December 31, 2011 and 2010, the restricted cash includes mainly $300 million, deposited in PDVSA Cerro Negro, S.A. (PDVSA Cerro Negro) accounts in the United States of America. In February 2012, PDVSA made a final payment to Exxon Mobil; the restricted $300 million in the account of The Bank of New York Mellon (see note 25) were discounted to make that payment.

Letters of Credit

At December 31, 2012, 2011 and 2010, $120 million was deposited in a European bank to secure the execution of the electric power sector projects.

Liquidity Account

The liquidity account includes restricted funds under agreements with financial institutions to secure several credit facilities, loan extensions and bonds issued. These accounts consist of cash and time deposits, including interest earned on those amounts (see note 22).

(18) Inventories

Inventories are summarized as follows (in millions of dollars):

	December 31,		
	2012	**2011**	**2010**
Crude oil and products	7,791	8,295	6,677
Materials and supplies	4,075	1,969	2,337
Food, mass consumption products, and other, net	15	22	10
	11,881	10,286	9,024
Less materials and supplies classified in other non-current assets (see note 16)	275	170	86
Total	**11,606**	**10,116**	**8,938**

Net Realizable Value

At December 31, 2012, 2011 and 2010, PDVSA decrease inventories of crude oil and products at net realizable value by $266 million, $516 million and $109 million, respectively, included in the consolidated statements of comprehensive income.

At December 31, 2012, 2011 and 2010, the net realizable value of inventories of crude oil and products is $1,231 million, $1,449 million and $2,356 million, respectively.

At December 31, 2012, 2011 and 2010, inventories of materials and supplies were presented, after adjustment, at net realizable value of $119 million, $111 million and $74 million, respectively.

At December 31, 2012, 2011 and 2010, no adjustments were made to the net realizable value of inventories of food and mass consumption products and others.

(19) Notes and Accounts Receivable

Notes and accounts receivable include the following (in millions of dollars):

	December 31,		
	2012	**2011**	**2010**
Related entities (see note 30)	31,082	23,531	12,538
Trade (see note 27-a)	9,433	7,614	6,918
Accounts receivable from employees	283	178	152
Other accounts receivable	1,415	673	695
	42,213	31,996	20,303
Less impairment (see note 27)	507	420	275
Total	**41,706**	**31,576**	**20,028**

Exposure to credit risk relating to notes and accounts receivable is discussed in note 27.

(20) Prepaid Expenses and Other Assets

Prepaid expenses and other assets include the following (in millions of dollars):

	December 31,		
	2012	**2011**	**2010**
Advances to suppliers and contractors	4.724	2.019	2.016
Advances to the National Saving Fund of the Working Class	606	-	-
Income tax paid in excess and prepaid tax (see note 30)	252	502	2.962
Advances of special contributions (see note 34-dd)	453	463	-
Investments at cost (see notes 9-b, 9-c, 15 and 27)	14	14	348
Tradable securities (see note 27)	39	190	119
Prepaid insurance	540	191	284
Prepaid services	52	60	23
Derivative assets (see note 27)	7	8	15
Other assets	313	396	201
Total	**7.000**	**3.843**	**5.968**

At December 31, 2012, advances to the National Savings Fund of the Working Class correspond to payments made by PDVSA under the concept of obligations arising from special advantages and extraction taxes set forth in the Organic Law related to the National Savings Fund of the Working Class and the Peoples' Savings Fund (see note 34-g).

Payment of estimated income tax returns for certain Venezuelan subsidiaries in 2012, 2011 and 2010, resulted in taxes paid in excess amounting to $536 million, $1,781 million and $353 million, respectively, when compared to the final income tax return. During 2012, 2011 and 2010, $246 million, $2,578 million and $78 million of taxes paid in excess in 2011, 2010 y 2009, respectively, were used to offset current taxes paid. Additionally, income tax paid in excess at December 31, 2012, is presented net of $540 million, corresponding to income tax payable determined in 2012 of some subsidiaries in Venezuela.

(21) Equity

Share Capital

According to the bylaws – memorandum of incorporation of PDVSA, the nominal value of share capital is Bs.1,280 million, corresponding to 51,204 shares. Pursuant to Article 303 of the Constitution of the Bolivarian Republic of Venezuela, these shares may not be transferred or encumbered in any way.

Reserves

The legal reserve is a requirement for Venezuelan companies to maintain a percentage of net income each year to reach a percentage of the capital stock. Pursuant to Venezuelan law, the legal reserve cannot be distributed as dividends.

Other reserves principally include the reserve for the realization of deferred tax assets of $11,627 million, $12,753 million and $9,166 million at December 31, 2012, 2011 and 2010, respectively.

Dividends

Cash dividends are declared and paid to the Stockholder in bolivars based on the statutory financial statements.

On April 16, 2012, dividends to the Republic for $1,395 million were declared and paid in cash and charged to acummulated income.

During 2011, dividends of $4,730 million were declared and paid as follows: $1,000 million in cash of the Republic and $3,730 million paid through the settlement of accounts receivable due from the Republic, from sales of crude oil and products within the framework of agreements and contracts subscribed with governments of other countries (see notes 7-c and 19).

In 2010, cash dividends of $1,000 million were declared and paid.

Additional Contribution from Stockholder

In the Annual Stockholder's Meetings held in September 2011, the Company decided to transfer $2,000 million from the Additional Contribution from the Stockholder to accumulated income corresponding to asset contributions as a result of the migration of operational agreements, association agreements and exploration at risk and profit sharing exploration agreements carried out by the Stockholder during 2008 and 2007. Likewise, in the Ordinary Stockholder's Meeting held in August 2010, the Company decided to transfer the additional contribution from the Stockholder to accumulated income for the amount of $2,000 million, corresponding to a portion of the funds received from FONDEN in December 2009.

Non-Controlling Interests

In 2012, 2011 and 2010, certain Mixed Companies declared and paid dividends to non-controlling interests of $1,306 million, $923 million and $485 million, respectively.

In 2012, 2011 and 2010, the Mixed Companies paid advances to non-controlling interests on account of dividends in the amount of $80 million, $434 million and $318 million, respectively.

In 2012, 2011 and 2010, non-controlling interests made additional capital contributions of $489 million, $73 million and $265 million, respectively.

(22) Financial Debt

PDVSA's consolidated debt is distributed as follows (in millions of dollars):

	Currency	Interest rate	Year of maturity	Nominal Value	December 31, 2012	2011	2010
PDVSA (Parent Company):							
Unsecured bond	Dollars	8,00%	2013	1.145	1.098	945	415
Unsecured bond	Dollars	4.90%	2014	3.000	2.712	2.561	2.450
Unsecured bond	Dollars	5.00%	2015	1.413	1.413	1.387	1.387
Unsecured bond	Dollars	5.125%	2016	435	435	425	425
Unsecured bond	Bolivars	9,10%	2015	140	142	-	-
Unsecured bond	Bolivars	9,10%	2016	279	283	-	-
Unsecured bond	Bolivars	9,10%	2017	279	283	-	-
Unsecured bond	Dollars	8,50%	2017	6.150	5.380	5.249	3.000
Unsecured zero-coupon bond	Dollars	-	2011	2.450	-	-	2.450
Unsecured bond	Dollars	9,00%	2021	2.394	1.588	1.548	-
Unsecured bond	Dollars	12,75%	2022	3.000	3.000	3.000	-
Unsecured bond	Dollars	5.25%	2017	3.000	3.080	3.088	3.126
Unsecured bond	Dollars	5.375%	2027	3.000	3.133	3.139	3.135
Unsecured bond	Dollars	9,75%	2035	3.000	2.851	-	-
Unsecured bond	Dollars	5.50%	2037	1.500	1.575	1.576	1.566
Total bonds					26.973	22.918	17.954
Investment certificates	Bolivars	8,00%	2013	465	465	-	-
Investment certificates	Bolivars	8,00%	2013	1.070	1.070	1.186	465
Investment certificates	Bolivars	9,50%	2013	500	500	302	302
Total Investment certificates					2.035	1.488	767
Credit facility	Dollars	LIBOR + 4.50%	2013	1.500	333	1.000	1.500
Credit facility	Euros	2,12%	2016	45	41	22	27
Credit facility	Dollars	LIBOR + 4.55%	2018	271	271	-	-
Total credit facilities					645	1.022	1.527
Secured loan	Bolivars	9,50%	2018	116	116	-	-
Secured loan	Bolivars	9,50%	2016	116	116	116	-
Secured loan	Bolivars	9,50%	2017	116	116	116	-
Secured loan	Bolivars	9,50%	2013	140	140	-	-
Secured loan	Bolivars	9,50%	2013	105	105	-	-
Secured loan	Bolivars	9,50%	2015	465	443	-	-
Secured loan	Bolivars	9,50%	2017	465	465	-	-
Secured loan	Bolivars	9,50%	2016	465	465	465	-
Secured loan	Bolivars	9,50%	2017	465	465	465	-
Secured loan	Bolivars	9,50%	2012	70	-	70	-
Secured loan	Bolivars	9,50%	2018	930	930	930	-
Secured loan	Dollars	LIBOR + 5.00%	2014	1.500	1.200	1.500	-
Secured loan	Dollars	LIBOR + 1.50% - 8.75%	2026	1.500	1.350	1.450	-
Secured loan	Dollars	LIBOR + 0.50% - 6.50%	2022	3.500	2.157	2.394	2.627
Secured loan	Yens	1.70% - 2.30%	2012	385	-	35	99
Total secured loans					8.068	7.541	2.726
Financial leases	Dollars	-	2012	3	1	3	4
					37.722	**32.972**	**22.978**
CITGO:							
Secured bonds	Dollars	11,50%	2017	300	292	290	288
Tax-exempted industrial bond	Dollars	6.00%	2023	3	3	3	3
Tax-exempted industrial bond	Dollars	4,88%	2025	50	49	49	49
Tax-exempted industrial bond	Dollars	8,00%	2028	25	24	24	25
Tax-exempted industrial bond	Dollars	8,00%	2032	30	29	29	29
Total bonds					397	395	394
Credit facility type B	Dollars	LIBOR 2% base + 6.00%	2015	108	104	120	330
Credit facility type C	Dollars	LIBOR 2% base + 7.00%	2017	584	583	668	672
Secured credit facilities	Dollars	-	-	-	-	-	9
Total credit facilities					687	788	1.011
Financial leases	Dollars	-	2030	267	267	276	285
					1.351	**1.459**	**1.690**
PDVSA America, S.A.:							
Secured loan	Dollars	LIBOR + 1%	2023	61	45	49	53
Secured loan	Dollars	LIBOR + 1%	2024	61	47	51	55
Total secured loans					92	100	108
Financial leases	Dollars	-	2012	1	1	1	1
					93	**101**	**109**
PDVSA Petróleo, S.A.:							
Credit facility	Dollars	8,70%	2016	478	478	-	-
Secured bonds	Dollars	8.22% - 8.37%	2017 - 2022	-	-	10	11
Secured bonds	Dollars	7.33% - 8.03%	2020	3	3	3	3
					481	**13**	**14**
Interven Venezuela, S.A.:							
Unsecured loan	Dollars	-	-	-	-	-	4
PDV Marina, S.A.:							
Credit facility	Yens	CIRR 1.77% + 3.12%	2023 / 2024	234	212	186	-
PDVSA Naval, S.A.:							
Credit facility	Euros	Euribor + 3.80%	2020	18	18	17	-
Corporación Venezolana de Petróleo (CVP):							
Secured bonds	Dollars	8.22% - 8.37%	2017 - 2022	7	7	-	-
Refinería Isla (Curacao), B.V.:							
Financial leases	Dollars	-	2019	133	132	144	155
PDVSA Industrial, S.A.:							
Secured loan	Bolivars	13,50%	2014	12	10	-	-
					40.026	34.892	24.950
Less current portion					4.379	2.396	3.604
Non-current portion					**35.647**	**32.496**	**21.346**

Future maturities of the non-current portion of consolidated debt at December 31, 2012 are as follow (in millions of dollars):

Years -	
2014	5,010
2015	4,792
2016	3,800
2017	7,041
2018	872
Remaining years	14,132
Total	**35,647**

Petróleos de Venezuela, S.A. (Parent Company)

Unsecured Bonds

Zero-coupon bonds

In July 2009, the process for public tender of zero-coupon bonds up to $3,000 million with maturity in 2011, and payable in dollars upon maturity was completed. This offer was supervised and regulated by the BCV, and was exempted from the application scope of the Venezuelan Securities Market Law. As a result of the offer of these bonds, PDVSA received from domestic buyer the equivalent in Bolivars of $5,567 million on the date of the transaction.

In November 2010, the Company performed a swap operation and redeemed $550 million of these bonds by issuing a new bond maturing in 2013.

In July 2011, the Company fulfilled its commitment to pay the outstanding zero-coupon bonds amounting $2,450 million.

Petrobonos 2013

In November 2010, the Company completed the process of exchanging the zero-coupon bonds issued in July 2009 with maturity in 2011, for a new bond maturing in 2013. This process used an exchange ratio of 1,125, and $550 million of bonds with maturity in 2011 were redeemed with $618 million of new bonds with maturity in 2013, which resulted in a discount of $104 million and a gain of $36 million, recognized in finance income in the consolidated statement of comprehensive income (see note 11). The exchange process and the issuance of the new bond were authorized by the National Securities Superintendence (Superintendencia Nacional de Valores - SNV).

In July 2011, the Company reopened Petrobonos 2013 with a total amount of $1,372 million, resulting in a discount of $93 million and gains of $208 million, recognized in finance income in the consolidated statement of comprehensive income (see note 11). These bonds were awarded to the BCV.

In September 2011, the Company reopened Petrobonos 2013 with a total amount of $406 million, generating a discount of $38 million and gains of $6 million, included under finance income in the consolidated statement of comprehensive income (see note 11). These bonds were awarded to related non-financial institutions to settle promissory notes (see note 25).

Petrobonos 2014, 2015 and 2016

In October 2009, PDVSA completed the public tender process issuing bonds amounting to $1,413 million, $1,413 million and $435 million with maturity in 2014, 2015 and 2016, respectively. This offer was made in coordination with the BCV and the Ministry of People's Power for Economy and Finance and was exempted from the application scope of the Venezuelan Securities Market Law and from payment of income tax applicable to interests earned by these bonds. From this issuance, the Company received from domestic buyers the equivalent in bolivars on the date of the transaction of $4,501 million.

In August 2010, the Company reopened Petrobonos 2014 with a total amount of $1,587 million, generating a discount of $592 million and a loss of $278 million, which was recognized under finance expenses in the consolidated statement of comprehensive income. These bonds were fully-awarded to the BCV, receiving $345 million in cash and settling of a promissory note with that entity for $372 million.

PDVSA Agrícola 2015, 2016 and 2017 Bonds

In July 2012, the Company completed the issuance of agricultural bonds with a total amount of $140 million, $279 million and $279 million, maturing in 2015, 2016 and 2017, respectively, at an interest rate obtained by applying a fix reference percentage of 70% to the interest rate applicable to loans referred to in Article 7 of the Decree-Law on Loans for the Agricultural Sector ("Agricultural Rate"). This issuance was carried out in coordination with the BCV and the Ministry of People's Power for Economy and Finance and was wholly awarded to national banks by means of auctions, resulting in a premium in the bond issuance of $11 million. The new bond issue was authorized by the SNV pursuant to Article 2 of the Securities Market Law.

PDVSA Bonds 2017

In October 2010, the Company completed the public tender of bonds for $3,000 million, with annual principal amortizations in U.S. dollars of $1,000 million for the years 2015, 2016 and 2017. These bonds were issued at par value. The issuance of these bonds was authorized by the SNV and was exempt from the payment of income tax applicable to interests earned by these bonds.

In January 2011, the Company reopened PDVSA 2017 Bonds for $3,150 million, placing these bonds with a face value of $2,844 million, and generating a discount of $954 million and gains of $99 million, which were recognized under finance income in the consolidated statement of comprehensive income (see note 11). These bonds were awarded to the BCV and related non-financial institutions for the settlement of promissory notes (see note 25). The rest of the reopened bonds were awarded to the BCV and other non-financial institutions on September 19, 2011, generating a discount of $92 million and gains of $37 million, included under finance income in the consolidated statement of comprehensive income (see note 11).

PDVSA 2017, 2027 and 2037 Bonds

During April and May 2007, the Company completed the public tender of bonds with a total amount of $7,500 million with maturities in 10, 20 and 30 years (2017, 2027 and 2037), which resulted in a premium of $413 million. This issuance was supervised and regulated by the BCV and was exempted from the scope of application of the Venezuelan Securities Market Law and from the payment of income tax applicable to interests earned by these bonds.

PDVSA 2021 Bonds

In November 2011, the Company completed the private placement process of these bonds for $2,394 million. This issuance was fully-awarded to the BCV, receiving $435 million in cash and swapping the difference for previously issued bonds maturing in 2013, generating a discount of $867 million and gains of $96 million. This issuance was exempted from the scope of application of the Venezuelan Securities Market Law and from the payment of income tax applicable to earned interests.

PDVSA 2022 Bonds

In February 2011, the Company completed the public tender of these bonds for $3,000 million. These bonds were issued at their par value. The issuance of these bonds was authorized by the SNV.

PDVSA 2035 Bonds

In May 2012, the Company completed the issuance of bonds for $3,000 million maturing in 2035, which generated a discount in the bond issuance for $150 million. This issuance was performed in coordination with the BCV and the Ministry of the People's Power for Economy and Finance. The issuance was mainly awarded to the BCV and public banks and was authorized by the SNV pursuant to Article 2 of the Venezuelan Securities Market Law.

Repurchase of Bonds

In December 2010, the Company repurchased bonds maturing in 2013, 2014, 2015, 2016 and 2017 for an aggregate amount of $323 million. An amount of $182 million of these bonds were placed again on the secondary market with a discount of $74 million, generating a gain of $19 million, which was included under finance income in the consolidated statement of comprehensive income (see note 11).

Investment Certificates

During 2012, the Company issued renewable investment certificates denominated in bolivars to Banco de Venezuela amounting to $465 million, maturing in 2013 and with monthly payable interest.

In 2011 and 2010, the Company issued renewable investment certificates denominated in bolivars to Banco del Tesoro for a total of $721 million and $465 million, respectively, with monthly payable interests. In 2012, the Company paid off one of the investment certificates for $116 million and renewed the remaining amount under the same terms and conditions and with maturity in 2013.

In February 2009, the Company issued investment certificates to Fondo de Protección Social de los Depósitos Bancarios (formerly Fondo de Garantía de Depósitos y Protección Bancaria - FOGADE), amounting to $1,000 million. These certificates were denominated in bolivars with principal indexed to the official exchange rate of bolivars to U.S. dollars for payments of the non-oil public sector and with an original term of 18 months renewable for equal terms. During 2010, the Company amortized $500 million, at the exchange rate in effect as of the payment dates, and renewed the remaining amount under the same terms and conditions, maturing in February 2012. Upon maturity, the Company renewed the whole debt, eliminating the indexation condition, with maturity in August 2013.

Credit Facilities

In April 2010, the Company entered into a syndicated credit agreement with China Development Bank Corporation (CDBC), Banco Espirito Santo, S.A. (BES) and other banking institutions, establishing a credit facility of $1,500 million, with quarterly principal payments and interest amortizations and a grace period of nine months. This credit facility includes options of payment in cash or through shipments of crude oil and products at market prices. At December 31, 2012, the whole amount agreed upon in this facility had been used.

In June 2010, the Company executed a credit facility with Deutsche Bank, S.A.E. for up to €59 million, equivalent to $78 million, to finance investments in the domestic refining segment. At December 31, 2012, 2011 and 2010, €35 million, €17 million and €21 million, equivalent to $45 million, $22 million and $27 million, respectively, of the amount agreed upon for this loan has been used.

In February 2012, the Company signed with CDBC a loan agreement to purchase oil goods and services for $500 million. This loan includes options of payment in cash or through the delivery of crude oil and products at market prices. At December 31, 2012, the Company has used $271 million of the amount agreed upon pursuant to this credit facility.

Secured Loans

In January 2012, the Company received from Banco del Tesoro a loan denominated in bolivars for $116 million a yearly variable interest rate, initially fixed at 9.5%, without exceeding interest rates established by the BCV for credit portfolio of the agricultural sector.

In November 2011, Banco del Tesoro granted two loans to the Company denominated in bolivars amounting to $116 million each, with quarterly payable interests, variable capital amortizations and a grace period of 12 months.

In 2012, the Company signed with Banco de Venezuela, loan agreements denominated in bolivars under the following conditions:

- Loan for $140 million, signed in December, at a yearly interest rate of 9.5%, payable upon maturity.
- Loan for $105 million, signed in September, at a yearly interest rate of 9.5%, payable upon maturity.
- Loan for $465 million, signed in March, at a yearly interest rate of 9.5%, variable every quarter, variable principal amortizations and a grace period of six months (see note 30-b).
- Loan for $465 million, signed in March, at a yearly interest rate of 9.5%, variable every quarter, which shall not exceed rates fixed by the BCV for loan portfolios for the manufacturing sector, variable principal amortizations and a grace period of 30 months.

In 2011, the Company signed with Banco de Venezuela, loans denominated in bolivars under the following conditions:

- Loan for $465 million, signed in December, at a yearly interest rate of 9.5%, variable every quarter, without exceeding rates established by the BCV for credit portfolios of the manufacturer sector, and with variable capital amortizations and a grace period of 12 months.
- Loan for $465 million, signed in November, at a yearly interest rate of 9.5%, variable every quarter without exceeding interest rates established by the BCV for credit portfolios of the manufacturing sector, variable principal amortizations and a period of grace of 24 months.
- Loan for $70 million signed in November, at a yearly interest rate of 9.5% payable upon maturity.
- Two loans for a total of $930 million, signed in June, at a yearly interest rate of 9.5%, variable every quarter without exceeding rates established by the BCV for credit portfolios of the agricultural and manufacturing sector, variable principal amortizations and a grace period of 24 months.

In November 2011, the Company signed with CDBC a loan agreement for $1,500 million at LIBOR plus 5% and maturing in 2014. This agreement includes options of payment in cash or through deliveries of crude oil and by-products at market prices.

In August 2011, a group of banks, led by Japan Bank for International Cooperation (JBIC), granted a loan to the Company a loan for $1,500 million, at LIBOR plus 1.5% less 8.75% and maturing in 2026. This loan includes options of payment in cash or through deliveries of crude oil and products at market prices.

In February 2007, a group of banks led by JBIC approved a loan to the Company for $3,500 million. This loan includes options of payment in cash or deliveries of crude oil and products at market prices, subject to an agreement of minimum amounts, revised every three years.

In December 2011, the Company signed with JBIC a loan for ¥45,706 million, equivalent to $385 million, with principal and interest amortizations every six months. At December 31, 2011 and 2010, the debt balance was ¥2,688 million and ¥8,065 million, equivalent to $35 million and $99 million, respectively. At December 31, 2012, this loan had been fully paid.

CITGO

Secured Bonds

In June 2010, CITGO issued bonds with a face value of $300 million and interest payable every six months.

Tax-Exempt Bonds

Through government entities of the United States of America, CITGO has obtained funds worth a face value of $3 million, $50 million, $25 million and $30 million maturing in 2023, 2025, 2028 and 2032, for debt with tax-exempt industrial bonds for financing environmental projects.

In October 2012, one of these bonds worth $50 million, with maturity in 2025 and at an interest rate of 7.5%, was subject to redemption or placement on the market. CITGO placed this bond on the market at 100% of the capital value plus accrued interests as of September 30, 2012. The new fix interest rate is 4.875%.

Secured Credit Facilities

Secured Revolving Credit Facility – For a face value of $750 million and maturing in June 2013. In July 2012, CITGO extended this credit facility until June 2015. At December 31, 2012, 2011 and 2010, CITGO does not maintain any debt under this concept. The unused portion of the credit facility less the amount of credit lines issued under this facility, which amount to $11 million as of December 31, 2012, is subject to quarterly payments ranging from 0.50% to 1.25%, depending on its credit rating, which on that date resulted in an applicable rate of 0.625%.

The extension signed in July 2012 considers: (i) CITGO may obtain up to $750 million under this facility maturing in June 2015; (ii) after June 2013, spreads shall be reduced by 1.25%. Based on the current credit rating, applicable spreads will be 3.25% in the case of LIBOR and 2.25% in the case of the base rate; and (iii) in addition, starting from June 2013, the quarterly payment for the unused portion will move from the 0.5%-1.25% range to the 0.5%-0.875% range.

Type B Credit Facility – For a nominal value of $350 million. The optional interest rate applicable to this credit line is: (i) the base rate with a minimum floor of 3% plus an applicable spread of 5%; or (ii) LIBOR with a minimum floor of 2% plus an applicable spread of 6%. At December 31, 2012 and 2011, the applied rate was LIBOR with a minimum floor of 2% plus an applicable spread of 6%, equivalent to 8%. This credit line has annual amortizations equivalent to 5% of the initial principal amount, payable on a quarterly basis and in equal amounts. The remaining portion of this debt is payable upon maturity. In March 2011, CITGO made a voluntary advanced payment of $200 million of the principal amount, additional to the quarterly payment.

Type C Credit Facility – For a nominal value of $700 million. The optional interest rate applicable to this credit facility is: (i) the base rate with a minimum floor of 3% plus an applicable spread of 6%; or (ii) LIBOR with a minimum floor of 2% plus an applicable spread of 7%. At December 31, 2012, the rate applied was LIBOR with a minimum floor of 2% plus an applicable spread of 7%, equivalent to 9%. This credit facility has annual amortizations equivalent to 1% of the initial principal amount, payable on a quarterly basis and in equal amounts. The remaining portion of this debt is payable upon maturity. In November 2012, CITGO made a payment of $85 million to principal; this payment did not give raise to any penalty.

Secured credit facility, secured bonds and tax-free industrial bonds are secured by CITGO's interests in its refineries in Lake Charles (Louisiana), Corpus Christi (Texas), and Lemont (Illinois) and CITGO's accounts receivable that have not been used as collateral for other credit facilities and inventories; furthermore, they are subject to typical agreements for this type of secured financing.

Credit Line Secured by Accounts Receivable

In September 2008, a group of banks led by BNP Paribas approved a credit facility with a nominal value of up to $450 million, secured by certain trade accounts receivable of CITGO. This facility matures annually with a renegotiation option for equal terms. In 2012, CITGO extended maturity until June 2013. At December 31, 2012, CITGO does not maintain any debt under this concept.

PDVSA America, S.A.

During 2009, Trocana World Inc. and Tovase Development Corp. (indirect subsidiaries of PDVSA América, S.A.), acquired Panamax vessels through financing from BANDES for loans with 15 year terms, for $61 million each, with the principal and interest amortized every six months.

PDVSA Petroleo, S.A.

On June 27, 2012, PDVSA Petróleo, S.A. signed a credit facility with Credit Suisse AG (Credit Suisse) for $1,000 million with principal amortizations every six months and a grace period of 30 months, to modify and expand Puerto La Cruz Refinery. At December 31, 2012, PDVSA Petróleo, S.A. had used $478 million of the total amount of this credit facility.

PDVSA Cerro Negro, S.A. (PDVSA Cerro Negro)

In June 1998, Cerro Negro Finance, Ltd., a non-consolidated special-purpose, non-affiliate company, of the former Association Agreement of the Orinoco Oil Belt, issued secured bonds for $600 million. PDVSA Cerro Negro's share (a partner to this agreement) was 50%. In December 2007, PDVSA paid $501 million for 99% of the bonds issued by this special-purpose company.

Corporación Venezolana del Petróleo, S.A. (CVP)

In September 2008, PDVSA completed the public tender for the purchase of bonds issued by Petrozuata Finance, Inc. (subsidiary of PetroAnzoátegui, S.A., former Petrolera Zuata, PetroZuata, C.A., affiliate of Corporación Venezolana del Petróleo, S.A.), paying $740 million for 97.96% of bonds outstanding on that date, with a face value of $1,000 million. As a result of the restructuring carried out durings, the year ending on December 31, 2012, shares of PetroAnzoátegui, S.A., were transferred from PDVSA Petróleo, S.A. to Corporación Venezolana del Petróleo, S.A.

Interven Venezuela, S.A.

In December 2010, Fluvialba (subsidiary of Interven Venezuela, S.A.) held a loan of $4 million, maturing in 2013. During 2011, the total amount of this debt was settled.

PDV Marina, S.A.

In February 2011, Panavenflot Corp., a subsidiary of PDV Marina, S.A., entered into a credit facility with JBIC for ¥20,000 million, equivalent to $257 million, to finance the construction of Aframax vessels.

PDVSA Naval, S.A.

In February 2011, PDVSA Naval, S.A. entered into a credit facility with the BES for €136 million, equivalent to $176 million, to finance the construction of asphalt tankers. At December 31, 2012 and 2011, €14 million and €13 million, equivalent to $18 million and $17 million, respectively, of the amount agreed upon in this credit facility has been used.

PDVSA Industrial, S.A.

In July 2012, VHICOA, a subsidiary of PDVSA Industrial, signed with Bank of Venezuela a loan denominated in bolivars for a total of $12 million at variable annual interests of 13.50%, initially.

Contractual Clauses

Several credit facilities establish contractual clauses restricting the capacity of PDVSA to incur additional debt, pay dividends, mortgage property and sell certain assets. PDVSA has adhered to these clauses at December 31, 2012, 2011 and 2010.

Obligations under financial Leases

At December 31, 2012, 2011 and 2010, obligations on the purchase of certain assets, mainly refining and related equipment acquired under leases were maintained and booked as property, plant and equipment (see note 14).

At December 31, 2012, future lease payments are summarized as follows (in millions of dollars):

Years	
2013	55
2014	52
2015	52
2016	52
2017	52
Subsequent years	358
Estimated future lease payments	**621**
Less interest	220
Total financial leases	**401**

(23) Employee Termination, Pension and Other Post-employment Benefits

A detail of liabilities for employee benefit, retirement plans and other post-employment benefits, other than retirement, follows (in millions of dollars):

	December 31,		
	2012	**2011**	**2010**
Employee termination benefits	2,208	325	181
Pension plans	1,648	1,018	794
Other pos-retirement benefits other than pension plans	7,609	5,400	4,276
	11,465	6,743	5,251
Less current portion	1,010	805	626
Non-current portion	**10,455**	**5,938**	**4,625**

PDVSA has implemented the following employee benefit plans:

(a) Savings Plans

PDVSA and most of its Venezuelan subsidiaries maintain savings funds for their employees and guarantee contributions to the members' accounts. At December 31, 2012, 2011 and 2010, the amounts guaranteed by PDVSA and its subsidiaries in the savings funds amount to approximately $253 million, $213 million and $174 million, respectively.

(b) Employee Termination Benefit

PDVSA's labor force is classified into workers belonging to contractual payroll, who are covered by the PDVSA Workers' Collective Contract in force from 2011 to 2013; the remaining workers are included in the non-contractual payroll and are covered by the relevant laws.

PDVSA conducted the corresponding analyses to define the financial impact of the new LOTTT on the employee termination benefit system of all its workers in Venezuela, concluding that the retrospective character of the termination benefit payment represents a defined benefit in accordance with IAS 19 *Employee Benefits*; therefore, developing an actuarial analysis was required to determine net liabilities and the corresponding expense. The analysis consisted of determining the difference between the projected cumulative termination amount to the expected age of retirement, and the amount obtained from the retrospective calculation of termination payment based on the last wage projected to the expected age of retirement.

At December 31, 2012, $1,536 million are recorded under employee benefits and other post-employment benefits in the consolidated financial statement, resulting from past service cost due to the change in the condition of the defined benefit for the employee termination benefits, according to IAS 19. Likewise, during the year ended December 31, 2012, $1,214 million and $322 million, respectively, were recognized under this concept as part of operation expenses and sale, administration and general expenses.

At December 31, 2012, no further results originated as actuarial gains or losses. Furthermore, PDVSA does not have a specific assets portfolio to guarantee compliance with this obligation of defined termination benefits.

Actuarial assumptions used to determine the effect of net liabilities and expenses for this employee termination benefits as of December 31, 2012 are as follows:

- Inflation rate at: 18%
- Wage increase rate at: 18%
- Discount rate at: 20.67%

(c) Pension Plans and Other Post-employment Benefits

In most of Venezuelan and foreign subsidiaries, there are retirement plans and other benefits, covering employees and eligible former employees (retired). These plans, among other conditions, are based on seniority of service, age and salary.

Pursuant to the collective labor contract, PDVSA and most of its Venezuelan subsidiaries have a retirement plan that covers both employees and retired employees. There are pension funds with their respective independent organizations that manage financial assets. The financing of the pension plan for Venezuelan employees is based on a contribution system, with monthly mandatory contributions based on 3% of normal salary by the employee and 9% by PDVSA, managed under individual capitalization accounts for each employee.

For employees joining PDVSA after October 1, 2000, a pension benefit equivalent to the accumulated balance in the individual capitalization account at the time of retirement is granted. If required, PDVSA will make additional contributions to ensure the minimum payment of the pension benefit, according to the contractual plan.

For employees that joined PDVSA before September 30, 2000, the calculation of the pension benefit takes into account the greater of (a) the pension amount obtained based on the accumulated balance in the individual capitalization account, (b) the pension amount according to the defined benefit plan effective until that date and (c) the minimum pension contractually defined.

In addition to retirement pension plans, PDVSA grants health and dental care plans, funeral insurance and electronic cards for meals. These benefits are funded by PDVSA on the cash basis method.

On June 27, 2012, a Collective Labor Contract effective until September 2013 was signed; which introduces wage and social benefit improvements for employees included in the contractual payroll in Venezuela. The effects of this increase were recognized in the consolidated statement of comprehensive income, under operation expenses and sales, administration and general expenses for the year ended December 31, 2012.

CITGO sponsors three qualified defined contribution retirement and savings plans covering substantially all eligible salaried and hourly employees. Those plans receive contributions from CITGO and voluntary contributions from the employees. CITGO recognized $45 million, $28 million and $23 million as expense for its contribution to those plans for the years ended December 31, 2012, 2011 and 2010, respectively. Likewise, CITGO sponsors three qualified non-contributory defined benefit plans; two covering eligible hourly employees and one covering eligible salaried employees. Furthermore, CITGO sponsors three non-qualified defined benefit plans for certain eligible employees.

In addition to pension plans, CITGO also provides certain postretirement life insurance and health insurance benefits for eligible salaried and hourly employees. These benefits are subject to deductions and other limitations and are primarily funded on a pay-as-you-go basis. CITGO reserves the right to modify or terminate these benefits at any time. CITGO changed the 2013 postretirement benefit plan and, as such, the health insurance benefits for retired employees older than 65 years old, as of December 31, 2012. Effective as from January 1, 2013, eligible retired employees older than 65 years old and their eligible spouses will receive a subsidy from CITGO, which will be deposited in a retired employee reimbursement account to purchase an individual coverage of a selected health insurance provider. Individuals younger than 65 years old depending on eligible retired employees older than 65 years old will continue to receive the corresponding benefits through the benefit plans for salaried and hourly employees.

The situation of pension plans and other retirement benefit plans is summarized below (in millions of dollars):

	December 31,					
	2012	2011	2010	2012	2011	2010
	Pension plans			Other retirement benefits		
Present value of funded obligation	5,967	4,683	4,033	10,197	8,245	7,173
Fair value of plan assets	(3,564)	(2,255)	(2,017)	(1)	(1)	(1)
Present value of net obligation	2,403	2,428	2,016	10,196	8,244	7,172
Unrecognized actuarial losses (see note 3-v)	(380)	(1,009)	(795)	(1,169)	(1,333)	(1,278)
Unrecognized past service cost (see note 3-v)	(375)	(401)	(427)	(1,418)	(1,511)	(1,618)
Accrued in the financial statements	**1,648**	**1,018**	**794**	**7,609**	**5,400**	**4,276**

Recognized Expenses

An analysis of the expense for pension plans and other retirement benefits, recognized in the consolidated statement of comprehensive income, follows (in millions of dollars):

	Years ended December 31,					
	2012	2011	2010	2012	2011	2010
	Pension plans			Other retirement benefits		
Service cost for the year	186	143	76	289	220	335
Interest cost on the obligation	1,147	532	383	2,253	1,019	639
Expected return on plan assets	(489)	(279)	(211)	(5)	(5)	(5)
Past service cost	27	26	26	69	59	662
Recognized actuarial losses (gains)	56	36	(191)	48	63	(6)
Total	**927**	**458**	**83**	**2,654**	**1,356**	**1,625**

The expense is presented in the following items of the consolidated statement of comprehensive income as follows (in millions of dollars):

	Years ended December 31,					
	2012	2011	2010	2012	2011	2010
	Pension plans			Other retirement benefits		
Operating expenses	303	150	18	686	408	335
Sales, administrative and general expenses	624	308	65	1,968	948	1,290
Total	**927**	**458**	**83**	**2,654**	**1,356**	**1,625**

Movement in the Present Value of Obligations

The movement of the present value of obligations based on the actuarial study follows (in millions of dollars):

	Years ended December 31,					
	2012	2011	2010	2012	2011	2010
	Pension plans			Other retirement benefits		
Present value at beginning of year	4,683	4,033	5,063	8,245	7,173	8,317
Service cost for the year	186	143	76	289	220	335
Interest cost	1,147	532	383	2,253	1,019	639
Actuarial (gains) losses	271	209	954	(553)	78	1,760
Benefits paid by employer	(320)	(233)	(277)	(357)	(245)	(196)
Past service cost	-	-	-	320	-	160
Effect of exchange rate changes	-	-	(2,166)	-	-	(3,842)
Total	**5,967**	**4,683**	**4,033**	**10,197**	**8,245**	**7,173**

Movement in the Fair Value of Plan Assets

The movement of the fair value of assets of the pension plans and other retirement benefits follows (in millions of dollars):

	Year ended December 31,					
	2012	2011	2010	2012	2011	2010
	Pension plans			Other retirement benefits		
Plan assets at the beginning of year	2,255	2,017	2,700	1	1	1
Expected return	489	279	211	-	-	-
Actuarial (losses) gains	847	(28)	14	-	-	-
Contributions made by the Company	228	167	414	357	245	196
Contributions made by employees	65	53	35	-	-	-
Benefits paid by the Company	(320)	(233)	(277)	(357)	(245)	(196)
Effect of exchange rate changes	-	-	(1,080)	-	-	-
Total	**3,564**	**2,255**	**2,017**	**1**	**1**	**1**

A summary of the pension plan assets portfolio follows (in millions of dollars):

	December 31,		
	2012	2011	2010
Fixed income instruments	3,145	1,990	1,780
Mixed income instruments	231	146	131
Cash and cash equivalents	24	15	13
Others	164	104	93
Total	**3,564**	**2,255**	**2,017**

Presumed Trends and Premises

The trends of the inflation rates for medical plans have an effect on the amounts reported. A change of a percentage point in the medical inflation rate assumed considering that other actuarial premises remain constant may give rise to the following effects (in millions of dollars):

	One percentage point	
	Increase	Decrease
Effect on cost components of total service and interest	1,587	1,106
Effect on the benefit of the obligation	5,976	4,346

PDVSA expects to pay approximately $648 million in contributions to pension plans and other post-employment benefits in 2013.

Actuarial assumptions used follow:

	Years ended December 31,					
	2012	2011	2010	2012	2011	2010
	Pension Plans			Other Retirement Benefits		
	%					
Venezuela:						
Discount rate	20.67	29.30	15.00	20.67	29.30	15.00
Salary increase rate	18.00	22.67	27.90	18.00	22.67	27.90
Increase on minimum pension	18.00	25.36	24.00	-	-	-
Medical inflation rate	-	-	-	20.70	25.43	24.50
Inflation rate	18.00	22.11	24.00	18.00	22.11	24.00
Food inflation rate	-	-	-	22.74	28.25	31.40
Estimated return rate on plan assets	17.44	27.01	16.40	-	-	-

	Years ended December 31,					
	2012	2011	2010	2012	2011	2010
	Pension Plans			Other Retirement Benefits		
	%					
Foreign:						
Discount rate	4.44	5.13	5.97	4.20	5.21	6.03
Rate of increase in salary	3.93	3.96	4.42	3.89	3.89	4.48
Expected return rate on plan assets	7.06	7.46	7.96	-	-	-

The assumptions relating to future death rates are based on PDVSA own statistics and death rate indexes, which establish that the average life expectancy in Venezuela of a retired person aged 60 is 23 years. Overseas, each country use death rate indexes pursuant to its current laws according to the type of postemployment benefits granted in each country.

The long-term expected rate of return on plan assets for pension plans and other post-employment benefits is 17.44%, in Venezuela and 7.06% in foreign operations. The return is based exclusively on the expectancy of the return on investments that PDVSA has made in foreign funds to finance future pensions according to the retirement plan. This rate is determined based on the entire investment portfolio.

Historical Information

The historical information of pension plans and other retirement benefits for the four year previous to the last year is presented below (in millions of dollars):

	December 31,				
	2012	2011	2010	2009	2008
Pension plans -					
Present value of the obligation	5,967	4,683	4,033	5,063	4,857
Fair value of plan assets	(3,564)	(2,255)	(2,017)	(2,700)	(2,556)
Present value of the obligation, net	**2,403**	**2,428**	**2,016**	**2,363**	**2,301**
Other retirement benefits -					
Present value of the obligation	10,197	8,245	7,173	8,317	8,893
Fair value of plan assets	(1)	(1)	(1)	(1)	(1)
Present value of the obligation, net	**10,196**	**8,244**	**7,172**	**8,316**	**8,892**

(24) Provisions

Provisions are summarized below (in millions of dollars):

	December 31,		
	2012	2011	2010
Assets retirement obligations (see note 14)	4,877	2,999	2,728
Litigation and other claims (see notes 10 and 29-c)	1,244	1,097	1,042
Environmental issues (see note 29-d)	1,148	1,093	1,061
	7,269	5,189	4,831
Less current portion	2,590	2,090	2,203
Non-current portion	**4,679**	**3,099**	**2,628**

Movement of provisions follows (in millions of dollars):

	Asset Retirement Obligations	Litigation and Other Claims	Environmental Issues	Total
Balance as of December 31, 2009	**2,288**	**1,655**	**1,853**	**5,796**
Increases	1,176	207	164	1,547
Payments and reversals	(1)	(27)	(425)	(453)
Effect of exchange rate changes	(735)	(793)	(531)	(2,059)
Balance as of December 31, 2010	**2,728**	**1,042**	**1,061**	**4,831**
Increases	276	156	217	649
Payments and reversals	(5)	(101)	(185)	(291)
Balance as of December 31, 2011	**2,999**	**1,097**	**1,093**	**5,189**
Increases	1,878	284	176	2,338
Payments and reversals	-	(137)	(121)	(258)
Balance as of December 31, 2012	**4,877**	**1,244**	**1,148**	**7,269**
Less current portion	1,036	1,148	406	2,590
Non-current portion	**3,841**	**96**	**742**	**4,679**

(25) Accruals and Other Liabilities

Accruals and other liabilities consist of the following (in millions of dollars):

	December 31,		
	2012	**2011**	**2010**
Accounts payable to related parties (see notes 7-a and 30)	35,607	22,998	10,288
Accruals payable to contractors	10,513	6,573	4,630
Withholdings and contributions payable (see note 30)	2,496	2,055	825
Production tax and other taxes payable (see note 30)	3,376	2,964	1,896
Withholdings for the "Empresa de Propiedad Social (EPS)" Program	1,206	785	128
Accounts payable to employees	1,073	710	547
Advances received from customers	1,112	1,669	1,354
Accounts payable for legal matters (see note 29-c)	-	757	-
Accounts payable for assets acquisition (see note 14)	468	497	500
Interest payable (see note 22)	695	401	431
VAT (see note 30)	361	265	244
Accounts payable to non-controlling interests	310	564	1,076
Accounts payable for purchase of subsidiaries (see note 9-b)	139	219	528
Dividend payable on non-controlling interests (see note 21)	1,750	796	116
Others	1,989	810	708
	61,095	42,063	23,271
Less current portion	44,067	24,914	21,648
Non-current portion	**17,028**	**17,149**	**1,623**

Accounts Payable to Related Parties

At December 31, 2012 and 2011, accounts payable to related parties include $5,270 million and $4,640 million, respectively, corresponding to funds received by PDVSA on behalf of the Bolivarian Republic of Venezuela and as administrator of the Simon Bolivar Fund (see note 30-b). At December 31, 2010, PDVSA does not present any liability under this concept.

In 2007, PDVSA received from the National Government, net assets of the partners that decided not to migrate to the status of Mixed Companies, recognizing a net liabilities to the Bolivarian Republic of Venezuela for Bs.2,933 million ($682 million) as of December 31, 2012, and Bs.3,657 million ($850 million) as of December 31, 2011 and 2010, which are included in accounts payable to related parties (see note 7-a).

During the year ended December 31, 2010, PDVSA received from FONDEN $1,232 million to support electrical sector activities. Of that amount, as of December 31, 2011 and 2010, $586 million and $467 million, respectively, have been used to offset accounts receivable from CORPOELEC corresponding to loans for the implementation of electric projects. The remaining amount of $646 million as of December 31, 2012 and 2011, is presented offsetting the accounts receivable due from the Bolivarian Republic of Venezuela related to the national electric sector (see note 19). The remaining balance of $765 million as of December 31, 2010, is included in accounts payable to related parties.

At December 31, 2012, 2011 and 2010, accounts payable to related parties include $704 million, $582 million and $880 million, respectively, mainly corresponding to accounts payable to the Civil Association "Administradora de los Fondos de Pensiones de los Jubilados de Petróleos de Venezuela, S.A." and liabilities related to social development projects to be implemented.

Promissory Notes with the National Treasury Office (Oficina Nacional del Tesoro - ONT)

At December 31, 2012, 2011 and 2010, accounts payable to related parties include $27,751 million, $16,926 million and $7,733 million, respectively, corresponding to promissory notes issued to the ONT and other related non-financial institutions.

In 2012, PDVSA issued promissory notes for $17,777 million, denominated in bolivars, to the ONT, maturing from 2013 and 2020, and at annual interest rates ranging from 0.50% and 2%, payable upon maturing. Likewise, in 2012, PDVSA paid a total of $6,952 million. Also, in 2011, PDVSA issued promissory notes in bolivars to the ONT amounting to $18,561 million, with maturity between 2011 and 2013, and annual interest at rates ranging from 1.00% to 1.50%, payable upon maturity. Between July and September 2011, PDVSA paid $837 million related to the promissory notes issued during 2011 to the ONT. In addition, in January 2011, PDVSA paid $1,280 million and $709 million for promissory notes to the ONT and other related non-financial institutions, issued in December 2009 and December 2010, respectively, through the reopening of bonds maturing in the years 2015, 2016 and 2017.

Repurchase Operations

Between September and October 2012, the Company performed repurchase operations denominated in bolivars with government entities for $1,200 million, which are reported as part of accounts payable to related parties as of December 31, 2012. These accounts payable matures upon 180 days, renewable for another 180 days and at annual interest rate ranging from 4.8% and 9.5%, payable upon maturity.

Withholdings for the "Empresas de Propiedad Social" (EPS) Program

A of December 31, 2012, 2011 and 2010, accruals and other liabilities include $1,206 million, $785 million and $128 million, respectively, corresponding to withholdings by PDVSA from its contractors for the social fund established within the "Empresas de Propiedad Social" (EPS) program. These withholdings are required under PDVSA's new service and work contracting plan for work and are earmarked for the development of social projects or works for the benefit of communities.

Advances from Customers

In 2012, 2011 and 2010, PDVSA signed several supply contracts at sales prices equivalent to the market value, through which advances for $500 million, $2,222 million and $1,201 million, respectively, were received. Likewise, in 2012, 2011 and 2010, PDVSA supplied volumes equivalent to $1,601 million, $1,835 million and $1,983 million, with a remaining balance of $567 million, $1,668 million and $1,281 million as of December 31, 2012, 2011 and 2010, respectively, which are included under advances from customers.

At December 31, 2012, accruals and other liabilities include $506 million, which correspond to advances received to be used in the construction of the Thermal Power Generation Plan Juan Miguel Valdez in the State of Sucre.

Accounts Payable to Non-Controlling Interests

At December 31, 2012, 2011 and 2010, accounts payable to non-controlling interests are comprised of settlement agreements derived from the migration process to the Mixed Companies with ENI Dación, B.V. for $305 million, $429 million and $637 million, respectively; for interest generated by Total Venezuela, S.A. under the settlement agreement of $5 million at December 31, 2012 and $11 million as of December 31, 2011 and 2010; as well as working capital debt contributed by stockholders Statoil Sincor AS and Total Venezuela, S.A., with a share of 24% and 76%, respectively, amounting to $124 million and $406 million at December 31, 2011 and 2010, respectively. At December 31, 2012, PDVSA does not present any debt.

At December 31, 2012, 2011 and 2010, PDVSA has entered into payment agreements with ENI Dación B.V. to pay, through the supply of crude oil and products, portions corresponding to the settlement agreement executed in February 2008 between the parties involved in the control of the Dación field. During 2012 and 2011, PDVSA supplied ENI Dación B.V. with products equivalent to $124 million and $208 million, respectively, within the framework of these agreements. In 2010, no supplies took place in relation to these agreements.

(26) Accounts Payable

Accounts payable to suppliers include the following (in millions of dollars):

	December 31,		
	2012	**2011**	**2010**
Trade (see note 27)	16,725	12,316	10,007
Related parties (see note 30)	22	60	130
	16,747	**12,376**	**10,137**

Exposure to liquidity risk related to accounts payable to suppliers is presented in note 27-b.

(27) Financial Instruments

Financial Risks Management

PDVSA has exposure to the following risks arising from financial instruments:

- Credit risk.
- Liquidity risk.
- Market risk.

This note presents information about PDVSA's exposure to each of the above risks, PDVSA's objectives, policies and procedures for measuring and managing risk and PDVSA's management of capital.

PDVSA's Board of Directors is responsible for establishing and overseeing the PDVSA's risk management process. In the strategic planning and budget processes, the impact of business risks is estimated to gain a comprehensive understanding of their impact on PDVSA.

Risk management policies are established to identify and analyze the risks faced by PDVSA, to set appropriate risk limits and controls, and to monitor risks and adherence to limits. Risk management policies and systems are reviewed regularly to reflect changes in market conditions and PDVSA's activities.

(d) Credit Risk

Risk of financial loss to PDVSA if a customer or counterparty to a financial instrument fails to meet their contractual obligations. It arises mainly from PDVSA's notes and accounts receivable from sales, restricted cash, as well as cash and cash equivalents. For the purpose of mitigating credit risk, notes and accounts receivable are distributed among a broad and reliable customer worldwide portfolio and, periodically, their financial position is evaluated. As a result of this evaluation, an allowance for impairment is recognized in the consolidated financial statements (see note 19). Likewise, cash and cash equivalents are comprised of high-quality financial instruments placed on various low-risk financial institutions.

Exposure to Credit Risk

The carrying amounts of financial assets represent the maximum credit risk exposure, which is detailed as follows (in millions of dollars):

	December 31,		
	2012	**2011**	**2010**
Notes and accounts receivable (see note 19)	41,706	31,576	20,028
Cash and cash equivalents	8,233	8,610	6,017
Recoverable value-added tax (see note 13-l)	9,272	6,435	4,916
Non-current accounts receivable (see note 16)	8,209	5,933	2,622
Restricted cash (see note 17)	2,330	2,028	2,282
Total	**69,750**	**54,582**	**35,865**

The maximum exposure to credit risk for notes and accounts receivable by geographic region follows (in millions of dollars):

	December 31,		
	2012	**2011**	**2010**
United States of America and Canada	3,715	3,762	4,038
Central America and the Caribbean	913	1,397	869
Venezuela	1,536	791	790
Asia	1,054	737	389
South America	469	522	541
Europe	1,746	405	291
Total current portion (see note 19)	**9,433**	**7,614**	**6,918**
Central America and the Caribbean	2,243	825	1,219
South America	1,743	1,277	-
Europe	1,359	1,147	412
Total non-current portion (see note 16)	**5,345**	**3,249**	**1,631**

The maximum exposure to credit risk for notes and accounts receivable by type of customer follows (in millions of dollars):

	December 31,		
	2012	**2011**	**2010**
Trade	9,120	6,724	6,328
Energy agreements	313	890	590
Total current portion (see note 19)	**9,433**	**7,614**	**6,918**
Energy agreements	5,345	3,249	1,631
Total non-current portion (see note 16)	**5,345**	**3,249**	**1,631**

Impairment Losses

The aging of notes and trade accounts receivable follows (in millions of dollars):

	December 31,		
	2012	**2011**	**2010**
Less than 30 days	6,050	4,819	2,957
From 31 to 180 days	1,777	1,568	2,945
From 181 days to one year	1,099	807	741
More than one year	507	420	275
	9,433	**7,614**	**6,918**
Less allowance for doubtful accounts	507	420	275
Total (see note 19)	**8,926**	**7,194**	**6,643**

The maximum exposure to credit risk is concentrated in trade accounts receivable. PDVSA estimates the allowance for impairment in respect of accounts receivable based on the aging of the balances and on the results of the evaluations of the customer portfolio.

The movement in the allowance for impairment in respect of accounts receivable in 2012, 2011 and 2010 follows (in millions of dollars):

	Years ended December 31,		
	2012	**2011**	**2010**
Balance as of January 1st	420	275	651
Increases	87	145	-
Decreases	-	-	(205)
Effect of changes in exchange rate	-	-	(171)
Balance at December 31 (see note 19)	**507**	**420**	**275**

During 2010, PDVSA offset accounts receivable due from Petroquímica de Venezuela, S.A. (PEQUIVEN) for $473 million, which were net of the allowance for impairment of $171 million, corresponding to VAT charged on sales of natural gas and methane gas, not included in the net balance with that entity; therefore, that portion was reversed from the allowance for impairment. Additionally, during 2010, a decrease of $171 million in the allowance for impairment resulted from the effect of exchange rate differences in translating balances in bolivars into US dollars (functional currency) (see notes 3-b and 34-t).

Based on historical delinquency indices, PDVSA management believes that an allowance for impairment is not required for current trade accounts receivable or for those aged less than one year. Trade accounts receivable are distributed throughout an extensive and reliable customer portfolio worldwide.

(e) Liquidity Risk

Liquidity risk is the risk that PDVSA will encounter it difficult in meeting its financial obligations as these come due. PDVSA's approach to managing liquidity is to ensure, as for as possible, that it will always have sufficient liquidity to meet its liabilities when due, under both normal and stressed conditions, without incurring unacceptable losses or risking damage to PDVSA's reputation.

As a fundamental policy, PDVSA will ensure to have enough cash available to meet its obligations, including payment of its financial obligations. This excludes the possible impact of extreme circumstances that may not be reasonably foreseen, such as natural disasters. Furthermore, PDVSA maintains credit facilities, which are also available to meet cash requirements (see note 22).

Contractual maturities of financial liabilities, including estimated interest payments and excluding the impact of compensation agreements are presented below (in millions of dollars):

	Carrying value	Contractual cash flow	6 months or less	From 6 and 12 months	From 1 and 2 years	Between 2 and 5 years	More than 5 years
December 31, 2012 -							
Non-derivative financial liabilities:							
Financial debt (see note 22)	39.634	61.982	3.593	3.689	14.886	16.606	23.208
Liabilities for financial leases (see note 22)	392	617	26	26	104	104	357
Total financial debt	40.026	62.599	3.619	3.715	14.990	16.710	23.565
Other liabilities (included in accruals and other liabilities - see note 25) (1)	53.965	53.965	25.884	14.773	1.473	7.333	4.502
Accounts payable to related parties (see notes 26 and 30)	22	22	22	-	-	-	-
Accounts payable (see note 26)	16.725	16.725	16.067	658	-	-	-
Derivative financial liabilities:							
Future exchange contracts:							
Capital outflows	4	164	163	1	-	-	-
Capital inflow	(2)	(200)	(191)	(9)	-	-	-
Total financial liabilities	**110.740**	**133.275**	**45.564**	**19.138**	**16.463**	**24.043**	**28.067**
December 31, 2011 -							
Non-derivative financial liabilities:							
Financial debt (see note 22)	34.468	51.980	2.798	2.041	11.403	18.283	17.455
Liabilities for financial leases (see note 22)	424	674	28	28	105	104	409
Total financial debt	34.892	52.654	2.826	2.069	11.508	18.387	17.864
Other liabilities (included in accruals and other liabilities - see note 25) (1)	36.536	36.536	17.122	4.561	13.045	1.808	-
Accounts payable to related parties (see notes 26 y 30)	60	60	60	-	-	-	-
Accounts payable (see note 26)	12.316	12.316	12.316	-	-	-	-
Derivative financial liabilities:							
Future exchange contracts:							
Capital outflows	7	78	77	1	-	-	-
Capital inflow	(5)	(219)	(197)	(21)	(1)	-	-
Total financial liabilities	**83.806**	**101.425**	**32.204**	**6.610**	**24.552**	**20.195**	**17.864**
December 31, 2010							
Non-derivative financial liabilities:							
Debt (see note 22)	24.505	32.876	841	3.915	4.392	16.306	7.422
Liabilities for financial leases (see note 22)	445	729	29	29	53	156	462
Total debt	24.950	33.605	870	3.944	4.445	16.462	7.884
Other liabilities (included in accruals and other liabilities (see note 25) (1)	20.418	20.418	13.159	1.802	1.566	2.869	1.022
Accounts payable to related parties (see notes 26 y 30)	130	130	130	-	-	-	-
Accounts payable (see note 26)	10.007	10.007	10.007	-	-	-	-
Derivative financial liabilities:							
Future exchange contracts:							
Capital outflows	16	121	119	2	-	-	-
Capital inflow	(15)	(250)	(235)	(14)	(1)	-	-
Total financial liabilities	**55.506**	**64.031**	**24.050**	**5.734**	**6.010**	**19.331**	**8.906**

(1) Includes accounts payable to related parties, accruals payable to contractors, production tax and other taxes payable, withholding and contributions payable, accounts payable to non-controlling interests, accounts payable for acquisition of subsidiaries, accounts for adquisition of assets, interest payable and VAT.

(c) Classification and Fair Value of Financial Instruments

Fair values of financial assets and liabilities, together with book values presented in consolidated statements of financial position are as follows (in millions of dollars):

	Note	Designated at fair value[2]	Loans and accounts receivable	Available for sale	Other financial liabilities	Total carrying value	Fair value
December 31, 2012 -							
Non-current accounts receivable	16	-	8.209	-	-	8.209	8.209
Recoverable value-added tax	13	-	9.272	-	-	9.272	9.272
Notes and accounts receivable	19	-	41.706	-	-	41.706	41.706
Derivative assets (included in prepaid expenses and other assets)	20	7	-	-	-	7	7
Restricted cash	17	-	2.330	-	-	2.330	2.330
Tradable securities (included in prepaid expenses and other assets)	20	39	-	-	-	39	39
Investments at cost	20	-	-	14	-	14	14
Cash and cash equivalents		-	8.233	-	-	8.233	8.233
Financial debt	22	-	-	-	(40.026)	(40.026)	(40.026)
Accounts payable to suppliers	26	-	-	-	(16.747)	(16.747)	(16.747)
Other liabilities (included in accruals and other liabilities)[1]	25	-	-	-	(53.965)	(53.965)	(53.965)
Derivative liabilities (included in accruals and other liabilities)	25	(7)	-	-	-	(7)	(7)
December 31, 2011 -							
Non-current accounts receivable	16	-	5.933	-	-	5.933	5.933
Recoverable value-added tax	13	-	6.435	-	-	6.435	6.435
Notes and accounts receivable	19	-	31.576	-	-	31.576	31.576
Derivative assets (included in prepaid expenses and advance and other assets)	20	8	-	-	-	8	8
Restricted cash	17	-	2.028	-	-	2.028	2.028
Tradable securities (included in prepaid expenses and advance and other assets)	20	190	-	-	-	190	190
Investments at cost	20	-	-	14	-	14	14
Cash and cash equivalents		-	8.610	-	-	8.610	8.610
Financial debt	22	-	-	-	(34.892)	(34.892)	(28.539)
Accounts payable to suppliers	26	-	-	-	(12.376)	(12.376)	(12.376)
Other liabilities (included in accruals and other liabilities[1]	25	-	-	-	(36.536)	(36.536)	(36.536)
Derivative liabilities (included in accruals and other liabilities)	25	(7)	-	-	-	(7)	(7)
December 31, 2010 -							
Non-current accounts receivable	16	-	2.622	-	-	2.622	2.622
Recoverable value-added tax	13	-	4.916	-	-	4.916	4.916
Notes and accounts receivable	19	-	20.028	-	-	20.028	20.028
Derivative assets (included in prepaid expenses and other assets)	20	15	-	-	-	15	15
Restricted cash	17	-	2.282	-	-	2.282	2.282
Tradable securities (included in prepaid expenses and other assets)	20	119	-	-	-	119	119
Investments at cost	20	-	-	348	-	348	348
Cash and cash equivalents		-	6.017	-	-	6.017	6.017
Financial debt	22	-	-	-	(24.950)	(24.950)	(18.173)
Accounts payable to suppliers	26	-	-	-	(10.137)	(10.137)	(10.137)
Other liabilities (included in accruals and other liabilities)[1]	25	-	-	-	(20.418)	(20.418)	(20.418)
Derivative liabilities (included in accruals and other liabilities)	25	(16)	-	-	-	(16)	(16)

(1) Includes accounts payable to related parties, accruals payable to contractors, production tax and other taxes payable, withholding and contributions payable, accounts payable to non-controlling interests, accounts payable for acquisition of subsidiaries, accounts payable for adquisition of assets, interest payable and VAT.

(2) The fair value of these items is determined based on direct market quotations.

Bases to determine fair values are shown in note 5.

(g) Market Risk

Market risk is the risk that changes in market prices, such as foreign exchange rates, interest rates or sales prices, will affect PDVSA's income or the value of its financial instruments. The aim of market risk management is to manage and to control exposure to this risk within acceptable parameters and, at the same time, optimizing profitability.

The activities of PDVSA, its financial condition and the results of its operations depend mainly on export volumes and crude oil and product prices. These prices are cyclical and tend to be unstable; therefore, the primary risk is volatility of crude oil and product prices.

PDVSA constantly monitors market conditions to ensure optimal placement of its crude oil and others products. Furthermore, the Bolivarian Republic of Venezuela is a member of the Organization of the Petroleum Exporting Countries (OPEC), through which it enters into agreements aimed at stabilizing prices for crude oil and other products (see note 29-b).

PDVSA's subsidiary CITGO uses derivative financial instruments to manage market risks. At December 31, 2012, 2011 and 2010, and for the years then ended, PDVSA has not classified derivatives as hedging instruments (see note 3-i).

PDVSA is exposed to exchange risk on sales, purchases, assets and liabilities in currency other than the functional currencies of the diverse PDVSA entities. Foreign currency transactions are mainly denominated in bolivars, and PDVSA's policy is to manage the net position of monetary assets and liabilities in that currency to lower the possible impact on PDVSA due to exchange rate fluctuations in respect of the functional currency (see note 4).

Foreign Currency Risk

Exposure to Foreign Currency Risk

PDVSA holds the following monetary assets and liabilities denominated in currencies other than its functional currency, which are converted into US dollars at the exchange rate effective on the date of the consolidated financial statement (in millions of dollars):

	December 31,		
	2012	**2011**	**2010**
Monetary assets:			
Bolivars	68,598	51,669	34,877
Euros	2,360	1,841	1,553
Other currencies	450	-	-
	71,408	**53,510**	**36,430**
Monetary liabilities:			
Bolivars	87,696	59,137	35,334
Yens	245	229	108
Other currencies	104	110	130
	88,045	**59,476**	**35,572**
Net monetary asset (liability) position	**(16,637)**	**(5,966)**	**858**

Exchange rates with respect to US dollar at the accounting year end and average annual exchange rates are detailed in note 3-b.

Sensitivity Analysis of Exchange Rate Fluctuations

On January 21, 2003, the National Government and the BCV suspended all foreign currency operation and on February 5, 2003, they signed an exchange agreement which established a foreign currency administration regime, pursuant to which and upon common agreement with the National Government, the BCV centralizes the purchase and sale of foreign currency within the country, fixed the exchange rate and adjust it when it is deemed convenient. Likewise, PDVSA maintains an exchange agreement with the BCV that controls the administration of income and funds that PDVSA earns or maintains in currencies other than the local currency (see note 4). Therefore, a sensitivity analysis under this exchange control conditions could not be developed reliably.

Interest Rate Risk

An analysis by the type of interest rate on financial instruments of PDVSA follows (in millions of dollars):

	December 31,		
	2012	**2011**	**2010**
Fixed rate instruments -			
Time deposits	2.053	2.079	1.126
Financial debt[(1)]	(33.703)	(27.423)	(19.605)
Account payable to related parties (see note 25)	(35.607)	(22.998)	(6.318)
	(67.257)	**(48.342)**	**(24.797)**
Variable rate instruments -			
Financial debt	(6.323)	(7.469)	(5.345)
Total	**(73.580)**	**(55.811)**	**(30.142)**

[(1)] Includes $2,450 million in zero-coupon bonds as of December 31, 2012, 2011 and 2010, respectively (see note 22).

Fair Value Sensitivity Analysis for Fixed Rate Instruments

PDVSA does not use the fair value hedge accounting model for its fixed rate financial assets and liabilities and it has not designated derivatives as hedging instruments. Therefore, any change in the interest rates would not affect PDVSA's consolidated results.

Cash Flow Sensitivity Analysis for Debt at Variable Rates

A change of one percent in the interest rate as of the reporting date of the consolidated financial statements would have increased (decreased) the consolidated results before income tax by the amounts presented below. This analysis assumes that all other variables remain constant and is performed using the same bases as in 2011 and 2010 (effect in millions of dollars):

	Results	
	Increase by one percent	**Decrease by one percent**
December 31, 2012 -		
Financial debt	63	70
December 31, 2011 -		
Financial debt	48	(57)
December 31, 2010 -		
Financial debt	35	(35)

(h) Capital Management

As the Venezuelan national oil company, PDVSA's approach is to manage capital by safeguarding the Company's ability to continue as a going concern for it to continue to be the strength and drive for national development and the leverage for the integral transformation of the country. The equity consists of the capital stock, retained earnings, additional contributions from the Stockholder and non-controlling interests.

PDVSA's strategy has been to progressively strengthen its equity position, through adjustments, based on changes in economic conditions and operational risks. To strengthen its capital structure, the Company may make decisions regarding the strategies for dividend payments, the creation or transfer of reserves and the sale of assets.

(i) Fair Value Hierarchy

The Company analyzes the fair value of financial instruments using the different levels below:

- Level 1: prices quoted on active securities markets for similar financial assets and liabilities. Derivative assets and liabilities are included in this level (see notes 20 and 25).
- Level 2: variables other than quoted prices included in Level 1, which are observable for the asset or liability. Non-current accounts receivable, recoverable VAT, notes and accounts receivable, financial debt and other financial liabilities are included in this level.
- Level 3: variables used for assets or liabilities, which are not based on observable market data. The Company does not maintain assets valued at this level.

(28) Operating Leases

Future leases payments follows (in millions of dollars):

	December 31,		
	2012	**2011**	**2010**
Aging -			
Less than one year	171	136	102
From one to five years	354	292	135
More than five years	164	191	101
Estimated future lease payments	**689**	**619**	**338**

Rental expense incurred under operating leases in 2012, 2011 and 2010 was approximately $197 million, $181 million and $183 million, respectively, included in operating expenses in the consolidated statement of comprehensive income.

(29) Commitments and Contingencies

(a) Guarantees

At December 31, 2012, some of PDVSA's subsidiaries have construction completion guarantees related to debt and financing arrangements of joint projects. A summary of the guarantee obligations undertaken by PDVSA follows (in millions of dollars):

	Guarantee obligations	**Completion year**
Companies -		
CITGO	6	2013
PDVSA Petróleo	47	2013

At December 31, 2012, 2011 and 2010, PDVSA has not recognized liabilities for these guarantees; historically, claims resulting from guarantees have not been significant.

During 2012, 2011 and 2010, CITGO has guaranteed debts of subsidiaries, including letters of credit and financings for the acquisition of commercialization equipment.

PDVSA Petróleo has a global environmental guarantee undertaken with the Ministry of People's Power for the Environment, which guarantees the implementation of environmental measurements in accordance with current laws.

(b) Agreements with the Organization of the Petroleum Exporting Countries (OPEC)

The Republic is a member of OPEC, an organization whose main purpose is to establish agreements to maintain stable crude oil prices through production quotas. To date, the reduction in the production of crude oil as a result of changes in the production quotas established by OPEC has not had a significant effect on PDVSA's consolidated financial position, results of operations and cash flows.

(c) Litigation and Claims

Arbitration before the International Chamber of Commerce (ICC)

Mobil Cerro Negro Ltd.

In January 2008, Mobil Cerro Negro Ltd. (subsidiary of Exxon Mobil) filed an arbitration request before the International Arbitration Court of the International Chamber of Commerce (ICC) in New York, United States of America, against Petróleos de Venezuela, S.A. and PDVSA Cerro Negro, S.A., demanding indemnity for damages resulting from alleged default on the contractual obligations undertaken under the Joint Venture Proyecto Cerro Negro by PDVSA Cerro Negro, as well as default on the terms of collateral by Petróleos de Venezuela, S.A.

In December 2011, the ICC Court issued an award on the arbitration initiated by Mobil Cerro Negro Ltd. The award established an indemnity in favor of Exxon Mobil of approximately $907 million, which involved recognition of an obligation of $640 million in the consolidated financial statements of 2011, in addition to previously recognized liabilities related to this contingency, which is presented forming part of accruals and other liabilities (see note 25).

Of the indemnity amount, a series of credits recognized in the award in favor of PDVSA and cash that was embargoed in PDVSA Cerro Negro accounts with The Bank of New York Mellon, were discounted (see note 17). In February 2012, PDVSA made a final payment in favor of Exxon Mobil for $251 million.

Conoco Phillips Petrozuata and Phillips Petroleum Company

On December 30, 2009, Conoco Phillips Petrozuata B.V. and Phillips Petroleum Company Limited filed an arbitration request before the ICC, against Petróleos de Venezuela, S.A., based on the obligation guarantees of certain subsidiaries related to the Petrozuata and Hamaca projects. Conoco Phillips Petrozuata B.V. and Phillips Petroleum Company Limited assert default by the subsidiaries of certain obligations related to production cutbacks ordered by the Bolivarian Republic of Venezuela.

In September 2012, the arbitration award determining a compensation of $67 million, pursuant to a private document signed between Conoco Orinoco Inc. and Maraven S.A. president, was issued. According to this document, the subsidiary Maraven, S.A. was obliged to meet from its own production any cutback requirement that could impact Petrozuata project. The compensation amount was paid by the Company in November 2012.

Other Litigation and Claims

On July 30, 2007, the Venezuelan Ninth Superior Tax Contentious Court of the Bolivarian Republic of Venezuela issued its ruling for an appeal filed by PDVSA Petróleo against tax assessments issued by the Tax Administration, challenging the deductibility of a contribution made, in accordance with Article 6 of LOH. This ruling concludes that only exports of “oil” and no other products or hydrocarbon by-products are deductible. This must be interpreted restrictively since it involves a tax benefit (deduction). The management of PDVSA and its legal counsel have expressed that such ruling appears to be based, in principle, on legal provisions contained on LOH, but they will uphold deductibility through an appeal before the Political-Administrative Chamber of the Supreme Court of Justice (Tribunal Supremo de Justicia - TSJ). At December 31, 2012, the provision for litigation and other claims for the above-mentioned cases is $129 million and as of December 31, 2011 and 2010 is $673 million, which also includes a series of cases relating to the deductions established in Article 6 of LOH and on which no legal pronouncement has been made. PDVSA’s management and its legal consultants believe that these amounts should also be taken into account in the respective provision.

At December 31, 2012, PDVSA is involved in other claims and legal actions arising in the normal course of business amounting to $1,318 million. In the opinion of management and its legal consultants, the outcome of these claims will not have a materially adverse effect on PDVSA’s financial position, results of operations or liquidity.

At December 31, 2012, 2011 and 2010, based on an analysis of the available information, an estimate of $1,244 million, $1,097 million and $1,042 million, respectively, is included as provisions (see note 24). Although it is not possible to anticipate the outcome of these matters, management, based in part on advice of its legal consultants, does not believe that it is probable that losses associated with the legal proceedings discussed above, that exceed amounts already recognized, will be incurred in amounts that would be material to PDVSA’s financial position or results of operations.

(d) Environmental Compliance

The majority of PDVSA's subsidiaries, both in Venezuela and abroad, are subject to various environmental laws and regulations which may require significant expenditures to modify facilities and prevent or remedy the environmental impact of waste disposal and spills of pollutants. In the United States of America and Europe, operations are subject to various federal, state and local laws and regulations, which may require companies to take action to remedy or alleviate the impact on the environment of early plant decommissioning or spills of pollutants.

PDVSA has invested approximately $42 million to complete the implementation of its Integral Risk Management System (SIR-PDVSA®). Additionally, PDVSA has an investment plan in place to meet environmental regulations in Venezuela, through which $115 million were executed in 2012, in environmental compliance and for other investments related to the environment and occupational health. CITGO estimates investments of approximately $283 million for projects regulating environmental risks from 2013 to 2017. Furthermore, as of December 31, 2012, 2011 and 2010, provisions are held to cover costs to remediate environmental issues (see note 24).

Additionally and as part of its environmental responsibility, PDVSA has designed a plan for environmental remediation and restoration in relation to obligations generated until 2004. The plan has an expected duration of 12 years and started in 2001 addressing remediation of pits and out-of-specification mud and crude oil, hazardous materials and waste, facilities, abandoned equipment and equipment to be dismantled, areas impacted by oil-related activities and radioactive sources. Based on the analysis of detailed information available, PDVSA estimated its obligation relating to remediation and restoration of the environment and recognized as operating expenses in the results of 2012, 2011 and 2010 for $176 million, $217 million and $164 million, respectively (see note 24).

CITGO has received various notices of violation from the United State of America Environmental Protection Agency (EPA) and other regulatory agencies, which include notices under the United States of America's Clean Air Act, and could be designated as a Potentially Responsible Parties (PRP) jointly with other companies with respect to sites under the Comprehensive Environmental Response, Compensation, and Liability Act (CERCLA). These notices are being reviewed, and, in some cases, remediation action is being taken. CITGO is committed to negotiate agreements with the previously mentioned authorities.

Conditions that require additional expenditures at various sites may exist, including, but not limited to, PDVSA's operating complexes, service stations and crude oil and petroleum storage terminals. Management believes that these matters, in the normal course of business, will not have a material effect on the consolidated financial position, liquidity or operations of PDVSA.

(30) Related Parties

PDVSA considers as related parties its Stockholder, its subsidiaries, jointly controlled entities, the Company's directors and executives and their families, employee retirement funds, companies that are also property of the Stockholder and other government institutions.

A summary of transactions and balances with related parties follows (in millions of dollars):

	Years ended December 31,		
	2012	**2011**	**2010**
Activities of the year:			
Income:			
Sales:			
Non-consolidated investees and jointly controlled entities	3.216	8.997	8.738
Companies owned by the Stockholder and other government institutions	443	376	397
Costs and expenses:			
Purchases of crude oil and products, net	302	4.165	6.730
Other operating, selling, administrative and general expenses	560	309	156
Production tax, extraction tax and other taxes (see note 13)	17.730	17.671	13.904
Gain (loss) from interests in the net earnings of non-consolidated interest and jointly controlled entities (see note 15):			
Continuing operations	(64)	278	184
Discontinued operations (see note 8)	-	-	(14)
Other expenses, net (see note 10):			
Cost from unrecoverable value.added tax (VAT)	191	231	136
Legal contributions (see notes 10, 34-cc, 34ee and 34-ff)	872	599	418
Other tax expenses	-	1	25
Financial expenses (see note 11):			
Loss on payment of obligations	-	-	1.628
Loss on sale of dollars to BCV	-	-	4.048
Expenses and contributions (see note 12)			
Contributions for social development	9.025	15.604	5.326
Contributions to FONDEN	14.994	14.475	1.692
Contributions received by FONDEN	(6.683)	-	-
Estimated income tax expenses in Venezuela (see note 13)	4.589	4.802	6.985
Deferred tax expense (benefit) in Venezuela (see note 13)	2.252	(3.309)	(3.260)

	December 31,		
	2012	**2011**	**2010**
Balances at year end:			
Investments in non-consolidated investees and jointly controlled entities (see note 15)	1,381	1,389	1,669
Buildings used by government entities (see note 16)	108	109	112
Recoverable value-added tax (see note 13-l)	9,272	6,435	4,916
Funds for execution of social development projects (see note 17)	1,034	1,216	1,641
Income tax paid in excess (see note 20)	252	502	2,962
Income tax to be paid in Venezuela	2,224	4,302	5,814
Debt (see note 22)	5,498	3,751	875
Accruals and other liabilities (see note 25) (1)	41,840	28,282	13,253
Accounts payable to suppliers (see note 26)	22	60	130
Notes and accounts receivable (see note 19):			
Non-consolidated investees and jointly controlled entities	1,285	1,692	922
Companies owned by the Shareholder and other government institutions	31,590	23,703	12,054
	32,875	25,395	12,976
Less current portion	31,082	23,531	12,538
Non- current portion	**1,793**	**1,864**	**438**

(1) Includes accounts payable to related parties, production tax and other taxes payable, withholdings and contributions to be paid and value added tax.

(a) Balances and Transactions with the Stockholder

During 2012, 2011 and 2010, production tax were paid in cash to the Republic amounting to $11,756 million, $12,473 million and $9,274 million, respectively.

During 2012, 2011 and 2010, PDVSA delivered crude oil and products of 284 TBPD, 332 TBPD, 257 TBPD, respectively, pursuant to Energy Cooperation Agreements (see note 7-c), of which 122 TBPD, 84 TBPD and 170 TBPD, with a value of $2,728 million, $2,382 million and $1,242 million, respectively, correspond to 50% of the financed long-term portion, subject to compensation and consisting of trust funds of these agreements. According to instructions by the Ministry and pursuant to Article 45 of the Hydrocarbons Organic Law, 50% of the financed long-term portion of volumes delivered on account of the Republic is considered compliance of part of PDVSA production tax obligation (see notes 13-g, 16 and 19).

During 2012, 2011 and 2010, PDVSA delivered crude oil and products of 451 TBPD, 415 TBPD and 244 TBPD, amounting to $16,213 million, $14,637 million and $6,302 million, respectively, under the Chinese-Venezuelan Fund Incorporated Agreement (see note 7-d). Collection on the volumes delivered by PDVSA was received by BANDES to secure compliance with the commitments undertaken by the Republic with respect to that agreement. During 2012, 2011 and 2010, BANDES transferred to PDVSA $12,445 million, $6,724 million and $1,320 million, respectively, corresponding to collections received.

(b) Balances and Transactions with Companies owned by the Stockholder and other Government Institutions

In 2012, 2011 and 2010, PDVSA made sales to companies owned by the Stockholder and other government institutions, as summarized below (in millions of dollars):

	Years ended on December 31,		
	2012	**2011**	**2010**
CORPOELEC	126	77	117
PEQUIVEN	165	149	201
Corporación Venezolana de Guayana	44	39	20
Fertilizantes Nitrogenados de Venezuela, C.E.C. (Fertinitro)	61	79	49
Others	47	32	10
Total	**443**	**376**	**397**

Notes and accounts receivable due from Stockholders and due from companies owned by the Stockholder and other government institutions include (in millions of dollars):

	December 31,		
	2012	**2011**	**2010**
Bolivarian Republic of Venezuela (see note 19)	22,199	19,147	8,802
CORPOELEC	2,676	2,093	2,357
PEQUIVEN	1,722	1,138	305
Corporación Venezolana de Guayana	1,220	628	-
Fondo Simón Bolivar para la Reconstrucción, S.A	2,612	-	-
BANDES	90	90	-
Civil Association "Administradora de los Fondos de Pensiones de los Jubilados de Petróleos de Venezuela, S.A."	279	138	50
Others	792	469	540
Total	**31,590**	**23,703**	**12,054**

Accounts receivable from the Republic are mainly originated by sales of crude oil and products on behalf of the Bolivarian Republic of Venezuela under contracts and agreements signed with governments of other countries (see notes 7-c and 7-d). At December 31, 2012, 2011 and 2010, accounts receivable from the Bolivarian Republic of Venezuela under this concept amount to $20,578 million, $14,675 million and $7,471 million, respectively.

At December 31, 2012, 2011 and 2010, accounts receivable from CORPOELEC mainly include operations carried out by PDVSA Petróleo to supply light diesel and provide financial support for the purchase of equipment for the national electric system, which may be offset against the energy supply service provided by CORPOELEC. In this regard, in 2012, 2011 and 2010, PDVSA Petróleo offset accounts receivable from CORPOELEC for $8 million, $7 million and $38 million, respectively. Likewise, during 2011, PDVSA offset accounts receivable from CORPOELEC for $37 million, corresponding to property, plant and equipment received.

To meet guidelines established by the Ministry and the strategic plans of PDVSA, in 2012, 2011 and 2010, PDVSA continued supporting the activities of PEQUIVEN through discounts in methane gas prices and financing accounts receivable up to 180 days. During the year ended December 31, 2011, PDVSA provided PEQUIVEN with funds for $465 million to be used as working capital, which are included in non-current accounts receivable from related parties (see notes 16 and 19). During 2010, PDVSA offset accounts receivable from PEQUIVEN for $473 million, corresponding to property, plant and equipment received for $74 million and assigned accounts to the Bolivarian Republic of Venezuela for the remaining amount, which are included in accounts receivable from related parties (see notes 19 y 30).

Accounts receivable from the Simon Bolivar Fund for Reconstruction, S.A. (Fondo Simon Bolivar para la Reconstrucción, S.A.) are mainly originated from disbursements made by PDVSA as administrator, of funds from external financing sources of GMVV, and from disbursements made for the purchase of goods and services to be used by the Fondo Simon Bolivar para la Reconstrucción, S.A. In November 2012, PDVSA sold promissory notes to the BCV, which were released by the Fondo Simon Bolivar para la Reconstrucción, S.A., for a total of $4,110 million, at their carrying value.

Balances of accounts receivable with companies owned by the Stockholder and other government institutions will be recovered through recovery plans agreed upon with the Stockholder in the short term; therefore they are presented as part of current assets.

(c) Simon Bolivar Fund for Reconstruction

As part of a State policy to cover emergencies in terms of housing requirements, the Simon Bolivar Fund for Reconstruction (Simon Bolivar Fund) was created by the President of the Bolivarian Republic of Venezuela through Decree N° 7,936 in Full Force and Effect of Organic Law Creating the Simon Bolivar Fund for Reconstruction, published in Official Gazette N° 39,583 of December 29, 2010.

In Resolution N° 045 of the Ministry, published in Official Gazette N° 39,624 dated February 25, 2011, PDVSA was appointed as the entity in charge of the administration of the Simon Bolivar Fund. On March 27, 2012, through Official Gazette N° 39,892, the State-owned company (Simon Bolivar Fund for Reconstruction, S.A.) was created. This company will be successor and will be replaced in all rights and obligations of said Fund (see note 34-h).

A summary of funds received by the Simon Bolivar Fund for Reconstruction and administered by PDVSA for the execution of housing projects as of December 31, 2012 and 2011 is shown below (see note 17) (in millions of dollars):

	Balances
Contributions received in 2011 from:	
Private banking	2,021
Banco Nacional de Vivienda y Hábitat (BANAVIH)	1,395
Banco de Venezuela	69
Companies owned by the Stockholder and other government entities	1,224
Total contributions received in 2011	**4,709**
Payments made	(3,879)
Funds available at December 31, 2011	**830**
Contributions received from:	
BANAVIH	510
Banco de Venezuela	336
Companies owned by the Stockholder and other government entities	774
Total contributions received in 2012	**1,620**
Payments made	(2,283)
Funds available at December 31, 2012	**167**

Funds Received

During 2012 and 2011, PDVSA, as the designated entity, and following orders and acting on behalf of the Bolivarian Republic of Venezuela for the administration of the Simon Bolivar Fund, received funds from financial institutions and State entities' to be used in the GMVV. Starting 2012, with the incorporation of the company Fondo Simon Bolivar para la Reconstrucción, S.A., PDVSA continued to receive and manage funds on behalf of that company. Balances resulting from these activities are included in accounts payable to related parties in accruals and other liabilities as of December 31, 2012 and 2011 (see note 25). A summary of the funds received is provided below:

Private Banks

During 2011, pursuant to the cooperation agreement between the Bolivarian Republic of Venezuela and some Venezuelan banking institutions, and within the framework of the GMVV project, the issue of Dematerialized Trust Certificates (Certificados de Participación Dematerializados – CPDs) for $2,021 million, maturing in June 2014, with an annual interest rate of 3.75% payable semi-annually, was agreed in June 2011 and made effective in July 2011. Those funds were deposited in the trust signed with BANDES. In September 2011, PDVSA, as administrator of the trust, confirmed its commitment to transfer to said trust the amounts necessary to meet the obligations related to payment of the CPDs and their interest, up to the amount of $2,251 million.

BANAVIH

During 2012, PDVSA received funds from BANAVIH for $510 million, in relation to the II framework agreement on "trust commission" signed between the parties, earmarked for the administration, investment and implementation of plans, programs, projects and works for the construction of housing units within the framework of the GMVV. During 2011, BANAVIH, with resources from the Mandatory Savings Fund for Housing (Fondo de Ahorro Obligatorio para la Vivienda – FAOV), issued Special Mortgage Bonds (Valores Hipotecarios Especiales – VHE) for $1,395 million maturing in December 2021 and payable monthly at a variable annual interest rate of 2%, based on the average of the FAOV investment portfolio, which were transferred to PDVSA as administrating entity of the Simon Bolivar Fund, as stated in the framework agreement of "trust commission". These resources will be reimbursed in accordance with a schedule to be subsequently established.

Banco de Venezuela

During 2012, PDVSA received financing in bolivars through secured loans from Banco de Venezuela, which were used to purchase goods and services to be used by Fondo Simon Bolivar para la Reconstrucción, S.A. This financing was received under the following conditions:

- Loan for $465 million, signed in March, of which $231 million were used for Fondo Simon Bolivar para la Reconstrucción, S.A. (see note 22).
- Loan for $105 million, signed in April, with annual interest rate of 9.5%, payable in the short term. At December 31, 2012, this loan was fully paid.

Companies owned by the Stockholder and other Government Institutions

During 2012 and 2011, PDVSA received contributions from FONDEN and the Joint Chinese-Venezuelan Fund for the acquisition of goods and services to be used in GMVV. At December 31, 2012, PDVSA paid $43 million y $611 million, corresponding to contributions received from FONDEN and the Joint Chinese-Venezuelan Incorporation Fund, respectively.

(d) Balances and Transactions with Non-consolidated Investees and Jointly Controlled Entities

During 2012, 2011 and 2010, PDVSA made sales to non-consolidated investees and jointly controlled entities which are summarized below (in millions of dollars):

	Years ended December 31,		
	2012	**2011**	**2010**
Hovensa L.L.C. (see note 15)	524	6,414	5,930
AB Nynas Petroleum	1,307	1,357	1,020
Petrojam Limited	1,029	908	705
ROG (see note 8)	-	-	574
Mount Vernon Phenol Plant Partnership (Mt Vernon)	356	318	260
TCP Petcoke Corporation	-	-	249
Total	**3,216**	**8,997**	**8,738**

Notes and accounts receivable from non-consolidated investees and jointly controlled entities comprise the following (in millions of dollars):

	December 31,		
	2012	**2011**	**2010**
Hovensa L.L.C. (see note 15)	729	720	465
AB Nynas Petroleum	-	171	61
CV Shipping Ltd.	94	88	42
TCP Petcoke Corporation	28	37	40
Mount Vernon Phenol Plant Partnership (Mt. Vernon)	44	31	46
Petrojam Limited	152	375	130
Operaciones Río Napo C.E.M.	96	96	28
Refíneria del Pacifico C.E.M.	142	174	110
Total	**1,285**	**1,692**	**922**

In 2012, 2011 and 2010, CITGO purchased refined products from several non-consolidated investees and jointly controlled entities, under long-term agreements (see note 15). These purchases, for $302 million in 2012, $4,165 million in 2011 and $3,898 million in 2010, are included in consolidated statement of comprehensive income of each year as crude oil and product purchases. At December 31, 2012, 2011 and 2010, accounts payable to suppliers include $22 million, $49 million and $118 million, respectively, related to these operations.

(e) Balances and Transactions with Key Management Personnel

During 2012, 2011 and 2010, compensation paid by PDVSA to its directors for salaries and social security were approximately $2.02 million, $1.59 million, and $1.76 million, respectively.

In addition to salaries and social security contributions, the Company also grants non-monetary benefits to its directors, as well as contractual benefits and post-employment benefits. Under the terms of internal regulations of PDVSA, directors have the same rights as all other employees, with respect to eligibility for retirement plan and postemployment benefits other than pension plans. At December 31, 2012, 2011 and 2010, liabilities recognized in this regard amount to approximately $1.14 million, $1.62 million and $1.76 million, respectively, (see note 23).

Certain directors of the Company have key positions in other related parties, and some of their powers include influencing the operating and financial policies of those companies.

Related parties transactions during years ended December 31, 2012, 2011 and 2010 do not necessarily indicate the results that would have been obtained if these transactions would have been made with third parties.

(31) PDVSA Entities

The most significant PDVSA entities are the following:

	Country	**Share Interest %**
PDVSA Petróleo, S.A.	Venezuela	100
Corporación Venezolana del Petróleo, S.A. (CVP)	Venezuela	100
PDVSA Gas, S.A.	Venezuela	100
PDV Marina, S.A. (PDV Marina)	Venezuela	100
PDVSA Servicios, S.A. (PDVSA Servicios)	Venezuela	100
PDVSA América, S.A.	Venezuela	100
Bariven, S.A.	Venezuela	100
PDV Holding, Inc.	Estados Unidos de América	100

PDVSA Petróleo focuses most of its exploration, production and refining activities on the Republic, as well as marketing and supply to the domestic and international markets.

Businesses related to petroleum activities performed by PDVSA, in association with oil companies of national or foreign capital, within the national territory, are managed and administered by CVP and its subsidiaries which are in charge of exploration, production, and upgrading crude oil and marketing activities in the Orinoco Oil Belt (see note 7-a).

Implementation and monitoring of regional energy cooperation activities by PDVSA, together with the National Government, are mainly conducted through PDVSA América, S.A. and its subsidiaries located in Central and South America (see note 7-c).

PDVSA Servicios is responsible for supplying specialized exploration and production services, such as operation and maintenance of drilling rigs, seismic surveys, drilling fluids and other related services.

Bariven is engaged in the procurement of material and equipment required for PDVSA activities and is responsible for administering and managing inventories, warehouses and sale of unused assets.

The main refining and marketing operation of PDVSA in the United States of America is represented by CITGO, which is wholly owned by PDV America (a subsidiary of PDV Holding, Inc.).

(32) Information on Crude Oil Production, Natural Gas Liquid (NGL), Refining and Exports Activities

A summary of operating data, relating to production, refining and export of crude oil and NGL, based on sub-ledgers of PDVSA and production reports verified by the Ministry follows (expressed in thousands of barrels per day - TBPD):

	Years ended December 31,		
	2012	**2011**	**2010**
Oil and NGL production (per geographic area):			
Eastern division	1,061	1,106	1,101
Western division	799	810	843
Orinoco Oil Belt	1,174	1,213	1,178
Country's total production (1)	**3,034**	**3,129**	**3,122**
Refining capacity (unaudited):			
National sector (2)	1,303	1,303	1,303
International sector (3)	1,519	1,519	1,732
Total refining capacity	**2,822**	**2,822**	**3,035**
Crude oil volume processed in refineries (unaudited):			
National sector	932	991	969
International sector	955	1,183	1,269
Total crude oil volume processed in refineries	**1,887**	**2,174**	**2,238**
Own exports:			
Crude oil	2,060	1,916	1,911
Products	508	553	504
Total PDVSA exports	2,568	2,469	2,415
Nation's exports (4 and 5)	**2,568**	**2,469**	**2,415**

(1) Includes condensed crude oil of 5 TBPD, 6 TBPD and 5 TBPD for the years 2012, 2011 and 2010, respectively; and includes NGL of 124 TBPD, 138 TBPD and 147 TBPD for the year 2012, 2011 and 2010, respectively.

(2) Includes domestic sector refineries: Paraguaná Refining Complex– PRC (Amuay, Cardon and Bajo Grande), El Palito, Puerto la Cruz and San Roque.

(3) Includes the portion corresponding to PDVSA's international refineries (AB Nynas Petroleum and Chalmette Refining LLC); as well as its 100% interest in refineries Isla, Lake Charles, Lemont and Corpus Christi. At December 31, 2010, PDVSA's interest in Ruhr Oel Gmbh and Hovensa LLC is included (see notes 8 and 15).

(4) Includes sales to Empresa Pública de Hidrocarburos del Ecuador (EP Petroecuador) of 3 TBPD in 2012, 17 TBPD in 2011 and 12 TBPD in 2010, which are reported in the consolidated financial statements offset with purchases under the existing energy agreement between PDVSA and EP Petroecuador.

(5) Includes 328 TBPD, 331 TBPD and 257 TBPD from sales made within the framework of Energy Cooperation Agreements in 2012, 2011 and 2010, respectively, and 449 TBPD, 415 TBPD and 244 TBPD for sales under the Joint Chinese-Venezuelan incorporated Fund in 2012, 2011 and 2010, respectively, supplied pursuant to agreements between the Bolivarian Republic of Venezuela and the countries that are parties to those agreements (see notes 7-c and 7-d).

Accident in Amuay Refinery

On August 25, 2012, an accident occurred at PDVSA's Amuay Refinery, upon which control and safety procedures in place were activated to face the situation. The normal refining capacity at end of the year 2012 was equal as compared to the end of 2011.

According to the accident preliminary reports, insurance policies contracted by PDVSA cover the whole amount that has to be disbursed to reestablish affected assets and meet commitments related to civil liability, less $87 million, in respect of deducible payment and the risk portion assumed by PDVSA, which were recognized in operating expenses in the consolidated statement of comprehensive income for the year ended December 31, 2012.

In the days elapsed between the accident and the restart of operations, PDVSA imported fuel additives for $1,572 million, which are reported as crude oil and product purchases, net, in the consolidated statement of comprehensive income of PDVSA for the year ended December 31, 2012.

(33) Financial Information for National and International Sectors

A consolidated summary of PDVSA financial information, per sectors and activities, is presented below in compliance with Article 20 of the Hydrocarbons Organic Law (in millions):

	Year ended December 31, 2012							
	National Sector							
	Exploration and production	Gas	Refining trade, supply and others	Eliminations [1]	Total National Sector [2]	International Sector	Eliminations, adjustments and reclassifications [3]	Consolidated
Continuing operations:								
Income:								
Sales of crude oil and products:								
Exports and overseas, net	73.788	876	30.042	-	104.706	53.552	(36.778)	121.480
In Venezuela	27.402	2.526	1.574	(29.759)	1.743	-	-	1.743
Sales of food, services and others	-	-	257	-	257	1.129	(150)	1.236
	101.190	3.402	31.873	(29.759)	106.706	54.681	(36.928)	124.459
Costs and expenses:								
Purchases of crude oil and products, net	26.996	1.449	27.655	(29.759)	26.341	50.500	(36.829)	40.012
Operating expenses	15.115	1.427	3.976	-	20.518	2.654	(158)	23.014
Exploration expenses	304	-	-	-	304	188	-	492
Depreciation and amortization	4.385	395	1.689	-	6.469	636	-	7.105
Selling, administrative and general expenses	820	272	2.487	-	3.579	499	-	4.078
Production tax, extraction tax and other taxes	17.367	323	40	-	17.730	-	-	17.730
Finance income	(142)	-	(3.010)	-	(3.152)	-	-	(3.152)
Finance expenses	1.039	4	2.158	-	3.201	200	-	3.401
Equity in net earnings of investments in non-consolidated investees and joint controlled entities	-	(46)	(11)	-	(57)	(7)	-	(64)
Other expenses, net	1.048	610	738	-	2.396	608	9	3.013
	66.932	4.434	35.722	(29.759)	77.329	55.278	(36.978)	95.629
Income before expenses and contributions for social development and income tax	**34.258**	**(1.032)**	**(3.849)**	**-**	**29.377**	**(597)**	**50**	**28.830**
Contributions for social development	-	-	8.959	-	8.959	66	-	9.025
Contributions to FONDEN	7.998	313	-	-	8.311	-	-	8.311
	7.998	313	8.959	-	17.270	66	-	17.336
Income (loss) before income tax	**26.260**	**(1.345)**	**(12.808)**	**-**	**12.107**	**(663)**	**50**	**11.494**
Income tax:								
Current tax expense	4.075	38	476	-	4.589	393	-	4.982
Deferred tax expense (benefit)	3.632	(132)	(1.247)	-	2.253	26	18	2.297
	7.707	(94)	(771)	-	6.842	419	18	7.279
Net income (loss) of continuing operations	**18.553**	**(1.251)**	**(12.037)**	**-**	**5.265**	**(1.082)**	**32**	**4.215**
Discontinued operations:								
Gain (loss) from discontinued operations, net of income tax	-	-	-	-	-	-	-	-
Net income (loss)	**18.553**	**(1.251)**	**(12.037)**	**-**	**5.265**	**(1.082)**	**32**	**4.215**
Other comprehensive income:								
Differences on translation of foreign operations	-	-	-	-	-	22	-	22
Total comprehensive income (loss)	**18.553**	**(1.251)**	**(12.037)**	**-**	**5.265**	**(1.060)**	**32**	**4.237**

(1) Represents eliminations of sales, purchases and costs among activities.

(2) The national sector mainly consists of the following subsidiaries: PDVSA Gas and subsidiares, PDVSA Petróleo and subsidiaries, Corporacion Venezolana del Petróleo and subsidiaries, and PDV Marina.

(3) Represents eliminations, adjustments and reclassifications of sales, purchases and others between national and international sectors for purposes of consolidation of financial statements.

	Year ended December 31, 2011							
	National Sector							
	Exploration and production	Gas	Refining trade, supply and others	Eliminations [1]	Total National Sector [2]	International Sector	Eliminations, adjustments and reclassifications [3]	Consolidated
Continuing operations:								
Income:								
Sales of crude oil and products:								
Exports and overseas, net	66.163	1.061	28.603	-	95.827	57.266	(30.826)	122.267
In Venezuela	17.470	2.281	1.482	(19.558)	1.675	-	-	1.675
Sales of food, services and others	-	-	267	-	267	808	(263)	812
	83.633	3.342	30.352	(19.558)	97.769	58.074	(31.089)	124.754
Costs and expenses:								
Purchases of crude oil and products, net	16.954	1.138	19.420	(19.558)	17.954	52.292	(30.463)	39.783
Operating expenses	9.907	953	884	-	11.744	2.963	(152)	14.555
Exploration expenses	163	-	-	-	163	-	-	163
Depreciation and amortization	4.371	483	1.411	-	6.265	606	-	6.871
Selling, administrative and general expenses	550	182	2.535	-	3.267	557	(5)	3.819
Production tax, extraction tax and other taxes	17.349	265	57	-	17.671	-	-	17.671
Finance income	-	-	(765)	-	(765)	-	-	(765)
Finance expenses	1.067	-	2.195	-	3.262	387	-	3.649
Equity in net earnings of investments in non-consolidated investees and joint controlled entities	-	(53)	(5)	-	(58)	336	-	278
Other expenses, net	3.264	194	(120)	-	3.338	269	(106)	3.501
	53.625	3.162	25.612	(19.558)	62.841	57.410	(30.726)	89.525
Income before expenses and contributions for social development and income tax	**30.008**	**180**	**4.740**	**-**	**34.928**	**664**	**(363)**	**35.229**
Contributions for social development	-	-	15.466	-	15.466	138	-	15.604
Contributions to FONDEN	14.214	261	-	-	14.475	-	-	14.475
	14.214	261	15.466	-	29.941	138	-	30.079
Income (loss) before income tax	**15.794**	**(81)**	**(10.726)**	**-**	**4.987**	**526**	**(363)**	**5.150**
Income tax:								
Current tax expense	4.490	33	279	-	4.802	369	-	5.171
Deferred tax expense (benefit)	(5.156)	(11)	1.858	-	(3.309)	216	(71)	(3.164)
	(666)	22	2.137	-	1.493	585	(71)	2.007
Net income (loss) of continuing operations	**16.460**	**(103)**	**(12.863)**	**-**	**3.494**	**(59)**	**(292)**	**3.143**
Discontinued operations:								
Gain (loss) from discontinued operations, net of tax	-	-	-	-	-	1.353	-	1.353
Net income (loss)	**16.460**	**(103)**	**(12.863)**	**-**	**3.494**	**1.294**	**(292)**	**4.496**
Other comprehensive income:								
Differences on translation of foreign operations	-	-	-	-	-	87	-	87
Total comprehensive income (loss)	**16.460**	**(103)**	**(12.863)**	**-**	**3.494**	**1.381**	**(292)**	**4.583**

(1) Represents eliminations of sales, purchases and costs among activities.

(2) The national sector mainly consists of the following subsidiaries: PDVSA Gas and subsidiares, PDVSA Petróleo and subsidiaries, Corporación Venezolana del Petróleo and subsidiaries, and PDV Marina.

(3) Represents eliminations, adjustments and reclassifications of sales, purchases and others between national and international sectors for purposes of consolidation of financial statements.

	Year ended December 31, 2010							
	National Sector							
	Exploration and production	Gas	Refining trade, supply and others	Eliminations [1]	Total National Sector [2]	International Sector	Eliminations, adjustments and reclassifications [3]	Consolidated
Continuing operations:								
Income:								
Sales of crude oil and products:								
Exports and overseas, net	41.280	888	23.553	-	65.721	50.863	(23.840)	92.744
In Venezuela	12.598	2.156	1.197	(14.551)	1.400	-	-	1.400
Sales of food, services and others	-	-	136	-	136	649	-	785
	53.878	3.044	24.886	(14.551)	67.257	51.512	(23.840)	94.929
Costs and expenses:								
Purchases of crude oil and products, net	9.415	721	14.923	(14.551)	10.508	47.183	(23.674)	34.017
Operating expenses	7.010	655	989	-	8.654	3.189	49	11.892
Exploration expenses	147	-	-	-	147	-	-	147
Depreciation and amortization	4.142	473	905	-	5.520	517	-	6.037
Selling, administrative and general expenses	1.704	96	1.300	-	3.100	629	-	3.729
Production tax, extraction tax and other taxes	13.394	427	83	-	13.904	-	-	13.904
Finance income	-	-	(419)	-	(419)	-	-	(419)
Finance expenses	(1.919)	(2.391)	12.912	-	8.602	208	-	8.810
Equity in net earnings of investments in non-consolidated investees and joint controlled entities	-	11	-	-	11	173	-	184
Other expenses, net	1.252	623	(777)	-	1.098	336	605	2.039
	35.145	615	29.916	(14.551)	51.125	52.235	(23.020)	80.340
Income (loss) before expenses and contributions for social development and income tax	**18.733**	**2.429**	**(5.030)**	**-**	**16.132**	**(723)**	**(820)**	**14.589**
Contributions for social development	-	-	5.226	-	5.226	100	-	5.326
Contributions to FONDEN	1.681	11	-	-	1.692	-	-	1.692
	1.681	11	5.226	-	6.918	100	-	7.018
Income (loss) before income tax	**17.052**	**2.418**	**(10.256)**	**-**	**9.214**	**(823)**	**(820)**	**7.571**
Income tax:								
Current tax expense	6.624	119	242	-	6.985	(74)	-	6.911
Deferred tax expense (benefit)	(2.427)	(13)	(820)	-	(3.260)	245	(47)	(3.062)
	4.197	106	(578)	-	3.725	171	(47)	3.849
Net income (loss) of continuing operations	**12.855**	**2.312**	**(9.678)**	**-**	**5.489**	**(994)**	**(773)**	**3.722**
Discontinued operations:								
Gain (loss) from discontinued operations, net of tax	-	-	(558)	-	(558)	-	-	(558)
Net income (loss)	**12.855**	**2.312**	**(10.236)**	**-**	**4.931**	**(994)**	**(773)**	**3.164**
Other comprehensive income:								
Differences on translation of foreign operations	-	-	-	-	-	38	-	38
Total comprehensive income (loss)	**12.855**	**2.312**	**(10.236)**	**-**	**4.931**	**(956)**	**(773)**	**3.202**

(1) Represents eliminations of sales, purchases and costs among activities.

(2) The national sector mainly consists of the following subsidiaries: PDVSA Gas and subsidiares, PDVSA Petróleo and subsidiaries, Corporación Venezolana del Petróleo and subsidiaries, and PDV Marina.

(3) Represents eliminations, adjustments and reclassifications of sales, purchases and others between national and international sectors for purposes of consolidation of financial statements.

	December 31, 2012						
	National Sector						
	Exploration and production	Gas	Refining, trade, supply and others	Total National Sector [1]	International Sector	Eliminations, adjustments and reclassifications [2]	Consolidated
Assets -							
Property, plant and equipment, net	67.812	14.681	26.742	109.235	6.670	-	115.905
Investments in non-consolidated investees and jointly controlled entities	-	179	32	211	1.170	-	1.381
Deferred tax asset	6.995	740	3.617	11.352	20	255	11.627
Accounts receivable and other assets	6.967	226	3.329	10.522	3.979	(5.137)	9.364
Recoverable value-added tax	4.203	-	820	5.023	24	-	5.047
Restricted cash	139	-	11	150	68	-	218
Total non-current assets	**86.116**	**15.826**	**34.551**	**136.493**	**11.931**	**(4.882)**	**143.542**
Inventories	3.375	677	3.938	7.990	4.357	(741)	11.606
Recoverable value-added tax	3.630	244	351	4.225	-	-	4.225
Notes and accounts receivable	3.234	1.582	33.859	38.675	3.031	-	41.706
Prepaid expenses and other assets	1.788	1.104	13.380	16.272	9.699	(18.971)	7.000
Restricted cash	1.668	-	444	2.112	-	-	2.112
Cash and cash equivalents	259	23	6.415	6.697	1.536	-	8.233
Total current assets	**13.954**	**3.630**	**58.387**	**75.971**	**18.623**	**(19.712)**	**74.882**
Total assets	**100.070**	**19.456**	**92.938**	**212.464**	**30.554**	**(24.594)**	**218.424**
Equity	**50.866**	**6.464**	**12.953**	**70.283**	**6.958**	**(1.413)**	**75.828**
Liabilities -							
Debt	18.088	-	16.040	34.128	1.519	-	35.647
Employee benefits and other post-employment benefits	4.496	425	5.189	10.110	345	-	10.455
Deferred tax liability	1.404	-	453	1.857	1.870	-	3.727
Provisions	3.550	875	17	4.442	237	-	4.679
Accruals and other liabilities	506	4.834	13.212	18.552	2.602	(4.126)	17.028
Total non-current liabilities	**28.044**	**6.134**	**34.911**	**69.089**	**6.573**	**(4.126)**	**71.536**
Debt	1.956	-	2.390	4.346	33	-	4.379
Employee benefits and other post-employment benefits	52	563	359	974	36	-	1.010
Accounts payable	6.671	1.212	5.222	13.105	3.954	(312)	16.747
Income tax payable	1.054	103	1.067	2.224	43	-	2.267
Provisions	1.956	272	362	2.590	-	-	2.590
Accruals and other liabilities	9.471	4.708	35.674	49.853	12.957	(18.743)	44.067
Total current liabilities	**21.160**	**6.858**	**45.074**	**73.092**	**17.023**	**(19.055)**	**71.060**
Total liabilities	**49.204**	**12.992**	**79.985**	**142.181**	**23.596**	**(23.181)**	**142.596**
Total equity and liabilities	**100.070**	**19.456**	**92.938**	**212.464**	**30.554**	**(24.594)**	**218.424**

(1) The national sector mainly consists of the following subsidiaries: PDVSA Gas and subsidiares, PDVSA Petróleo and subsidiaries, Corporacion Venezolana del Petroleo and subsidiaries, and PDV Marina.

(2) Represents eliminations, adjustments and reclassifications between national and international sectors for purposes of financial statement consolidation.

	December 31, 2011						
	National Sector						
	Exploration and production	Gas	Refining, trade, supply and others	Total National Sector [1]	International Sector	Eliminations, adjustments and reclassifications [2]	Consolidated
Assets -							
Property, plant and equipment, net	57.339	14.385	19.724	91.448	6.773	-	98.221
Investments in non-consolidated investees and jointly controlled entities	-	115	35	150	1.239	-	1.389
Deferred tax asset	9.056	410	3.015	12.481	-	272	12.753
Accounts receivable and other assets	4.571	69	4.026	8.666	3.176	(4.659)	7.183
Recoverable value-added tax	3.797	-	1.816	5.613	-	-	5.613
Restricted cash	249	-	11	260	54	-	314
Total non-current assets	**75.012**	**14.979**	**28.627**	**118.618**	**11.242**	**(4.387)**	**125.473**
Inventories	2.712	476	3.382	6.570	4.369	(823)	10.116
Recoverable value-added tax	558	99	137	794	28	-	822
Notes and accounts receivable	3.467	709	25.169	29.345	2.231	-	31.576
Prepaid expenses and other assets	703	664	8.394	9.761	7.626	(13.544)	3.843
Restricted cash	609	-	1.105	1.714	-	-	1.714
Cash and cash equivalents	1.079	5	6.107	7.191	1.419	-	8.610
Total assets	**84.140**	**16.932**	**72.921**	**173.993**	**26.915**	**(18.754)**	**182.154**
Equity	**37.861**	**7.448**	**21.720**	**67.029**	**6.963**	**(109)**	**73.883**
Liabilities -							
Debt	16.341	-	14.492	30.833	1.663	-	32.496
Employee benefits and other post-employment benefits	2.880	458	1.899	5.237	701	-	5.938
Accounts payable	718	878	357	1.953	7	-	1.960
Deferred tax liability	77	-	676	753	1.803	-	2.556
Provisions	2.802	67	-	2.869	230	-	3.099
Accruals and other liabilities	91	3.004	16.394	19.489	2.672	(5.012)	17.149
Total non-current liabilities	**22.909**	**4.407**	**33.818**	**61.134**	**7.076**	**(5.012)**	**63.198**
Debt	1.060	-	1.296	2.356	40	-	2.396
Employee benefits and other post-employment benefits	427	80	270	777	28	-	805
Accounts payable	4.775	902	1.937	7.614	2.802	-	10.416
Income tax payable	3.968	229	105	4.302	150	-	4.452
Provisions	1.367	582	141	2.090	-	-	2.090
Accruals and other liabilities	11.773	3.284	13.634	28.691	9.856	(13.633)	24.914
Total current liabilities	**23.370**	**5.077**	**17.383**	**45.830**	**12.876**	**(13.633)**	**45.073**
Total liabilities	**46.279**	**9.484**	**51.201**	**106.964**	**19.952**	**(18.645)**	**108.271**
Total equity and liabilities	**84.140**	**16.932**	**72.921**	**173.993**	**26.915**	**(18.754)**	**182.154**

(1) The national sector consists mainly of the following subsidiaries: PDVSA Gas and subsidiaries, PDVSA Petróleo and subsidiaries, Corporación Venezolana del Petróleo and subsidiaries, and PDV Marina.

(2) Represents eliminations, adjustments and reclassifications between national and international sectors for purposes of financial statement consolidation.

	December 31, 2010						
	National Sector						
	Exploration and production	Gas	Refining, trade, supply and others	Total National Sector [1]	International Sector	Eliminations, adjustments and reclassifications [2]	Consolidated
Asset -							
Property, plant and equipment, net	52.806	13.149	14.665	80.620	7.012	-	87.632
and jointly controlled entities	-	137	36	173	1.496	-	1.669
Deferred tax asset	5.073	176	3.772	9.021	145	-	9.166
Accounts receivable and other assets	3.746	44	4.545	8.335	788	(5.677)	3.446
Restricted cash	578	-	9	587	17	-	604
Total non-current assets	**62.203**	**13.506**	**23.027**	**98.736**	**9.458**	**(5.677)**	**102.517**
Inventories	2.348	424	3.296	6.068	3.405	(535)	8.938
Recoverable value-added tax	2.776	42	2.098	4.916	-	-	4.916
Notes and accounts receivable	5.677	820	11.588	18.085	1.943	-	20.028
Prepaid expenses and other assets	5.208	354	4.112	9.674	6.431	(10.137)	5.968
Restricted cash	203	-	1.452	1.655	23	-	1.678
Cash and cash equivalents	1.270	40	2.887	4.197	1.820	-	6.017
Total current assets	**17.481**	**1.680**	**25.433**	**44.595**	**15.325**	**(10.672)**	**49.248**
Total assets	**79.684**	**15.186**	**48.460**	**143.331**	**24.783**	**(16.349)**	**151.765**
Equity	**41.064**	**7.732**	**18.306**	**67.103**	**5.932**	**2.279**	**75.314**
Liabilities -							
Debt	10.297	-	9.140	19.437	1.909	-	21.346
Employee benefits and other post-employment benefits	2.149	265	1.479	3.893	732	-	4.625
Accounts payable	259	-	320	579	315	-	894
Deferred tax liability	298	212	58	568	1.565	-	2.133
Provisions	2.369	59	-	2.428	200	-	2.628
Accruals and other liabilities	1.366	2.076	2.485	5.927	2.690	(6.994)	1.623
Total non-current liabilities	**16.738**	**2.612**	**13.482**	**32.832**	**7.411**	**(6.994)**	**33.249**
Debt	1.569	1.341	645	3.555	49	-	3.604
Employee benefits and other post-employment benefits	327	240	44	611	15	-	626
Accounts payable	3.659	923	1.289	5.871	3.372	-	9.243
Income tax payable	5.743	-	74	5.817	61	-	5.878
Provisions	1.516	541	146	2.203	-	-	2.203
Accruals and other liabilities	9.068	1.797	14.474	25.339	7.943	(11.634)	21.648
Total current liabilities	**21.882**	**4.842**	**16.673**	**43.396**	**11.440**	**(11.634)**	**43.202**
Total liabilities	**38.620**	**7.454**	**30.154**	**76.228**	**18.851**	**(18.628)**	**76.451**
Total equity and liabilities	**79.684**	**15.186**	**48.460**	**143.331**	**24.783**	**(16.349)**	**151.765**

(34) Laws, Resolutions and Legal Contributions

Laws and Resolutions

(a) Resolution N° 177 of Ministry about the delimitation of geographical areas where will be performed activities that reserve to the State the Activities of Gold Exploration and Exploitation

In Extraordinary Official Gazette N° 6,094, dated December 28, 2012, the Ministry published Resolution N° 177 delimiting the geographical areas in which PDVSA or a designated subsidiary, will perform activities established in Article 1 of Organic Law Reserving to the State the Activities of Gold Exploration and Exploitation, as well as those related areas (see notes 9-a, 34-n and 35-c).

(b) Resolution N° 160 of Ministry about the creating of Strategical Committee

In Official Gazette N° 40,077, dated December 21, 2012, the Ministry published a resolution creating a Strategic Implementation Committee, which will aim to ensure continuity and normality of operations and transfer of Goods and Services subject to the Organic Law Reserving to the State the Goods and Services Related to Primary Hydrocarbon Activities.

(c) Resolution N° 118 of Ministry about the license of Exploration and Exploitation on Gaseous Hydrocarbons Non-associated

In Official Gazette N° 40,029, dated October 16, 2012, the Ministry published a Resolution N° 118 declaring derogated the Resolution N° 372 published in Official Gazette N° 38,304, dated November 1, 2005, through Chevron was awarded of the license of Exploration and Exploitation on Gaseous Hydrocarbons Non-associated in the Cardon III area.

(d) Resolution N° 097 of Ministry on Commerciality of Non-associated Natural Gas proved Reserves

In Official Gazette N° 39,986, dated August 15, 2012, the Ministry published a Resolution N° 097 approving the commerciality Statement of Non-associated Natural Gas proved about the Reserves in the Cardon Block IV, Western Sub-block area, with an extension of 458.47 square kilometers, located in Venezuelan territorial waters, in the Gulf of Venezuela.

(e) Presidential Decree transferring Shares of Corporación de Desarrollo de la Region Zuliana (CORPOZULIA) to PDVSA

In Official Gazette N° 39,982, dated August 9, 2012, Presidential Decree N° 9,131 published an order to transfer to Petroleos de Venezuela, S.A., of 70% of common, nominative, non-convertible bearer shares currently held by CORPOZULIA, in the state-owned company Carbones del Zulia, S.A. (CARBOZULIA). At December 31, 2012, legal and financial steps required to take control over operations have not been taken.

(f) Organic Law of Labor and Workers (LOTTT)

In Extraordinary Official Gazette N° 6,076, dated May 7, 2012, was published the LOTTT. The Law shall be enacted as from that date, except for some aspects, which shall be put into force within one and three years. This Law derogates the Labor Organic Law dated June 19, 1997, published in the Extraordinary Official Gazette N° 5,152, as amended on May 6, 2011 and published in the Extraordinary Official Gazette N° 6,024 (see note 23-b).

(g) Decree Law concerning the "Fondo de Ahorro Nacional de la Clase Obrera" and the "Fondo de Ahorro Popular"

In Official Gazette N° 39,915, dated May 4, 2012, the Presidential Decree N° 8,896 published issue the Decree Law concerning the "Fondo de Ahorro Nacional de la Clase Obrera" and the "Fondo de Ahorro Popular". The "Fondo de Ahorro Nacional de la Clase Obrera" shall aim to generate and manage financial and investment instruments, manage further funding sources, required to contribute, it employees' severance indemnities the state to pay off as well as promoting national savings through investment mechanisms, so as to facilitate the participation of savings banks and funds, workers, companies and general public, which will be linked to the development of national productive sectors. According to the above, it was decided the incorporation of the subsidiary PDVSA Social, S.A. This subsidiary shall own the interest on Mixed Companies transferred by CVP and dividends generated shall be transferred to the "Fondo de Ahorro Nacional de la Clase Obrera" (see note 20).

(h) Decree Law on Partial Reform of the Decree Law Creating the Simon Bolivar Fund for Reconstruction

In Official Gazette N° 39,892, dated March 27, 2012, the was published Decree of Organic Law on Partial Reform of the Decree creating the Simon Bolivar Fund for Reconstruction. This decree provides for the incorporation of the State-owned company called Fondo Simon Bolivar para la Reconstrucción, S.A., attached to and controlled by the Higher Entity of the National System for Housing and Habitat. With the incorporation of Fondo Simon Bolivar para la Reconstrucción, S.A., the Simon Bolivar Fund for Reconstruction created by Decree of the Organic Law on the Creation of the Simon Bolivar Fund for Reconstruction, published in December 2010, ceases to exist; in consequence, Fondo Simon Bolivar para la Reconstrucción, S.A. shall be universal successor and receive all rights and obligations of the extinguished entity (see note 30-b).

The funds received by Fondo Simon Bolivar para la Reconstrucción, S.A. from banking institutions, both public and private, shall be fully supported by the Bolivarian Republic of Venezuela.

(i) Decree N° 8,864 ordering the forced acquisition of movable and immovable property and other properties making up Guanare Sugar Mill

In Official Gazette N° 39,892, dated March 27, 2012, Decree N° 8,864 was ordered the forced acquisition of movable and immovable properties and other properties making up the Guanare Sugar Mill, belonging to Azucarera Guanare, C.A. (AGUACA). These properties shall be used for the urgent execution of the work "Consolidation of Agro-Industrial Infrastructure for the Development of Sugar Producing Potential of the Central-Western Region," which shall have social purposes and will be implemented by PDVSA Agrícola, S.A., a subsidiary of PDVSA. At December 31, 2012, legal and financial steps required to take control over operations have not been taken.

(j) Certification of Hydrocarbon Reserves

In Official Gazette N° 39,885, dated March 16, 2012, the Resolution N° 019 of Ministry was published, which adds 2 million barrels of proved oil reserves, where with be officially taking the total proved developed and undeveloped oil reserves of the Venezuelan Nation at December 31, 2011, to 297,571 million barrels.

(k) Resolution N° 003 ordering PDVSA Gas Comunal, S.A. intervention and operation of Servicios de Gas, C.A. (SERVIGAS)

In Official Gazette N° 39,856, dated February 2, 2012, the Ministry published the Resolution N° 003, ordering PDVSA Gas Comunal, S.A., a subsidiary of PDVSA, to confiscate and operate all assets, goods and further facilities of Servicios de Gas, C.A. (SERVIGAS), as well as, manage the company and any other movable and immovable goods, industrial and office equipment, tools and work materials, inventories, transportation means or rights required to provide the public services this company is engaged in, and of any other company or related parties, which are inside the plot of land where plants intended to render said public service are located. At December 31, 2012, legal and financial steps required to take control of the operations have not been taken.

(l) Presidential Decree Changing the Name of the Ministry of People's Power for Energy and Petroleum to Ministry of People's Power for Petroleum and Mining

In Extraordinary Official Gazette N° 6,058, dated November 26, 2011, Presidential Decree N° 8,609 published, which suppressed the Ministry of People's Power for Basic Industries and Mining, and transferred mining-related responsibilities to the Ministry of People's Power for Petroleum and Mining, which from now will be known as Ministry of People's Power for Petroleum and Mining (see note 1).

(m) Decree of the Law on Fair Costs and Prices

In Official Gazette N° 39,715, dated July 18, 2011, was published the Presidential Decree N° 8,331, through which the Decree Effect of the Law on Fair Costs and Prices is used to establish rules, as well as various administration and control mechanisms needed to maintain the stability of prices and promote access to goods and services to all people on equal terms within the framework of an economic and social model that favors the interest of the people and not of capital. In Official Gazette N° 39,802, dated November 17, 2011, was published the Regulations of the aforementioned Law on Fair Costs and Prices, which established that the National Superintendence of Costs and Prices will be the entity in charge of ensuring compliance with this law. At December 31, 2012 and 2011, the enforcement of this Law has not had any significant effects on the Company.

(n) Decree of the Law Reserving to the State Gold Activities

In Official Gazette N° 39,759, dated September 16, 2011, was published the Presidential Decree N° 8,413, which enacts the Organic Decree of the Law reserving to The State gold exploration and exploitation activities.

In Extraordinary Official Gazette N° 6,063, dated December 15, 2011, was published the Decree N° 8,683 about the partial reform of the Decree of the Organic Law Reserving to The State the Gold Exploration and Exploitation activities, as well as those Related and Ancillary to the said mineral (see notes 9-a, 34-a and 35-c).

(o) Official Recognition of the Proved Reserves of Gas Hydrocarbons

In Official Gazette N° 39,716, dated July 19, 2011, the Ministry published the Resolution N° 091, adding the new proved reserves of gas hydrocarbons of 11,298 billion cubic feet. Upon adding these reserves, the total proved reserves of gas hydrocarbons at December 31, 2010 were 195,097 billion cubic feet in the country.

(p) Resolution N° 11-05-01 of the BCV about Monetary Conversion

In Official Gazette N° 39,685, dated May 31, 2011, was published the Resolution 11-05-01 of the BCV, which establishes that, in connection with the provisions of the Decree of the Law on Monetary Conversion published in Official Gazette N° 38,638, dated March 6, 2007, the expression "Bolivares fuertes" or the symbol "Bs.F" in payment obligations undertaken in national currency and the reference to "Bolivares" and "Bolivares fuertes" in instruments offering the prices of goods and services and any other expression of monetary amounts will be used only until December 31, 2011; therefore, after January 1, 2012 only the expression "Bolivares" or the symbol "Bs." may be used (see note 2-c).

The above Decree of the Law on Monetary Conversion establishes that after January 1, 2008 the currency of the monetary system of the Bolivarian Republic of Venezuela will be expressed in the equivalent to one thousand bolivars before December 31, 2007; consequently, existing bolivar amounts at the above date will be converted into the new monetary unit by dividing them by one thousand and rounding them up to the nearest cent.

(q) Partial Reform of the Bylaws – Memorandum of Incorporation of PDVSA

In Official Gazette N° 39,681, dated May 25, 2011 was published the Presidential Decree N° 8,238, whereby the bylaws – memorandum of incorporation of PDVSA was partially reformed to modify the members of the Company's Board of Directors.

(r) Allocation of Area for Exploration and Development of Non-Associated Natural Gas

In Official Gazette N° 39,642, dated March 25, 2011, was published the Resolution N° 052, issued by the Ministry, which defines a geographical area for PDVSA Petroleo, namely Cardon Block IV East, located in the Gulf of Venezuela, for exploration and development of non-associated natural gas.

(s) Certification of Hydrocarbon Reserves

In Official Gazette N° 39,615, dated February 14, 2011, was published the Ministerial Resolution N° 007, which adds 86 million barrels of proved oil reserves, thus updating and making official the total proved reserves of the Nation at December 31, 2010 equal to 296,501 million barrels.

(t) Exchange Agreement

On January 8, 2010, Official Gazette N° 39,342 was published containing Exchange Agreement N° 14, effective as of January 11, 2010, establishing the exchange rates for the purchase and sale of foreign currency by legal entities as follows:

- Payment of foreign currency sale transactions destined for imports by the food, health, education, machinery and equipment, and science and technology sectors, as well as for payments of the non-oil public sector, will be made at an exchange rate of Bs.2.60 per US dollar; payment of the remaining types of transactions will be subject to an exchange rate of Bs.4.30 per US dollar.
- Payment of purchase transactions of foreign currency obtained: i) by the public sector, other than those caused by hydrocarbon imports, regulated by Exchange Agreement N° 9 will be made at an exchange rate of Bs.2.5935 per US dollar; and ii) the remaining foreign currency purchase transactions will be made at an exchange rate of Bs.4.2893 per US dollar.

- Payment of purchase transactions of foreign currency derived from the export of hydrocarbons, regulated by Exchange Agreement N° 9 will be made at an exchange rate of Bs.4.2893 and Bs.2.5935 per US dollar, as accorded by the BCV, based on the pro rata amounts determined for payment of sale transactions. An exchange rate of Bs.2.5935 per US dollar will be applicable to at least 30% of these foreign currency purchase transactions.

Additionally, this agreement establishes that legal entities, other than PDVSA, engaged in the export of goods and services, may withhold and manage up to thirty percent (30%) of income from foreign currency relating to the exports made. This percentage will be used to cover expenses caused by export activities other than debt. This agreement also establishes that foreign currency purchase and sale transactions for which payment was requested from the BCV prior to the effective date of the agreement will be paid at the exchange rates of Bs.2.14 per US dollar and Bs.2.15 per US dollar, respectively, established in Exchange Agreement N° 2 dated March 1, 2005.

On January 27, 2010, Exchange Agreement N° 15, which had been originally published in Official Gazette N° 39,349, dated January 19, 2010, was republished by material mistake in Official Gazette N° 39,355. This agreement contains new provisions and guidelines that complement the official multi-tiered exchange rate system created by Exchange Agreement N° 14. The most relevant aspects of this agreement follow:

- For Value Added Tax (VAT) purposes, imports of goods and services from overseas are subject to an exchange rate of Bs.2.60 per US dollar and Bs.4.30 per US dollar, as the case may be, if applicable to food, health, education, machinery and equipment and science and technology or any other sector, respectively. With regard to exports of goods and services, the applicable exchange rate is Bs.4.2893 per US dollar.
- Concerning matters related to customs, the applicable exchange rate is Bs.2.60 per US dollar for imports by the food, health, education, machinery and equipment and science and technology sectors; and Bs.4.30 per US dollar for all other types of imports.

Exchange Agreement N° 14 was amended on December 30, 2010, through Official Gazette N° 39,584 effective as of January 1, 2011, and set the exchange rate at Bs.4.2893 per U.S. dollar for purchase and Bs.4.30 per U.S. dollar for sale. Likewise, this resolution supersedes Exchange Agreement N° 14 dated January 8, 2010, and Exchange Agreements N° 15, 16 and 17, as well any other provision colliding with the provisions of this Exchange Agreement.

(u) Presidential Decree Nationalizing Companies Owned by the VENOCO Group

In Official Gazette N° 39,528, dated October 11, 2010, the Decree N° 7,712 was published establishing the nationalization of movable and immovable property owned by Industrias VENOCO, C.A., whose main activity is the production, processing, transportation and storage of lubricants. At December 31, 2012, the Company has not taken legal and financial control of these operations.

(v) Proved Reserves of Non-Associated Gas Hydrocarbons in Cardon IV Block, Rafael Urdaneta Project

In Official Gazette N° 39,496, dated August 26, 2010, the Ministry added through Resolution N° 135, new proved reserves of non-associated gas hydrocarbon of 6,375 billion normal cubic feet from the Cardon IV Block of the Rafael Urdaneta Project located in the Gulf of Venezuela. With this addition, total proved reserves of non-associated gas hydrocarbons existing in the country at June 2, 2010 amount to 185,242 billion cubic feet.

(w) Organic Law on Reorganization of the Electric Power Sector

In Official Gazette N° 39,493, dated August 23, 2010, was published the reform of the Decree N° 5,330 of the Law for Reorganization of the Electric Power Sector, originally published in Official Gazette N° 38,736 dated July 31, 2007, creating the company Corporacion Eléctrica Nacional, S.A. (CORPOELEC), attached to the Ministry of People's Power with authority in electric power matters, the purpose of which would be the generation, transmission, distribution and marketing of power and electric energy. Its capital stock would be subscribed 75% by the Republic through the Ministry, and 25% by PDVSA. This Law orders the Republic Corporacion Venezolana de Guayana (CVG) and PDVSA to transfer the shares they own in public electric power companies to CORPOELEC.

(x) Law on Partial Reform to the Law of the BCV

In Official Gazette N° 39,301, was published on November 6, 2009, the Partial Reform to the Law of the Central Bank of Venezuela (BCV). This reform authorized the BCV, among others, to purchase and sell in open markets securities and other financial instruments issued by PDVSA. In this sense, it was established that the tender for the purchase of securities issued by PDVSA must be authorized by the National Government and will be subject to the objectives established for inter-institutional coordination. This Law was amended in Official Gazette N° 39,419 dated May 7, 2010, without significant changes in relation to the previous reform dated November 6, 2009.

(y) Amendment to the Terms and Conditions for Creation and Operation of Joint Ventures (Mixed Companies)

In Official Gazette N° 39,273, dated September 28, 2009, was published containing the Amendment to the Agreement for Creation and Operation of Mixed Companies, establishing a new 3.33% percentage for distribution of additional production tax, also known as a special advantage that must be paid by Mixed Companies for oil-related activities. The amendment to the Agreement sets forth that this distribution will be carried out as follows: a) 2.22% for a Special Fund for the People's Power (FOPO) directly managed by the National Government and aimed at endogenous development projects established under the framework of the guidelines of the National Development Plan, and b) 1.11% for municipalities where oil-related activities are performed in the country, distributed in 30% for municipalities where the primary activities of the Mixed Company take place, and 70% for the remaining municipalities of the country where oil activities are performed, according to the population and human development index of each municipality (see note 13-i).

(z) Organic Law Reserving the State Assets and Services Related to Primary Hydrocarbon Activities

On May 7, 2009, Official Gazette N° 39,173 was published containing the Organic Law Reserving for the State Assets and Services Related to Primary Hydrocarbon Activities, which reserves for the Republic, as a result of its strategic condition, assets and services associated with the execution of the primary activities established under the Hydrocarbons Organic Law to be performed by PDVSA or the subsidiary it designates for this purpose.

(aa) Organic Law on Reorganization of the Domestic Liquid Fuel Market

On September 18, 2008, Official Gazette N° 39,019 was published containing the Organic Law on Reorganization of the Domestic Liquid Fuel Market, reserving the State intermediation activities for the supply of liquid fuels undertaken by PDVSA and its subsidiaries and the establishments retailing those liquid fuels for reasons of national convenience, strategic character, public service and first necessity (see note 14).

Legal Contributions

(bb) Partial Regulations N° 1 of the Organic Law on Sports, Physical Activities and Physical Education

In Official Gazette N° 39,872, dated February 28, 2012, was published the Partial Regulations N° 1 of the Organic Law on Sports, Physical Activities and Physical Education, which establishes the provisions to pay contributions to the National Fund for the Development of Sports. Payments can be made in legal tender or in a combined manner with projects charged in the bank of projects of the National Sports Institute (IND by its acronyn in Spanish). Payment in projects may not exceed 50% of the corresponding contributions. Returns corresponding to these contributions will be filed within 120 calendar days after the closing of the fiscal year.

The rules establish that submitting estimated returns is mandatory for taxpayers compelled to make this contribution 190 days after the closing of the fiscal year.

(cc) Organic Law on Sports, Physical Activities and Physical Education

On August 23, 2011, Official Gazette N° 39,741 was published containing the Organic Law on Sports, Physical Activities and Physical Education. This Law establishes that companies or other private or public organizations performing profit-seeking economic activities in the country must make a contribution of 1% of their net profits or annual accounting income if the latter is greater than 20,000 Tax Units. This contribution will be made in accordance with the parameters defined in the Regulations to the Law or with those issued by the Ministry of People's Power overseeing sports, physical activities and physical education. During 2012 and 2011, PDVSA contributed $96 million and $30 million, respectively, included in other expenditures, net, in the consolidated statement of comprehensive income (see note 10).

(dd) Decree in Full Force and Effect of the Law Creating a Special Contribution for Extraordinary Prices and Exorbitant Prices in the International Hydrocarbons Market

On April 18, 2011, Extraordinary Official Gazette N° 6,022 was published containing the Presidential Decree N° 8,163, which enacted the Decree in Full Force and Effect of the Law creating a Special Contribution for Extraordinary Prices and Exorbitant Prices in the International Hydrocarbons Market, which supersedes the Law on Special Contribution on Extraordinary Prices of International Hydrocarbons Market published in Official Gazette N° 38,910 dated April 15, 2008, and the provisions of the Law of the BCV that govern PDVSA's Contribution to FONDEN, establishing a special contribution to be paid on a monthly basis by those exporting liquid hydrocarbons and products abroad, as well as Mixed Companies selling liquid hydrocarbons and products to PDVSA or any of its subsidiaries.

When extraordinary prices are higher than the price established in the National Budget Law of the respective fiscal year, but equal to or lower than $70 per barrel, an aliquot of 20% of the total amount of the difference between the two prices will be applied.

Similarly, the exorbitant prices aliquot is created, which is determined according to the following trenches:

- When exorbitant prices are higher than $70 per barrel, but lower than $90 per barrel, an aliquot of 80% of the total amount of the difference between the two prices will be applied.
- When exorbitant prices are equal to or higher than $90 per barrel, but lower than $100 per barrel, an aliquot of 90% of the total amount of the difference between the two prices will be applied.
- When exorbitant prices are equal to or higher than $100 per barrel, an aliquot of 95% of the total amount of the difference between the two prices will be applied.

This contribution will be made on every barrel of oil exported or transported abroad and will be paid monthly by the Ministry to FONDEN (see note 12).

This Decree-Law establishes exemptions from the established contributions for the following activities:

- Execution of projects for new deposits development, increases in the production of approved development plans for on-going projects, declared as such by the Ministry, provided their total investment has not been recovered. The Ministry will establish, via resolution, the parameters that will be taken into account by said entity to declare that the investment has been recovered.
- Export of volumes in compliance with international agreements for cooperation or financing.

Official Gazette N° 39,871 dated February 27, 2012, was published containing Presidential Decree N° 8,807, which enacted the Decree in Full Force and Effect of the Law on Partial Reform of the Decree in Full Force and Effect of the Law creating the Special Contribution on Extraordinary Prices and Exorbitant Prices in the International Hydrocarbons Market. This Decree enlarges the purposes for which the resources coming from this contribution can be used, and provides for the possibility of payment in bolivars as per instructions by FONDEN. The terms and conditions of payment of the special contributions established in this Decree-Law will be set by the Ministry of People's Power with competence in petroleum-related matters, through a resolution published in the Official Gazette of the Bolivarian Republic of Venezuela (see note 35-d).

(ee) Law on Amendment of the Organic Law on Science, Technology and Innovation (LOCTI)

On December 16, 2010, the Partial Reform to the Organic Law on Science, Technology and Innovation (LOCTI) was published in Official Gazette N° 39,575. This reform establishes that private or publicly owned legal entities, whether domiciled in the Bolivarian Republic of Venezuela or abroad, performing economic activities within the national territory, will pay on an annual basis an established percentage of their gross income from the previous year based on the business activity they perform as follows:

- 2% when the business area is one of those listed in the Law for the Control of Casinos, Bingo Facilities and Slot Machines, as well as any area relating to the industry and trade of ethyl alcohol, alcoholic beverages and tobacco.
- 1% for privately owned enterprises operating in business areas subject to LOH and Gas Hydrocarbons and activities encompass mining, its processing and distribution.
- 0.5% for publicly owned companies if the business pursued is one of those listed in LOH and Gas Hydrocarbons and encompasses mining, its processing and distribution activities.
- 0.5% for any other business activity.

During the years ending December 31, 2012, 2011 and 2010, PDVSA contributed $634 million, $430 million and $812 million, respectively, reported as part of other expenses, net in the consolidate statement of comprehensive income (see note 10).

(ff) Organic Law on Drugs (LOD), derogating the Organic Law against Illegal Trafficking and Consumption of Narcotics and Psychotropic Substances (LOCTICSEP)

On December 2005, the Organic Law against Illegal Trafficking and Consumption of Narcotics and Psychotropic Substances (LOCTICSEP) was published. This Law establishes that all legal entities with fifty or more employees must earmark 1% of the annual net income for integral social prevention programs against trafficking and consumption of illegal drugs, and from this percentage, 0.5% will be used for all-encompassing protection programs for children and adolescents.

Official Gazette N° 39,211 dated July 1, 2009, was published containing Presidential Decree N° 6,776 enacting the Partial Regulations of LOCTICSEP intended to define and establish guidelines, mechanisms, modalities, forms and opportunities for legal entities, either public or private, indicated in articles 96 and 97 of this Law, to comply with the obligation of making the required contributions to National Anti-drugs Board (Oficina Nacional Antidrogras – ONA).

Official Gazette N° 39,336 dated December 29, 2009 was published containing ONA Resolutions 007-2009 and 008-2009 which set forth standards and procedures for registration of taxpayers and collection, control and audit of the contributions established in articles 96 and 97 of that Law, as well as standards regulating the statement and payment of contributions corresponding to fiscal years 2006, 2007 and 2008, clarifying that the taxable base of contributions is the net income before income tax.

On September 15, 2010, Official Gazette N° 39,510 was published containing the Organic Law on Drugs (ONA) which supersedes LOCTICSEP effective as of its publication date. This Law establishes that all legal entities with fifty or more employees are under the obligation to pay the equivalent of 1% of their earnings or profit of the pertinent fiscal year to the National Antidrug Fund within sixty days following the end of the respective fiscal year. For the purpose of this obligation, legal entities that are part of economic groups will be consolidated. During the years 2012, 2011 and 2010, PDVSA recognized expenses for $142 million, $148 million and $418 million, respectively, in relation to this contribution (see note 10).

(35) Subsequent Events

(a) Renewal of Investment Certificates

In January 2013, short-term investment certificates, denominated in bolivars, with Banco del Tesoro for a total of $1,070 million, with an annual interest at 8.00% payable on a monthly basis, were renewed.

In January 2013, short-term investment certificates, denominated in bolivars, with Banco de Venezuela for a total of $465 million, with an annual interest at 8.00% payable on a monthly basis, were renewed.

(b) Exchange Agreement N° 14 and Decree creating the Higher Entity for the Optimization of the Exchange System

Official Gazette N° 40,108 was published on February 8, 2013, containing the reform of Exchange Agreement N° 14, effective as of February 9, 2013. This reform establishes the exchange rate in Bs.6.2842 per US dollar for the purchase and Bs.6.30 per US dollar for sale. This resolution superseded Exchange Agreement N° 14 of December 31, 2010, Exchange Agreement N° 15, Article 5 of Exchange Agreement N° 12, as well as any other colliding provision.

Furthermore, Official Gazette N° 40,108 published Decree N° 9,381 creating the Higher Entity for the Optimization of the Exchange System, which will be responsible for the design, planning and implementation of strategies developed by the Republic in exchange-related matters.

(c) Decree transferring Petroleos de Venezuela, S.A., or the subsidiary it may design, the right to develop Gold Exploration and Exploitation activities

Official Gazette N° 40,109 dated February 13, 2013 was published containing Presidential Decree N° 9,368, which transfer Petroleos de Venezuela, S.A., or the subsidiary designated by it, the right to develop, either directly or through a State-owned entity, Gold Exploration and Mining activities, as well as those related and ancillary activities, which will be carried out in accordance with the principles of sustainable development, preservation of the environment and territorial order, under the technical and economic conditions that may prove to be more convenient for the rational development of the deposit (see notes 9-a, 34-a and 34-n).

(d) Law on Partial Reform of Decree N° 8,807 in Full Force and Effect of the Law Creating a Special Contribution for Exorbitant Prices in the International Hydrocarbons Market

Official Gazette N° 40,114 dated February 20, 2013 was published containing the Partial Reform of Decree N° 8,807 in Full Force and Effect of the Law Creating the Special Contribution for Exorbitant Prices in the International Hydrocarbons Market. The aforementioned Law derogates the Decree N° 8,807 of the Law dated February 23, 2012.

Pursuant to this reform, extraordinary prices arise when the monthly average of international quotations of the Venezuelan liquid hydrocarbons basket is higher than the price set in the Budget Law of the respective fiscal year, but equal to or lower than $80 per barrel; and exorbitant prices arise when the monthly average of international quotation of the Venezuelan liquid hydrocarbons basket is higher than $80 per barrel. In relation to the extraordinary price aliquot, it was established that when the monthly average of international quotations of the Venezuelan liquid hydrocarbons basket is higher than the price established in the Budget Law of the respective fiscal year, but equal to or lower than $80 per barrel, an aliquot of 20% will be applied on the difference between both prices.

In relation to the exorbitant price aliquot, the Law provided for the following trenches:

- When exorbitant prices are higher than $80 per barrel, but lower than $100 per barrel, an aliquot of 80% of the total amount of the difference between the two prices will be applied.
- When exorbitant prices are equal to or higher than $100 per barrel, but lower than $110 per barrel, an aliquot of 90% of the total amount of the difference between the two prices will be applied.
- When exorbitant prices are equal to or higher than $110 per barrel, an aliquot of 95% of the total amount of the difference between the two prices will be applied.

Furthermore, the following exemptions are ratified in the case of:

- Activities referred to in Articles 6 and 8, as a consequence of the implementation of project of deposit new development, as well as volumes associated with recovered and upgrading projects, or production remediation projects, declared as such by the Ministry of the People's Power with competence in oil-related activities and mining. Through resolution, the Ministry will establish the criteria to be taken into account to declare volumes exempt from this contribution as such.
- Export of volumes in compliance with international agreements for cooperation or financing.

Likewise, a ceiling of $80 per barrel was established as maximum price for the calculation and payment of production tax, extraction tax and export registration tax as provided for in the Hydrocarbons Organic Law.

Finally, provisions of the Law of BCV, enacted on April 8, 2012 and published in the Official Gazette of the Bolivarian Republic of Venezuela N° 39,419 dated May 7, 2010, governing PDVSA contribution to FONDEN, as well as any other equal or lower hierarchy provision that may collide with the aforementioned Law, are derogated (see note 34-aa).

The following tables provide supplementary information on oil and gas exploration, development and production activities. Production activities are carried out only inside Venezuelan territory, mainly by PDVSA Petróleo, PDVSA Gas and CVP's Mixed Companies, while exploration activities are carried out both in Venezuelan territory and in the following countries: Bolivia, Ecuador and Cuba.

Table I - Crude Oil and Natural Gas Reserves

All crude oil and natural gas reserves are located in Venezuelan territory and are owned by the Bolivarian Republic of Venezuela. Crude oil and natural gas reserves are estimated by PDVSA and reviewed by the Ministry based on the reserve definitions according to those prescribed by the American Petroleum Institute (API) of the United States of America.

Proved reserves are the estimated quantities of oil and gas in known deposits which, with reasonable certainty, are expected to be recoverable in the future under existing economic and operating conditions. Due to the inherent uncertainties and limited nature of the data relating to deposits, reserve estimates are subject to change over time, as additional information becomes available. Proved reserves do not include additional volumes which may result from the extension of currently explored areas, or from the application of secondary recovery processes not yet tested and determined to be economically feasible.

Proved developed reserves of crude oil and gas include the quantities that can be expected to be recovered from existing wells with equipment and operating methods currently in use. Proved undeveloped reserves are those volumes that are expected to be recovered through investments in the drilling of new wells in undeveloped areas or in the completion of existing wells.

Proved crude oil reserves have been grouped into conventional crude oils (condensed, light, medium and heavy grade crude oils), and extra-heavy crude oil.

A summary of annual changes in the proved reserves of crude oil and natural gas follows:

(a) Conventional and Extra-Heavy Crude Oil (in millions of barrels)

	Years ended December 31,		
	2012	**2011**	**2010**
Proved developed and undeveloped reserves of conventional crude oil at January 1	40,187	40,273	40,908
Revisions	1,086	395	(59)
Extensions and new discoveries	74	305	201
Production	(749)	(786)	(777)
Proved developed and undeveloped reserves of conventional crude oil at December 31	40,598	40,187	40,273
Proved developed and undeveloped reserves of extra-heavy crude oil at December 21	257,137	257,384	256,228
General total of proved developed and undeveloped reserves at December 31 (1)	**297,735**	**297,571**	**296,501**
Total proved developed reserves, subject to production, including extra-heavy crude oil at December 31 (included in the previous total)	**12,980**	**13,652**	**14,248**

(1) Includes condensed crude oil reserves of 2.618 million barrels, 2.647 million barrels and 1.976 million barrels for 2012, 2011 and 2010, respectively.

At December 31, 2012, 2011 and 2010, the certified reserves of extra-heavy crude oil attributed to Mixed Companies in the Orinoco Oil Belt amounted to 92.267 million barrels, 92.405 million barrels and 52.031 million barrels, respectively. Production for the years ended December 31, 2012, 2011 and 2010 reached 200 million barrels, 185 million barrels and 172 million barrels, respectively.

Extra-Heavy Crude Oil (in millions of barrels)

Venezuela has significant reserves of extra-heavy crude (less than 8 degrees API), which are being developed in conjunction with several foreign companies through the new Mixed Companies in the Orinoco Oil Belt and through the application of new technologies for refining, crude oil upgrading, and obtaining of synthetic crude oil aimed at attaining an economically viable production.

During 2012, 2011 and 2010, the change in proved developed and undeveloped reserves of extra-heavy crude oil associated with Mixed Companies in the Orinoco Oil Belt, as well as the change in total proved developed and undeveloped reserves of extra-heavy crude oil at those dates, reflecting the full amount of the reserves, were as follows (in millions of barrels):

	Years ended December 31,					
	2012		2011		2010	
	Mixed Companies (1)	Total (including Mixed Companies)	Mixed Companies (1)	Total (including Mixed Companies)	Mixed Companies (1)	Total (including Mixed Companies)
Proved developed and undeveloped reserves of extra-heavy crude oil at January 1	92,405	257,384	52,031	256,228	16,880	170,265
Revisions	12	12	(892)	1,459	35,323	86,270
Transfers	-	-	41,451	-	-	-
Development and new discoveries	50	55	-	-	-	-
Production	(200)	(314)	(185)	(303)	(172)	(307)
Proved developed and undeveloped reserves of extra-heavy crude oil at December 31	**92,267**	**257,137**	**92,405**	**257,384**	**52,031**	**256,228**
Proved developed reserves submitted to production of extra-heavy crude oil at December 31	**1,365**	**4,053**	**1,492**	**4,345**	**1,605**	**4,608**

(1) Includes PetroPiar, S.A., PetroCedeño, S.A., and PetroMonagas, S.A., which are oriented to the production of synthetic crude. It also includes: Petrolera Sinovensa, S.A. and Petrolera Indovenezolana, S.A., which produce diluted crude of 16° API (Merey segregation). In 2011, Petrojunín, S.A., Petromiranda, S.A., Petromacareo, S.A., and PetroUrica, S.A joined with an allocation of undeveloped reserves of 6,925 million barrels, 14,630 million barrels, 8,053 million barrels and 10,838 million barrels, respectively. In 2010, PetroIndependencia, S.A. and PetroCarabobo, S.A. were incorporated with an allocation of undeveloped reserves of 20,931 million barrels and 13,562 million barrels, respectively.

During 2012, 2011 and 2010, PDVSA produced 314 million barrels, 303 million barrels and 307 million barrels of extra-heavy crude oil, respectively, of which 127 million barrels, 118 million barrels and 110 million barrels, respectively, corresponded to the production of extra-heavy crude oil with less than 8 degrees API, respectively.

In June 2005, the Ministry assigned the Proyecto Orinoco Magna Reserva to CVP to quantify and certify the reserves of the Orinoco Oil Belt. The established strategic guidelines aim at transforming the Belt into an engine of economic, social, industrial, technological and sustainable development for the country, through the valuation and optimal development of its hydrocarbon resources within the current legal framework and the development plan of the Nation.

To quantify and certify the reserves, the Orinoco Oil Belt was divided into four large areas: Boyacá, Junín, Ayacucho and Carabobo, and these areas were, in turn, divided into 45 blocks (including the areas allocated to the Mixed Companies), which will be quantified in a joint effort between CVP and the professionals of 24 companies from 19 countries that have signed Memoranda of Understanding with the National Government.

During 2012, 2011 and 2010, the total proved crude oil reserves increased by 1,228 million barrels, 2,159 million barrels and 86,411 million barrels, respectively, as summarized below (in million barrels):

	Years ended December 31,		
	2012	2011	2010
Ayacucho	51	943	7,620
Junin	214	-	17,879
Boyaca	4	6	28,455
Carabobo	131	-	32,328
Traditional areas	828	1,072	129
Offshore	-	138	-
	1,228	**2,159**	**86,411**

The Orinoco Oil Belt contains 1,338,477 million barrels of Original Oil in Place (OOIP), and it is estimated that its recoverable reserves will be 262,602 million barrels, based on the total recovery factor of 20%. Reserves to be certified at the beginning of the project were 235,600 million barrels, of which a total of 57,060 million barrels have been certified until 2007; 73,738 million barrels in 2008; 38,920 million barrels in 2009; 86,282 million barrels in 2010, 949 million barrels in 2011 and 217 million barrels in 2012, thus raising official reserves to 258,809 million barrels over the past seven years.

(a) Natural Gas Reserves (in billions of cubic feet)

	Year ended December 31,		
	2012	**2011**	**2010**
Proved developed and undeveloped reserves of natural gas at January 1	159,138	159,415	151,278
Revisions	2,401	984	511
Extensions and new discoveries	328	111	8,964
Production	(1,418)	(1,372)	(1,338)
Proved developed and undeveloped reserves of natural gas at December 31	160,449	159,138	159,415
Proved reserves of natural gas related to reserves of extra-heavy crude oil at December 31	35,960	36,096	35,681
Total proved developed and undeveloped reserves of natural gas at December 31	**196,409**	**195,234**	**195,096**
Total proved developed reserves of natural gas submitted to production, including those related to extra-heavy crude oil at December 31 (included in the previous total)	**39,760**	**37,217**	**36,283**

Production of natural gas is presented on the basis of actual volumes before the extraction of liquefiable hydrocarbons. During 2012, 2011 and 2010, natural gas used in reinjection operations amounted to approximately 1,057 billion cubic feet, 1,041 billion cubic feet and 1,064 billion cubic feet, respectively.

During 2012, 2011 and 2010, PDVSA added 2,747 billion cubic feet, 1,673 billion cubic feet and 17,673 billion cubic feet, respectively, of associated and non-associated gas reserves, with the most relevant additions being 2,451 billion cubic feet, 1,090 billion cubic feet and 7,538 billion cubic feet, respectively, arising mainly from the revision of the proved reserves of associated gas in the deposits belonging to traditional areas and offshore.

Table II - Costs Incurred in Exploration and Development Activities

Exploration costs include the costs incurred in geological, geophysical, drilling and equipping activities of exploratory wells. Development costs include those related to drilling and equipping development wells, enhanced recovery projects and facilities to extract, treat and store crude oil and natural gas. Annual costs, summarized below, include amounts recorded in both expenses and assets accounts related to PDVSA's conventional and extra-heavy crude oil reserves (in millions of dollars):

	Years ended December 31,								
	2012			**2011**			**2010**		
	Conventional Crude	**Extra-heavy crude (1)**	**Total**	**Conventional Crude**	**Extra-heavy crude (1)**	**Total**	**Conventional Crude**	**Extra-heavy crude (1)**	**Total**
Exploration costs	304	-	304	163	-	163	147	-	147
Development costs	23,085	2,726	25,811	12,863	1,395	14,258	12,443	979	13,422
Total	**23,389**	**2,726**	**26,115**	**13,026**	**1,395**	**14,421**	**12,590**	**979**	**13,569**

(1) Includes PetroPiar, S.A., PetroCedeño, S.A., PetroMonagas, S.A. and Petrolera Sinovensa, S.A.

Table III - Costs Recognized as Assets in Oil and Gas Production Activities

The following table summarizes costs recognized as assets in oil and gas production activities and the corresponding accumulated depreciation at December 31 regarding PDVSA's conventional and extra-heavy crude oil reserves (in millions of dollars):

	Years ended December 31,								
	2012			2011			2010		
	Conventional Crude	Extra-heavy Crude Oil (1)	Total	Conventional Crude	Extra-heavy Crude Oil (1)	Total	Conventional Crude	Extra-heavy Crude Oil (1)	Total
Assets used in production	59,876	5,809	65,685	52,330	4,624	56,954	50,787	3,505	54,292
Equipment and facilities	23,116	10,784	33,900	17,075	10,704	27,779	12,002	10,266	22,268
	82,992	16,593	99,585	69,405	15,328	84,733	62,789	13,771	76,560
Accumulated depreciation	(43,081)	(5,753)	(48,834)	(38,408)	(4,383)	(42,791)	(35,698)	(3,120)	(38,818)
Construction in progress	27,976	3,594	31,570	26,407	2,109	28,516	24,011	2,506	26,517
Net costs capitalized as assets	**67,887**	**14,434**	**82,321**	**57,404**	**13,054**	**70,458**	**51,102**	**13,157**	**64,259**

(1) Includes PetroPiar, S.A., PetroCedeño, S.A., PetroMonagas, S.A. and Petrolera Sinovensa, S.A.

Table IV - Results of Operations Corresponding to Oil and Gas Production Activities for Each Year (in millions of dollars)

	Years ended December 31,								
	2012			2011			2010		
	Conventional Crude	Extra-heavy Crude Oil (1)	Total	Conventional Crude	Extra-heavy Crude Oil (1)	Total	Conventional Crude	Extra-heavy Crude Oil (1)	Total
Net income from production									
Sales	37,770	20,771	58,541	55,684	16,079	71,763	43,670	11,075	54,745
Transfers	51,001	-	51,001	38,772	-	38,772	27,405	-	27,405
Production costs	(6,108)	(10,349)	(16,457)	(4,431)	(6,429)	(10,860)	(5,820)	(1,313)	(7,133)
Production and extraction taxes	(11,293)	(4,230)	(15,523)	(12,977)	(4,161)	(17,138)	(9,970)	(3,428)	(13,398)
Depreciation	(4,583)	(1,355)	(5,938)	(3,219)	(1,275)	(4,494)	(3,257)	(1,125)	(4,382)
Exploration cost	(304)	-	(304)	(163)	-	(163)	(147)	-	(147)
Income before income tax	66,483	4,837	71,320	73,666	4,214	77,880	51,881	5,209	57,090
Income tax	(35,875)	(3,749)	(39,624)	(39,382)	(661)	(40,043)	(29,595)	(4,004)	(33,599)
Income from production operations	**30,608**	**1,088**	**31,696**	**34,284**	**3,553**	**37,837**	**22,286**	**1,205**	**23,491**

(1) Includes PetroPiar, S.A., PetroCedeño, S.A., PetroMonagas, S.A. and Petrolera Sinovensa, S.A.

Sales from oil production are calculated using international market prices, as if the entire production were sold.

Production costs represent extraction expenses incurred to operate and maintain productive wells and related equipment and facilities, including costs of operating labor, materials and supplies, fuel consumed in operations and the costs of operating natural liquid gas plants incurred by PDVSA and Mixed Companies.

Production costs of extra-heavy crude include the expenses incurred to operate and maintain productive wells in Venezuela, as well as transportation and handling expenses.

Exploration costs include those related to the geological and geophysical activities, as well as costs incurred while drilling exploratory wells that ended up being non-productive.

Depreciation expenses correspond to assets used in production activities. Income tax expense is calculated using the statutory rate for the year. For these purposes, results of production operations do not include financing expenses, overhead, or their associated tax effects.

The following table summarizes average prices per unit sales and production costs (in millions of dollars):

	Years ended December 31,		
	2012	2011	2010
Average sale prices:			
Crude oil, per barrel	101.42	100.11	72.18
Gas basket price, per barrel	33.25	37.33	31.05
Natural gas, per barrel	4.87	5.24	4.00
Average production costs, per equivalent oil barrel	**11.09**	**7.14**	**5.53**
Average production costs, per equivalent oil barrel, excluding "Empresas Mixtas"	**10.86**	**6.74**	**5.23**

Table V - Standardized Measure of Discounted Future Net Income Related to Proven Oil and Gas Reserves

As a result of the uncertainties related to the time required for the development of the country's extra-heavy crude oil reserves, only proved conventional crude oil and extra-heavy oil reserves produced by Mixed Companies in the Orinoco Oil Belt have been taken into account in the calculation of discounted future net income.

Estimated future cash inflows from production are computed by applying the 2012, 2011 and 2010 average export prices and the oil and gas year-end quantities of estimated proved reserves. Future income from extra-heavy crude oil production is determined using average export prices and quantities of the upgraded (synthetic) crude that will be produced in plants (including PetroPiar, S.A., PetroCedeño, S.A. and PetroMonagas, S.A.). In the case of Petrolera Sinovensa, S.A. and the New Businesses (Mixed Companies in Preoperational Stage located in the Belt), extra-heavy crude oil produced is not upgraded. Upgraded crude oil prices at year-end approximate those of conventional crude oil with similar characteristics. Future development and production costs are those considered necessary to add and develop estimated proved reserves at year-end, assuming that the same economic conditions are maintained. Future tax production and extraction taxes correspond to the total amounts to be paid for Export Registration Tax, Extraction Tax, Tax Production, Special Advantages and Law on Special Contribution for Exorbitant Prices in the International Hydrocarbons Market. Future income tax expense is calculated by applying the appropriate year-end statutory tax rates. These rates are applied to estimated future pre-tax net income. This calculation requires annual estimates of when future expenditures will be incurred and when proved reserves will be extracted.

The information provided below does not represent certified estimates of PDVSA's expected future cash flows or an accurate value of proved oil and gas reserves. Proved reserves are inaccurate and may change over time as new information becomes available. Furthermore, probable and possible reserves, which may become proved in the future, are excluded from the calculation. The valuation method requires assumptions of the timing of future extraction of proved reserves and the timing and amount of future development and production costs. The calculations are made at December 31 of each year and should not be relied upon as an indication of PDVSA's future cash flows or the value of the oil and gas reserves (in millions of dollars):

	Years ended December 31,								
	2012			2011			2010		
	Conventional Crude	Extra-heavy crude [1]	Total	Conventional Crude	Extra-heavy Crude [1]	Total	Conventional Crude	Extra-heavy Crude [1]	Total
Future cash flows	5,669,544	7,985,079	13,654,623	5,637,026	6,677,616	12,314,642	4,650,840	3,514,029	8,164,869
Future production costs	(716,600)	(729,452)	(1,446,052)	(488,958)	(390,185)	(879,143)	(433,302)	(166,059)	(599,361)
Future royalties and extraction tax [2]	(3,033,140)	(3,471,847)	(6,504,987)	(3,345,706)	(2,242,281)	(5,587,987)	(1,466,582)	(1,246,740)	(2,713,322)
Future development costs	(513,974)	(738,255)	(1,252,229)	(448,499)	(182,820)	(631,319)	(343,460)	(243,171)	(586,631)
Future income tax expenses	(654,768)	(1,514,761)	(2,169,529)	(633,723)	(1,807,839)	(2,441,562)	(1,148,126)	(918,443)	(2,066,569)
Asset retirement cost	(14,416)	(318)	(14,734)	(14,416)	(318)	(14,734)	(11,666)	(295)	(11,961)
Future net cash flows	**736,646**	**1,530,446**	**2,267,092**	**705,724**	**2,054,173**	**2,759,897**	**1,247,704**	**939,321**	**2,187,025**
Effect of discounting net cash flow at 10% [3]	(615,609)	(1,402,210)	(2,017,819)	(592,627)	(1,936,246)	(2,528,873)	(1,033,227)	(801,562)	(1,834,789)
Future discounted cash flows	**121,037**	**128,236**	**249,273**	**113,097**	**117,927**	**231,024**	**214,477**	**137,759**	**352,236**

(1) Includes PetroPiar, S.A., PetroCedeño, S.A., PetroMonagas, S.A and Petrolera Sinovensa, S.A.

(2) The effect of the Law Creating Special Contributions for Extraordinary Prices and Exorbitant Prices in the International Hydrocarbons Market is included in years 2012, 2011 and 2010.

(3) Changes in estimation models related to periods of production of reserves, which significantly increased as a result of new discoveries, are included in 2011.

Table VI - Analysis of Changes in Discounted Future Net Cash Flows Related to Proven Crude Oil and Natural Gas Reserves

The following table analyzes changes for each year (in millions of dollars):

	Years ended December 31,								
	2012			2011			2010		
	Conventional Crude	Extra-heavy Crude [1]	Total	Conventional Crude	Extra-heavy Crude [1]	Total	Conventional Crude	Extra-heavy Crude [1]	Total
Present value at January 1									
Sales, net of production costs and taxes	(71,370)	(6,192)	(77,562)	(77,900)	(5,489)	(83,389)	(58,116)	(6,335)	(64,451)
Value of additional reserves throughout the year due to extensions and discoveries	276	-	276	1,167	-	1,167	1,274	-	1,274
	(71,094)	(6,192)	(77,286)	(76,733)	(5,489)	(82,222)	(56,842)	(6,335)	(63,177)
Changes in the value of reserves of the previous year resulting from:									
Development costs incurred in the year	23,085	2,726	25,811	12,863	1,395	14,258	12,443	979	13,422
Changes in future development costs	(14,551)	(40,689)	(55,240)	(18,894)	(5,062)	(23,956)	29,465	24,351	53,816
Net changes in prices and production costs	27,269	(1,844)	25,425	(154,631)	(22,987)	(177,618)	113,270	(99,077)	14,193
Revisions of prior reserve estimates	3,748	9,869	13,617	6,302	2,097	8,399	5,705	3,507	9,212
Net changes in income tax expenses	(3,458)	35,016	31,558	82,436	98,382	180,818	(82,893)	80,923	(1,970)
Discount accretion	11,310	11,793	23,103	21,448	13,776	35,224	19,425	23,177	42,602
Net changes in royalties and others	31,631	(370)	31,261	25,829	(101,944)	(76,115)	(20,347)	(121,533)	(141,880)
Total change throughout the year	**7,940**	**10,309**	**18,249**	**(101,380)**	**(19,832)**	**(121,212)**	**20,226**	**(94,008)**	**(73,782)**

(1) Includes PetroPiar, S.A., PetroCedeño, S.A., PetroMonagas, S.A. and Petrolera Sinovensa, S.A.

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