LISTING PARTICULARS

US$3,000,000,000

Petróleos de Venezuela, S.A.

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

12.75% Senior Notes due 2022

Our 12.75% senior notes due 2022, 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 February 17, 2022 and will bear interest at the rate of 12.75% per annum payable semiannually on each February 17 and August 17, commencing on August 17, 2011. Principal payments on the Notes will be payable in three equal installments. The first principal installment will be payable on February 17, 2020, the second will be payable on February 17, 2021 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 12.

Price for Notes: 100.00%

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. These listing particulars constitute a prospectus for the purposes of Luxembourg law dated July 10, 2005 on Prospectuses for Securities.

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)*. It is expected that delivery of the Notes will be 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 February 17, 2011. See "Description of the Notes—Book-Entry; Delivery and Form."

The Notes were issued to a limited number of investors on February 17, 2011. 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.

Joint Lead Arrangers and Dealer Managers

Citi **Credit Suisse**

April 5, 2011

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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 Credit Suisse Securities (USA) LLC, or the Dealer Managers, 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 Dealer Managers. 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 Dealer Managers. 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 Dealer Managers require persons into whose possession these listing particulars come 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.

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. 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 Dealer Managers 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 Dealer Managers or any person affiliated with us or the Dealer Managers 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 Dealer Managers.

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. $100 in excess thereof. See “Description of the Notes” for further discussion of these matters.

Investors in Venezuela may initially purchase and pay for the Notes in Bolívares on the settlement date at the official exchange rate of Bs.4.30 to $1.00. Purchase of the Notes must be made by or through a financial institution that has an account at the Banco Central de Venezuela (“Central Bank”) by instructing the Central Bank

to debit the institution's account in Bolívares in an amount equal to the purchase price of the Notes at the official exchange rate.

The initial placement of the Notes will be made through the Central Bank's SICOTME (*Sistema de Colocación Primaria de Títulos en Moneda Extranjera*) or System for the Initial Placement of Bonds denominated in Foreign Currency pursuant to Resolution No. 10-06-02 issued by the Central Bank's Board of Directors on June 10, 2010 and published in the Official Gazette No. 39,446 dated as of June 15, 2010. Only financial institutions authorized by the Central Bank may place orders with SICOTME, for their own account or for their clients' accounts.

Enforcement of Judgments

Under Venezuelan law, no company or its property, including us, 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 97 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 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 with 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 Bolivar 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.

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 audited financial statements as of December 31, 2009 and 2008 and for the years ended December 31, 2009 and 2008, and as of December 31, 2008 and 2007 and for the years ended December 31, 2008 and 2007, which are also attached for reference purposes to these listing particulars. This means that 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 also is 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. Documents incorporated by reference will be available at the following website: www.bourse.lu. Any interested party may also obtain, free of charge, a copy of documents incorporated by reference at the offices of the Paying Agent.

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 the 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 largest vertically integrated oil company in Latin America with daily crude oil production of 3,012 thousand barrels per day, or mbpd, the fourth 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 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 and social development expenses.

Our *Plan Siembra Petrolera* (Oil Sowing Plan) 2010-2015 (the "Business Plan") outlines the development of production and refining projects totaling $252 billion in Venezuela, the Caribbean and Latin America from 2010 through 2015, which 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, 2009, we invested approximately $44.9 billion in development projects in such regions through cash on-hand and issuance of debt. During the nine-month period ended September 30, 2010, we invested approximately $7.8 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 192 years for oil and 121 years for gas.

We mainly sell crude oil to the United States, Canada, the Caribbean, Europe, South America and Asia. In addition, we refine crude oil, with a refining capacity of approximately 3 million barrels per day (or 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 655 mbpd barrel of oil equivalent (or boe), in 2009.

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 (55,000 km^2) has been divided into 31 blocks for reserves quantification and certification of original oil on site purposes. There are 1,360,000 million barrels of Original Oil On Site (OOOS) in the Orinoco Oil Belt. Of said amount, we estimate that approximately 272,000 million barrels are recoverable, 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 of 4,481 mbpd by 2015. The projected production for the period leading up to 2015 includes the following: 2,295 mbpd from areas where we are the sole operator, 555 mbpd from joint ventures producing light and medium oil and 970 mbpd from our LPG operations.

- *Expansion of Orinoco Oil Belt Production.* We intend to obtain the remaining 661 mbpd of the 4,481 mbpd crude oil production capacity projected for 2015 from the expansion of our operations in the Orinoco Oil Belt, which we plan to implement by developing our extra-heavy crude oil reserves, including new upgrading facilities and pipelines to terminals.

- *Development of Major Projects in Refineries.* We intend to expand our refinery capacity from approximately 3.0 mmbpd (1.3/1.7 mmbpd Venezuela/Overseas capacity) to 3.2 mmbpd by 2015 (1.4/1.8 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. We currently have in process major upgrade projects to increase the refining capacities of Puerto La Cruz and El Palito Refineries, as well as to upgrade the Paraguaná Refining Complex. In the future, we plan to develop new refining centers in Venezuela, including the Cabruta and Batalla de Santa Inés Refineries and an additional refinery in the state of Zulia. In addition, we intend to expand our refining capacities and develop new refineries in the Caribbean, 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 6,990 mmcfd to 13,887 mmcfd by 2015. In particular, we intend to focus in 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), Plataforma Deltana, the Gulf of Paria, Guarapiche, Punta Pescador and the Delta Centro area. We intend to link all blocks by a gas pipeline network to the future Güíria Hub, where an industrial complex, Gran Mariscal de Ayacucho, or CIGMA, is expected to be developed.

- *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 9.3 million barrels of oil storage capacity, three additional

loading docks, approximately 650 km in oil pipelines, four new distribution facilities, the expansion of existing gas pipelines, and building new 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 1,115 dwt (Dead Weight Ton) to 1,318 dwt by 2015. 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.

- *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 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. During the three-year period ended December 31, 2009, the total investment in this project amounted to approximately $318 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 $14,102 million in 2007, $14,733 million in 2008 and $3,514 million in 2009, and a total of $4,786 million in the first nine months of 2010, 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.

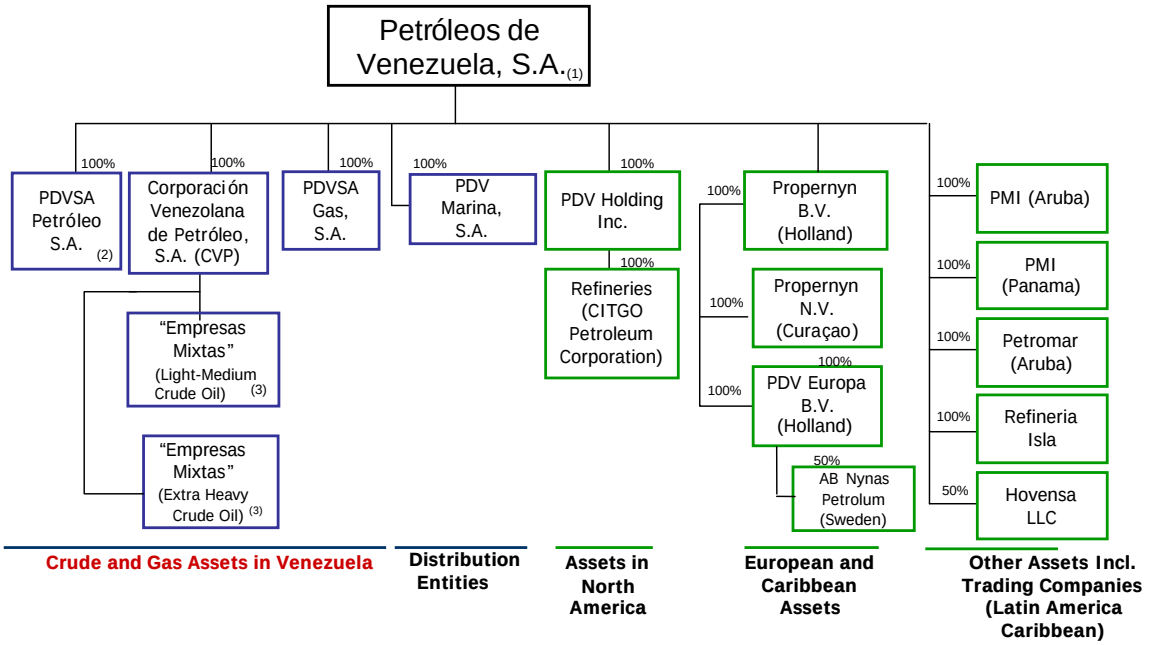
Recent Developments

The Bolivarian Republic of Venezuela has nationalized a number of companies in the past, the latest of which was announced by the President of Venezuela on October 10, 2010. On October 10, 2010, the President of Venezuela announced the nationalization of Industrias Venoco, C.A., or Venoco, a Venezuelan auto lubricants company, as well as the nationalization of Fertilizantes Nitrogenados de Venezuela, Fertinitro C.E.C., or Fertinitro, a Venezuelan fertilizer company and its related entities. As provided for in the Nationalization Decrees (Decrees No. 7,712 and No. 7,713 published in the Official Gazette N° 39,528 dated October 11, 2010), Petroquímica de Venezuela, S.A. PEQUIVEN (a corporation wholly-owned by Venezuela), will acquire the assets of Fertinitro and its related entities and we will acquire the assets of Venoco at a price to be determined in the future. In the fiscal year ended April 30, 2010, Venoco had net revenues of $241 million, net income of $17 million, total assets of $249 million and total liabilities of $77 million.

On October 15, 2010, we entered into an agreement with Rosneft for the sale of all of our interest in the Ruhr Oel refineries. Ruhr Oel GmbH is a 50/50 downstream joint venture between BP and us. Subject to the satisfaction of certain legal and contractual conditions, closing for this transaction is expected to occur on or around May 31, 2011. For further details regarding the joint venture between BP and us, please see "Business—Refining and Marketing—Refining."

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".

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. $3,000,000,000 aggregate principal amount of 12.75% senior notes due 2022.
Closing Date	February 17, 2011.
Maturity Date	February 17, 2022.
Interest	Interest will accrue on the Notes at the rate of 12.75% per annum. Interest will be payable in arrears on each February 17 and August 17, commencing on August 17, 2011 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 February 17, 2020, the second will be payable on February 17, 2021 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. $100 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.
Original Issue Discount	The Notes will be issued with “original issue discount” for U.S. Federal income tax purposes. Regardless of a U.S. Holder’s (as defined under “Tax Considerations”) regular method of tax accounting, the U.S. Holder is generally 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 “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.
Joint Lead Arrangers and Dealer Managers.....	Citigroup Global Markets Inc. and Credit Suisse Securities (USA) LLC.
Listing.....	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.
Trustee	Wilmington Trust Company.
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 AC5.
	Regulation S Note: P7807H AM7.
ISIN	Rule 144A Note: US716558AC52.
	Regulation S Note: USP7807HAM71.
Common Code	Rule 144A Note: 059352261.
	Regulation S Note: 059352415.

SUMMARY CONSOLIDATED 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 condensed consolidated statement of comprehensive income data for the years ended December 31, 2009, 2008 and 2007 and the condensed consolidated statement of financial position as of December 31, 2009, 2008 and 2007 have been extracted without material adjustments from our consolidated financial statements and related notes thereto attached to these listing particulars, which have been audited by Rodríguez Velázquez & Asociados (formerly Alcaraz Cabrera Vázquez), a member firm of the KPMG, network of independent member firms, affiliated with KPMG International Cooperative (an independent auditor), in accordance with International Standards on Auditing. Our condensed consolidated statement of comprehensive income data for the years ended December 31, 2006 and 2005 and the condensed consolidated statement of financial position as of December 31, 2006 and 2005 have been extracted without material adjustments from our consolidated financial statements and related notes thereto attached to these listing particulars, which have been audited by Rodríguez Velázquez & Asociados (formerly Alcaraz Cabrera Vázquez), a member firm of the KPMG network of independent member firms, affiliated with KPMG International Cooperative (an independent auditor), in accordance with International Standards on Auditing, which have not been included in these listing particulars. Our consolidated financial statements were prepared in conformity with IFRS and audited in accordance with International Standards on Auditing.

Our condensed consolidated statement of comprehensive income data for the nine months ended September 30, 2010 and 2009 and the condensed consolidated statement of financial position data as of September 30, 2010 and 2009 have been extracted without material adjustment from our unaudited interim condensed consolidated financial statements and related notes thereto attached to these listing particulars. Our condensed consolidated statement of financial position data as of September 30, 2009 is derived from our unaudited interim condensed consolidated financial statements dated as of September 30, 2009, that have not been included 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 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 of and for the nine months ended September 30,		As of and for the years ended December 31,				
	2010	2009	2009[1]	2008[1]	2007[1]	2006[1]	2005[1]
Consolidated statement of comprehensive income	(in millions of U.S. dollars) Unaudited		(in millions of U.S. dollars)				
Continuing operations:							
Sale of crude oil and products:							
Exports to international markets, net	64,439	49,559	70,636	122,488	93,820	96,764	81,105
In Venezuela	965	1,875	2,646	2,804	2,357	2,233	1,408
Food and other mass consumption products	247	105	401	173	65	255	402
	65,651	**51,539**	**73,683**	**125,465**	**96,242**	**99,252**	**82,915**
Purchases, net of inventory variation:							
Crude oil and products	24,609	16,986	25,932	44,600	28,137	38,778	32,001
Food and other mass consumption products	218	105	179	-	-	-	-
Operating expenses	9,774	11,964	16,435	17,285	14,958	14,779	14,034
Exploration expenses	81	178	247	375	154	100	118
Depreciation and amortization	4,634	4,272	5,794	5,220	4,018	3,640	3,191
Selling, administrative and general expenses	1,767	2,888	4,985	4,982	2,702	2,184	1,667
Production tax, extraction tax and other taxes	6,325	7,375	13,360	23,462	21,981	18,435	13,318
Social development expenses:							

	As of and for the nine months ended September 30,		As of and for the years ended December 31,				
	2010	2009	2009[(1)]	2008[(1)]	2007[(1)]	2006[(1)]	2005[(1)]
Consolidated statement of comprehensive income	(in millions of U.S. dollars) Unaudited		(in millions of U.S. dollars)				
Social development contributions	3,807	829	2,937	2,326	7,341	6,928	5,384
FONDEN contributions	979	250	577	12,407	6,761	6,856	1,525
Finance (income) expenses:							
Finance income	(792)	(974)	(5,873)	(1,580)	(566)	(397)	(308)
Finance expenses	4,827	682	835	1,780	1,067	1,319	989
Equity in net earnings of non-consolidated investees and jointly controlled entities	85	177	140	(153)	(732)	(1,120)	(1,074)
Gain on sale of group of assets and liabilities held for sale	-	-	-	(998)	-	-	-
Gain on sale of investments in affiliates	-	-	-	-	(641)	(1,432)	-
Other expenses/(income), net	443	1,242	(343)	1,852	(90)	(172)	(52)
	56,757	**45,974**	**65,205**	**111,558**	**85,090**	**89,898**	**70,793**
Profit before income tax	8,894	5,565	8,478	13,907	11,152	9,354	12,122
Income tax	4,867	1,633	3,330	4,281	5,017	4,031	5,793
Profit from continuing operations	**4,027**	**3,932**	**5,148**	**9,626**	**6,135**	**5,323**	**6,329**
Discontinued operations:							
Profit (loss) from discontinued operations, net of income tax	(572)	(1,381)	(754)	(135)	101	20	154
Profit for the period	**3,455**	**2,551**	**4,394**	**9,491**	**6,236**	**5,343**	**6,483**
Other comprehensive income:							
Foreign currency translation difference for foreign operations	26	37	104	(78)	37	109	-
Total comprehensive income	**3,481**	**2,588**	**4,498**	**9,413**	**6,273**	**5,452**	**6,483**
Profit attributable to:							
Company's stockholder	2,947	1,554	2,920	7,529	5,334	4,885	6,469
Non-controlling interest	508	997	1,474	1,962	902	458	14
Profit for the period	**3,455**	**2,551**	**4,394**	**9,491**	**6,236**	**5,343**	**6,483**
Comprehensive income attributable to:							
Company's stockholder	2,973	1,591	3,024	7,451	5,371	4,994	6,469
Non-controlling interest	508	997	1,474	1,962	902	458	14
Total comprehensive income for the period	**3,481**	**2,588**	**4,498**	**9,413**	**6,273**	**5,452**	**6,483**

(1) Certain reclassifications have been made to our 2009, 2008, 2007, 2006 and 2005 consolidated financial statements to conform to the classifications used in our interim condensed consolidated financial statements for the nine-month period ended September 30, 2010. Also, the comparative consolidated statements of income have been presented as if discontinued operations in the current period had taken place at the beginning of the relevant period.

	As of and for the nine months ended September 30,		As of and for the years ended December 31,				
	2010	2009	2009	2008	2007	2006	2005
Cash Flow Information	(in millions of U.S. dollars) Unaudited		(in millions of U.S. dollars)				
From operating activities	9,805	4,827	7,895	16,706	3,809	4,044	5,595
Used in investment activities	(9,368)	(7,938)	(15,313)	(15,848)	(13,187)	(1,748)	(3,939)
From (used in) financing activities	(921)	2,871	9,916	300	10,421	(1,814)	(1,604)

	As of and for the nine months ended September 30,		As of and for the years ended December 31,				
	2010	**2009**	**2009**	**2008**	**2007**	**2006**	**2005**
Venezuela's proved reserves (mmbls) (1)							
Crude Oil	–	–	211,173	172,323	99,377	87,324	80,012
Natural gas in boe (2)	–	–	30,841	30,347	29,469	28,664	26,252
Hydrocarbons in boe	–	–	**242,014**	**202,670**	**128,846**	**115,988**	**106,264**
Venezuela's Production (mbpd)							
PDVSA's Crude Oil Production (3)	2,988	3,041	3,012	3,235	2,904	2,907	2,906
Third party participation in Orinoco Oil Belt	–	–	–	25	246	343	368
Total crude oil	2,988	3,041	**3,012**	**3,260**	**3,150**	**3,250**	**3,274**
PDVSA's production (mbpd)							
Crude Oil (1)	2,988	3,041	3,012	3,235	2,904	2,907	2,906
Liquid petroleum gas	150	166	158	162	172	177	165
Natural gas in boe (2)	652	653	655	659	699	699	705
Hydrocarbons in boe	**3,790**	**3,860**	**3,825**	**4,056**	**3,775**	**3,783**	**3,776**
Average production cost ($/boe)							
Including operating service agreements (4)	5.05	5.29	6.33	7.10	4.93	4.34	3.93
Excluding operating service agreements (4)	4.65	4.95	5.64	5.84	4.88	4.01	3.13
PDVSA's refining capacity (mbpd) (5)							
Venezuela	1,303	1,303	1,303	1,303	1,303	1,303	1,303
Caribbean	384	384	384	384	335	335	335
United States	1,089	1,089	1,089	1,089	1,201	1,201	1,310
Europe	259	259	259	259	259	259	259
Total refining capacity	**3,035**	**3,035**	**3,035**	**3,035**	**3,098**	**3,098**	**3,207**
Sales volume exported (mbpd) (3)							
Crude oil	1,922	2,049	2,019	2,228	2,116	2,210	2,206
Refined products	493	685	663	669	673	765	817
Total exports	**2,415**	**2,734**	**2,682**	**2,897**	**2,789**	**2,975**	**3,023**
Average sales export price ($/bl)							
Crude oil	69.77	52.65	57.25	85.36	62.67	55.20	45.32
Refined products	66.59	47.62	56.84	87.41	65.21	60.04	48.51
Total exports	**69.12**	**51.39**	**57.15**	**85.79**	**63.30**	**55.21**	**46.15**

(1) Proved reserves in Venezuela cannot be presented over nine month intervals since these values are only calculated on an annual basis. Proved reserves include both proved developed and undeveloped reserves, as well as our equity participation in former operating agreements with third parties and 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 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, as follows: 21 mbpd in 2008, 293 mbpd in 2007, 360 mbpd in 2006 and 381 mbpd in 2005.

(4) Calculated by dividing total costs (excluding depreciation, depletion and royalty 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.

Consolidated statement of financial position	As of and for the nine months ended September 30,		As of and for the years ended December 31,				
	2010 [1]	2009[2]	2009[2]	2008[2]	2007[2]	2006[2]	2005[2]
	(in millions of U.S. dollars) Unaudited		(in millions of U.S. dollars)				
Assets							
Property, plant and equipment, net	85,197	76,659	83,457	73,010	52,436	42,503	35,959
Restricted Cash	2,901	1,558	1,649	1,773	1,743	1,928	2,978
Other non-current assets	15,960	21,791	15,731	16,625	13,828	13,065	12,563
Non-current assets	**104.058**	**100,008**	**100,837**	**91,408**	**68,007**	**57,496**	**51,500**
Inventories	8,951	8,448	8,502	8,678	8,470	7,003	5,621
Notes and accounts receivable	12,933	15,105	14,311	10,810	11,225	9,546	7,978
Restricted Cash	570	472	415	347	1,555	441	1,925
Cash and cash equivalents	4,983	4,243	6,981	4,483	3,325	2,282	1,800
Other current assets	10,445	13,299	18,535	16,106	14,312	3,761	1,541
Current assets	**37,882**	**41,567**	**48,711**	**40,424**	**38,887**	**23,033**	**18,865**
Total assets	**141,940**	**141,575**	**149,601**	**131,832**	**106,894**	**80,529**	**70,365**
Equity	**75,260**	**73,635**	**74,389**	**71,513**	**56,062**	**53,103**	**47,095**
Liabilities							
Long-term debt, net of current portion	18,088	15,830	18,489	13,418	13,634	2,262	2,704
Other non-current liabilities	11,681	16,287	14,683	12,515	6,722	6,009	5,447
Non-current liabilities	**29,769**	**32,117**	**33,172**	**25,933**	**20,356**	**8,271**	**8,151**
Current portion long-term debt	3,998	3,363	2,930	1,677	2,977	652	729
Trade accounts payable	7,104	7,526	7,016	7,556	3,111	6,379	4,993
Income tax payable and deferred taxes	4,043	3,256	2,545	2,047	3,048	2,487	4,305
Other current liabilities	21,766	21,678	29,523	23,106	21,340	9,637	5,092
Current liabilities	**36,911**	**35,823**	**42,040**	**34,386**	**30,476**	**19,155**	**15,119**
Total liabilities	**66,680**	**67,940**	**75,212**	**60,319**	**50,832**	**27,426**	**23,270**
Total liabilities and equity	**141,940**	**141,575**	**149,601**	**131,832**	**106,894**	**80,529**	**70,365**
Debt to Equity Ratio[3]							
Total debt including capital lease	22,086	19,193	21,897	15,095	16,611	2,914	3,433
Debt / Equity (%)	29%	26%	29%	21%	30%	5%	7%

(1) On June 30, 2010, we transferred companies in the agricultural and food sector in favor of the *Instituto Autónomo Corporación Venezolana Agraria* (CVA) and to the Vice Presidency of Venezuela, through Presidential Decree 7,418, published in the Official Gazette 39,435 dated May 31, 2010, and Presidential Decree 7,398, published in the Official Gazette 39,451, dated June 22, 2010. As a result, certain reclassifications were made in the consolidated financial statements for the nine months ended September 30, 2010. For comparative purposes certain reclassifications have been made to the September 30, 2009 values above to conform to the reclassifications implemented in the consolidated financial statements for the nine months ended September 30, 2010. See note 8 to the consolidated financial statements for the nine months ended September 30, 2010.

(2) Certain reclassifications have been made to our 2009, 2008, 2007, 2006 and 2005 consolidated financial statements to conform to the classifications used in our consolidated financial statements for the nine-month period ended September 30, 2010. Also, the comparative consolidated statements of income have been presented as if discontinued operations in the current year had taken place at the beginning of the comparative year.

(3) Calculated as total long-term 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 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 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.

In December 2008, President Chávez submitted a proposal to the National Assembly to amend the 1999 Constitution to eliminate the limit on the number of times elected officials may hold the same office. The amendment was approved in a referendum held on February 15, 2009.

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 December 17, 2010, an Enabling Law approved by the Venezuelan National Assembly was published in the Special Official Gazette No. 6,009, empowering the President of Venezuela to enact, during a period of 18 months, decree-laws relating to infrastructure, transportation, housing and public services, among other matters, in order to provide rapid relief to the population affected by floods that occurred in late 2010. The Enabling Law is a measure permitted by the Venezuelan Constitution that grants powers to the Executive Branch for a limited period of time to approve decrees aimed at implementing policies deemed critical to address certain circumstances.

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.

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 14% in 2005, 17% in 2006, 22% in 2007, 30.9% in 2008, 25.1% in 2009 and 27.2% in 2010. 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. 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.

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. Currently, Venezuela's OPEC oil production quota is approximately 3.2 mmbpd.

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 Energy and Petroleum (*Ministerio del Poder Popular para la Energía y Petróleo*). The National Executive, through the Ministry of Energy and Petroleum, 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 Energy and Petroleum, 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 Energy and Petroleum, 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 Energy and Petroleum 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 affect 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 and Fertinitro 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. See "Summary - Recent Developments." 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 $252 billion in Venezuela, the Caribbean and Latin America from 2010 through 2015, which 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, 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.

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). 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. Recently, we have revised our expected recovery factor 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 169,718 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, royalty 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 royalty 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 deviate 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 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 approximately $3,702 million as of September 30, 2010) 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, commercial banks and savings and loan companies acting through the System for Transactions with Securities in Foreign Currency (*Sistema de Transacciones con Títulos en Moneda Extranjera*) ("SITME") 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 Resolution No. 10-09-01 of the Central Bank dated September 30, 2010.

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, 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.

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 Dealer Managers that they currently intend to make a market in the Notes following completion of this offering, none of the Dealer Managers 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. 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 Notes will be issued with original issue discount for U.S. Federal income tax purposes.

The Notes will be issued with original issue discount for U.S. Federal income tax purposes. Regardless of a U.S. Holder's (as defined under "Tax Considerations") regular method of tax accounting, the U.S. Holder is generally 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 "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 Noteholders 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 only be enforced against its assets located in Venezuela 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 of this offering, after deducting the estimated discounts, commissions and offering expenses payable by us, were approximately U.S. $2,994,533,685.91. 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.

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 September 30, 2010, as adjusted to give effect to (i) the October 2010 issuance of $3,000 million 8.5% senior notes due 2017, (ii) the November 2010 exchange of $550.0 million zero-coupon bonds due 2011 for $618.7 million 8.0% senior notes due 2013, (iii) the January 2011 issuance of $3,150 million 8.5% senior notes due 2017, and (iv) the December 2010 issuance of investment certificates in an aggregate principal amount of Bs.2,000 million, their exchange in January 2011 for an investment certificate having the same aggregate principal amount and the January 2011 issuance of an investment certificate in an aggregate principal amount of Bs.500 million, and as further adjusted to give effect to the issuance of the Notes, as if each such actions had occurred on September 30, 2010. 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 these listing particulars.

	As of September 30, 2010		
	Actual	**As Adjusted**	**As Further Adjusted**
		(**$ in millions**)	
Debt and capital lease obligations:			
Notes offered herein	-	-	3,000[1]
Other guaranteed notes and bonds	15,525	21,743 [2]	21,743[2]
Other facilities agreements	3,290	3,755 [3]	3,755[3]
Loans guaranteed by export credit agencies [4]	2,821	2,821	2,821
Capital lease obligations	450	450	450
Total debt	22,086	28,769	31,769
Non-controlling interests	8,704	8,704	8,704
Shareholder's equity [5]	66,556	66,556	66,556
Total Capitalization	97,346	104,029	107,029

(1) Reflects the issuance of $ 3,000 million of Notes without giving effect to OID.
(2) Reflects the October 2010 issuance of $3,000 million 8.5% senior notes due 2017, the November 2010 exchange of $550 million zero-coupon bonds due 2011 for $618.7 million 8.0% senior notes due 2013 and the January 2011 issuance of $3,150 million 8.5% senior notes due 2017.
(3) Reflects the short term investment certificates issued on December 2010 for an aggregate principal amount of Bs.2,000 million, their exchange in January 2011 for an investment certificate in the same aggregate principal amount and the January 2011 issuance of an investment certificate in an aggregate principal amount of Bs.500 million.
(4) Includes $3,500 million loan agreement with Japan Bank for International Cooperation from February 2007 and an Export Credit Agreement with Deutsche Bank Sociedad Anónima Española in the amount of 59 million euros.
(5) Excludes non-controlling interests.

SELECTED FINANCIAL AND OPERATING DATA

Issuer

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 condensed consolidated statement of comprehensive income data for the years ended December 31, 2009, 2008 and 2007 and the condensed consolidated statement of financial position as of December 31, 2009, 2008 and 2007 have been extracted without material adjustments from our consolidated financial statements and related notes thereto attached to these listing particulars, which have been audited by Rodríguez Velázquez & Asociados (formerly Alcaraz Cabrera Vázquez), a member firm of the KPMG, network of independent member firms affiliated with KPMG International Cooperative (an independent auditor), in accordance with International Standards on Auditing. Our condensed consolidated statement of comprehensive income data for the years ended December 31, 2006 and 2005 and the condensed consolidated statement of financial position as of December 31, 2006 and 2005 have been extracted without material adjustments from our consolidated financial statements and related notes thereto attached to these listing particulars, which have been audited by Rodríguez Velázquez & Asociados (formerly Alcaraz Cabrera Vázquez), a member firm of the KPMG network of independent member firms, affiliated with KPMG International Cooperative (an independent auditor), in accordance with International Standards on Auditing, which have not been included in these listing particulars. Our consolidated financial statements were prepared in conformity with IFRS and audited in accordance with International Standards on Auditing.

Our condensed consolidated statement of comprehensive income data for the nine months ended September 30, 2010 and 2009 and the condensed consolidated statement of financial position data as of September 30, 2010 and 2009 have been extracted without material adjustment from our unaudited interim condensed consolidated financial statements and related notes thereto attached to these listing particulars. Our condensed consolidated statement of financial position data as of September 30, 2009 is derived from our unaudited interim condensed consolidated financial statements dated as of September 30, 2009, that have not been included 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 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 of and for the nine months ended September 30,		As of and for the years ended December 31,				
	2010	2009	2009[1]	2008[1]	2007[1]	2006[1]	2005[1]
Consolidated statement of comprehensive income	(in millions of U.S. dollars) Unaudited		(in millions of U.S. dollars)				
Continuing operations:							
Sale of crude oil and products:							
Exports to international markets, net	64,439	49,559	70,636	122,488	93,820	96,764	81,105
In Venezuela	965	1,875	2,646	2,804	2,357	2,233	1,408
Food and other mass consumption products	247	105	401	173	65	255	402
	65,651	**51,539**	**73,683**	**125,465**	**96,242**	**99,252**	**82,915**
Purchases, net of inventory variation:							
Crude oil and products	24,609	16,986	25,932	44,600	28,137	38,778	32,001
Food and other mass consumption products	218	105	179	-	-	-	-
Operating expenses	9,774	11,964	16,435	17,285	14,958	14,779	14,034
Exploration expenses	81	178	247	375	154	100	118
Depreciation and amortization	4,634	4,272	5,794	5,220	4,018	3,640	3,191
Selling, administrative and general expenses	1,767	2,888	4,985	4,982	2,702	2,184	1,667
Production tax, extraction tax and other taxes	6,325	7,375	13,360	23,462	21,981	18,435	13,318
Social development expenses:							

	As of and for the nine months ended September 30,		As of and for the years ended December 31,				
	2010	2009	2009[1]	2008[1]	2007[1]	2006[1]	2005[1]
Consolidated statement of comprehensive income	(in millions of U.S. dollars) Unaudited		(in millions of U.S. dollars)				
Social development contributions	3,807	829	2,937	2,326	7,341	6,928	5,384
FONDEN contributions	979	250	577	12,407	6,761	6,856	1,525
Finance (income) expenses:							
Finance income	(792)	(974)	(5,873)	(1,580)	(566)	(397)	(308)
Finance expenses	4,827	682	835	1,780	1,067	1,319	989
Equity in net earnings of non-consolidated investees and jointly controlled entities	85	177	140	(153)	(732)	(1,120)	(1,074)
Gain on sale of group of assets and liabilities held for sale	-	-	-	(998)	-	-	-
Gain on sale of investments in affiliates	-	-	-	-	(641)	(1,432)	-
Other expenses/(income), net	443	1,242	(343)	1,852	(90)	(172)	(52)
	56,757	**45,974**	**65,205**	**111,558**	**85,090**	**89,898**	**70,793**
Profit before income tax	8,894	5,565	8,478	13,907	11,152	9,354	12,122
Income tax	4,867	1,633	3,330	4,281	5,017	4,031	5,793
Profit from continuing operations	**4,027**	**3,932**	**5,148**	**9,626**	**6,135**	**5,323**	**6,329**
Discontinued operations:							
Profit (loss) from discontinued operations, net of income tax	(572)	(1,381)	(754)	(135)	101	20	154
Profit for the period	**3,455**	**2,551**	**4,394**	**9,491**	**6,236**	**5,343**	**6,483**
Other comprehensive income:							
Foreign currency translation difference for foreign operations	26	37	104	(78)	37	109	-
Total comprehensive income	**3,481**	**2,588**	**4,498**	**9,413**	**6,273**	**5,452**	**6,483**
Profit attributable to:							
Company's stockholder	2,947	1,554	2,920	7,529	5,334	4,885	6,469
Non-controlling interest	508	997	1,474	1,962	902	458	14
Profit for the period	**3,455**	**2,551**	**4,394**	**9,491**	**6,236**	**5,343**	**6,483**
Comprehensive income attributable to:							
Company's stockholder	2,973	1,591	3,024	7,451	5,371	4,994	6,469
Non-controlling interest	508	997	1,474	1,962	902	458	14
Total comprehensive income for the period	**3,481**	**2,588**	**4,498**	**9,413**	**6,273**	**5,452**	**6,483**

(1) Certain reclassifications have been made to our 2009, 2008, 2007, 2006 and 2005 consolidated financial statements to conform to the classifications used in our interim condensed consolidated financial statements for the nine-month period ended September 30, 2010. Also, the comparative consolidated statements of income have been presented as if discontinued operations in the current period had taken place at the beginning of the relevant period.

	As of and for the nine months ended September 30,		As of and for the years ended December 31,				
	2010	2009	2009	2008	2007	2006	2005
Cash Flow Information	(in millions of U.S. dollars) Unaudited		(in millions of U.S. dollars)				
From operating activities	9,805	4,827	7,895	16,706	3,809	4,044	5,595
Used in investment activities	(9,368)	(7,938)	(15,313)	(15,848)	(13,187)	(1,748)	(3,939)
From (used in) financing activities	(921)	2,871	9,916	300	10,421	(1,814)	(1,604)

	As of and for the nine months ended September 30,		As of and for the years ended December 31,				
	2010	**2009**	**2009**	**2008**	**2007**	**2006**	**2005**
Venezuela's proved reserves (mmbls) (1)							
Crude Oil	–	–	211,173	172,323	99,377	87,324	80,012
Natural gas in boe (2)	–	–	30,841	30,347	29,469	28,664	26,252
Hydrocarbons in boe	–	–	**242,014**	**202,670**	**128,846**	**115,988**	**106,264**
Venezuela's Production (mbpd)							
PDVSA's Crude Oil Production (3)	2,988	3,041	3,012	3,235	2,904	2,907	2,906
Third party participation in Orinoco Oil Belt	–	–	-	25	246	343	368
Total crude oil	2,988	3,041	**3,012**	**3,260**	**3,150**	**3,250**	**3,274**
PDVSA's production (mbpd)							
Crude Oil (1)	2,988	3,041	3,012	3,235	2,904	2,907	2,906
Liquid petroleum gas	150	166	158	162	172	177	165
Natural gas in boe (2)	652	653	655	659	699	699	705
Hydrocarbons in boe	**3,790**	**3,860**	**3,825**	**4,056**	**3,775**	**3,783**	**3,776**
Average production cost ($/boe)							
Including operating service agreements (4)	5.05	5.29	6.33	7.10	4.93	4.34	3.93
Excluding operating service agreements (4)	4.65	4.95	5.64	5.84	4.88	4.01	3.13
PDVSA's refining capacity (mbpd) (5)							
Venezuela	1,303	1,303	1,303	1,303	1,303	1,303	1,303
Caribbean	384	384	384	384	335	335	335
United States	1,089	1,089	1,089	1,089	1,201	1,201	1,310
Europe	259	259	259	259	259	259	259
Total refining capacity	**3,035**	**3,035**	**3,035**	**3,035**	**3,098**	**3,098**	**3,207**
Sales volume exported (mbpd) (3)							
Crude oil	1,922	2,049	2,019	2,228	2,116	2,210	2,206
Refined products	493	685	663	669	673	765	817
Total exports	**2,415**	**2,734**	**2,682**	**2,897**	**2,789**	**2,975**	**3,023**
Average sales export price ($/bl)							
Crude oil	69.77	52.65	57.25	85.36	62.67	55.20	45.32
Refined products	66.59	47.62	56.84	87.41	65.21	60.04	48.51
Total exports	**69.12**	**51.39**	**57.15**	**85.79**	**63.30**	**55.21**	**46.15**

(1) Proved reserves in Venezuela cannot be presented over nine month intervals since these values are only calculated on an annual basis. Proved reserves include both proved developed and undeveloped reserves, as well as our equity participation in former operating agreements with third parties and 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 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, as follows: 21 mbpd in 2008, 293 mbpd in 2007, 360 mbpd in 2006 and 381 mbpd in 2005.

(4) Calculated by dividing total costs (excluding depreciation, depletion and royalty 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.

Consolidated statement of financial position	As of and for the nine months ended September 30,		As of and for the years ended December 31,				
	2010 [1]	2009[2]	2009[2]	2008[2]	2007[2]	2006[2]	2005[2]
	(in millions of U.S. dollars) Unaudited		(in millions of U.S. dollars)				
Assets							
Property, plant and equipment, net	85,197	76,659	83,457	73,010	52,436	42,503	35,959
Restricted Cash	2,901	1,558	1,649	1,773	1,743	1,928	2,978
Other non-current assets	15,960	21,791	15,731	16,625	13,828	13,065	12,563
Non-current assets	**104.058**	**100,008**	**100,837**	**91,408**	**68,007**	**57,496**	**51,500**
Inventories	8,951	8,448	8,502	8,678	8,470	7,003	5,621
Notes and accounts receivable	12,933	15,105	14,311	10,810	11,225	9,546	7,978
Restricted Cash	570	472	415	347	1,555	441	1,925
Cash and cash equivalents	4,983	4,243	6,981	4,483	3,325	2,282	1,800
Other current assets	10,445	13,299	18,535	16,106	14,312	3,761	1,541
Current assets	**37,882**	**41,567**	**48,711**	**40,424**	**38,887**	**23,033**	**18,865**
Total assets	**141,940**	**141,575**	**149,601**	**131,832**	**106,894**	**80,529**	**70,365**
Equity	**75,260**	**73,635**	**74,389**	**71,513**	**56,062**	**53,103**	**47,095**
Liabilities							
Long-term debt, net of current portion	18,088	15,830	18,489	13,418	13,634	2,262	2,704
Other non-current liabilities	11,681	16,287	14,683	12,515	6,722	6,009	5,447
Non-current liabilities	**29,769**	**32,117**	**33,172**	**25,933**	**20,356**	**8,271**	**8,151**
Current portion long-term debt	3,998	3,363	2,930	1,677	2,977	652	729
Trade accounts payable	7,104	7,526	7,016	7,556	3,111	6,379	4,993
Income tax payable and deferred taxes	4,043	3,256	2,545	2,047	3,048	2,487	4,305
Other current liabilities	21,766	21,678	29,549	23,106	21,340	9,637	5,092
Current liabilities	**36,911**	**35,823**	**42,040**	**34,386**	**30,476**	**19,155**	**15,119**
Total liabilities	**66,680**	**67,940**	**75,212**	**60,319**	**50,832**	**27,426**	**23,270**
Total liabilities and equity	**141,940**	**141,575**	**149,601**	**131,832**	**106,894**	**80,529**	**70,365**
Debt to Equity Ratio[3]							
Total debt including capital lease	22,086	19,193	21,897	15,095	16,611	2,914	3,433
Debt / Equity (%)	29%	26%	29%	21%	30%	5%	7%

(1) On June 30, 2010, we transferred companies in the agricultural and food sector in favor of the *Instituto Autónomo Corporación Venezolana Agraria* (CVA) and to the Vice Presidency of Venezuela, through Presidential Decree 7,418, published in the Official Gazette 39,435 dated May 31, 2010, and Presidential Decree 7,398, published in the Official Gazette 39,451, dated June 22, 2010. As a result, certain reclassifications were made in the interim condensed consolidated financial statements for the nine months ended September 30, 2010. For comparative purposes certain reclassifications have been made to the September 30, 2009 values above to conform to the reclassifications implemented in the interim condensed consolidated financial statements for the nine months ended September 30, 2010. See note 8 to the consolidated financial statements for the nine months ended September 30, 2010.

(2) Certain reclassifications have been made to our 2009, 2008, 2007, 2006 and 2005 consolidated financial statements to conform to the classifications used in our consolidated financial statements for the nine-month period ended September 30, 2010. Also, the comparative consolidated statements of income have been presented as if discontinued operations in the current year had taken place at the beginning of the comparative year.

(3) Calculated as total long-term debt and capital leases, including current portion, divided by stockholder's equity.

Guarantor

The following table presents the Guarantor's summary consolidated financial 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, the Guarantor's financial statements, including the notes thereto, incorporated by reference to these listing particulars.

The Guarantor's consolidated statement of comprehensive income data for the years ended December 31, 2009 and 2008 and consolidated statement of financial position data as of December 31, 2009 and 2008 have been extracted without material adjustment from the Guarantor's consolidated financial statements and related notes thereto incorporated by reference to these listing particulars, which have been audited by Rodríguez Velázquez & Asociados (formerly Alcaraz Cabrera Vázquez), a member firm of the KPMG network of independent member firms, affiliated with KPMG International Cooperative (an independent auditor), in accordance with International Standards on Auditing. The Guarantor's consolidated financial statements were prepared in conformity with IFRS and audited in accordance with International Standards on Auditing.

	As of and for the years ended December 31,	
	2009	**2008**
Guarantor's consolidated statement of comprehensive income	**(in millions of U.S. dollars)**	
Continuing operations:		
Sale of crude oil and products:		
Exports to international markets, net	46,491	75,684
In Venezuela	1,738	2,587
	48,229	**78,271**
Costs and Expenses:		
Purchases of crude oil and products	22,306	31,998
Operating expenses	11,157	10,643
Exploration expenses	247	346
Depreciation and amortization	3,121	2,798
Selling, administrative and general expenses	1,942	7,463
Production tax, extraction tax and other taxes	6,908	14,247
Social development expenses:		
Social development contributions	931	2,001
FONDEN contributions	38	2,187
Finance (income) expenses:		
Finance income	(43)	(249)
Finance expenses	878	1,209
Other expenses, net	597	2,010
	48,082	**74,653**
Profit before income tax	147	3,618
Income tax	(1,283)	(294)
Profit from continuing operations	**1,430**	**3,912**
Discontinued operations:		
Income from discontinued operations, net of income tax	–	333
Profit for the period	**1,430**	**4,245**
Other comprehensive income:		
There are no significant other comprehensive income items for the years 2009 and 2008	–	–
Total comprehensive income	**1,430**	**4,245**
Profit attributable to:		
Company's stockholder	1,432	4,248
Non-controlling interest	(2)	(3)
Profit for the period	**1,430**	**4,245**

Guarantor's Cash Flow Information	As of and for the years ended December 31, 2009	2008
	(in millions of U.S. dollars)	
Net cash from operating activities	5,468	11,566
Net cash used in investment activities	(8,765)	(9,819)
Net cash from (used in) financing activities	3,702	(1,805)

Guarantor's consolidated statement of financial position	As of and for the years ended December 31, 2009	2008
	(in millions of U.S. dollars)	
Assets		
Property, plant and equipment, net	41,081	35,740
Deferred tax asset	6,585	4,984
Accounts receivables and other assets	2,653	2,462
Recoverable value-added tax, net of current position	–	4,375
Restricted Cash, net of current position	301	301
Non-current assets	**50,620**	**47,862**
Inventories	3,770	3,997
Recoverable value-added tax	6,888	1,467
Notes and accounts receivable	12,723	9,836
Prepaid expenses and other assets	6,244	6,547
Restricted cash	331	41
Cash and cash equivalents	84	309
Current assets	**30,040**	**22,197**
Total assets	**80,660**	**70,059**
Equity	**40,990**	**39,560**
Liabilities		
Long-term debt, net of current portion	13	15
Employee benefits and other postretirement benefits, net of current position	5,203	3,357
Deferred tax liabilities	580	236
Provisions, net of current portion	2,476	2,268
Accruals and other liabilities, net of current position	1,708	1,140
Accounts payable to PDVSA	4,798	1,723
Non-current liabilities	**14,778**	**8,766**
Long-term debt	1	2
Employee benefits and other postretirement benefits	471	826
Accounts payable to suppliers	12,213	8,909
Income tax payable	7	45
Provisions	1,912	1,843
Accruals and other liabilities	10,288	10,108
Current liabilities	**24,892**	**21,733**
Total liabilities	**39,670**	**30,499**
Total liabilities and equity	**80,660**	**70,059**

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

The following discussion should be read in conjunction with our and the Guarantor's 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 September 30, 2010 and December 31, 2009, our daily output of crude oil reached 2,988 mbpd and 3,012 mbpd, respectively from 3,041 mbpd and 3,235 mbpd as of September 30, 2009 and December 31, 2008, respectively. We explore and produce hydrocarbons in Venezuela and mainly sell crude oil to the United States and Canada, the Caribbean, 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 6,559 tcf per day as of September 30, 2010 and 6,600 tcf per day as of December 31, 2009. 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.

Social Development Expenses

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. According to the Law of the Central Bank and Foreign Exchange Agreement No. 9, as amended on August 11, 2009, during the course of each fiscal year, we are required to transfer to FONDEN any non-Venezuelan currency revenues obtained from the export of hydrocarbons exceeding our projected cash flow requirements for such fiscal year, which include amounts necessary to satisfy of our operational, investment and financing expenditures, as well as other obligations. These contributions may be adjusted from time to time during each fiscal year based on our actual cash flow requirements and revenues realized during such year. Moreover, the amounts needed to satisfy our operational and investment expenditures are at the discretion of our Board of Directors, and subject to change at any time, which could result in a change in our excess cash flows available for social contribution programs.

In addition to the foregoing, we also contribute funds to FONDEN through mandatory transfers required under the *Ley de Contribución Especial Sobre Precios Extraordinarios del Mercado Internacional de Hidrocarburos* (Law on Special Contribution on Excess Prices in the International Hydrocarbons Markets) published in the Official Gazette No. 38,910 dated as of April 15, 2008, pursuant to which crude oil and derivatives

exporters (including us) are required to pay to FONDEN, an amount in dollars equivalent to 50% or 60% of all crude and other hydrocarbons exports generated in any given month in which the Brent oil price average exceeds $70 or $100, respectively. See "Risk Factors – Risk Factors Related to our Business – 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."

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. In the past, there has always been a margin between our revenues and social development contributions. Between 2004 and 2009, the average social contributions represented approximately 9% of our revenues. We contributed a total of $14,102 million in 2007, $14,733 million in 2008 and $3,514 million in 2009, and a total of $4,786 million in the first nine months of 2010, 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. In addition, we plan to expand and enable our distribution processes in order to increase our international market shares. We plan to also increase our focus on the LNG markets.

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.

Presently the OPEC oil production quota for Venezuela is approximately 3.2 mmbpd.

During 2009, the OPEC crude basket price decreased by $33.39 per barrel, or 35.4%, from $94.45 per barrel in 2008 to $61.06 per barrel in 2009. The average price of our exports, including refined products, decreased by $29.48 per barrel, or 34.1%, from $86.49 per barrel in 2008 to $57.01 per barrel in 2009.

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 27, 2011, an amendment to the Foreign Exchange Agreement N° 15 (*Convenio Cambiario No. 15*) was published, extending the transitory application of the now abrogated Bs.2.60 /$1 exchange rate for the sale of non-Venezuelan currency in transactions having the authorization to acquire 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 but not settled as of the date of such amendment, and relating to the import of food and health products, the payment of expenses of students abroad, the payment of expenses for health recovery, sports, culture and scientific investigations, payments to retired persons abroad and other cases of special urgency as determined by CADIVI in its discretion.

In preparing our statements of financial position and statements of comprehensive income, we are required to convert expenses in local currency into U.S. dollars at the exchange rate of Bs.4.30 to $1, while the average exchange rate for the nine months ended September 30, 2010 at which dollars were sold to the Central Bank to cover these local currency expenses was Bs.3.63 to $1. The foregoing resulted in us registering accounting losses from the sale of currency to the Central Bank totaling $3,804 million during the nine-month period ended September 30, 2010. See Note 10 to our consolidated financial statements as of September 30, 2010.

The annual devaluation rate for 2008 and 2009 was 0% and the inflation rate was 30.9% and 25.15% for 2008 and 2009, respectively. The following table presents the exchange rates at December 31 for the years ended 2005 through 2009 and at September 30 for the nine months ended September 30, 2010 and 2009.

	At and for period ended September 30,		At December 31,				
	2010	**2009**	**2009**	**2008**	**2007**	**2006**	**2005**
Exchange rates at period-end derived from exchange agreement with the BCV (Bs./$1)[1]	4.30	2.15	2.15	2.15	2.15	2.15	2.15
Average exchange rates (Bs./$1)	4.30	2.15	2.15	2.15	2.15	2.15	2.15
Increments in the exchange rate (%)	100	-	-	-	-	-	1.86
CPI[2] Increase (%)	21.86	20.39	26.90	31.90	22.00	17.00	14.36
NCPI[3] Increase (%)	21.20	18.49	25.15	30.90	-	-	-

(1) See note 2 to our consolidated financial statements.
(2) Consumer Price Index
(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 1(b) to our consolidated financial statements.

Results of operations for the nine-month period ended September 30, 2010 compared to the nine-month period ended September 30, 2009

Production

All of our crude oil, liquid petroleum gas and gas production operations are located in Venezuela. Our production of crude oil averaged 2,988 mbpd for the nine months ended September 30, 2010, a 1.7% decrease from 3,041 mbpd produced for the same period in 2009. Our production of liquid petroleum gas averaged 150 mbpd for the nine months ended September 30, 2010, as compared to 166 mbpd for the same period in 2009. Our gross production of gas was 6,559 tcf per day for the nine months ended September 30, 2010, a 0.8% decrease as compared to 6,616 tcf per day for the same period in 2009.

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 3,183 mbpd for the nine months ended September 30, 2010 as compared to 2,593 mbpd for the same period in 2009.

Total Revenues

Total revenues increased by $14,112 million, or 27.4%, to $65,651 million for the nine months ended September 30, 2010 from $51,539 million for the same period in 2009. This increase was mainly due to an increase in the price of crude oil and gas. See "Selected Financial and Operating Data" and the table setting forth our consolidated sales volumes.

Export Revenues of Crude Oil and Refined Products

Exports represented 98.2% of our sales volumes. Our exports decreased in volume by 319 mbdp, or 11.6% to 2,415 mbpd for the nine months ended September 30, 2010 from 2,734 mbpd for the same period in 2009, due to greater processing of crude oil in the domestic refineries and a decrease in our production of crude oil. Exports of crude oil decreased 136 mbpd, which represented a decrease of approximately 6.6% from September 30, 2009 to September 30, 2010. In addition, exports of refined petroleum products decreased 200 mbpd, which represented a decrease of approximately 28.9% from September 30, 2009 to September 30, 2010. The average export price per barrel for Venezuelan crude oil, refined petroleum products and liquid petroleum gas increased by $17.94, or 25.3%, to $70.78 for the nine months ended September 30, 2010 from $52.84 for the nine months ended September 30, 2009.

Sales Revenues of International Subsidiaries

For the nine months ended September 30, 2010, 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 3,331 mbpd for the nine months ended September 30, 2009, as compared to 3,072 mbpd of total sales of such products for the nine months ended September 30, 2010. PDV America, through its wholly owned subsidiaries (primarily 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 our unconsolidated affiliates) for supply to the refining and marketing network in the United States. PDV America's sales revenues increased $5,315 million to $23,017 million for the nine months ended September 30, 2010 from $17,702 million for the nine months ended September 30, 2009. This increase was mainly due to an increase in the price of crude oil.

Domestic Sales

We sold 657 mbpd of refined petroleum products (including liquid petroleum gas) domestically for the nine months ended September 30, 2010, as compared to 597 mbpd sold domestically for the same period in 2009. We also sold 82 mbpd of oil equivalent of gas in each of the nine months ended September 30, 2009 and 2010, respectively. The sales of food and other mass consumption products increased by $142 million, or 135.2% to $247 million for the nine months ended September 30, 2010 from $105 million for the nine months ended September 30, 2009.

Costs and Expenses

Purchase of Crude Oil and Refined Petroleum Products, net of inventory variation

Our purchase of crude oil and refined petroleum products, net of inventory variation, increased by $7.623 million, or 44.9%, to $24,609 million for the nine months ended September 30, 2010 from $16,986 million for the same period in 2009, largely due to the increase in the prices of crude oil and the acquisition of products in the international markets primarily by our subsidiary, CITGO.

Operating Expenses

Our operating expenses decreased by $2,190 million, or 18.3%, to $9,774 million for the nine months ended September 30, 2010 from $11,964 million for the nine months ended September 30, 2009, due to a decrease in costs of third-party services, improvements in the procedures for purchasing materials and a reduction in professional fees related to the retention of services from acquired companies. Additionally, our operating expenses decreased in Venezuela as a result of a change in the exchange rate.

Exploration Expenses

Our total exploration expenses decreased by $97 million, or 54.5%, to $81 million for the nine months ended September 30, 2010, from $178 million for the nine months ended September 30, 2009. The decrease in exploration expenses is attributable to a greater transfer of dry wells being accounted for under our exploration expenses and changes in the $/Bs. exchange rate, which directly impacted our exploration expenses denominated in Bolívares.

Depreciation and Amortization

Depreciation and amortization increased by $362 million, or 8.5%, to $4,634 million for the nine months ended September 30, 2010 from $4,272 million for the same period in 2009. The increase was a result of a larger asset base due to capital investments in property, plant and equipment.

Production Tax, Extraction Tax and Other Taxes

Production tax, extraction tax and other taxes decreased by $1,050 million, or 14.2%, to $6,325 million for the nine months ended September 30, 2010 from $7,375 million for the nine months ended September 30, 2009. This decrease is attributable to changes in the $/Bs. exchange rate in January 2010, which, in turn, reduced cost of salaries, expenses, assets and liabilities denominated in Bolívares in real terms.

Social Development Expenses

Social development expenses increased by $3,707 million, or 343.5%, to $4,786 million for the nine months ended September 30, 2010 from $1,079 million for the nine months ended September 30, 2009 mainly due to an increase in contributions and social programs made during 2010. This increase in contributions and social programs was a result of an increase in crude oil and gas prices, which resulted in from a greater availability of resources for social development.

Finance Income

Our finance income decreased by $182 million, or 22.9%, from $974 million for the nine months ended September 30, 2009 to $792 million for the nine months ended September 30, 2010. The decrease is mainly attributed to one-off operations involving investment instruments effected in the first half of 2009, which did not occur in 2010. In addition, such decrease resulting from the absence of said investments was partially offset by an increase in finance income resulting from changes in the $/Bs. exchange rate.

Finance Expenses

Finance expenses increased by $4,145 million, or 607.8% to $4,827 million for the nine months ended September 30, 2010 from $682 million for the nine months ended September 30, 2009. The increase in finance expenses resulted mainly from the effect of accounting losses from the sale of currency to the Central Bank in accordance with the Foreign Exchange Agreement No. 9 and No. 14 published in November 2005 and January 2010, respectively, and our incurrence of additional indebtedness. Expenses in local currency are converted into U.S. dollars at the exchange rate of Bs.4.30 to $1 when preparing our statements of financial position and statements of comprehensive income, while the average exchange rate at which dollars were sold to the Central Bank to cover these local currency expenses for the nine months ended September 30, 2010 was Bs.3.63 to $1.

Equity in Losses of Non-consolidated Investees and Jointly Controlled Entities

Equity in losses of non-consolidated investees and jointly controlled entities decreased $92 million, or 52.0%, to $85 million for the nine months ended September 30, 2010 from $177 million for the nine months ended September 30, 2009. This decrease resulted primarily from an increase of prices and the positive refinancing margins of the entities jointly acquired internationally.

Income Tax

Income tax increased by $3,234 million, or 198.0%, to $4,867 million for the nine months ended September 30, 2010 from $1,633 million during the same period in 2009. This increase was primarily due to an increase in the operating income of several of our Venezuelan affiliates as a result of changes in the exchange rate.

Results of operations for the year ended December 31, 2009 compared to the year ended December 31, 2008

Production

All of our crude oil, liquid petroleum gas and gas production operations are located in Venezuela. Our production of crude oil averaged 3,012 mbpd in 2009, a 6.9% decrease from 3,235 mbpd produced in 2008. Our production of liquid petroleum gas averaged 158 mbpd in 2009, as compared to 162 mbpd in 2008. Our production of gas (net of amounts re-injected) was 3,800 mmcfd in 2009, a 0.6% decrease as compared to 3,823 mmcfd in 2008. These decreases in volumes were due to a decrease in Venezuela's OPEC production quota, which went into effect at the end of 2008.

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 2,687 mbpd in 2009, as compared to 2,746 mbpd in 2008.

Total Revenues

Total revenues decreased by $51,782 million, or 41.3%, to $73,683 million in 2009 from $125,465 million in 2008 due to a decrease of approximately 34% in the average price per barrel of crude oil, from $86.5 in 2008 to $57.1 in 2009. See "Selected Financial and Operating Data" and the table setting forth our consolidated sales volumes.

Export Revenues of Crude Oil and Refined Products

Exports represented 94.2% of our sales volumes for the year ended December 31, 2009. Our exports decreased in volume by approximately 7.4% to 2,682 mbpd in 2009 from 2,897 mbpd in 2008, as a consequence of OPEC quota reductions in oil production. In addition, exports of refined petroleum products decreased 6 mbpd, which represented a decrease of approximately 1.0% from 2008 to 2009. The average export price per barrel for Venezuelan crude oil, refined petroleum products and liquid petroleum gas was $57.01 in 2009, as compared to $86.50 in 2008, representing a 34.1% decrease.

Sales Revenues of International Subsidiaries

In 2009, 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 3,477 mbpd in 2008, a 5.6% decrease as compared to 3,281 mbpd of total sales of such products in 2009. PDV America, through its wholly owned subsidiaries (primarily 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 the refining and marketing network in the United States. PDV America's sales revenues decreased $16,464 million, or 39.9%, to $24,814 million in 2009 from $41,278 million in 2008 due to a decrease in the price of crude oil and gas.

Domestic Sales

We sold 599 mbpd of refined petroleum products (including liquid petroleum gas) domestically in 2009, a 3.3% increase as compared to 580 mbpd sold domestically in 2008. We also sold 307 mbpd of oil equivalent of gas in each of 2008 and 2009. The sales of food and other mass consumption products increased 131.8% from $173 million in 2008 to $401 million in 2009.

Costs and Expenses

Purchase of Crude Oil and Refined Petroleum Products, net of inventory variation

Our purchase of crude oil and refined petroleum products, net of inventory variation, decreased by 41.9% to $25,932 million in 2009 from $44,600 million in 2008, primarily due to a decrease in the price of crude oil and petroleum products globally.

Operating Expenses

Our operating expenses decreased by $850 million, or 4.9%, to $16,435 million in 2009 from $17,285 million in 2008, due to a decrease in costs of third-party services, improvements in the procedures for purchasing materials and a reduction in professional fees related to the retention of services from acquired companies.

Exploration Expenses

Our total exploration expenses were $247 million in 2009, a decrease of $128 million, or 34.1%, as compared to $375 million in 2008. The decrease in exploration expenses is attributable to a greater transfer of dry wells into exploration expenses in 2008.

Depreciation and Amortization

Depreciation and amortization increased by $574 million, or 11%, to $5,794 million in 2009 from $5,220 million in 2008. The increase was a result of the execution of an increase in capital expenditures related to additions to existing assets.

Production Tax, Extraction Tax and Other Taxes

Production tax, extraction tax and other taxes decreased by $10,102 million, or 43.1%, to $13,360 million in 2009 from $23,462 million in 2008. The decrease was a result of the lower prices of crude oil and gas in the international market. See "—Impact of Taxes on Net Income and Cash Flows."

Social Development Expenses

Social development expenses decreased by $11,219 million, or 76.1%, to $3,514 million in 2009 from $14,733 million in 2008 mainly due to a decrease of contributions and social programs made during 2009 as a result of a decrease in the price of crude oil and gas.

Finance Income

Our finance income was $1,580 million in 2008 compared to $5,873 million in 2009. This increase was principally due to the positive difference between the purchase price paid by investors to subscribe our bonds issued in 2009 and the nominal value of said securities. See Note 12 to our consolidated financial statements as of December 31, 2009.

Finance Expenses

Finance expenses amounted to $835 million in 2009 and $1,780 million in 2008. This decrease was mainly related to our accounts receivables, which we are required to carry at fair value. In connection with the long-term financing provided to our PetroCaribe customers, we wrote down a substantial amount of such receivables in 2008. In 2009, the Venezuelan government compensated us for a portion of the difference between the receivables and the fair value, resulting in a lower finance expense.

Equity in Earnings of Non-consolidated Investees and Jointly Controlled Entities

Equity in earnings of non-consolidated investees and jointly controlled entities increased $293 million, or 191.5%, to $140 million in 2009 from $(153) million in 2008. This decrease resulted primarily from our loss in investments in non-consolidated entities and joint ventures principally in the refining sector. Such a loss in investments is attributable to lower margins in the refinery business during 2009.

Income Tax

Income tax during 2009 decreased by $951 million, or 22.2%, to $3,330 million from $4,281 million in 2008. This decrease was due to lower operating income.

Results of operations for the year ended December 31, 2008 compared to the year ended December 31, 2007

Production

All of our crude oil, liquid petroleum gas and gas production operations are located in Venezuela. Our production of crude oil averaged 3,235 mbpd in 2008, an 11.4% increase from 2,904 mbpd produced in 2007. Our production of liquid petroleum gas averaged 162 mbpd in 2008, a 6.1% decrease from 172 mbpd in 2007. Our production of gas (net of amounts re-injected) was 3,823 mmcfd in 2008, a 6.1% decrease as compared to 4,055 mmcfd in 2007.

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 2,746 mbpd in 2008, a 4.2% increase as compared to 2,862 mbpd in 2007.

Total Revenues

Total revenues increased $29,223 million, or 30.4%, from $96,242 million in 2007 to $125,465 million in 2008, due mainly to an increase of approximately 25.2% in the average price per barrel of crude oil, from $64.74 in 2007 to $86.50 in 2008. See “Selected Financial and Operating Data” and the table setting forth our consolidated sales volumes.

Export Revenues of Crude Oil and Refined Products

Exports represented 96.93% of our sales volumes. Our exports increased in volume by approximately 3.9% from 2,789 mbpd in 2007 to 2,897 mbpd in 2008, due to an increase of 108 mbpd in the exports of crude oil. In addition, exports of refined petroleum products decreased 4 mbpd, which represented a decrease of 0.6% from 2007 to 2008. The average export price per barrel for Venezuelan crude oil, refined petroleum products and liquid petroleum gas was $86.49 in 2008, as compared to $64.74 in 2007, representing a 33.6% increase.

Sales Revenues of International Subsidiaries

In 2008, 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 3,477 mbpd in 2008, a 3.7% increase as compared to 3,353 mbpd of total sales of such products in 2007. PDV America, through its wholly owned subsidiaries (primarily CITGO), generates its sales revenues from our crude oil and liquid petroleum gas production and the purchase of crude oil and refined petroleum products from third parties (including unconsolidated affiliates) for supply to the refining and marketing network in the United States. PDV America's revenues increased to $41,278 million, or 8.6%, in 2008 from $37,993 million in 2007.

Domestic Sales

We sold 580 mbpd of refined petroleum products (including liquid petroleum gas) domestically in 2008, a 2.8% increase as compared to 564 mbpd sold domestically in 2007. We also sold 307 mbpd of oil equivalent of gas, a 40% decrease as compared to 512 mbpd sold in 2007. The sales of food and other mass consumption products increased 166.2% from $65 million in 2007 to $173 million in 2008.

Costs and Expenses

Purchase of Crude Oil and Refined Petroleum Products, Net of Inventory Variation

Our purchase of crude oil and refined petroleum products, net of inventory variation, increased by 58.5% from $28,137 million in 2007 to $44,600 million in 2008, primarily due to an increase in the price of crude oil. Through CITGO, we purchased crude oil and refined petroleum products from third parties (including affiliates) to supply our refining and marketing networks in the United States.

Operating Expenses

Our operating expenses increased by $2,327 million, or 15.6%, from $14,958 million in 2007 to $17,285 million in 2008. Operating expenses at the national level increased by $6,014 million, or 79.6% from $7,554 million in 2007 to $13,568 million in 2008. These increases are primarily due to an increase in the number of our employees due to several joint ventures from the Orinoco Oil Belt, a greater consumption of materials in the operational and security sectors, an increase in the inflation rate by 31% per annum and an increase in fees related to contracts in the operations sector.

Exploration Expenses

Our total exploration expenses were $375 million in 2008, a 143.5% increase as compared to $154 million in 2007. The increase in exploration expenses was attributable to an increase in exploratory activities, particularly with respect to acquisition of 3D seismic lines, which totaled 1,300 km^2, the transfer of dry oil well expenses and the growth in hiring foreign and local advisors.

Depreciation and Amortization

Depreciation and amortization increased $1,202 million, or 29.9%, to $5,220 million in 2008, from $4,018 million in 2007. The increase was a result of an increase in assets from new joint ventures from the Orinoco Oil Belt.

Production Tax, Extraction Tax and Other Taxes

Production tax, extraction tax and other taxes increased by $1,481 million, or 6.7%, to $23,462 million in 2008, from $21,981 million in 2007. The increase was a result of an increase in the price of crude oil and, to a lesser extent, to an increase in our production of crude oil. See "—Impact of Taxes on Net Income and Cash Flows."

Social Development Expenses

Social development expenses increased $631 million, or 4.5%, from $14,102 million in 2007 to $14,733 million in 2008 mainly due to new contributions and social programs made during 2008. See note 30 to our consolidated financial statements for the year ended December 31, 2008.

Finance Income

Our finance income increased by $1,014 million, or 179.2%, from $566 million in 2007 to $1,580 million in 2008. The increase is mainly attributed to short-term investments made with mutual funds and financial entities through several financial instruments.

Finance Expenses

Finance expenses increased by 66.8% to $1,780 million in 2008 from $1,067 million in 2007. The increase in finance expenses resulted mainly from an increase in interest expenses, adjustments to fair value and other finance expenses.

Equity in Earnings of Non-consolidated Investees and Jointly Controlled Entities

Equity in earnings of non-consolidated investees and jointly controlled entities decreased to $153 million, or 79.1%, in 2008 from $732 million in 2007. This decrease resulted primarily from a decrease in income from equity.

Income Tax

Income tax decreased during 2008 by $736 million, or 14.7%, to $4,281 million from $5,017 million in 2007. This decrease was due to a major benefit from deferred taxes that stemmed mainly from an increase in the employment benefits.

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 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.

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 and 2009, 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.

In conformity with the Venezuelan 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 income tax. We undertake significant operations regulated by transfer pricing rules.

A summary of the tax effects on our consolidated operations for the years ended December 2009, 2008 and 2007 is as follows:

	For the year ended December 31,		
	2009	**2008**	**2007**
	(in millions of U.S. dollars)		
Income tax	3,330	4,281	5,017
Production and other taxes	13,360	23,462	21,981
Total	16,690	27,743	26,998

For the year ended 2009, we expensed $16,990 million in taxes, compared to $27,743 million in 2008, representing a decrease of 39.8%. Also, the effective income tax rate increased from 31.0% in 2008 to 43.2% in 2009. The higher effective tax rate in 2009 was due principally to the inflation adjustment for tax purposes and the effects of translation to U.S. dollars. See note 13 to our consolidated financial statements.

For the nine-month period ended September 30, 2010, we expensed $11,192 million in taxes, compared to $9,008 million for the nine-month period ended September 30, 2009, representing an increase of 24.2%. This

increase was mainly due to larger income tax payments resulting from higher earnings due to an increase in the price of crude oil and gas, as well as, from higher earnings obtained by certain of our subsidiaries due to changes in the $/Bs. exchange rate.

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, 2009:

	Payments due by period				
	Total	**Less than 1 year**	**1 to 3 years**	**3 to 5 years**	**More than 5 years**
	(in millions of U.S. dollars)				
Long-term debt	21,333	2,911	3,838	3,458	11,126
Finance lease obligations	202	25	29	31	117

Cash Flows from Operating Activities

For the year ended December 31, 2009, our net cash provided by operating activities amounted to $7,895 million, which represents a 52.7% decrease from our net cash provided by operating activities of $16,706 million in 2008. The main factor contributing to this decrease was a decrease in our net income from $9,491 million in 2008 to $4,394 million in 2009. Our depreciation cost for 2009 totaled $5,794 million which represents an 11% increase compared to our depreciation cost for 2008 which was $5,220 million. In addition, working capital for 2009 amounted to $6,704 million compared to $6,038 million for 2008.

For the nine months ended September 30, 2010, our net cash provided by operating activities amounted to $9,805 million, which represents a 103.1% increase from our net cash provided by operating activities of $4,827 million for the nine-month period ended September 30, 2009. The main factor contributing to this increase was an increase in accounts payable to our suppliers, as well as an increase in prepaid expenses and other assets. Our depreciation and amortization cost for the nine months ended September 30, 2010 totaled $4,634 million which represents an 8.5% increase compared to our depreciation cost for the nine-month period ended September 30, 2009 which was $4,272 million. In addition, working capital for the nine months ended September 30, 2010 amounted to $971 million compared to $5,744 million for the nine-month period ended September 30, 2009.

Cash Flows from Investing Activities

For the year ended December 31, 2009, net cash used in investment activities totaled $15,313 million compared to $15,848 million in 2008. Capital expenditures amounted to $15,333 million in 2009, which represents a 16.7% decrease as compared to capital expenditures of $18,413 million of 2008. In addition, restricted cash decreased by $56 million in 2009, compared to a $1,178 million reduction registered in 2008.

For the nine months ended September 30, 2010, net cash used in investment activities totaled $9,368 million compared to $7,938 million for the nine months ended September 30, 2009. Capital expenditures amounted to $7,772 million for the nine months ended September 30, 2010, which represents a 2.1% increase as compared to capital expenditures of $7,613 million for the nine months ended September 30, 2009. In addition, restricted cash increased by $1,444 million for the nine months ended September 30, 2010, compared to a $90 million reduction registered for the nine months ended September 30, 2009.

For the three-year period ended December 31, 2009, and for each of the nine-month periods ended September 30, 2010 and September 30, 2009, our capital expenditures were as follows:

	For the nine-month period ended September 30,		For the year ended December 31,		
	2010	2009	2009	2008	2007
	($ in millions of U.S. dollars)				
In Venezuela:					
Exploration and Production	4,091	4,201	8,124	12,836	7,994
Refining	1,384	1,297	2,336	736	1,600
Gas	666	789	1,580	2,515	3,122
Food and Consumption Products	158	-	886	936	-
Others	1,376	565	725	468	(342)
	7,009	6,852	13,651	17,491	12,374
Foreign-Refining	763	671	1,678	911	428
Others	-	3	4	11	504
Total	**7,772**	**7,526**	**15,333**	**18,413**	**13,307**

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 and $20 million in 2009 and 2008, respectively, which are reflected in net income listed in our consolidated statement of comprehensive income for the corresponding fiscal years.

As of December 31, 2009, funds deposited in the FEM were $827 million.

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.

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 notes 5, 9 and 17 to our consolidated financial statements.

Cash Flows from Financing Activities

For the year ended December 31, 2009, consolidated net cash flow received from financing activities totaled $9,916 million, compared to net cash flow received from financing activities for the year ended on December 31, 2008 that totaled $300 million, primarily resulting from an increase in the proceeds from the issuance of debt, which totaled $11,754 million in 2009, as compared to the $3,938 million received in 2008, and a decrease in debt service of $4,317 million as compared to 2008.

As of December 31, 2009, we had outstanding aggregate indebtedness amounting to $21,897 million maturing on various dates through 2043. Of this amount, CITGO had long and short-term debt outstanding amounting to $2,414 million, Petrocedeño had short-term debt outstanding amounting to $189 million, Refinería Isla had capital lease obligations amounting to $166 million, and certain of our other subsidiaries had debt amounting to $14 million, and capital lease obligations amounting to $1 million.

At each of the Ordinary Stockholders' Meetings held in March 2008 and June 2009, dividends were declared for $2,000 million to Venezuela, with charge to retained earnings at December 2007 and December 2008, respectively. Additionally, on August 2, 2010, dividends were declared for $1,000 million to Venezuela, with charge to retained earnings at December 2009.

Loan Agreements

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

Unsecured Zero-Coupon Bonds

On July 10, 2009, we received the equivalent in Bolívares to $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 $550.0 million of said zero-coupon bonds for $618.7 million U.S. dollar denominated senior notes maturing in 2013. See "— Unsecured Bonds and Long-Term Debt" below.

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 LIBO Rate 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.

Investment Certificates

In December 2010, we issued two 8% short term investment certificates having an aggregate principal amount of Bs.2,000 million in favor of Banco del Tesoro, C.A. Banco Universal. These certificates were exchanged

in January 2011 for one new 8% 1-year term investment certificate having the same aggregate principal amount. Additionally, in January 2011, we issued one new 8% 1-year term investment certificate having an aggregate principal amount of Bs.500 million. Principal on these two new certificates is payable in U.S. dollars at the Bolívares/U.S. dollar exchange rate in effect at maturity thereof.

In February 2009, we issued three 18-month term investment certificates in favor of Fondo de Garantia de Depositos y Proteccion Bancaria (FOGADE) having an aggregate principal dollar equivalent amount of $372 million, $512 million and $116 million, respectively. These certificates were issued and are payable in Bolívares, and interest accrues annually on the certificates at 9.5%. In August 2010, we paid 50% of the outstanding principal amount under each certificate, while the amortization of the remaining balance under each certificate was extended for an additional 18-month term.

In April 2009, we issued six-month term investment certificates to BANDES and Fideicomiso Banco del Tesoro, C.A. Banco Universal, having an aggregate principal amount of $500 million. Interest on these certificates accrues annually at 5.30%. On August 13, 2010, we cancelled all of the amounts outstanding under these certificates.

In December 2008, we issued one 90-day term investment certificate having an aggregate amount of $1,000 million in favor of Banco del Tesoro, C.A. Banco Universal. Interest on this certificate accrues annually at 6.20%. As of December 31, 2009 we had $200 million outstanding thereunder, which were fully paid on April 30, 2010.

In December 2008, we issued four 90-day term investment certificates having an aggregate amount of $156 million in favor of Banco de Desarrollo Ecónomico y Social de Venezuela (BANDES). Interest on these certificates accrues at an annual rate of 6.20%. On August 16, 2010, we cancelled all of the amounts outstanding under these certificates.

Unsecured Bonds and Long-Term Debt

On April 12, 2007, we received the equivalent in Bolívares to $7,913 million from the issuance and placement to Venezuelan investors of three series of U.S. dollar denominated bonds 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 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 $1,586.8 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 to $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 the Guarantor. Interest on said notes shall accrue at a rate per annum equal to 8.5%.

In November 2010 we exchanged $550.0 million of the zero-coupon bonds described under "—Unsecured Zero-Coupon Bonds" above, for $618.7 million U.S. dollar denominated senior notes maturing in 2013, which senior notes are irrevocably and unconditionally guaranteed by the Guarantor. Interest on said notes senior due 2013 accrue at a rate per annum equal to 8.0%.

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, of which, as of the date of these listing particulars, $2,844 million of additional notes due 2017 have been sold to the Central Bank and our pension funds for the equivalent in Bolívares to $2,198 million.

For a description of all our consolidated long-term debt incurred prior to December 31, 2009, 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 Japan Bank for International Cooperation (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 2008 and 2009, PDVSA paid $233 million per year. As of December 31, 2009, the outstanding loans amounted to $2,860 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, 2009, we were in compliance with all such ratios based on annual determinations.

CITGO Loan Agreements

Senior Secured Indebtedness. On November 15, 2005, CITGO entered into a $1.85 billion senior secured credit facility, which consisted of a $1.15 billion five-year term secured revolving credit facility and a $700 million seven-year term senior secured loan. This agreement was amended in 2007 to provide for a $1 billion bridge term loan, which was subsequently replaced in June 2008 with a $515 million senior secured loan due 2012 and a non-recourse agreement to sell an undivided interest of up to $450 million in specified accounts receivables of CITGO.

On June 24, 2010, CITGO replaced the abovementioned senior secured credit facility with the following indebtedness:

- a $1.8 billion senior secured credit facility consisting of a $750 million three-year term revolving credit facility, a $350 million five-year term loan and a $700 million seven-year term loan; and

- $300 million 11.5% senior secured notes due July 1, 2017.

Interest accrues on any outstanding loans thereunder at either LIBO Rate or a base rate, at CITGO's option, plus the applicable margin. For such purpose, the term "base rate" means the highest of (i) the Federal funds rate plus 0.5%, (ii) the prime rate announced by BNP Paribas, or (iii) the three-month LIBO Rate plus 1.5%.

The new senior secured credit facility and the senior secured notes are secured, on an equitable basis, by CITGO's interests in its Lake Charles refinery in Louisiana, Corpus Christi refinery in Texas and Lemont, Illinois refineries, its trade account receivables and its inventories.

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.

Tax-Exempt Bonds. As of September 30, 2010, CITGO had $108 million of outstanding industrial development revenue bonds, the proceeds of which have been invested in certain Lake Charles, Corpus Christi and Lemont port facilities and pollution control equipments, an additional $209 million will be held in treasury until such time as these selected industrial revenue bonds are either retired or remarketed at the company'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 bonds bear interest at various fixed rates which ranged from 6% to 8% at September 30, 2010. At December 31, 2009, the bonds bore interest at various fixed and floating rates, which ranged from 1% to 8%.

On August 2, 2010, CITGO used a part of the proceeds of the abovementioned June 2010 senior secured indebtedness to repurchase and redeem $485 million of principal plus interest of certain selected tax-exempt floating rate bonds. Of said principal amount, $290 million will be held until such time as these selected bonds are either cancelled or remarketed as fixed rate bonds, at CITGO's option. The outstanding principal amount of industrial revenue bonds is secured on an equitable basis by the same collateral as the senior secured credit facility and bonds.

Taxable Bonds. As of December 31, 2009, CITGO had $60 million outstanding floating rate taxable environmental revenue bonds, the proceeds of which were used to finance a portion of CITGO's environmental facilities at the Lake Charles refinery. On July 9, 2010, CITGO redeemed all of these floating rate bonds with the proceeds of the senior secured credit facility and bonds referred to above.

Other Short-Term Liabilities

At December 31, 2009, we had outstanding short-term liabilities with related entities amounting to $9,593 million. At September 30, 2010, we had outstanding short-term liabilities with related entities amounting to $6,409 million, which consists mainly of promissory notes originally issued to the National Treasury Office (*Oficina Nacional del Tesoro,* or ONT) having an aggregate principal amount of $3,722 million, which were transferred to the Central Bank in August 2010. In January 2011, we exchanged $1,488.7 million principal amount of said promissory notes for senior notes due 2017 issued in the reopening described above.

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 3,012 thousand barrels per day, or mbpd, the fourth 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 by Petroleum Intelligence Weekly, a trade publication. We carry out our upstream operations in Venezuela and our 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 and social development expenses.

Our Business Plan outlines the development of production and refining projects totaling $252 billion in Venezuela, the Caribbean and Latin America from 2010 through 2015, which 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, 2009, we invested approximately $44.9 billion in development projects in such regions through cash on-hand and issuance of debt. During the nine-month period ended September 30, 2010, we invested approximately $7.8 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 192 years for oil and 121 years for gas.

We mainly sell crude oil to the United States, Canada, the Caribbean, Europe, South America and Asia. In addition, we refine crude oil, with a refining capacity of approximately 3 million barrels per day (or 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 655 mbpd barrel of oil equivalent (or boe), in 2009.

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 $14,102 million in 2007, $14,733 million in 2008 and $3,514 million in 2009, and a total of $4,786 million in the first nine months of 2010, 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 Energy and Petroleum, 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.
- PDV Holding, Inc.[(1)]

(1) PDV Holding, Inc.'s main subsidiary is PDV America, Inc. PDVSA's operations in the United Sates 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 by Petroleum Intelligence Weekly, a trade publication, on December 6, 2010, we are the world's fourth largest and Latin America's largest vertically integrated oil and gas

company. Additionally, we ranked third in the world in crude oil production, second in proved reserves of crude oil, fourth in refining capacity, sixth in proved gas reserves and eighth in product sales according to Petroleum Intelligence Weekly. At the end of 2009, we exported approximately 2,682 mbpd (including the Orinoco Belt production and extra heavy crudes), of which 1,228 mbpd or approximately 46% of export expenses went to the United States and Canadian markets.

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 and Petrojam refinery in Jamaica;
- Refining business in the United States through six refineries, three of which are owned by CITGO: Lake Charles refinery, Corpus Christi refinery and Lemont refinery; and three in which we have a 50% interest: Chalmette refinery, Hovensa refinery and a vacuum oil and coke distilling plant named Merey Sweney;
- 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 business in the Caribbean mainly through the Isla refinery in Curaçao, the Camilo Cienfuego refinery in Cuba and Petrojam refinery in Jamaica;
- 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 eight refineries and the marketing of petroleum products in Germany, the United Kingdom and Sweden through two joint ventures (one that is 50%-owned by Deutsche BP Gmbh and one that is 50%-owned by Neste Oil AB);
- 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 our U.S. Subsidiaries, the fifth largest refiner of crude oil in the United States, based on our aggregate net ownership interest in crude oil refining capacity at December 2009, which is equivalent to 749 mbpd. CITGO refines, markets, and transports gasoline, diesel fuel, jet fuel, petrochemicals, lubricants, asphalt, and other refined petroleum products in the United States. CITGO's transportation fuel customers include primarily CITGO-branded independent wholesale marketers; major convenience store chains; and airlines that are located mainly east of the Rocky Mountains. Asphalt is generally marketed to independent paving contractors on the East Gulf Coasts and in the Midwest of the United States. Lubricants are sold primarily in the United States to independent marketers, mass marketers and industrial customers. In 2009, CITGO sold a total of 15,345 million gallons of refined products compared to 16,679 million gallons sold in 2008. In 2008, CITGO sold the plants, equipments and inventory of two asphalt refineries located in Paulsboro, New Jersey and Savannah, Georgia owned by CITGO Asphalt Refining Company, or CARCO, a wholly owned subsidiary of CITGO, for a $802 million cash payment.

In the United States, we 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. We also own 50% of Hovensa, a joint-venture with Hess that processes crude oil in the U.S. Virgin Islands.

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. We also own a 50% interest in Rühr Oel GmbH ("Rühr"), a company based in Germany which we jointly own with Deutsche BP. Through Rühr, we refine crude oil and market and transport gasoline, diesel fuel, heating oil, petrochemicals, lubricants, asphalt and other refined petroleum products. Pursuant to an agreement entered into on October 15, 2010, we agreed to transfer all of our interest in Rühr to Rosneft. Subject to the satisfaction of certain legal and contractual conditions, closing for this transaction is expected to occur on or around May 31, 2011.

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. In Cuba and Jamaica, we own a 49% interest in the Cienfuegos and Kingston 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 mbd 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.

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 200 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 Delgado" Pacific Refinery Complex in Ecuador, which we expect will have a 300 mbpd refining capacity.

Energy Cooperation Agreements (Convenios de Cooperación Energética)

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). These agreements establish, among others, that PDVSA will supply crude oil and products to the state oil companies of the participating countries. See note 8(c) to our consolidated financial statements for the year ended December 31, 2009.

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 817 mbpd and 514 mbpd for the years ended December 31, 2009 and 2008, 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.

Most of these cooperation agreements establish, among other conditions, a market value selling price, payment terms between 30 and 90 days for a significant portion of each shipment, and long-term financing for the remaining part, payable within a 15 to 25-year term.

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 CECA, we entered into an agreement with the national oil company of Cuba in 2000 for the supply of 53 mbpd of crude oil. In 2004, the agreement was amended to provide for the supply of 92 mbpd of crude oil.

Gas Exploration and Production

Our gas exploration and production business is conducted by our vertically integrated wholly owned subsidiary, PDVSA Gas. This subsidiary engages in 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.

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

Business Strategy

Our business strategy is focused on developing Venezuela's hydrocarbon resources, contributing to the development of the country, diversifying our markets, and strengthening energy integration with the countries of the Caribbean, South America and Central America.

We plan to invest intensively in upstream and downstream projects in order to satisfy the expected worldwide increase in demand for crude oil, natural gas and refined petroleum products, and in order to provide Venezuela with the necessary resources to achieve sustainable development. In the downstream business, we seek a balance between our overseas and local assets in order to assure domestic supply and quality for customers, while maximizing the value of Venezuelan hydrocarbon resources.

Our strategy includes the following key initiatives:

- *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 (55,000 km^2) has been divided into 31 blocks for reserves quantification and certification of original oil on site purposes. There are 1,360,000 million barrels of Original Oil On Site (OOOS) in the Orinoco Oil Belt. Of said amount, we estimate that approximately 272,000 million barrels are recoverable, 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 of 4,481 mbpd by 2015. The projected production for the period leading up to 2015 includes the following: 2,295 mbpd from areas where we are the sole operator, 555 mbpd from joint ventures producing light and medium oil and 970 mbpd from our LPG operations.

- *Expansion of Orinoco Oil Belt Production.* We intend to obtain the remaining 661 mbpd of the 4,481 mbpd crude oil production capacity projected for 2015 from the expansion of our operations in the Orinoco Oil Belt, which we plan to implement by developing our extra-heavy crude oil reserves, including new upgrading facilities and pipelines to terminals.

- *Development of Major Projects in Refineries.* We intend to expand our refinery capacity from approximately 3.0 mmbpd (1.3/1.7 mmbpd Venezuela/Overseas capacity) to 3.2 mmbpd by 2015 (1.4/1.8 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. We currently have in process major upgrade projects to increase the refining capacities of Puerto La Cruz and El Palito Refineries, as well as to upgrade the Paraguaná Refining Complex. In the future, we plan to develop new refining centers in Venezuela, including the Cabruta and Batalla de Santa Inés Refineries and an additional refinery in the state of Zulia. In addition, we intend to expand our refining capacities and develop new refineries in the Caribbean, 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 6,990 mmcfd to 13,887 mmcfd by 2015. In particular, we intend to focus in 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), Plataforma Deltana, the Gulf of Paria, Guarapiche, Punta Pescador and the Delta Centro area. We intend to link all blocks by a gas pipeline network to the future Güíria Hub, where an industrial complex, Gran Mariscal de Ayacucho, or CIGMA, is expected to be developed.

- *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 9.3 million barrels of oil storage capacity, three additional loading docks, approximately 650 km in oil pipelines, four new distribution facilities, the expansion of existing gas pipelines, and building new 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 1,115 dwt (Dead Weight Ton) to 1,318 dwt by 2015. 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.

- *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 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. During the three-year period ended December 31, 2009, the total investment in this project amounted to approximately $318 million.

Our Business Plan outlines the development of production and refining projects totaling $252 billion in Venezuela, the Caribbean and Latin America from 2010 through 2015, which 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. During the three-year period ended December 31, 2009, we invested $44.9 billion in development projects in such regions. During the nine-month period ended September 30, 2010, we invested approximately $7.8 billion in such projects.

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 2009, 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 2009, PDVSA incorporated new proven and probable reserves through the drilling, evaluation and completion of three exploratory wells. We launched 26 exploratory projects in 2009 to investigate 11,937 mbpd of potential crude oil and 74,979 mmcfd of potential gas in Venezuela and in Bolivia, Ecuador, Cuba, Argentina and Uruguay pursuant to agreements between Venezuela and these countries. As of December 31, 2009, five projects were completed in Venezuela: two in the eastern region (Travi-Cotoperí and Roblote), one in the western region (Sur del Lago) and two in the southern central region (Guaramacal-Barrancas and Reexploración Guafita-La Victoria). Three international projects were completed in Bolivia, Cuba and Argentina.

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 and Batalla de Santa Inés refineries and an additional refinery in the state of Zulia. 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, Supremo Sueño de Bolivar-Nicaragua, Caribe Oriental-Dominique, Matanzas-Cuba, Abreu-Brazil, Lima-Brazil, Complejo Refinador del Pacifico-Ecuador, Jieyang-China, Weihai-Shandong. 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 construct 42 tankers (including the replacement of five tankers to be taken out of commission) through strategic agreements with Argentina, Brazil and China that we currently have in place and we are negotiating with Korea, Portugal and Japan. These tankers are expected to increase the number of ships owned and operated by our subsidiary, PDV Marina, from 21 to 58. The planned increase in PDV Marina's tanker fleet is expected to enable us to increase our export volume from approximately 600 mbpd in 2009 to approximately 2,100 mbpd in 2013.

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 and LNG extraction, processing and fractionation capacity, and develop new gas export ventures, including exports of LNG. 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 Energy and Petroleum 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. More recently, the government has assigned another block to Chevron. In addition, the Ministry of Energy and Petroleum 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 Energy and Petroleum 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 1^{st} 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 will be defined in the future.

A discovery of approximately 8,000 million cubic feet of In-Site Original Gas was made in 2010 in La Perla field (9 TCF), located within the Cardon IV Area. A new joint venture will be formed for the development phase of this field, where we will hold 35% of the shares and the remaining 70% will be equally owned by REPSOL and ENI.

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 2009, our production was 1,100 million barrels of oil, which has allowed us to reach an aggregate production of 63,841 million barrels of oil from January 1, 1914 through December 31, 2009. 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 2009 and the ratio of proved reserves to annual production in Venezuela as of December 31, 2009.

	For the year ended December 31, 2009			
	Proved[(1)]	**Proved developed**	**Production**	**Ratio Reserves/ Production**
	(mmb)	**(mbpd)**	**(mbpd)**	
Crude Oil:				
Condensed	1,844	399		
Light[(2)]	10,390	2,209	681	49
Medium	10,822	2,875	941	32
Heavy	18,852	4,822	674	73
Extra-heavy	170,265	4,749	716	652
Total Crude Oil	**211,173**	**15,054**	**3,012**	**806**
Gas in boe[(3)]:	30,841	18,401	655	129
Total Natural Hydrocarbon in boe[(4)]	**242,014**	**35,339**	**3,667**	**181**

(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 2009, 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, 2009.

Name of field	**Location**	**2009 production**	**Year of discovery**	**Proved Reserves**	**Ratio Reserves/ Production**
	(State of)	**(mbpd)**		**(mmb)**	**(years)**
Zuata Principal	Anzoátegui	247	1985	40.362	448
Iguana Zuata	Anzoátegui	-	1981	31.285	-
Cerro Negro	Monagas	176	1979	22.491	350
Cerro Negro	Anzoátegui	71	1979	18.984	733
Machete	Guárico	-	1955	14.010	-
Zuata Norte	Anzoátegui	31	1981	9.320	824
Lache	Anzoátegui	-	1979	6.711	-
Río Negrino	Anzoátegui	-	1979	6.224	-
Huyapari	Anzoátegui	125	1979	3.592	79
Tía Juana Lago	Zulia	128	1925	3.590	77
Mamo	Anzoátegui	-	1980	2.668	-
Makiritare	Anzoátegui	-	1979	2.148	-
Bare	Anzoátegui	101	1950	2.009	54
Mulata	Monagas	245	1941	1.890	21

Name of field	Location	2009 production	Year of discovery	Proved Reserves	Ratio Reserves/ Production
	(State of)	(mbpd)		(mmb)	(years)
Bloque VII: Cueta	Zulia	124	1956	1.669	37
Bachaquero Lago	Zulia	81	1930	1.611	54
Farante	Anzoátegui	-	1980	1.588	-
Kuripaco	Anzoátegui	-	1980	1.488	-
El Furrial	Monagas	414	1986	1.474	10
Dobokubi	Anzoátegui	11	1981	1.427	355
Guahibo	Anzoátegui	-	1979	1.404	-
Boscán	Zulia	90	1946	1.379	42

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 Energy and Petroleum pursuant to Ministry of Energy and Petroleum's hydrocarbon reserve manual definitions and rules. The Ministry of Energy and Petroleum'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 87% and 13%, respectively, of Venezuela's total estimated proved crude oil and gas reserves on an oil equivalent basis at December 31, 2009.

Crude Oil. Venezuela had estimated proved crude oil reserves at December 31, 2009 totaling approximately 211.2 billion barrels. Based on production levels for 2009, 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 192 years.

Natural Gas. Venezuela had estimated proved reserves of gas totaling approximately 178,877 bcf (including an estimated 27,599 bcf associated with extra-heavy crude oil in the Eastern and Barinas-Apure Basin) as of December 31, 2009 compared to 176,015 bcf (or 30,347 mmb and boe) as of December 31, 2008. 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 2009, approximately 41% 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. See note 35 to our consolidated financial statements.

	For the year ended December 31,				
	2009	**2008**	**2007**	**2006**	**2005**
	(in million of barrels, unless otherwise indicated)				
Proved reserves:					
Condensate	1,844	1,788	1,826	1,870	1,833
Light	10,390	9,867	9,981	9,735	9,747
Medium	10,822	11,333	11,939	12,345	12,456
Heavy	17,852	17,724	17,458	17,391	17,533
Extra-heavy[(1)]	170,265	131,611	58,173	45,983	38,443
Total crude oil	**211,173**	**172,323**	**99,377**	**87,324**	**80,012**
Ratio Reserves/Production (years)	**192**	**144**	**87**	**73**	**67**
Natural gas in bcf	178,877	176,015	170,920	166,249	152,264
Natural gas in boe	30,841	30,347	29,469	28,664	26,252
Total hydrocarbons in boe	**242,014**	**202,670**	**128,846**	**115,988**	**106,264**
Proved developed reserves:					
Condensate	399	346	381	407	321
Light	2,209	2,221	2,404	2,760	2,359
Medium	2,875	3,431	3,747	4,812	5,026
Heavy	4,822	4,631	5,024	5,333	5,406
Extra-heavy	4,749	5,669	3,981	6,308	3,826
Total crude oil	**15,054**	**16,298**	**15,537**	**19,620**	**16,938**
Natural gas in bcf	36,682	38,682	105,154	110,108	106,726
Natural gas in boe	6,324	6,669	18,130	18,985	18,401
Total hydrocarbons in boe	**21,378**	**22,967**	**33,667**	**38,605**	**35,339**
Percent of proved developed to total reserves:					
Crude Oil	7%	9%	16%	22%	21%
Natural gas	21%	22%	62%	66%	70%

(1) Proved reserves of extra-heavy crude oil located in the Orinoco Oil Belt have a low development grade, and for December 31, 2009, included approximately 168,600 mmb.

Operations

During 2009, 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 2009, we continued our geophysical operations and acquired 1,893 km^2 of 3D seismic lines in the outer coastal region of the Dragón Norte 08G project, for a total amount of 2,771 km^2 of 3D seismic lines. In addition, we completed the seismic acquisition of Barinas Oeste 05G 3D.

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

	For the year ended December 31,				
	2009	**2008**	**2007**	**2006**	**2005**
	(Number of wells)				
Exploration wells:					
Completed	3	2	5	4	5

	For the year ended December 31,				
	2009	**2008**	**2007**	**2006**	**2005**
	(Number of wells)				
Suspended	1	-	1	1	-
Under evaluation	-	1	-	5	2
In progress	-	2	3	2	8
Dry or abandoned	1	-	2	7	1
Total	**5**	**5**	**11**	**19**	**16**
Of which are carry-overs	3	3	8	10	6
Development wells drilled[(1)]	**495**	**604**	**566**	**543**	**379**

(1) Includes wells in progress, even if they were wells spud in previous years, and injector wells. The breakdown of the 495 wells for the year ended December 31, 2009 is as follows: 438 corresponds to PDVSA Petróleo and 57 corresponds to PDVSA GAS. This does not include 69 wells from the *Liviano-Mediano*, or medium to light crude, joint venture and 135 wells from the Orinoco Oil Belt joint venture.

In 2009, Venezuela's crude oil production capacity was 3,524 mmb, of which 2,574 mmb corresponds to PDVSA's own production (1,001 mmb in the eastern region, 75 mmb in the south-central region, 947 mmb in the western region and 551 in the Orinoco Oil Belt), 406 mmb correspond to the *Liviano-Mediano* joint venture and 544 mmb correspond to the Orinoco Oil Belt joint venture.

Our average crude oil production for 2009 reached 3,012 mbpd, including 2,269 mbpd of direct production (909 mbpd in the eastern region, 749 mbpd in the western region, 71 mbpd in the south-central region, 504 mbpd corresponding to the Orinoco Oil Belt and 36 mbpd corresponding to PDVSA Gas, S.A.), 349 mbpd for medium and light crude mixed companies and 394 mbpd for mixed companies and our participation in the Orinoco Oil Belt joint venture. During 2009, our average production cost of crude oil was of approximately US$6.33 per barrel. On average, as of December 31, 2009, our natural gas production amounted to 6,990 boe, out of which 2,800 boe were re-injected with the purpose of maintaining existing reservoir pressure. Net natural gas production reached 3,800 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,				
	2009	**2008**	**2007**	**2006**	**2005**
	(in thousand barrels per day, unless otherwise indicated)				
Production					
Crude oil:					
Condensate	103	141	133	125	18
Light	578	579	589	642	776
Medium	941	911	911	1,020	999
Heavy/Extra-heavy	1,390	1,604	1,271	1,120	1,113
Total crude oil	**3,012**	**3,235**	**2,904**	**2,907**	**2,906**
Liquid petroleum gas	158	162	172	177	165
Total crude oil and LPG	**3,170**	**3,397**	**3,076**	**3,084**	**3,071**
Natural gas (mmcfd):					
Gross production	6,600	6,904	6,958	7,072	7,008
Less: Reinjected	2,800	3,081	2,903	3,019	2,920
Net natural gas (mmcfd)	**3,800**	**3,823**	**4,055**	**4,053**	**4,088**
Net natural gas (in mbpd boe)	**655**	**659**	**699**	**699**	**705**
PDVSA's crude oil production by basin:					
Maracaibo-Falcón	943	1,084	1,130	1,180	1,187
Barinas-Apure	71	81	82	87	88
Eastern	1,998	2,070	1,692	1,640	1,631
Total crude oil	**3,012**	**3,325**	**2,904**	**2,907**	**2,906**

	For the year ended December 31,				
	2009	2008	2007	2006	2005
	(in thousand barrels per day, unless otherwise indicated)				
Natural gas production by basin (mmcfd):					
Maracaibo-Falcón	931	945	1,067	1,123	1,255
Barinas-Apure	4	46	59	28	17
Eastern	6,055	5,913	5,832	5,921	5,736
Total natural gas	**6,990**	**6,904**	**6,958**	**7,072**	**7,008**
Average export price ($/Bl)					
Crude oil ($ per barrel)	57.01	86.49	64.74	55.21	45.32
Gas ($ per MPC)	1.18	1.63	1.21	1.13	0.84
Average production cost ($/boe)[1]					
Including operating service agreements (*Empresas Mixtas*)	6.33	7.10	4.93	4.34	3.93
Excluding operating service agreements (*Empresas Mixtas*)	5.64	5.84	4.88	4.01	3.13

(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 Subject to Royalties

In 2009, Venezuela's total crude oil production subject to royalties amounted to approximately 3,170 mbpd, which includes approximately 2,269 mbpd from our own production, approximately 349 mbpd from joint ventures producing light and medium crude oil, approximately 394 mbpd from joint ventures operating in the Orinoco Oil Belt, and approximately 158 mbpd from our LPG operations.

In 2008, Venezuela's total crude oil production subject to royalties amounted to approximately 3,422 mbpd, which includes approximately 2,382 mbpd from our own production, approximately 378 mbpd from joint ventures producing light and medium crude oil, approximately 500 mbpd from joint ventures operating in the Orinoco Oil Belt, and approximately 162 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 Energy and Petroleum, 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 33 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 Energy and Petroleum 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	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, formed between our subsidiary CVP holding 70% of the shares and Chevron Orinoco Holdings B.V. holding 30% of the shares.

- Petrocedeño, S.A. joint venture operating the Sincor Project, formed between our subsidiary CVP holding 60% of the shares and Total Venezuela, S.A. holding 30.32% of the shares and Sincor Netherlands B.V. (Statoil) holding 9.68% of the shares.

- Petromonagas, S.A. joint venture operating the Cerro Negro Project, formed by our subsidiary CVP holding 83.33% of the shares and Veba Oil & Gas Cerro Negro GmbH (subsidiary of BP plc) holding 16.67% of the shares.

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

By December 2009, total investments in the Petropiar, Petrocedeño, Petromonagas and Petrosinovensa projects totaled $1,002 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 Energy and Petroleum 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 September 30, 2010, we were negotiating on behalf of Venezuela the applicable compensation to be paid by Venezuela according to the Reserve Law to the transferring parties of the referred assets, if any.

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.
- 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.

Overview of Main Projects with Private Sector Participation

We plan to invest substantially in upstream and downstream projects. We have 791 projects planned through 2030 in one of the following nine strategic sectors: oil exploration & production of mature areas, on-shore gas development, off-shore gas development, Orinoco Oil Belt development, local refineries, overseas refineries, marketing of crude & products, non-oil projects and electrical sector. These projects include the construction of oil

storage capacity, loading docks, oil & gas pipelines, distribution facilities, oil wells and infrastructure 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 exploration & production of mature areas	258
On-shore gas sector development	96
Off-shore gas sector development	45
Orinoco oil belt development	127
Local refineries	73
Overseas refineries	14
Marketing of crude and products	41
Non-oil projects	105
Electrical sector	32
Total	**791**

Orinoco Oil Belt Development Project

The Business Plan provides for the production of 2,561 mbpd of extra-heavy oil in the Orinoco Oil Belt by 2021, and the development of five upgraders with a 200 mbpd capacity each. In addition, the total estimated capital investment in the region through 2021 will be approximately $46,379 million.

During 2009, the Ministry of Energy and Petroleum 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.

Two joint ventures have been entered into in the Carabobo project: (i) Petrocarabobo, where we hold 60% of the shares, and Repsol Exploración S.A., PC Venezuela Ltd. (Petronas), Oil and Natural Gas Corporation Videsh Ltd., and Oil Indian Limited together with Indian Oil Corporation forming Petrocarabobo Ganga, B.V., hold 11%, 11%, 11% and 7% of the remaining shares, respectively. The expected production of Petrocarabobo is 400 mbpd, and its purpose is to develop 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.

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

Project		Percentage Interest	Expected Production (bpd)
Petrocarabobo	PDVSA	60%	400
	Repsol	11.0%	
	Petronas	11.0%	
	Oil and Natural Gas Corporation	11.0%	
	Oil Indian Limited	3.5%	
	Indian Oil Corporation	3.5%	
Petroindependencia	PDVSA	60%	400
	Chevron	34%	
	Mitsubishi	2.5%	
	Inpex	2.5%	
	Suelopetrol	1.0%	

We have entered into four joint venture agreements with respect to the Junín project: Junín 2, Junín 4, Junín 5 and 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 conform by Gazprom, TNK-BP, Rusfneft, Lukoil and Surgutneftegaz holds 40% of the remaining shares in Junín 6. The production levels for Junín 2, Junín 4, Junín 5 and Junín 6 are 200 bpd, 400 bpd, 240 bpd and 450 bpd, respectively.

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

Shares	Company	Percentage Interest	Expected Production (bpd)
Junín 2	PDVSA	60%	200
	Petrovietnam Exploration Production Corporation, Ltd	40%	
Junín 4	PDVSA	60%	400
	CNPC	40%	
Junín 5	PDVSA	60%	240
	ENI	40%	
Junín 6	PDVSA	60%	450
	Gazprom, TNK-BP, Rusfneft, Lukoil and Surgutneftegaz	40%	

We expect that the combined production capacity of the Carabobo and Junín projects will be 2,090 bpd by 2021.

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 western region of Venezuela's Orinoco river area, Bolivar 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 25.5 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 $8,878.7 million. The Mariscal Sucre project is expected to process 600 mmcfd upon completion of the project's first phase towards the end of 2012, and 1,200 mmcfd by 2015, once the second phase of the plan has been completed.

The Plataforma Deltana Project

The Plataforma Deltana area is located to the southeast of the territorial border with the Republic of Trinidad and Tobago. The project seeks to develop and explore non-associated gas located off-shore in an area of 9,441 km^2. The Plataforma Deltana area has been divided into five blocks. The main objective of the project is to improve and develop new non-associated gas reserves to meet domestic market demand as well as for exportation of new reserves. The project expects ChevronTexaco, Statoil and Total to participate in Blocks 2, 3 and 4, respectively, in order to complete the exploration activities. The Plataforma Deltana project is expected to produce 900 mmcfd.

The budget for the project is approximately $1,800 million, of which $249 million have been invested as of December 31, 2009.

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 Guiria, in the state of Sucre, in the Northeast region of Venezuela. This 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, LNG trains, storage, loading 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 project is $8,811 million, of which $817 million have been invested as of December 31, 2009. The project is scheduled to be completed in 2014.

LNG Plants

In 2008, a framework agreement was signed with GALP Energia, Qatar Petroleum International, Chevron, Mitsubishi-Mitsui, Energia Argentina S.A. and Itochu to establish joint ventures for the construction of the liquefying trains 1 and 2, having a 4.7 million tons/year capacity. The total estimated capital investment for the construction of the two LNG trains is $12,024 million.

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 Róbao, 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

A discovery of approximately 9.4 trillion cubic feet of In-Site Original Gas was made in 2010 in La Perla field, located within the Cardon 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 about $2,700 million by 2017. We expect that this development will produce 1,200 mmcfd by 2017 with an initial production of 300 mmcfd by the first quarter of 2013. 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.

Oil Production Growth

We are currently investing in mature areas in order to meet our projected total oil production capacity of 4,480 bpd by 2015.

Our Business Plan also provides for the development of 258 E&P projects and a total capital investment of $25,820 million, which we partially plan to execute in association with international enterprises.

The existing production facilities/area covers 203,000 Km^2, 14,500 kms of pipelines, 16 tank farms, 17,000 oil wells and 211 drilling and work-over rigs.

Development of Major Projects in Refineries

We plan to develop new refining centers in Venezuela to expand our refinery capacity from approximately 3.0 mbd to 3.83 mbd by 2030, as well as to develop foreign refining projects. There are currently 73 refining projects in Venezuela. The execution of those projects require a capital investment of $50,626 million. In addition we also intend to invest $61,343 million in order to expand our overseas refining capacity through the construction of 14 new refineries.

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

Project	Capacity (bpd)
Jose refinery (includes streams from Petromonagas)	350
Batalla Santa Ines refinery	60
Cabruta refinery	220
Zulia refinery	200

Project	Capacity (bpd)
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 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 de Lima refinery.	200
Ecuador, Manabi refinery.	300
Jamaica, Kingston refinery.	60
Nicaragua, Supremo Sueño de Bolivar refinery.	150
Cuba, Matanzas refinery.	150
Cuba, Cienfuegos refinery.	85
Haiti, Haiti refinery.	20
Dominica, Dominica refinery.	10
Siria, Siria refinery.	140
China, Shangai refinery.	200
China, Lie Yan refinery.	400
China, Weihai refinery.	200
Vietnam, Vietnam refinery.	70

On-shore Gas Sector Development

We intend to expand our natural gas production capacity through the development of 90 on-shore gas projects. The estimated capital investment in these projects is $33,080 million. The following table includes a description of the certain of our most important on-shore projects based on projected capacity:

Project	Capacity/size
NGL plant Complejo Criogénico de Occidente	70 bpd
Gas pipeline Sistema Nororiental de Gas: SINORGAS	731 Kms, 36” to 6”
Gas pipeline Interconexión Centro Oriente Occidente: ICO	300 Kms, 30”& 36”
Gas pipeline Norte Llanero	1350 Kms: 26” & 36”
IV train San Joaquin NGL Plant	50 bpd
Gas Anaco Project: gas field development project	2.400 mmscfd
Gas San Tomé project: gas field development project	550 mmscfd
V train NGL fractionation plant in Jose.	50 bpd
Pirital I&II NGL Extraction Plant	84 bpd
Soto I&II NGL Extraction Plant	30 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 construction of tankers is currently being carried out through different partnerships in countries such as Argentina, Brazil, Iran, China and Portugal. The estimated total investment involved in this project is $1,560 million.

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

Tankers Type	Quantity	Capacity (Tons)
White Refined Product	4	47,000
Panamax	8	70,000
Aframax	2	113,000
Suezmax	4	156,000
Asphalt	2	27,000
Total	**20**	**413,000**

Refining and Marketing

Refining

Our downstream strategy is focused on the expansion and upgrade of our refining operations in Venezuela, the Caribbean, the United States, Central America, South America and Europe 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, 2009.

			Refining Capacity	
Location	**Owner**	**PDVSA's Interest**	**Total Rated Crude Oil**	**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[(2)]	PDV Cupet	49	65	32
Jamaica[(3)]	Petrojam	49	35	17
Total Caribbean			**435**	**384**
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 (4)	50	184	92
Saint Croix, U.S. Virgin Islands	Hovensa (5)	50	495	248

Location	Owner	PDVSA's Interest	Refining Capacity	
			Total Rated Crude Oil	PDVSA's Net Interest
		(%)	(mbpd)	(mbpd)
Total United States			**1,428**	**1,089**
Europe:				
Gelsenkirchen, Germany	Ruhr (6)	50	230	115
Schwedt, Germany	Ruhr (6)	19	240	45
Neustadt, Germany	Ruhr (6)	13	260	33
Karlsruhe, Germany	Ruhr (6)	12	312	37
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			**1,109**	**259**
Worldwide Total			**4,275**	**3,035**

(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 ExxonMobil Co.
(5) A joint venture with Hess Co.
(6) A joint venture with Deutsche BP GmbH. On October 15, 2010, we entered into an agreement with Rosneft for the sale of all of our interest in the Ruhr Oel refineries. Subject to the satisfaction of certain legal and contractual conditions, closing for this transaction is expected to occur on or around May 31, 2011.
(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 645-310 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. 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 Desitegración Catalítica de Cardón* to carry out these goals.

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 focuses on processing of extra-heavy crude through an expansion project, which will commence in 2013. 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 70 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.

Our 2010-2030 business plan for refining contemplates the construction of three new refineries in Venezuela: the Cabruta, Batalla de Santa Ines and Zulia. Cabruta refinery will process 221 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 2016, export to local markets by 2021 and produce basic petrochemicals by 2026. The new Batalla de Santa Ines refinery, located in the state of Barinas, will process 100 mbpd of light crude oil and will attempt to satisfy local market demands by 2014. The Zulia refinery will process 200 mbpd of heavy crude oil at an API of 17° and will produce a wide range of refined products, including specialty products. The Zulia refinery will commence operations in 2021. Additionally, one of the upgraders located in the Jose plant will be converted into a refinery with a capacity of 120 mbpd. This refinery will be developed jointly with ENI.

In Cuba, we have approved enhancements to the Cienfuegos refinery. The 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 2009, 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 $133 million. On August 2, 2010, the House of Representatives of the Dominican Republic approved this transaction.

South America. 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 200 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 plan to develop the "Eloy Alfaro Delgado" Pacific Refinery Complex, which we expect will have a 300 mbpd refining capacity.

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, lubricants and refined waxes. 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. As of December 31, 2009, the amount of heavy crude processed by this joint venture averaged 97.0 mbpd, which is lower than the previous year's amount in which 161.5 mbpd were processed. 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 Sweney.

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

Through our subsidiary PDVSA V.I., we own 50% of the shares of the Hovensa refinery, located in the U.S. Virgin Islands. The other 50% of Hovensa's shares are owned by the Hess Corporation. The Hovensa refinery has a refining capacity of approximately 495 mbpd. We have entered into long-term supply agreements for Mesa/Merey crude with Hovensa. This refinery is 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 receives and processes other foreign crude. The Hovensa refinery operates an Advanced Catalytic Cracking Unit (FCC) with 150 mbpd capacity, which is one of the world's largest. In addition, the Hovensa refinery operates a delayed coking unit with a 58 mbpd capacity.

During 2009, the Hovensa refinery processed 401.6 mbpd of crude, a decrease of 40.2 mbpd from the 441.8 mbpd that was processed during 2008. This decrease was due mainly to the deterioration of market conditions.

Europe. Through Nynäs, a joint venture owned 50.001% by PDV Europa and 49.999% 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, 2009 was 15 mbpd, 5 mbpd and 4 bpd, 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 crude oil refining capacity at December 31, 2009 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.

Through Ruhr, a joint venture owned 50% by us and 50% by Deutsche BP we have equity interests in four German refineries (Gelsenkirchen, Neustadt, Karlsruhe and Schwedt) in which our net interest in crude oil refining capacity at December 31, 2009 was 115 mbpd, 33 mbpd, 37 mbpd and 45 mbpd, respectively. Ruhr also owns two petrochemical complexes (Gelsenkirchen and Münchmünster). Ruhr's petrochemical complexes have an average production capacity of approximately 3.8 million metric tons per year of olefins, aromatic products, methanol, ammonia and various other petrochemical products. On October 15, 2010, we entered into an agreement with Rosneft for the sale of all of our interest in the Ruhr Oel refineries. Subject to the satisfaction of certain legal and contractual conditions, closing for this transaction is expected to occur on or around May 31, 2011.

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, 2009.

Refining Production	**At or for the year ended December 31,**		
	2009	**2008[5]**	**2007[5]**
	(mbpd)	**(mbpd)**	**(mbpd)**
Total Refining Capacity	**4,275**	**4,275**	**4,287**
PDVSA's net interest in refining capacity	**3,035**	**3,035**	**3,098**

Refining Production	At or for the year ended December 31,					
	2009		2008[5]		2007[5]	
	(mbpd)		(mbpd)		(mbpd)	
Refinery input[1]						
Crude Oil - Sourced by PDVSA						
Light	457	17%	416	15%	446	16%
Medium	600	22%	654	24%	858	31%
Heavy	586	22%	627	23%	478	17%
Sub-total	**1,643**	**61%**	**1,697**	**62%**	**1,782**	**64%**
Crude Oil - Sourced by Others						
Light	394	15%	402	15%	387	14%
Medium	95	4%	128	5%	116	4%
Heavy	202	8%	214	8%	236	8%
Sub-total	**691**	**27%**	**744**	**28%**	**739**	**26%**
Other Feedstock						
Sourced by PDVSA	175	7%	125	5%	182	6%
Sourced by Others	189	7%	142	5%	98	3%
Total Transfers[6]	(29)	-	-	-	-	-
Gasoline / Naphtha	(17)	-	-	-	-	-
Distillate	(10)	-	-	-	-	-
Lubricants	(1)	-	-	-	-	-
Others	(1)	-	-	-	-	-
Sub-total	**306**	**14%**	**267**	**10%**	**280**	**9%**
Total Refining Input						
Sourced by PDVSA[2]	1,818	68%	1,822	67%	1,964	70%
Sourced by Others	880	33%	886	33%	837	30%
Transfers	(29)	–	–	–	–	–
Total refinery input	**2,669**	**100%**	**2,708**	**100%**	**2,801**	**100%**
Crude Utilization[3]	77%		80%		81%	
Product Yield[4]						
Gasoline / Naphtha	886	-	906	-	937	-
Gasoline / Transferred Naphtha[6]	(17)	-	-	-	-	-
Total Gasoline/Naphta	**869**	**33%**	**906**	**33%**	**937**	**33%**
Distillate	878	-	896	-	892	-
Transferred Distillate[6]	(10)	-	-	-	-	-
Total Distillate	**868**	**33%**	**896**	**33%**	**892**	**32%**
Low Sulfur Residual	79	3%	54	2%	75	3%
High Sulfur Residual	372	14%	293	11%	274	10%
Asphalt / Coke	129	5%	90	3%	158	6%
Naphthenic Specialty Oil	16	-	-	-	-	-
Transferred Naphthenic Specialty Oil[6]	(1)	-	-	-	-	-
Total Naphthenic Specialty Oil	**15**	**1%**	**14**	**1%**	**13**	**0%**

Refining Production	At or for the year ended December 31,					
	2009		2008[5]		2007[5]	
	(mbpd)		(mbpd)		(mbpd)	
Petrochemicals	**100**	**4%**	**109**	**4%**	**107**	**4%**
Others	256	-	383	-	406	-
Transferred Others[6]	(1)	-	-	-	-	-
Total Others	**255**	**10%**	**383**	**14%**	**406**	**14%**
Net output	**2,687**	**101%**	**2,746**	**101%**	**2,862**	**102%**
Consumption, net (gain)/loss	(18)	(1%)	(38)	(1%)	(61)	(2)%
Total yield	**2,669**	**100%**	**2,708**	**100%**	**2,801**	**100%**

(1) Our refineries sourced 68%, 67% and 70% of the refineries' total crude oil requirements from crude oil produced by us in 2009, 2008 and 2007, 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) The transfers of feedstock in the national and international refining systems are consolidated for 2007 and 2008.
(6) Received and shipped goods from and to the international and national refining system.

In 2009, we supplied all of the crude oil requirements to our Venezuelan refineries (approximately 2,669 mbpd), approximately 183 mbpd of crude oil to our leased refinery in Curaçao and an aggregate of 1,597 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 194.48 mbpd were purchased by us in the global market and supplied to our European affiliates. Additionally, CITGO purchased a total of approximately 266 mbpd of crude oil from us for processing in its refineries.

Marketing

In 2009, we exported 2,019 mbpd of crude oil, or 75.3%, of our total exports and 663 mbpd of refined petroleum products produced in Venezuela. Exports of crude oil and refined petroleum products to the United States and Canada amounted to approximately 1,357 mbpd (or 50% of total exports).

Of our total crude oil exports in 2009, a total of approximately 1,228 mbpd (61%) was exported to the United States and Canada; 419 bpd (21%) to Latin America and the Caribbean; 148 mbpd (7%) to Europe; 217 mbpd (11%) to Asia; 4 mbpd to Africa (0.2%) and 3 mbpd to other destinations.

Of our total refined petroleum products produced in Venezuela in 2009, approximately 518 mbpd were used in the domestic market and approximately 663 mbpd were exported. Of the total exports of refined petroleum products in 2009, approximately 129 mbpd (19%) were sold to the United States and Canada; approximately 111 bpd (17%) to Latin America and the Caribbean; approximately 98 mbpd (15%) to Europe; approximately 303 mbpd to Asia (45%); approximately 10 mbpd (2%) to Africa and approximately 12 mbpd (2%) to non-registered localities resulting from maritime transit.

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, 2009.

	For the year ended December 31,		
	2009	2008	2007
	mbpd	mbpd	mbpd
Crude oil			
Light	551	548	567
Medium	198	320	290

	For the year ended December 31,		
	2009	2008	2007
	mbpd	mbpd	mbpd
Heavy and extra-heavy	1,270	1,345	1,017
Sub-total crude oil	**2,019**	**2,213**	**1,874**
Third Party Participation in the Orinoco Oil Belt	**-**	**21**	**293**
Refined products			
Gasoline/naphtha	48	69	80
Distillates	108	104	133
Fuel oil residual	297	227	160
Other	210	263	249
Sub-total products	**663**	**663**	**622**
Third Party Participation in the Orinoco Oil Belt	**-**	**6**	**51**
Total Exports	**2,682**	**2,897**	**2,789**
Average Export Price ($/Bl)			
Crude oil:			
Light crudes	59.77	94.26	70.55
Medium	53.21	85.66	65.72
Heavy	56.52	79.96	56.15
Extra-heavy	52.69	75.33	55.67
Refined products	56.94	87.52	64.39
Average export price	**57.01**	**86.52**	**61.29**

The following table sets forth the geographic breakdown of our exports segregating crude oil and products for the three-year period ended December 31, 2009.

	For the year ended December 31,					
	2009		2008		2007	
			mbpd			
Crude Oil						
North America	1,228	60%	1,340	60.1%	1,461	69.0%
Latin America & Caribbean	419	20.7%	450	20.2%	356	16.8%
Europe	148	7.3%	146	6.5%	176	8.3%
Asia & Others	224	11.0%	292	13.1%	123	5.8%
Sub-Total Crudes	**2,019**	**100%**	**2,228**	**100%**	**2,116**	**100%**
Refined Products (1)						
North America	129	19.4%	160	23.9%	230	34.1%
Latin America & Caribbean	215	32.4%	237	35.4%	236	35.0%
Europe	98	14.7%	99	14.7%	97	14.4%
Asia & Others	221	33.3%	173	25.8%	110	16.3%
Sub-total Refined Products	**663**	**100%**	**669**	**100%**	**673**	**100%**
Crude Oil and Refined Products (2)						
North America	1,357	47.2%	1,500	51.7%	1,691	60.6%
Latin America & Caribbean	634	26.1%	687	23.7%	592	21.2%
Europe	246	8.3%	245	8.4%	273	9.7%
Asia & Others	445	18.4%	465	16.0%	233	8.3%
Total Crude Oil and Refined Products	**2,682**	**100%**	**2,897**	**100%**	**2,789**	**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 20 to 25 years.

Such contracts incorporate price formulas based on the market value of a slate of refined petroleum products deemed to be produced from each particular grade of crude oil or feedstock, less certain deemed refining costs, certain actual costs, including transportation charges, import duties and taxes, and a deemed margin, which varies according to the grade of crude oil or other feedstock delivered. Deemed margins and deemed costs are adjusted periodically by a formula primarily based on the rate of inflation. Because deemed operating costs and the slate of refined petroleum products deemed to be produced for a given barrel of crude oil or other feedstock do not necessarily reflect the actual costs and yields in any period, the actual refining margin earned by the purchaser under the various contracts will vary depending on, among other things, the efficiency with which such purchaser conducts its operations during such period. These contracts are designed to reduce the inherent earnings volatility of the refining and marketing operations of our international refining affiliates. Other supply contracts between us and our U.S. affiliates provide for the sale of crude oil at market prices.

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 U.S. through CITGO. CITGO's major products are light fuels (including gasoline, jet fuel and diesel fuel), industrial products and petrochemicals, asphalt, and lubricants and waxes.

CITGO markets gasoline to approximately 450 marketers who in turn sell to approximately 6,500 independently owned and operated CITGO-branded retail outlets located east of the Rocky Mountains. In addition, CITGO markets jet fuel directly to major airline customers as well as to resellers for use at seven airports, including major hub cities such as Boston and Miami. CITGO's light fuel marketing activities are supported by an extensive terminal distribution network throughout its service regions. CITGO owns and has equity ownership in 48 refined product terminals located across 22 states of the United States with a total storage capacity of approximately 21 million bls. In addition, CITGO has access to over 150 third-party terminals through exchange, terminaling and similar arrangements.

CITGO also produces a diverse range of petrochemicals and industrial products, including benzene, cumene, mixed xylenes, toluene, cyclohexane, refinery-grade propylene, solvents, sulfur and natural gas liquids. 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 sells its industrial products to a wide variety of end-market users, including fuel blenders, refiners, electric utilities and fertilizers, cement and steel producers. 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 feedstock for its refinery operations. We are CITGO's largest supplier of crude oil, and CITGO has entered into long-term supply agreements with us with

respect to the crude oil requirements for each of CITGO's refineries. CITGO also purchases crude oil in the market. In addition, because CITGO's refinery operations do not produce sufficient refined petroleum products to meet the demands of its independent branded marketers, CITGO purchases refined petroleum products, primarily gasoline, from third-party refiners. CITGO also purchases refined petroleum products from its affiliates, including Hovensa, pursuant to long-term contracts. In 2009, CITGO purchased approximately 134 mbpd of refined petroleum products under these contracts. In addition, CITGO occasionally purchases, on a spot basis, refined petroleum products from our Venezuelan refineries.

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 2009, we supplied to the European refineries in which we held an interest, approximately 245 mbpd of crude oil, of which approximately 51 mbpd were exported from Venezuela and approximately 194 mbpd were purchased in international markets.

The crude oil processed at the Ruhr Oel refineries is supplied 50% by us and 50% by Deutsche BP pursuant to a joint venture agreement and a long-term supply contract. Pursuant to these agreements, Ruhr does not acquire title to any crude oil or refined petroleum products. Instead, the crude oil supplied by us or Deutsche BP remains owned by us or Deutsche BP, as applicable, throughout the refining process. Our share of the refined petroleum products processed at the Ruhr Oel refineries is distributed through Deutsche BP's marketing network. The operating costs of the Ruhr Oel refineries are shared equally by us and Deutsche BP.

We receive 50% of the revenues from Deutsche BP's sales of the refined petroleum products processed at the Ruhr Oel refineries, minus operating and marketing costs. We supply crude oil to the Ruhr Oel refineries and receive revenues from the sale of refined petroleum products attributable to such crude oil.

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 and Australia, 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 Corporation 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,		
	2009	2008	2007
	(In thousand barrels per day, unless otherwise indicated)		
Refined Products:			
Liquefied petroleum gas	81	81	82
Motor gasoline	290	287	274
Diesel	152	148	137
Other	77	64	71
Total refined products	**600**	**580**	**564**
Natural gas (mmcf)	1,816	1,870	2,972
Natural gas in boe	307	307	512
Total hydrocarbons in boe	**907**	**887**	**1,076**

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 11.61% of the export price for vehicle gasoline in 2009.

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 November 30, 2009, 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 443,000 bcf at the end of 2009, of which 178,877 bcf are proved reserves. Our total sales of natural gas in the Venezuelan market amounted to 307 mbpc for the year ended December 31, 2009.

Capital Expenditure

The following table sets forth our actual capital expenditures by geographic locations for the fiscal years ended December 31, 2007, December 31, 2008 and December 31, 2009 and for the nine-month periods ended September 30, 2009 and September 30, 2010, as well as our estimated capital expenditures for the fiscal year ended December 31, 2010:

	For the nine months ended September 30,		For the year ended December 31,			
	2010	2009	2010[(1)]	2009	2008	2007
			(in $ millions of U.S. dollars)			
Venezuela	7,009	6,852	16,421	13,651	17,491	12,374
United States	630	463	565	598	743	371
Central and South America	133	209	564	968	120	70
Europe	-	2	0	116	59	37
Total	7,772	7,526	17,550	15,333	18,413	12,852

(1) Estimated capital expenditures for the fiscal year ended December 31, 2010.

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, in a synchronized fashion, the underground and surface production plans to enhance the average production of the districts affected by the project, in order to achieve an 879 mbpd average oil production (with a maximum production expected for 2024 at 1,082 mbpd) and a 604 mmcfd average gas production. The estimated investment in this project is $10,929 million, of which $196 million have been invested as of December 31, 2009.

The Complejo Criogénico de Occidente Project. The development of the Complejo Criogénico de Occidente project is aimed at optimizing the natural gas processing scheme in the Western region of Venezuela by increasing the ethane and LNG production. The project is expected to significantly reduce the operation and maintenance costs of current plants, allowing a better expansion of the gas business in the area.

The estimated capital investment for the project is approximately $2,659 million. Main facilities include two extraction trains, each with a capacity of 475 mmcfd of gas, one gas fractionating train with installed capacity of 35 bpd and other offsite facilities. As of December 31, 2009, the total investment in the project amounted to approximately $340 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 2,800 mcfd of gas and approximately 39 mbpd of associated light crude. The total estimated capital investment for the project is $4,426 million. As of December 31, 2009, the total investment in the project amounted to approximately $1,812 million.

Acondicionamiento de Gas y Líquidos Anaco (AGLA) Project. Project AGLA consists of a plan to the build up the infrastructure required to process the natural gas produced in the San Joaquín, Guario and El Roble fields, to guarantee the mechanical integrity of the San Joaquín del PGA operation center, and to segregate the gas currents of the Anaco District to feed the LPG processing plants.

The estimated capital investment for the project is $287 million. As of December 31, 2009, the total investment in the project totaled approximately $17 million.

The ICO Project. The objective of the ICO project is to connect Venezuela's central and eastern (Anaco-Barquisimeto) and western (Ule-Amuay) natural gas transmission systems in order to (i) facilitate the supply of gas to the western region of Venezuela; (ii) expand the delivery of gas to other regions and cities within Venezuela; and (iii) promote industrial and commercial development in the areas along the gas transmission pipeline to be built in connection with this project.

The ICO includes construction of 70 km of a 36-inch diameter gas pipeline running from Quero to Río Seco and five automatic valve stations; the construction of 230 km of a 30-inch diameter gas pipeline running from Quero to El Manglar; and the construction of three compression stations located in Altagracia, Los Morros and Morón. The 36-inch diameter gas pipeline and the 12 km of the 30-inch diameter pipeline were completed in 2005.

During 2009, the Morón compression stations were completed. This infrastructure allows a gas supply of 297 mmcfd. Currently, minor electric and gardening activities have commenced.

We expect to invest approximately $884 million in the ICO project. Completion of this project is scheduled for 2013 and, as of December 31, 2009, the total investment in this project amounted to $87 million.

The Jose 250 Project. The main purpose of the Jose 250 project is to provide all the required infrastructure for gas conditioning and processing of the associated gas produced from the operational Eastern Areas of Anaco (San Joaquín) and north of Monagas (Jusepín and Pirital) in order to satisfy domestic market demand and supply injection gas for secondary oil recovery processes of North Monagas oil fields.

The project includes three new Liquid Extraction Plants with a total capacity to process 2,350 mmcfd and one fractionation unit with capacity to fraction 50,000 bpd of LNG. The project will also expand the marine terminal of the Jose Condominium and construct and expand LNG pipelines.

The estimated capital investment for the project is $4,509 million. Completion of this project is scheduled for 2014 and, as of December 31, 2009, the total investment in the project amounted to approximately $320 million.

The Mariscal Sucre for Liquefied Natural Gas Project. The Mariscal Sucre for Liquefied 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. In addition, the project includes the construction of an LNG plant with a projected gas production capacity of 1,200 mmcfd. The LNG plant is projected to process 4.7 million metric tons per year of LNG and 300 mmcfd of methane gas.

The investment required for the development of the off-shore fields, the LNG plant and the associated infrastructure is estimated at $10,849 million. Completion of this project is scheduled for 2012 and, as of December 31, 2009, the total investment in this project amounted to approximately $1,015 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 2014, and, as of December 31, 2009, the total investment in the project amounted to approximately $669 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, as of December 31, 2009, the total investment in the project amounted to approximately $496 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 2014 and, during the three-year period ended December 31, 2009, the total investment in the project amounted to approximately $318 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 $6,877 million. The completion of this project is scheduled for 2014 and, as of December 31, 2009, the total investment in the project amounted to approximately $620 million.

Deep Conversion Project at the El Palito Refinery. The Deep Conversion project at the El Palito refinery involves the development of all engineering phases to install new distillate hydrotreater and reforming units and a deep conversion unit, 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, to minimize residual production and increase high quality product yields.

The estimated capital investment for the project is $6,050 million. The Completion of this project is scheduled for 2016 and, as of December 31, 2009, the total investment in the project amounted to approximately $215 million.

New Refinery Projects: Cabruta, Batalla de Santa Ines and Zulia. The Cabruta refinery is being designed to process 221 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, based on HDHPLUS® technology. The refinery will be located in Cabruta in the southern region of the state of Guarico. The refinery is expected to commence operations in 2018.

The Batalla de Santa Ines 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 commence operations by 2014.

The Zulia refinery is designed to process 200 mbpd of 17° API heavy oil, and is expected to produce all types of refined and specialized products. The Zulia refinery will commence operations in 2021.

The estimated capital investment for the Cabruta refinery, the Batalla de Santa Inés refinery and the Zulia refinery is $19,928 million, $1,326 million and $3,500 million, respectively. As of December 31, 2009, we have invested $51 million in the project for the construction of the Batalla de Santa Inés refinery.

Transportation and Infrastructure

Pipelines and Storage. We have an extensive transportation network in Venezuela consisting of approximately 3,113 km of crude oil pipelines (over 28 pipelines), with a throughput capacity of approximately 6,340 mbpd of crude oil. These pipelines connect production areas to terminal facilities and refineries. We have a network of gas pipelines in Venezuela totaling approximately 3,781 km, with a throughput capacity of approximately 2,748 thousand cubic meters per day. 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 1,179 km of products pipelines with a total flow capacity of approximately 831 mbpd.

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, 2009. The Curaçao oil terminal, which is leased from the Netherlands Antilles government, had a storage capacity of approximately 8.74 mmbls at December 31, 2009.

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 five European pipeline companies, we have interests in four crude oil terminals and four crude oil pipelines in northwestern Europe, including two pipelines from the Mediterranean coast to Germany. We also own three port facilities in the Rhine-Herne Canal providing barge access to Rhine and North Sea coastal ports.

Shipping. As of December 31, 2009, PDV Marina, our wholly owned subsidiary, owned and operated 21 tankers with a total capacity of approximately 1,348 mdwt with an average age at December 31, 2009 of approximately 21 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, INTEVEP develops combustion tests through geologic models and reservoir simulations, which allow it to select wells with an estimated recovery rate of 47% to 53%.

As a result of its technological development, during 2009, PDVSA approved additional guidelines in the areas of design engineering, capital investment projects, equipment maintenance, industrial security and reservoir studies. These guidelines have influenced PDVSA's discovery of 24 new licensed products. Ten of such products have a non-exclusive license to use and apply INTEVEP's technological methods.

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 2009 and 2010, 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 approximately $42 million to complete the implementation of the Integral Risk Management (SIR-PDVSA®). In addition, we are undertaking an investment plan to comply with Venezuelan environmental laws under which $180 million were invested during 2009. Particularly, CITGO plans to invest approximately $380 million for projects managing environmental risks between 2011 and 2015.

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 1,583 oil pits have been closed and restored. In 2009 and 2008, we registered remediation and restoration expenses having an aggregate amount of $384 million and $583 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 September 30, 2010, CITGO's non-current liabilities included an environmental accrual of $80 million compared with $83 million as of December 31, 2009. CITGO estimates a possible obligation of $23 million as of September 30, 2010 in connection with environmental matters.

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

Antitrust Litigation

In January 2008, a proceeding was initiated before the Southern District Court of Houston, Texas, consolidating the five pending proceedings before U.S. courts that have been previously filed by several American companies against PDVSA its U.S. affiliates and companies from other oil producing countries alleging that OPEC agreements on production and exports violate U.S. antitrust laws.

On January 9, 2009 the District Court decided in favor of the defendants, declining its jurisdiction to hear the case, based on the act of State and political question doctrines. This decision was appealed by plaintiffs and the case is now at the Court of Appeals of the Fifth Circuit.

On March 1, 2010, an appeal hearing in connection with the motion for dismissal of the case took place.

On August 16, 2010 the U.S. government at the request of the Court of Appeals submitted an *Amicus Curiae* stating its position on the case which clearly favors the defendants' case. A ruling on the appeal is pending as of the date of these listing particulars, and is expected to be issued in 2011.

Mobil Cerro Negro Ltd.

On January 25, 2008, Mobil Cerro Negro Ltd. (subsidiary of ExxonMobil) filed an arbitration request before the International Court of Arbitration of the International Chamber of Commerce against PDVSA and PDVSA Cerro Negro, S.A., claiming indemnity under the Cerro Negro Association Agreement (the "Association Agreement") as well as failure to comply with the terms of a guaranty granted by PDVSA of PDVSA Cerro Negro's obligations under the Association Agreement. In December 2007, Mobil Cerro Negro had obtained from the Southern District Court 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, approximately US$300 million of PDVSA Cerro Negro funds remain attached until the arbitration procedure is terminated. Additionally, on January 24, 2008, Mobil Cerro Negro 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 at least US$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 proceeding in the national courts were based on an alleged indemnity claim of US$12 billion, Mobil Cerro Negro has reduced its claim in the arbitration to approximately US$7 billion, plus interest. The claim in the arbitration is for indemnification under Article XV of the Association Agreement, which provided that PDVSA Cerro Negro would indemnify Mobil Cerro Negro, subject to certain limitations, for certain governmental actions defined as "Discriminatory Measures" having a Material Adverse Impact on Mobil Cerro Negro as defined in the Association Agreement. Mobil Cerro Negro claims 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 Association Agreement, triggering the indemnity obligation of PDVSA Cerro Negro and PDVSA's guaranty. PDVSA Cerro Negro and PDVSA have raised several defenses to the indemnity claim, including the arguments that the Association Agreement was extinguished by operation of law and that in any event no indemnity would be owed under the terms of the Agreement for various reasons.

The hearing on all issues in the arbitration concluded on September 24, 2010. The parties filed post-hearing memorials on October 25, 2010, and the corresponding replies on November 8, 2010. Additionally, the parties filed their memorials regarding court costs on January 10, 2011, and the corresponding replies on January 24, 2011. It is expected that a decision will be rendered in 2011.

ConocoPhillips Petrozuata

On December 30, 2009, ConocoPhillips Petrozuata BV filed a request for arbitration before the International Court of Arbitration of the International Chamber of Commerce in New York, against us under a guaranty of the obligations of our subsidiary Maraven, S.A relating to the Petrozuata Project. ConocoPhillips Petrozuata claims that the subsidiary breached certain of its obligations in respect of certain production cutbacks ordered by the government of Venezuela. The arbitral tribunal was formed in July 2010, and the terms of reference were adopted in late 2010. The International Court of Arbitration decided to consolidate this case with the case described in the next paragraph on October 6, 2010. As of the date of these listing particulars, no specific amounts have been claimed by ConocoPhillips Petrozuata BV in said arbitration.

Phillips Petroleum Company

On December 30, 2009, Phillips Petroleum Company Limited filed a request for arbitration before the International Court of Arbitration of the International Chamber of Commerce in New York, against us under a guaranty of the obligations of our subsidiary Corpoguanipa S.A. relating to the Hamaca Project. Phillips Petroleum Company Limited claims that the subsidiary breached certain of its obligations in respect of certain production cutbacks ordered by the government of Venezuela. The arbitral tribunal was formed in July 2010, and the terms of reference were adopted in late 2010. The International Court of Arbitration decided to consolidate this case with the case described on the previous paragraph on October 6, 2010. As of the date of these listing particulars, no specific amounts have been claimed by Phillips Petroleum Company Limited in said arbitration.

PDV Sweeny and ConocoPhillips Company

On February 25, 2010, PDV Sweeny filed a request for arbitration against ConocoPhillips Company in connection with the Call Option enforced by ConocoPhillips regarding the shares in Sweeny Coker LLC. On August 16, 2010, ConocoPhillips Petroleum Company Limited filed a request for arbitration against us and PDVSA Petróleo in connection with a Crude Oil Supply Agreement (COSA) between ConocoPhillips and PDVSA Petróleo and the COSA guarantee granted by us relating to such supply agreement. This arbitration proceeding relates to the determination of certain adjustments to the crude oil purchase price pursuant to the adjustment formula set forth in the COSA. On December 17, 2010 the arbitral tribunal granted the Request for Consolidation and ordered the cases be consolidated and determined as a single consolidated arbitration. The arbitral tribunal was formed, and the terms of reference will be adopted by May 2011. As of the date of these listing particulars, no specific amounts have been claimed by ConocoPhillipsCompany Limited in said arbitration.

SIMCO Arbitration

On March 26, 2010, Simco Consortium, formed by Wood Engineering Limited, filed an arbitration request against PDVSA Petróleo before the International Court of Arbitration of the International Chamber of Commerce in New York, based on an alleged breach by PDVSA Petróleo 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 terms of reference should be agreed shortly and a hearing is expected to take place in 2011.

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, 2009 and December 31, 2008, we registered a $1,345 million allowance for contingences 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, 2009 and December 31, 2008, we registered a $135 million allowance for contingences in respect of certain tax obligations of PDVSA Petróleos pertaining to 1994, 1995 and 1996 having a $830 million aggregate principal amount. In such connection, we have made cash and in kind payments to the SENIAT having an aggregate principal amount of $13 million and $682 million, respectively. Payments in kind were made by delivering Reimbursement Tax Certificates having a principal amount of $682 million.

Other Claims; Allowances for Contingencies

As of December 31, 2009, we were subject to other legal claims and procedures in the ordinary course of business having an aggregate amount of $1,041 million.

As of December 31, 2009 and December 31, 2008, we registered allowances for contingences having an aggregate amount of $2,094 million and $2,125 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, six internal directors and two 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 current Board of Directors was appointed in September 2008 and will serve until December 31, 2010 or until a new board of directors is appointed. Our current directors and executive officers are set forth below.

Name	Position with PDVSA	Age	Year of Appointment
Rafael Ramírez Carreño	President	47	2004
Asdrúbal Chávez	Vice President	56	2007
Eulogio del Pino	Vice President	54	2008
Eudomario Carruyo	Internal Director	65	2005
Hercilio Rivas	Internal Director	65	2008
Carlos Vallejos	Internal Director	61	2008
Ricardo Coronado	Internal Director	57	2008
Luis Pulido	Internal Director	53	2008
Fadi Kabboul	Internal Director	50	2008
Iván Orellana	External Director	58	2005
Aref Eduardo Richany	External Director	47	2008

Information on our current directors and executive officers is set forth below. Unless otherwise indicated, the principal office for all of our directors and executive officers and all committees thereof is located at: Avenida Libertador, La Campiña, Apdo. 169, Caracas 1050 A, Venezuela.

Mr. Rafael Ramírez Carreño, 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.

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, and Vice President for the Ministers' Conference of the Gas Exporting Countries Forum.

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.

Mr. Eudomario Carruyo, Director

Mr. Eudomario Carruyo received a Bachelor's degree in Public Accounting from the Universidad del Zulia in 1972. He has completed several specialization and graduate courses in the areas of Finance and Management at Columbia University in New York and the University of Michigan at Ann Arbor. Mr. Carruyo has more than 40 years of experience in the domestic oil and petrochemical industry. He began his career in the CVP, where he worked until 1997, holding the positions of corporate treasurer, corporate controller, corporate budget and economic evaluations manager, corporate cost manager, finance manager for the Western Division, finance manager for the San Tomé Area, finance manager for the El Palito refinery and president of the bidding committee. In 1992, he was transferred to Palmaven, one of our subsidiaries, where he worked for six years (1992-1997), acting as finance manager and later as director of the subsidiary. Simultaneously, he sat on the boards of directors of several of its joint ventures. In 1997, he retired from the oil industry. In April 2002, he returned as our statutory auditor until December 2002 (first as assistant and then as principal). In January 2003, Mr. Carruyo was appointed our executive

director of finance, office in which he served until June, 2003, where he coordinated our year-end closure and that of our subsidiaries for the fiscal year 2002 and the preparation of operational financial reports both for internal use and for the SEC. Since July, 2004 through December, 2004, he served as director of Petroquímica de Venezuela, S.A. (Pequiven). In January, 2005, he was appointed member of our Board of Directors, and was ratified to hold such office in 2008. He also serves as director of the following subsidiaries: CITGO, PDV Marina, PDVSA Petróleo, PDVSA Finance, PDVSA Insurance and PDV Holding.

Mr. Hercilio Rivas, Director

Mr. Hercilio Rivas received a Bachelor's degree in Chemistry from the Universidad Central de Venezuela in 1967 and holds a Master's degree and a PhD in Interfacial Phenomena and Colloidal Chemistry from the London University (1982). Beginning in 1982, he served as investigator at INTEVEP, and in 1997, he worked as guest investigator at the University of Texas, United States. Mr. Rivas has also been a university professor and co-author of several technical reports, invention patents, international congress's presentations and specialized magazines' publications. Mr. Rivas has received several distinctions during his scientific career, including the National Science Award, Technological Investigation Mention (1999), the Technological Development Award from the Corporación Andina de Fomento (2000), INTEVEP's Innovation in Technology Award (2001) and the Orden Mérito al Trabajo en su Primera Clase (1997). Mr. Rivas has held different technical, supervisory and managerial positions, including serving as general manager at BITOR (2002-2003), chairman's assistant at INTEVEP (2004), director at the Power Studies Institute (2005), president at INTEVEP (2006-2008). Mr. Rivas is a member of our Board of Directors since 2008.

Mr. Carlos Vallejos, Director

Mr. Carlos Vallejos received a Bachelor's degree in Chemistry from the Universidad Central de Venezuela in 1972 and holds a PhD in Chemistry from the Oxford University (1982). From 1974 through 1976, he served as professor at the School of Chemistry of the Universidad Central de Venezuela. He has also been associate professor at the Universidad Politécnica de Barquisimeto. In 1982, he joined the Carbon and Iron Casting Research Center where he served until he entered into the petroleum industry in 1984, in which he has held different technical, supervisory and managerial positions. In 2003, he was appointed member of the board of directors of INTEVEP, and, in 2004, was appointed coordinator of the Ribas Mission for the State of Miranda and served as member of the board of directors of CVP and president of *Fundación Misión Ribas*. In 2007, Mr. Vallejos was appointed general manager at PDVSA Colombia, S.A. and PDVSA Gas, and was charged with the responsibility of prompting the construction of the Trans-Caribbean Gas Pipeline. In September, 2008, Mr. Vallejos was appointed member of our Board of Directors, and, since then, serves as coordination director with the Corporate Internal Audit Office, *Fundación Misión Ribas* and PDVSA Desarrollos Urbanos.

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. Luis Pulido, Director

Mr. Luis Pulido has a Bachelor degree in Military Science and Arts (aeronautical specialization) from the Academia Militar de Venezuela. He is a lieutenant-colonel in the Venezuelan Air Force, distinguished with the *Armamento* mention in 1979, and holds a Master's degree in Defense Systems Logistic Management from Euromissile, France (1984) and in Management from LUZ (1997). Since 1995, year in which he joined the oil industry, he has held different technical, supervisory and managerial positions. In 1998, he served as planning and controlling manager in our Loss Prevention and Control department. In 2001, Mr. Pulido was appointed logistic manager for the Deltana Platform Project, and in 2003, participated in the recuperation of the oil Eastern Areas as district manager for PDVSA Gas in Anaco and district manager for PDVSA Sur in San Tomé. In 2004, Mr. Pulido was appointed president of Sincrudos de Oriente, C.A. (SINCOR), and, in 2005, was appointed general manager of the Eastern Exploration and Production Division. In 2006, he was appointed production executive director and director of *Fundación Misión Ribas*. In 2007, he served as president of PDVSA Industrial and loss prevention and control corporate vice manager. During 2008 and 2009, he also served as president of PDVAL and, in January 2010, was appointed president of Bariven. Mr. Pulido is a member of our Board of Directors since September 2008. Mr. Pulido is currently in custody due to an ongoing investigation in Venezuela concerning PDVAL. Mr. Pulido is presumed innocent until otherwise declared by a final judgment of a Venezuelan court. Although he continues to be a member of our Board of Directors, Mr. Pulido's employment with us has been temporarily suspended in compliance with Section 94 of Venezuelan Organic Labor Law.

Mr. Fadi Kabboul, Director

Mr. Fadi Kabboul is a Mechanical Engineer who graduated from the Simon Bolivar University in 1985, and holds a Master's degree in Management from the Massachusetts Institute of Technology, United States (1993). In 1985, he began his career in the oil industry as rotating equipment inspector engineer, and thereafter has held different technical, supervisory and managerial positions in Caracas and in the operational areas in the State of Anzoátegui. Simultaneously, he served as professor at the Simon Bolivar University. In 1989, he worked at BP under a technology exchange agreement. In 1996, he was appointed Corpoven's strategic alliances manager and, in 1997, Mr. Kabboul was transferred to Bariven. In 2000, he participated in the Mariscal Sucre LPG project and, in 2003, was appointed Counselor Minister and Business Responsible for the Venezuelan Embassy in the United States. In 2007, Mr. Kabboul was appointed our planning executive director, and is a member of our Board of Directors since September, 2008, where he serves as coordination director with the Planning, Automation, IT, Environment, Industrial Security and Employment Health Organizations.

Mr. Iván Orellana, Director

Mr. Iván Orellana is a Chemical Engineer who graduated from Universidad Simón Bolívar (1975). He completed postgraduate studies in Strategic Planning at Brunel University, London in 1994 and courses in oil and natural gas supply and trade at Oxford, in 1994, administrative law at the Universidad de Salamanca, Spain, in 2003 and private international law in Universidad de Salamanca in 2004. Mr. Orellana began his career in the hydrocarbon sector in 1975, holding different supervisory and engineering positions. In 1988, he worked as consultant for the gas sector in the Exploration and Production Coordinating Department of PDVSA Gas. In 1994, he was appointed planning manager for PDVSA Gas and, between 1997 and 2001, he worked as senior planning consultant for energy and regulation of energy markets in our Corporate Planning department. Between 2002 and 2003, he acted as trade environment analysis manager in our Planning Executive Committee. He has been the Venezuelan national representative for the Economic Commission since 2003 and the Venezuelan governor for OPEC from 2003 through 2008, as well as chairman of OPEC's Governors Board (2004-2005). Mr. Orellana has also been general director for hydrocarbons at the Ministry of Energy and Petroleum. In January 2005, Mr. Orellana was appointed external director to our Board of Directors, and general director of the Ministry of Energy and Petroleum's International Affairs Department. Later, in 2006, Mr. Orellana was appointed general director of the Strategic Planning Office at said Ministry, as well as external director to Pequiven's board of directors. He was appointed Hydrocarbons Vice Ministry at the Ministry of Energy and Petroleum in June 2008 and, in 2009, was appointed president of the board of directors of the Gas Exporting Countries' Forum based in Doha, Qatar. He has also been coordinator of studies to establish our and Venezuela's strategic positioning in the LNG markets in the Atlantic Basin, consultant to the President of the National Gas Entity and our President in the process of energy

services regulation for Venezuela, and consultant to the Ministry of Energy and Petroleum and to us in the bidding process for the Mariscal Sucre LNG project.

Mr. Aref Eduardo Richany, Director

Mr. Aref Eduardo Richany has a Bachelor degree in Military Science and Arts from the Academia Militar de Venezuela. He has also participated in Master's studies in Military Science and Arts, as well as in several courses at the Superior Army School. Mr. Richany is a Brigadier General in the Venezuelan Army, and has held different military positions throughout his career, including serving as first commander for the "Cnel. Manuel Toro" battalion and as director of the "Dr. Vicente Salias" military hospital. In 2004, he was appointed Ammunition Director for the Venezuelan Army Forces. Since 2008, Mr. Richany serves as president of Compañía Anónima Venezolana de Industrias Militares (CAVIM), and has been a member of our Board of Directors.

Compensation

For the year ending December 31, 2009, the aggregate amount paid by us as compensation to our directors and executive officers for services in all capacities was approximately $1.69 million (based on the 2009 average exchange rate of Bs.2.15 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.

	At December 31,		
	2009	**2008**	**2007**
In Venezuela	86,790	73,580	56,769
Abroad	5,159	5,159	5,140
Total number of employees	**91,949**	**78,739**	**61,909**
Contractors	**10,801**	**19,374**	**15,383**

As of December 2009, approximately 23% 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.

Share ownership

Our common stock is not publicly traded and, as of September 2010, our share capital amounted to Bs.1,280,100 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.

Management of the Guarantor

The Guarantor's current Board of Directors was appointed in September 2008 and will serve until December 31, 2010 or until a new board of directors is appointed. The Guarantor's current directors and executive officers are set forth below.

Name	Position with the Guarantor	Age	Year of Appointment
Rafael Ramírez Carreño	President	47	2008
Asdrúbal Chávez	Director	56	2008
Eulgio del Pino	Director	54	2008

For a descripiton of these directors, see "—Directors and Senior Management."

Unless otherwise indicated, the principal office for all of the Guarantor's directors and executive officers and all committees thereof is located at: Avenida Libertador, La Campiña, Apdo. 169, Caracas 1050 A, 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 Energy and Petroleum, who now also serves as our president. The Ministry of Energy and Petroleum 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 and the Caribbean. See note 1(a) to our consolidated financial statements.

Our oil-related activities are governed by the Organic Hydrocarbons Law, which came into effect in January 2002. 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*-were 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 follows (in millions of dollars):

	For the nine months ended September 30,	
	2010	**2009**
Activities for the nine-month period:		
Income:		
Sales:		
Non-consolidated investees and jointly controlled entities	5,565	4,540
Companies owned by the Stockholder and other government institutions	222	426
Other income	4	57
Costs and expenses:		
Purchases of crude oil and refined products	2,857	2,410
Production tax, extraction tax and other taxes	6,325	7,375
Equity in net earnings of non-consolidated investees and jointly-controlled entities	85	177
Other	96	166
Estimated income tax expenses in Venezuela	4,914	3,919
Social development contributions	4,786	1079

	September 30, 2010	**December 31, 2009**
Balances at the end of the period:		
Investments non-consolidated investees and joint controlled entities	1,887	1,899
Non-current accounts receivable	4,357	871
Buildings used by government entities	52	53
Recoverable value-added tax	4,562	7,615
Trust funds with Banco Central de Venezuela	2,114	827
Trust funds with BANDES	339	409
Trust funds with Bicentenario Banco Universal, C.A.	20	73
Income tax paid in advance and prepaid income tax	2,841	6,569
Income tax payable in Venezuela	3,769	2,485
Accruals and other liabilities	12,830	13,685
Accounts payable to suppliers	104	150
Notes and accounts receivable		
Non-consolidated investees and jointly controlled entities	1,167	1,198
Companies owned by the Stockholder and other government institutions	4,231	3,439
	5,398	4,637

Balances and Transactions with the Stockholder

During the nine-month period ended September 30, 2010, production taxes were paid in cash to the government amounting to $5,156 million. During the same period, we supplied crude oil and refined products valued at $3,665 million, pursuant to Energy Cooperation Agreements. In accordance with the Ministry of Energy and Petroleum's resolution and Article 45 of the Organic Hydrocarbons Law, 50% of these products delivered to the Venezuelan government are considered part of the fulfillment of our obligations for production tax.

During the nine months ended September 30, 2010, we delivered crude oil and refined products to the Venezuelan government pursuant to the Chinese-Venezuelan Fund Incorporation Agreement. The recovery for these volumes delivered by PDVSA, are received by BANDES, in order to ensure compliance with commitments made by Venezuela in the framework of the agreement. As of September 30, 2010, BANDES owed us $581 million on account of these transactions.

In support of social projects carried out by the Venezuelan government, we incurred the following expenses during the nine-month period ended September 30, 2010 and 2009 (in millions of dollars):

	For the nine months ended September 30,	
	2010	**2009**
Expenses for social development incurred through trust funds in BANDES and other government financial institutions	-	61
Contributions to missions, communities and other	3,807	768
	3,807	829
FONDEN contributions	947	250
Special contribution	32	-
	4,786	1,079

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

At September 30, 2010 and December 31, 2009, we maintained the following supply agreements:

	Supply agreement (MBPD)	Year of termination
Company -		
ROG	27	Contractual term, plus 3 additional years
Nynas	54	Contractual term, plus 3 additional years
Hovensa	238	Between 2014 - 2022

As a result of the supply agreements above, PDVSA Petróleo sold during the nine-month periods ended September 30, 2010 and 2009, crude oils and products for $5,208 million and $3,922 million, respectively, to non-consolidated investees and jointly controlled entities. The outstanding balances relating to those transactions, amounting to $1,135 million and $1,171 million as of September 30, 2010 and December 31, 2009, respectively, are included under notes and accounts receivable from related parties in our financial statements as of such dates.

During the nine-month period ended September 30, 2010 and 2009, CITGO sold crude oil and products for $357 million and $190 million, respectively, to non-consolidated investees and jointly controlled entities. Outstanding balances receivable relating to these operations as of September 30, 2010 and December 31, 2009 was $35 million and $45 million, respectively.

During the nine-month period ended September 30, 2010 and 2009, CITGO purchased refined products from various non-consolidated investees and jointly controlled entities (Hovensa L.L.C., Chalmette Refining, L.L.C. and Mount Vernon Phenol Plant) under long-term agreements. Such purchases of $2,857 million and $2,410 million, respectively, are included in the condensed consolidated interim statements of comprehensive income as purchases of crude oil and products. As of September 30, 2010 and December 31, 2009, accounts payable to suppliers include $84 million and $150 million, respectively, relating to these transactions.

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

As of September 30, 2010 and December 31, 2009, long-term accounts receivable from related parties include accounts receivable from PEQUIVEN of $333 million for funds supplied for use as working capital.

As of September 30, 2010 and December 31, 2009, accounts receivable from CADAFE include, mainly, operations performed by PDVSA Petróleo to supply light diesel and financial support to carry out the investment plans, which may be offset with energy supply services provided by CADAFE. As of September 30, 2010 and December 31, 2009, PDVSA Petróleo offset accounts receivable from CADAFE for $7 million and $18 million.

To meet the guidelines established by the Venezuelan government, during the nine months ended September 30, 2010, we temporarily continued to support financially the activities of CORPOELEC through the acquisition of equipment for the national electricity system. During the nine-month period ended September 30, 2010, we received $1,232 million from FONDEN for us to continue financially supporting the development of the electricity sector in Venezuela. Of said amount $404 million were used to offset accounts receivable from CORPOLEC relating to trade debts and loans used to acquire the abovementioned equipment. The balance, totaling $828 million, will be used to finance future projects to continue developing the national electricity sector. As of September 30, 2010, accounts receivable from CORPOELEC amounted to $1,301 million from these transactions.

Amounts recognized from transactions with related parties as of September 30, 2010 and December 31, 2009 do not necessarily represent the results that would have been obtained if those transactions had been performed with third parties.

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 purchases of Notes should consult their tax advisers 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 under 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, that 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 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, the United Kingdom, Italy, France, Germany, Portugal, Czech Republic, Trinidad & Tobago, the Netherlands, Switzerland, Norway, Barbados, Indonesia, Denmark, Spain, Canada, Iran, Korea, Cuba, China, Austria, Belgium, Malaysia, Sweden, Belarus, Qatar, Russia and Kuwait, 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 payment of 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 the payment of 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 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 at the initial issue price in this offer 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 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 OID

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 will be issued with original issue discount ("OID") for U.S. Federal income tax purposes. As discussed in more detail below, 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.

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 determined by multiplying the "adjusted issue price" (as defined below) of the Note at the beginning of the accrual period by the "yield to maturity" (as defined below) of such Note and subtracting from that product the amount of any stated interest. 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, 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 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 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.

In addition, U.S. Holders should be aware that legislation enacted in 2010 imposes new reporting requirements with respect to the holding of certain foreign financial assets, including debt of foreign issuers, if the aggregate value of all of such assets exceeds U.S. $50,000. U.S. Holders should consult their own tax advisors regarding the application of the information reporting rules to the Notes and the application of the recently enacted legislation to their particular situations.

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"), Wilmington Trust Company, as Trustee, Citibank, N.A., as principal paying agent (the "Principal Paying Agent"), transfer agent (the "Transfer Agent") and registrar (the "Registrar") and Dexia Banque Internationale à Luxembourg, société anonyme, as Luxembourg listing agent and paying agent. The following describes the material provisions of the Indenture. It does not include all of the provisions of the Indenture. 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: Global Transaction Services – 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.

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.

Brief Description of the Notes and the Guaranty

The Notes. The Notes will:

- 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 September 30, 2010, the Issuer had consolidated total indebtedness of $22,086 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 irrevocable and unconditional;
- 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 September 30, 2010, the Guarantor had total indebtedness of $14 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. 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. $100 in excess thereof. The Notes will be issued for an initial aggregate principal amount of U.S. $3,000,000,000, 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 February 17, 2022, unless earlier redeemed in accordance with the terms of the Notes. See "Redemption" below. Interest on the Notes will accrue at the rate of 12.75% per annum and will be due and payable in cash semi-annually in arrears on each February 17 and August 17, commencing on August 17, 2011 (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 February 17, 2020, the second will be payable on February 17, 2021 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. $100 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 (ECOFIN) 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 and the Indenture, comply 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 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 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" (the "*Acceleration Notice*"), 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 of 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 Wilmington Trust Company is the Trustee under the Indenture. Its address is 1100 North Market Street, Rodney Square North, Wilmington, DE 19890, Attention: Corporate Trust Administration - 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: Global Transaction Services - PDVSA and (b) for transfers, exchanges or surrender of the Notes, at 111 Wall Street, 15th Floor, New York, NY 10005, Attention: 15th Floor Window - 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 (or the Principal Paying Agent acting on the Issuer's instructions)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;

(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 relating 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 Dealer Managers 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 Dealer Managers), 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 Dealer Managers 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.

DEALER MANAGERS

We have entered into a Dealer Manager Agreement dated February 11, 2011, or the Dealer Manager Agreement, among us and the Dealer Managers, pursuant to which we have retained the Dealer Managers to act on our behalf as dealer managers in connection with the offering of the Notes.

We will agree to indemnify the Dealer Managers against certain liabilities, including liabilities under the Securities Act, or to contribute to payments that the Dealer Managers 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 Dealer Managers 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. Each of the Dealer Managers has agreed that, except as permitted by the Dealer Manager Agreement, it will not offer the Notes (i) as part of its distribution at any time or (ii) otherwise until 40 days after the later of the commencement of the offering and the closing date, within the United States or to, or for the account or benefit of, U.S. Persons, and it will have sent to each broker/dealer to which it offers Notes in reliance on Regulation S during such 40-day period, a confirmation or other notice detailing the restrictions on offers and sales of the Notes within the United States or to, or for the account or benefit of, U.S. Persons. 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 commencement of the offering, 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 Dealer Managers 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 Dealer Managers 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 Dealer Managers do not facilitate trading in the Notes for any reason, there can be no assurance that another firm or person will do so.

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 June 10, 2010, the Central Bank's Board of Directors enacted Resolution 10-06-02, which created Central Bank's SICOTME (*Sistema de Colocación Primaria de Títulos en Moneda Extranjera*) or System for the Initial Placement of Bonds denominated in Foreign

Currency, a system through which the initial placement of securities issued by any Venezuelan governmental entity in exchange for Bolívares must be made.

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.

Investors in Venezuela may initially purchase and pay for the Notes in Bolívares at the settlement date at the official exchange rate of Bs.4.30 to $1.00. Purchase of the Notes must be made by or through a financial institution that is regulated by the Venezuelan Banking Institutions Superintendency (*Superintendencia del Sector Bancario*) or financial institutions that have been established by Venezuela that have an account at the Central Bank by instructing the Central Bank to debit the institution's account in Bolívares in an amount equal to the purchase price of the Notes at the official exchange rate.

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, commercial banks and savings and loan companies acting through the SITME unless otherwise authorized by the Central Bank, in accordance with the terms and conditions set forth by the Central Bank in its instructional manuals and procedures pursuant to Resolution No. 10-09-01 of the Central Bank dated September 30, 2010. 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, 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 prior to the publication of a prospectus in relation to the Notes that has been approved by the competent authority in that relevant member state or, where appropriate, approved in another relevant member state and notified to the competent authority in that relevant member state, all in accordance with the Prospectus Directive, except that, with effect from and including the relevant implementation date, an offer of securities may be offered to the public in that relevant member state at any time:

- to any legal entity that is authorized or regulated to operate in the financial markets or, if not so authorized or regulated, whose corporate purpose is solely to invest in securities;

- to any legal entity that has two or more of (1) an average of at least 250 employees during the last financial year; (2) a total balance sheet of more than €43,000,000 and (3) an annual net turnover of more than €50,000,000, as shown in its last annual or consolidated accounts;

- to fewer than 100 natural or legal persons (other than qualified investors as defined below) subject to obtaining the prior consent of the representatives for any such offer; or

- in any other circumstances that do not require the publication of a prospectus pursuant to Article 3 of the Prospectus Directive.

Each purchaser of Notes described in these listing particulars located within a relevant member state will be deemed to have represented, acknowledged and agreed that it is a "qualified investor" within the meaning of Article 2(1)(e) of the Prospectus Directive.

For purposes of this provision, the expression an "offer 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 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 includes any relevant implementing measure in each relevant member state.

Neither we nor the Dealer Managers have authorized the making of any offer of Notes through any financial intermediary, other than offers made by us which constitute the final placement of Notes contemplated in these listing particulars.

Notice to Prospective Investors in the United Kingdom

These listing particulars are for distribution only to persons who (i) have professional experience in matters relating to investments falling within Article 19(5) of the Financial Services and Markets Act 2000 (Financial Promotion) Order 2005 (as amended, the "Financial Promotion Order"), (ii) are persons falling within Article 49(2)(a) to (d) ("high net worth companies, unincorporated associations etc.") of the Financial Promotion Order, (iii) are outside the United Kingdom, or (iv) are persons to whom an invitation or inducement to engage in investment activity (within the meaning of section 21 of the Financial Services and Markets Act 2000) in connection with the issue or sale of securities may otherwise lawfully be communicated or caused to be communicated (all such persons together being referred to as "relevant persons"). These listing particulars are directed only at relevant persons and must not be acted on or relied on by persons who are not relevant persons. Any investment or investment activity to which these listing particulars relates is available only to relevant persons and will be engaged in only with relevant persons.

These listing particulars have been prepared on the basis that any offer of securities in any Member State of the European Economic Area ("EEA") which has implemented the Prospectus Directive (2003/71/EC) (each, a "Relevant Member State") will be made pursuant to an exemption under the Prospectus Directive, as implemented in that Relevant Member State, from the requirement to publish a prospectus for offers of securities. Accordingly, any person making or intending to make any offer in that Relevant Member State of securities which are the subject of the offering contemplated in these listing particulars may only do so in circumstances in which no obligation arises for us or any of the Dealer Managers to publish a prospectus pursuant to Article 3 of the Prospectus Directive or supplement a prospectus pursuant to Article 16 of the Prospectus Directive, in each case, in relation to such offer. Neither we nor the Dealer Managers have authorised, nor do they authorise, the making of any offer of securities in circumstances in which an obligation arises for us or the Dealer Managers to publish or supplement a prospectus for such offer.

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 Dealer Managers (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, except as described in these listing particulars, 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 Dealer Managers, the Trustee, the Principal Paying Agent nor any person representing the Issuer, the Dealer Managers, 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 foreign investors after expiration of the applicable period and presentation of appropriate certification) will, until the expiration of one year, unless otherwise agreed by us and the holder thereof, 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.

In addition to the representations, acknowledgements and agreements herein made by the investors purchasing the Notes, each investors 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 later of the commencement of the offering of the Notes and the closing date with respect to the Notes), 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 the Issuer and the holder thereof, 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 MARCH 29, 2011 OR SUCH LATER DATE AS THE COMPANY MAY NOTIFY TO THE PRINCIPAL PAYING AGENT, 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.

(6) Each investor also acknowledges that the Issuer, the Dealer Managers, 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 Dealer Managers. 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.

Each investor that purchases the Notes will be deemed to have represented and agreed that:

(1) Either: (A) the investor is not a Plan (which term includes (i) "employee benefit plans" (as defined in Section 3(3) of ERISA, (ii) plans, individual retirement accounts and other arrangements that are subject to Section 4975 of the Code, or to provisions under applicable Federal, state, local, non-U.S. or Similar Laws and (iii) entities the underlying assets of which are considered to include "plan assets" of such plans, accounts and arrangements) and it is not purchasing the Notes on behalf of, or with the "plan assets" of, any Plan; or (B) the investor's purchase, holding and subsequent disposition of the Notes either (i) are not a prohibited transaction under ERISA or the Code and are otherwise permissible under all applicable Similar Laws or (ii) are entitled to exemptive relief from the prohibited transaction provisions of ERISA and the Code in accordance with one or more available statutory, class or individual prohibited transaction exemptions and are otherwise permissible under all applicable Similar Laws; and

(2) The investor will not transfer the Notes to any person or entity, unless such person or entity could itself truthfully make the foregoing representations or warranties and covenants.

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 Shearman & Sterling 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 Dealer Managers 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 Dealer Managers by D'Empaire Reyna Abogados as its Venezuelan counsel.

INDEPENDENT AUDITORS

Our consolidated financial statements as of December 31, 2009, 2008 and 2007 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 reports appearing on pages B-1 and C-1 herein, which contain an emphasis paragraph referring to the fact that PDVSA, a state-owned company 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, mainly relating to fiscal obligations for the payment of production tax and other taxes, social development contributions and the purchase and transfer of assets.

With respect to our unaudited consolidated interim financial information as of September 30, 2010 and for the nine month period then ended included in these listing particulars, Rodríguez Velázquez & Asociados (formerly Alcaraz Cabrera Vázquez), a member firm of KPMG International has reported that they performed a review in accordance with International Standard on Review Engagements. However, their report appearing on page A-1 herein states that they did not audit and they do not express an opinion on that consolidated interim 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 emphasis paragraphs referring to the facts that: a) PDVSA, a state-owned company 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, mainly relating to fiscal obligations for the payment of production tax and other taxes, social development contributions and the purchase and transfer of assets; b) they did not perform a review of the condensed consolidated interim statements of comprehensive income for the three and nine month period ended September 30, 2009, financial position at September 30, 2009 (not presented in the report) and the stockholder's equity and cash flows for the nine-month period ended September 30, 2009 and notes thereto, presented for comparison purposes; and c) they audited the consolidated statement of financial position of PDVSA as of December 31, 2009 and the related consolidated statements of comprehensive income, stockholder's equity and cash flows for the year then ended (not presented in this report) and based on their audit an unqualified audit report on those consolidated financial statements was issued on March 30, 2010.

The Guarantor's financial statements as of December 31, 2009, 2008 and 2007 and for the years then ended incorporated by reference 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 attached to the Guarantor's financial statements that are incorporated by reference in these listing particulars.

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 February 7, 2011, as amended on February 9, 2011. The issuance of the Guarantee has been authorized by the resolutions of the Guarantor's board of directors dated February 7, 2011.

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 September 30, 2010 or December 31, 2009, 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.

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 for the years ended December 31, 2009 and 2008 were approximately US$80,660 million and $70,059 million, respectively. Total assets of the Guarantor for the nine months ended September 30, 2010 were US$89,786. The Guarantor's total liabilities for the years ended December 31, 2009 and 2008 were approximately US$39,670 million and $30,499 million, respectively. Total liabilities of the Guarantor for the nine months ended September 30, 2010 were US$35,308. The Guarantor's income, net without cash flows, for the years ended December 31, 2009 and 2008 was approximately US$1,021 million and US$2,878 million, respectively. The Guarantor's income, net without cash flows, for the nine months ended September 30, 2010 was US$41,672. 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 of 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. Interest on the notes commences from the date of issue.

10. 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 AC5	US716558AC52	059352261
Regulation S note CUSIP:	Regulation S note ISIN:	Regulation S note Common Code:
P7807H AM7	USP7807HAM71	059352415

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;
"bpd" means barrel per day;
"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;
"boe" means barrel-of-oil equivalent;
"dwt" means deadweight tons, a designation for the size or displacement of a ship;
"km" means kilometer; and
"tcf" means thousand cubic feet.

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.

"olefins" means a class of unsaturated hydrocarbons.

"proved developed reserves" are 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 undeveloped reserves" are the reserves that are expected to be recovered from new wells on undrilled acreage, or from existing wells where a relatively minor expenditure is required for completion, but does not include reserves attributable to any acreage for which an application of fluid injection or other improved recovery technique is contemplated, unless such technique has been proven to be effective by actual testing to those drilling units offsetting productive units that are reasonably certain of production when drilled. Proved reserves for other undrilled units can be claimed only where it can be demonstrated with certainty that there is continuity of production from existing productive field.

"proved reserves" are 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.

"spud" means to begin to drill a well.

Company Abbreviations:

"BCV" 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.

“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).

“FONDESPA” means Fondo para el Desarrollo Económico y Social del País.

“Hamaca” means Petrolera Hamaca, C.A.

“Hess” means Hess Corporation.

“Hovensa” means HOVENSA, L.L.C.

“INTEVEP” means INTEVEP, S.A.

“Isla refinery” means Refinería Isla (Curazao), S.A.

“Merey Sweeny” means Merey Sweeny, L.P.

“Neste Oil” means Neste Oil Corporation.

“Nynas” means AB Nynäs Petroleum.

“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.

“PDVSA Cerro Negro” means PDVSA Cerro Negro, S.A.

“PDVSA-Cuba” means PDVSA Cuba S.A.

“PDVSA Finance” means PDVSA Finance Ltd.

“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.

“Rosneft” Rosneft Holdings Limited S.A.

“Rühr” means Rühr Oel GmbH.

“SEC” means United States Securities and Exchange Commission.

“Sincor” means Sincrudos de Oriente, S.A.

“Statoil” means Statoil Sincor AS.

“Venezuela” means República Bolivariana de Venezuela (The Bolivarian Republic of Venezuela).

“Veba Oel” means Veba Oel AG.

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PETRÓLEOS DE VENEZUELA, S.A.
AND SUBSIDIARIES (PDVSA)
(Wholly-owned by the Bolivarian Republic of Venezuela)

Condensed Consolidated Interim
Financial Statements

Nine-month period ended September 30, 2010

With Independent Auditors' Review Report Thereon

PETRÓLEOS DE VENEZUELA, S.A. AND SUBSIDIARIES (PDVSA)
Condensed Consolidated Interim Financial Statements (unaudited)

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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 condensed consolidated interim financial statements of Petróleos de Venezuela, S.A. and subsidiaries (PDVSA) (wholly-owned by the Bolivarian Republic of Venezuela), which comprise the condensed consolidated statements of comprehensive income for the three and nine-month periods ended as of September 30, 2010, financial position at September 30, 2010, stockholder's equity and cash flows for the nine month period then ended and a summary of significant accounting policies and other notes (condensed consolidated interim financial information). The management of PDVSA is responsible for the preparation and fair presentation of the accompanying condensed consolidated interim financial information in accordance with 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 Our Review

We conducted our review in accordance with 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 on the accompanying condensed consolidated interim financial information.

Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the accompanying condensed consolidated interim financial information as of September 30, 2010 and for the three and nine month periods then ended is not prepared, in all material respects, in accordance with IAS 34 *Interim Financial Reporting.*

Emphasis of Matters

Without qualifying our conclusion, we draw attention to the following matters:

- As explained in note 24 to the accompanying condensed consolidated interim financial statements, PDVSA as a state-owned company by the Bolivarian Republic of Venezuela and, according to its corporate objetive and specific responsibilities, undertakes significant transactions with its Stockholder, government institutions and others. These transactions relate, mainly, to fiscal obligations for the payment of production tax and other taxes, social development contributions and the purchase and transfer of assets.
- We did not perform a review of the condensed consolidated interim statements of comprehensive income for the three and nine month period ended September 30, 2009, financial position at September 30, 2009 (not presented in this report) and the stockholder's equity and cash flows for the nine-month period ended September 30, 2009 and notes thereto. This condensed consolidated interim financial information was prepared by the management of PDVSA and is solely for comparative purposes.

(Continued)

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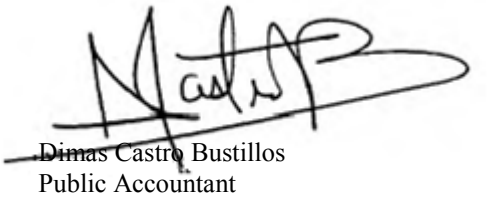
- We audited the consolidated statement of financial position of PDVSA as of December 31, 2009 and the related consolidated statements of comprehensive income, stockholder's equity and cash flows for the year then ended (not presented in this report) and based on our audit, we issued our unqualified audit report on those consolidated financial statements on March 30, 2010.

Rodríguez Velázquez & Asociados



Dimas Castro Bustillos
Public Accountant
C.P.C. Nº 5326

February 3, 2011
Caracas, Venezuela

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PETRÓLEOS DE VENEZUELA, S.A. AND SUBSIDIARIES (PDVSA)

Condensed Consolidated Statement of Comprehensive Income (unaudited)

	Note	Three-month period ended September 30,		Nine-month period ended September 30,	
		2010	2009	2010	2009
		(Millions of Dollars)		(Millions of Dollars)	
Continuing operations:					
Sales of crude oil and products:	24				
Exports to international markets, net		21,153	19,920	64,439	49,559
In Venezuela		361	822	965	1,875
Food and other mass consumption products		65	48	247	105
		21,579	20,790	65,651	51,539
Purchases, net of inventory variation:	24				
Crude oil and products		9,719	7,271	24,609	16,986
Food and other mass consumption products		37	55	218	105
Operating expenses		4,603	4,472	9,774	11,964
Exploration expenses		25	43	81	178
Depreciation and amortization		1,698	1,540	4,634	4,272
Selling, administrative and general expenses		513	715	1,767	2,888
Production tax, extraction tax and other taxes	11	1,867	3,093	6,325	7,375
Social development:	24				
Social development contributions		224	443	3,807	829
FONDEN contributions		288	250	979	250
Finance (income) expenses:	10				
Finance income		(17)	(395)	(792)	(974)
Finance expenses		1,882	38	4,827	682
Equity in net earnings of non-consolidated investees and jointly controlled entities	24	64	5	85	177
Other expenses, net		318	894	443	1,242
		21,221	18,424	56,757	45,974
Profit before income tax		358	2,366	8,894	5,565
Income tax	11	162	162	4,867	1,633
Profit from continuing operations		196	2,204	4,027	3,932
Discontinued operations:					
Loss from discontinued operations, net of income tax	8	-	(894)	(572)	(1,381)
Profit for the period		196	1,310	3,455	2,551
Other comprehensive income:					
Foreign currency translation differences from foreign operations		137	15	26	37
Total comprehensive income		333	1,325	3,481	2,588
Profit (loss) attributable to:					
Company's Stockholder		(29)	913	2,947	1,554
Non-controlling interests		225	397	508	997
Profit for the period		196	1,310	3,455	2,551
Comprehensive income attributable to:					
Company's Stockholder		108	928	2,973	1,591
Non-controlling interests		225	397	508	997
Total comprehensive income for the period		333	1,325	3,481	2,588

Notes 1 to 26 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

	Note	September 30, 2010 (unaudited)	December 31, 2009 (note 2-a)
		(Millions of Dollars)	
Assets			
Property, plant and equipment, net	12	85,197	83,457
Investments in non-consolidated investees and jointly controlled entities	13	1,887	1,899
Deferred income tax		7,533	10,673
Accounts receivable and other assets, non-current	15	6,540	3,160
Restricted cash, net of current portion	14	2,901	1,649
Total non-current assets		104,058	100,838
Inventories		8,951	8,502
Recoverable value-added tax	24	4,562	7,615
Notes and accounts receivable	16	12,933	14,330
Prepaid expenses and other assets	17	5,883	10,920
Restricted cash	14	570	415
Cash and cash equivalents		4,983	6,981
Total current assets		37,882	48,763
Total assets		141,940	149,601
Equity			
Share capital		39,094	39,094
Retained earnings		22,219	18,985
Stockholder's additional contributions		5,243	7,243
Total equity attributable to the stockholder		66,556	65,322
Non-controlling interests		8,704	9,067
Total equity	18	75,260	74,389
Liabilities			
Long-term debt, net of current portion	19	18,088	18,941
Employee benefits and other postretirement benefits, net of current portion	20	4,369	6,926
Deferred income tax		2,423	2,156
Provisions, net of current portion	21	2,555	3,090
Accruals and other liabilities, net of current portion	22	2,334	2,059
Total non-current liabilities		29,769	33,172
Long-term debt	19	3,998	2,956
Employee benefits and other postretirement benefits	20	536	553
Accounts payable to suppliers		7,104	7,016
Income tax payable		4,043	2,545
Provisions	21	2,569	3,145
Accruals and other liabilities	22	18,661	25,825
Total current liabilities		36,911	42,040
Total liabilities		66,680	75,212
Total stockholder’s equity and liabilities		141,940	149,601

Notes 1 to 26 are an integral part of these condensed consolidated interim financial statements.

PETRÓLEOS DE VENEZUELA, S.A. AND SUBSIDIARIES (PDVSA)

Condensed Consolidated Statement of Stockholder's Equity (unaudited)

Nine-month periods ended September 30, 2010 and 2009

(In millions of dollars)

		Equity attributable to the Company's Stockholder							
			Retained earnings				Total		
	Note	Share capital	Legal reserves and other	Accumulated income	Total	Stockholder's additional contribution	attributable to Company's stockholder	Non-Controlling interests	Total equity
Balance as of January 1, 2009		39,094	14,677	1,876	16,553	7,828	63,475	8,038	71,513
Comprehensive income -									
Profit for the period		-	-	1,554	1,554	-	1,554	997	2,551
Other comprehensive income		-	-	37	37	-	37	-	37
		-	-	1,591	1,591	-	1,591	997	2,588
Transactions with the Stockholder and non-controlling interests,									
recognized directly in equity -									
Additional contribution of Stockholder		-	-	-	-	188	188	-	188
Electricity sector divestiture effect		-	-	-	-	(1,196)	(1,196)	-	(1,196)
Dividends declared		-	-	(2,000)	(2,000)	-	(2,000)	-	(2,000)
Share of non-controlling interests in additional contribution of Stockholder		-	-	-	-	-	-	298	298
Share of non-controlling interests in dividends declared	18	-	-	-	-	-	-	(87)	(87)
		-	-	(2,000)	(2,000)	(1,008)	(3,008)	211	(2,797)
Balance as of September 30, 2009		39,094	14,677	1,467	16,144	6,820	62,058	9,246	71,304
Balance as of January 1, 2010		39,094	17,625	1,360	18,985	7,243	65,322	9,067	74,389
Comprehensive income -									
Profit for the period		-	-	2,947	2,947	-	2,947	508	3,455
Other comprehensive income		-	-	26	26	-	26	-	26
		-	-	2,973	2,973	-	2,973	508	3,481
Transactions with the Stockholder and non-controlling interests,									
recognized directly in equity -									
Transfer to accumulated income	18	-	-	2,000	2,000	(2,000)	-	-	-
Equtity distributions to Stockholders	8	-	-	(739)	(739)	-	(739)	-	(739)
Dividends declared	18	-	-	(1,000)	(1,000)	-	(1,000)	-	(1,000)
Dividend advances to non-controlling interests	18	-	-	-	-	-	-	(226)	(226)
Share of non-controlling interests in dividends declared		-	-	-	-	-	-	(645)	(645)
		-	-	261	261	(2,000)	(1,739)	(871)	(2,610)
Balance as of September 30, 2010		39,094	17,625	4,594	22,219	5,243	66,556	8,704	75,260

Notes 1 to 26 are an integral part of these condensed consolidated interim financial statements.

PETRÓLEOS DE VENEZUELA, S.A. AND SUBSIDIARIES (PDVSA)

Condensed Consolidated Statement of Cash Flows (unaudited)

	Note	Nine-month period ended September 30, 2010	2009
		(Millions of Dollars)	
Cash flows from operating activities:			
Profit for the period		3,455	2,551
Adjustments to reconcile profit for the period to net cash provided by operating activities -			
Depreciation and amortization		4,634	4,272
Asset impairment	12	(8)	(16)
Financial income from change in foreign exchange rate	10	(673)	-
Deferred income tax		(372)	(1,688)
Equity in net earnings of non-consolidated investees and jointly controlled entities	24	85	177
Loss from discontinued operations	8	572	1,381
Changes in the fair value of long-term accounts receivable		205	1,521
Changes in operating assets -			
Notes and accounts receivable	16	(604)	(3,965)
Inventories		(702)	230
Prepaid expenses and other assets	17	(2,759)	(5,403)
Recoverable value-added tax		(755)	(1,084)
Changes in operating liabilities -			
Accounts payable to suppliers		2,532	45
Income tax payable, accruals and other liabilities	22	2,940	4,881
Provisions	21	731	430
Employee benefits and other postretirement benefits	20	524	1,495
Total adjustments		6,350	2,276
Net cash provided by operating activities		9,805	4,827
Cash flows from investment activities:			
Acquisitions of property, plant and equipment, net	12	(7,772)	(7,613)
(Increase) decrease in restricted cash		(1,444)	90
Additional contributions to non-consolidated investees		(35)	-
Dividends received from non-consolidated investees and jointly controlled entities		5	18
Funds contributed to Corporación Eléctrica Nacional, S.A. (CORPOELEC)		-	(700)
Other variations in assets		(122)	267
Net cash used in investment activities		(9,368)	(7,938)
Cash flows from financing activities:			
Proceeds from long-term debt	19	3,000	4,718
Payments of long-term debt	19	(3,050)	(620)
Dividend advances to non-controlling interests	18	(226)	-
Dividends paid		-	(1,140)
Dividends paid to non-controlling interests		(645)	(87)
Net cash (used in) provided by financing activities		(921)	2,871
Effect of change in foreign exchange rate on cash and cash equivalents		(1,514)	-
Net decrease in cash and cash equivalents		(1,998)	(240)
Cash and cash equivalents at January 1		6,981	4,483
Cash and cash equivalents at September 30		4,983	4,243

Notes 1 to 26 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, and its headquarters are located at Edificio Petróleos de Venezuela, Torre Este, Avenida Libertador, La Campiña, Apartado N° 169, Caracas 1050-A.

Petróleos de Venezuela, S.A. and its subsidiaries (PDVSA or the Company) are wholly-owned by the Bolivarian Republic of Venezuela, which controls PDVSA, as stockholder, through the Ministry of Popular Power for Energy and Petroleum (MENPET). PDVSA's main activities are planning, coordinating, supervising and controlling the activities of its subsidiaries, both in Venezuela and abroad; in addition, its activities also include fostering or taking part in activities aimed at comprehensive, organic and sustainable development of Venezuela, including agricultural and industrial activities, as well as preparation or transformation of assets and their subsequent marketing, and provision of services to apply resources derived from hydrocarbons industry to the Venezuelan economy (see notes 7, 9 and 24). Most of the foreign subsidiaries are involved in refining and marketing activities in North America, Europe and the Caribbean. The condensed consolidated interim financial statements of PDVSA as of September 30, 2010 and for the three and nine-month period then ended, include the Company, its non-consolidated investees and jointly controlled entities.

The main activities of PDVSA are governed by the Organic Hydrocarbons Law, in effect since January 2002 and partially amended on May 2006; as well as, the Organic Gas Hydrocarbons Law effective since September 1999 and its Regulation dated June 2000, its Bylaws-Memorandum of Incorporation, and dispositions issued by the National Government through MENPET and any applicable laws. Overseas, the activities of PDVSA are governed by the laws and standards of the countries where those activities take place.

The consolidated financial statements of PDVSA as of December 31, 2009 are available at the Company's main office and on the website www.pdvsa.com.

(2) Basis of Preparation

(a) Statement of Compliance

These condensed consolidated interim financial statements have been prepared in accordance with International Accounting Standard 34 (IAS 34) *Interim Financial Reporting*, issued by the International Accounting Standards Board (IASB). These financial statements do not include the entire information required for the full annual consolidated financial statements, and should be read in conjunction with the Company's consolidated financial statements as of December 31, 2009 and for the year then ended and the respective independent auditor's report dated March 30, 2010.

On February 2, 2011, the Board of Directors approved the condensed consolidated interim financial statements as of September 30, 2010 and for the three and nine-month period then ended. The consolidated financial statements as of December 31, 2009 and for the year then ended were approved at Stockholder's Meeting held on August 2, 2010.

(b) Functional and Presentation Currency

The condensed consolidated interim financial statements are presented in US dollars (dollars or $). The functional currency of the Company is the dollar since the main economic environment of the operations of PDVSA is the international market for crude oil and refined products. In addittion, a significant portion of revenues and long-term debt, as well as most costs, expenses and investments are denominated in dollars.

All financial information presented in dollars has been rounded up off to the nearest million.

(c) Use of Estimates and Judgments

The preparation of the condensed consolidated interim financial statements in conformity with International Financial Reporting Standards (IFRSs) 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. The Company uses its best estimates and judgments; however, actual results may differ from these estimates.

The related estimates and assumptions used by the Company in appling its accounting policies for preparation of these condensed consolidated interim financial statements, and significant areas of uncertainty, estimates and critical judgments are the same as those applied to the consolidated financial statements at December 31, 2009 and for the year then ended.

(3) Significant Accounting Policies

The accounting policies applied by PDVSA in these condensed consolidated interim financial statements are the same as those applied in preparing its consolidated financial statements as of December 31, 2009 and for the year then ended.

Certain reclassifications have been made in the 2009 consolidated financial statements to conform to the classifications used in the three and nine-month period ended September 30, 2010. Additionally, the comparative condensed consolidated statement of comprehensive income has been presented as if discontinued operations in the current period had taken place as of the beginning of the comparative period (see note 8).

During the nine-month period ended September 30, 2010, the following standards and interpretations came into effective. The most significant for the Company are the following:

- IFRIC 17 *Distributions of Non-Cash Assets to Owners*.
- IFRIC 18 *Transfers of Assets from Customers*.
- Amendment to IFRS 1 *First-time Adoption of International Financial Reporting Standards*.
- 2009 Annual Improvement Project of IFRS: IFRS 5 *Non-current Assets Held for Sale and Discontinued Operations*; IFRS 8 *Operating Segments*; IAS 1 *Presentation of Financial Statements*; IAS 7 *Statement of Cash Flows*; IAS 17 *Leases;* IAS 18 *Revenue*; IAS 36 *Impairment of Assets;* IAS 38 *Intangible Assets*; IAS 39 *Financial Instruments: Recognition and Measurement*; and IFRIC 16 *Hedges of a Net Investment in a Foreign Operation*.

(4) Recently Issued Accounting Standards

Several new standards, amendments and interpretations to current standards are not yet effective for the year beginning January 1, 2010 and have not been early applied in preparing these condensed consolidated interim financial statements.

On May 2010, the IASB published the 2010 Annual Improvement Project of IFRSs, introducing a series of improvements to several standards and interpretations, not effective for the nine-month period ended September 30, 2010. The most significant standards for PDVSA are: IFRS 3 *Business Combinations;* IFRS 7 *Financial Instruments: Disclosures*; IAS 1 *Presentation of Financial Statements*; IAS 27 *Consolidated and Separate Financial Statement*; and IAS 34 *Interim Financial Reporting.*

PDVSA completed its analysis of these standards and determined that they will not have any significant effect on the condensed consolidated interim financial statements

(5) Financial Risk Management

The policies and procedures to measure and manage financial risks applied by PDVSA during the nine-month period ended September 30, 2010 are the same as those applied in preparing the consolidated financial statements as of December 31, 2009 and for the year then ended.

(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 (loss) (net sales less costs and expenses, except for finance (income) expenses, social development, net gain from sale of group of assets and liabilities held for sale and equity in net earnings of non-consolidated investees and jointly controlled entities), and net disbursements for investments and property, plant and equipment.

Inter segment sales primarily consist of sales of crude oil and natural gas and are generally conducted in accordance with the destination of the refined products requested.

Refined products for the local market are sold at a regulated price; therefore, PDVSA's management believes that inter segment sales of crude oil and natural gas for refined products and local supply are measured at cost less discounts granted by MENPET. Also, measurement of inter-segment sales of crude oil and natural gas for export markets at approximate market price.

The following are the main operating segments of the Company:

- The exploration and production activities include the search for oil and gas reserves, production of oil and gas, and upgrading of extra-heavy crude, and the transportation of crude and natural gas to the point of delivery to refineries and fractionation plants.
- Refining, supply and marketing activities in Venezuela include the administration of refineries, marketing and transportation of crude oil and refined products, under the brand name PDV®. The refining, trade and supply activities in the United States of America comprise the administration of refineries and gasoline and by-products marketing, mainly in the East and the Midwest regions, under the brand name CITGO®.
- The gas activity includes the management of gas processing plants, upgrading and commercialization of natural and liquid gas, both for industrial and household use, as well as its transportation, distribution, placement and sale.
- The "other" segment includes operations by subsidiaries carrying out activities other than those described above.

Interim financial information relating to sales and operating profit by segment for the nine-month periods ended September 30, 2010 and 2009 follows (in millions of dollars):

	Exploration and production		Refining, trade and supply		Gas		Discontinued operations (3)		Other		Eliminations			Total		Discontinued operations (3)		Continuing operations	
	2010	2009	2010	2009	2010	2009	2010	2009	2010	2009	2010	2009		2010	2009	2010	2009	2010	2009
Sales (4):																			
Sales to external customers:																			
In Venezuela	22,316	14,789	11,859	12,408	819	1,145	313	1,474	18	724	-	-		35,325	30,540	(313)	(1,474)	35,012	29,066
In the United States of America	-	-	23,185	17,788	-	-	-	-	-	-	-	-		23,185	17,788	-	-	23,185	17,788
In other countries	-	-	7,360	4,607	-	-	-	-	94	78	-	-		7,454	4,685	-	-	7,454	4,685
Total sales to external customers	22,316	14,789	42,404	34,803	819	1,145	313	1,474	112	802	-	-		65,964	53,013	(313)	(1,474)	65,651	51,539
Inter-segment sales:																			
In Venezuela	27,849	24,659	2,559	2,991	1,274	1,068	-	-	40	31	(31,722)	(28,749)	(1)	-	-	-	-	-	-
In the United States of America	-	-	-	-	-	-	-	-	-	-	-	-	(1)	-	-	-	-	-	-
In other countries	-	-	7,238	8,461	-	-	-	-	-	-	(7,238)	(8,461)	(1)	-	-	-	-	-	-
Total inter-segment sales	27,849	24,659	9,797	11,452	1,274	1,068	-	-	40	31	(38,960)	(37,210)		-	-	-	-	-	-
Total sales	50,165	39,448	52,201	46,255	2,093	2,213	313	1,474	152	833	(38,960)	(37,210)		65,964	53,013	(313)	(1,474)	65,651	51,539
Segment operating profit (loss):										-									
In Venezuela	26,846	14,146	(7,177)	(6,925)	1,569	291	(563)	(1,381)	(2,962)	(2,594)	(942)	2,087	(2)	16,771	5,624	563	1,381	17,334	7,005
In the United States of America	-	-	(26)	(267)	-	-	-	-	-	-	-	-		(26)	(267)	-	-	(26)	(267)
In other countries	-	-	502	(26)	-	-	-	-	(29)	(183)	-	-		473	(209)	-	-	473	(209)
Reportable segment profit (loss) before tax	26,846	14,146	(6,701)	(7,218)	1,569	291	(563)	(1,381)	(2,991)	(2,777)	(942)	2,087		17,218	5,148	563	1,381	17,781	6,529

Interim financial information relating to sales and operating profit by segment for the three-month periods ended September 30, 2010 and 2009 follows (in millions of dollars):

	Exploration and production		Refining, trade and supply		Gas		Discontinued operations (3)		Other		Eliminations			Total		Discontinued operations (3)		Continuing operations	
	2010	2009	2010	2009	2010	2009	2010	2009	2010	2009	2010	2009		2010	2009	2010	2009	2010	2009
Sales (4):																			
Sales to external customers:																			
In Venezuela	5,229	6,202	6,946	7,028	189	349	-	363	(54)	628	-	-		12,310	14,570	-	(363)	12,310	14,207
In the United States of America	-	-	7,896	6,752	-	-	-	-	-	-	-	-		7,896	6,752	-	-	7,896	6,752
In other countries	-	-	1,437	(247)	-	-	-	-	(64)	78	-	-		1,373	(169)	-	-	1,373	(169)
Total sales to external customers	5,229	6,202	16,279	13,533	189	349	-	363	(118)	706	-	-		21,579	21,153	-	(363)	21,579	20,790
Inter-segment sales:																			
In Venezuela	10,120	10,294	(3,171)	(1,200)	604	530	-	-	20	(203)	(7,573)	(9,421)	(1)	-	-	-	-	-	-
In the United States of America	-	-	-	-	-	-	-	-	-	-	-	-	(1)	-	-	-	-	-	-
In other countries	-	-	3,466	6,141	-	-	-	-	-	-	(3,466)	(6,141)	(1)	-	-	-	-	-	-
Total inter-segment sales	10,120	10,294	295	4,941	604	530	-	-	20	(203)	(11,039)	(15,562)		-	-	-	-	-	-
Total sales	15,349	16,496	16,574	18,474	793	879	-	363	(98)	503	(11,039)	(15,562)		21,579	21,153	-	(363)	21,579	20,790
Segment operating profit (loss):																			
In Venezuela	12,515	7,349	(4,176)	(4,276)	1,462	232	-	(872)	(4,677)	(2,540)	(3,058)	2,743	(2)	2,066	2,636	-	872	2,066	3,508
In the United States of America	-	-	7	(584)	-	-	-	-	-	-	-	-		7	(584)	-	-	7	(584)
In other countries	-	-	876	(67)	-	-	-	-	(150)	(172)	-	-		726	(239)	-	-	726	(239)
Reportable segment profit (loss) before tax	12,515	7,349	(3,293)	(4,927)	1,462	232	-	(872)	(4,827)	(2,712)	(3,058)	2,743		2,799	1,813	-	872	2,799	2,685

(1) Represents elimination of inter-segment sales

(2) Represents eliminations of inter-segment purchases and costs.

(3) See note 8.

(4) Mainly crude oil and natural gas.

Reconciliation of Reportable Segments Profit and Loss

	Three-month period ended September 30,		Nine-month period ended September 30,	
	2010	**2009**	**2010**	**2009**
Total profit for reportable segment	2,799	1,813	17,228	5,148
Social development:				
Social development contributions	(224)	(443)	(3,807)	(829)
FONDEN contributions	(288)	(250)	(979)	(250)
Finance income (expenses):				
Finance income	17	395	792	974
Finance expenses	(1,882)	(38)	(4,827)	(682)
Equity in net earnings of non-consolidated investees and jointly controlled entities	(64)	(5)	(85)	(177)
Income tax	(162)	(162)	(4,867)	(1,633)
Profit for the period	196	1,310	3,455	2,551

(7) Joint Development Activities

(a) Incorporation of "Empresas Mixtas"

In accordance with approval granted by the Venezuelan National Assembly and authorization by the Venezuelan Government, during the nine-month period ended September 30, 2010, Corporación Venezolana del Petróleo, S.A. (CVP) incorporated, together with other investors, the following "Empresas Mixtas" for exploration, production, upgrading and marketing activities at the Orinoco Oil Belt:

"Empresa Mixta"	PDVSA´s share (%)	Area	Partners
Petroindependencia, S.A.	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.	60,00	Carabobo 1 Center and Carabobo 1 North	Repsol Exploración, S.A. [4] (11%), PC Venezuela LTD [5] (11%), Petrocarabobo Ganga B.V. [6] (11%) and Indoil Netherlands B.V. [7] (7%)
Petromiranda, S.A.	60,00	Junín Block 6	Consorcio Nacional Petrolero, S.R.L. [8] (40%)
Petromacareo, S.A.	60,00	Junín Block 2 North	Petrovietam Exploration Production Corporation LTD. [9] (40%)

[1] Subsidiary of Chevron Corporation
[2] Subsidiary of Mitsubishi Corporation, International Petroleum Exploration Corporation, Japan Oil and Gas and Metals National Corporation
[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 ONGC Videsh LTD
[7] Subsidiary of Indian Oil Corporation Ltd and Oil India Ltd
[8] Joint controlled entity by Rosneft Oil Co., Lukoil OAO, Gazprom OAO, TNK-BP Ltd. and OJSC Surgutneftegaz
[9] Subsidiary of Vietnam Oil and Gas Group (PetroVietnam)

(b) Energy Agreements with Latin American and Caribbean Countries

The supply agreements signed by the Government of the Bolivarian Republic of Venezuela with other countries, as of September 30, 2010 remain in effect under the same conditions disclosed at December 31, 2009 (see note 24).

(c) New Supply Agreement with the People's Republic of China

On August 23, 2010, a crude-oil supply agreement was executed between the Bolivarian Republic of Venezuelan and the People's Republic of China, through which PDVSA will supply to China National Petroleum Corporation (CNPC) up to 300,000 barrels per day through the contract's expiration, effective for a ten-year span.

(8) Discontinued Operations

In an Extraordinary Stockholder's Meeting held on June 30, 2010, a gratuitous title transfer of companies of the agricultural and food sector owned by PDVSA was approved, according to the instructions from the Venezuelan Government through Presidential Decrees 7,418 and 7,398, published in Official Gazettes 39,435 and 39,451, dated May 31, 2010 and June 22, 2010, respectively. Lácteos Los Andes, C.A. and its related companies were transferred to the Instituto Autónomo Corporación Venezolana Agraria (CVA); and Productora y Distribuidora Venezolana de Alimentos, S.A. (PDVAL) was transferred to the Vice Presidency of the Bolivarian Republic of Venezuela. To comply with the guidelines set forth by the Venezuelan National Government, the Company will continue to provide financial support to the activities of PDVAL throughout 2010.

In an Extraordinary Stockholder's Meeting held on June 30, 2009, the assignment and transfer of the shares of electricity sector companies owned by PDVSA to Corporación Eléctrica Nacional, S.A. (CORPOELEC) was approved.

Loss attributable to discontinued operations follows (in millions of dollars):

	Three-month period ended September 30,		Nine-month period ended September 30,	
	2010	**2009**	**2010**	**2009**
Agricultural and food sector companies -				
Sales	-	363	313	1,060
Costs and expenses	-	1,239	876	2,189
Loss before income tax	-	(876)	(563)	(1,129)
Income tax (see note 11)	-	(18)	(9)	(18)
Net loss for the period	-	(894)	(572)	(1,147)
Electricity sector companies -				
Sales	-	-	-	414
Costs and expenses	-	-	-	670
Loss before income tax	-	-	-	(256)
Income tax (see note 11)	-	-	-	22
Net loss for the period	-	-	-	(234)
Total loss from discontinued operations, net of income tax	-	(894)	(572)	(1,381)

The net effect of the disposal of these agricultural and food sector companies was $739 million and is presented in the condensed consolidated statement of stockholder's equity as equity distributions to Stockholder for the nine-month period ended as of September 30, 2010. A summary of this effect follows (in millions of dollars):

Property, plant and equipment, net	357
Inventory	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	141
Equity distributions to Stockholder	739

(9) New Subsidiaries

On December 29, 2009, PDVSA Petróleo, S.A. (PDVSA Petróleo) entered into a purchase-sale agreement with C.A. La Electricidad de Caracas (EDC) for the entire of the shares of the companies Generación de Vapor, C.A. (GENEVAPCA) and Phoenix Internacional, C.A. (Phoenix), for $166 million and $6 million, respectively. On June 30, 2010, the legal transfer of those shares was completed, and PDVSA Petróleo assumed control over their financial and operating policies. As of September 30, 2010 other expenses (income), net, include $27 million corresponding to assets value in excess of acquisition cost.

On June 15, 2010, PDVSA Gas, S.A. entered into a purchase-sale agreement of $214 million with AEI and Williams Holdings Limited, for all of the shares of Accroven SRL. As of September 30, 2010, PDVSA Gas, S.A. paid approximately $86 million as an advance payment to the owner until the acquisition process has been completed (see note 22).

A summary of the effects of the transactions described above on the condensed consolidated financial statements of PDVSA at the date of exercising control over such companies follows (in millions of dollars):

	Values recognized as of the date control is commenced
Property, plant and equipment, net	149
Notes and accounts receivable and other assets	78
Accounts payable to suppliers and other liabilities	(28)
Identified assets and liabilities, net	199
Acquisition cost of subsidiaries	172
Value in excess of net assets acquired over cost	(27)

PDVSA used the best estimates available as of the purchase date to allocate the price paid for the assets and liabilities acquired. The management is still reviewing and determining the fair values to be ultimately used in determine the fair values to be recognized on that acquisition and, in a term not greater that one year, it will recognize the effect thereof in the carrying amount of assets, liabilities and identifiable contingent liabilities in the consolidated financial statements.

(10) Financial (Income) Expenses, Net

On January 8, 2010, Official Gazette 39,342 was published containing Foreign Exchange Agreement 14, effective as of January 11, 2010, establishing new exchange rates for the purchase and sale of currencies. Consequently, balances in bolivars were translated to U.S. dollar using the new exchange rate, giving rise to a gain from exchange rate variations from holding a net liability monetary position in bolivars as of the date of the amendment to the exchange rate (see note 25-h); which is the primary component of financial income recognized in the condensed consolidated statement of comprehensive income for the nine-month period ended September 30, 2010.

During the nine-month period ended September 30, 2009, PDVSA invested in securities and obtained yields that represent most of the financial income presented in the condensed consolidated statement of comprehensive income for the nine-month period ended September 30, 2009. During the nine-month period ended September 30, 2010, PDVSA did not invest in securities.

In accordance with Foreign Exchange Agreement 9, published in Official Gazette 38,318, dated November 21, 2005, currencies from the export of hydrocarbons must be sold to the BCV, except for those to be used at activities performed by PDVSA pursuant to the Amendment to the BCV Law, which compels the Company to sell to the BCV only the cash flows in currencies, other than local currencies, required to meet its obligations in bolivars. As of January 11, 2010, payment of those transactions with the BCV was 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 for payment of sale transactions under the Foreign Exchange Agreement 14 (see note 25-h). During the three and nine month periods ended September 30, 2010, the average exchange rate on those transactions was Bs.3.61 and Bs.3.63 per U.S. dollar, respectively, which gave rise to a loss of $1,396 million and $3,804 million for the three and nine-month period ended September 30, 2010, respectively, on the sale of currencies to the BCV, included under finance expenses in the condensed consolidated statement of comprehensive income.

(11) Taxes

A summary of taxes affecting the consolidated operations of PDVSA follows (in millions of dollars):

	Three-month period ended September 30,		Nine-month period ended September 30,	
	2010	2009	2010	2009
Income tax:				
Continued operations:				
Estimated income tax expense	554	1,641	4,950	4,179
Deferred tax expense (benefit)	(392)	(1,479)	(83)	(2,546)
	162	162	4,867	1,633
Discontinued operations (see note 8):				
Estimated income tax expense	-	15	9	18
Deferred tax expense (benefit)	-	3	-	(22)
	-	18	9	(4)
Production, extraction and other taxes:				
Production tax	1,197	2,248	4,323	5,603
Extraction tax	595	418	1,223	1,098
Surface tax	(52)	146	138	214
Export registration tax	13	10	42	32
Special advantage tax	(21)	85	290	209
Organic Law against Illegal Trafficking and Consumption of Stupefacient and Psychotropic Substances (LOCTICSEP)	135	186	309	219
Total production, extraction and other taxes (see note 24)	1,867	3,093	6,325	7,375

The consolidated effective income tax rate for the nine-month period ended September 30, 2010 was 58.53% (38.97% for the nine-month period ended September 30, 2009). This increase in the effective tax rate was due mainly to the following:

- Increased taxable income in bolivars, resulting from exchange rate differences affecting the calculation basis and determination of the income tax expense, for entities with assets in foreign currency.
- Decreased deferred tax assets, from the difference between the accounting bases and tax bases of property, plant and equipment.

(12) Property, Plant and Equipment

Purchases, Disposals and Other Movements

During the nine-month periods ended September 30, 2010 and 2009, the Company acquired assets with a cost of $7,772 million and $7,613 million, respectively. Furthermore, property, plant and equipment with a net carrying amount, as of September 30, 2010 and 2009, of $536 million and $111 million, respectively, were disposed of.

In addition, during the nine-month period ended September 30, 2010, there was a decrease of $1,370 million, due to the effect of the exchange rate variation from converting property, plant and equipment of the subsidiaries using Bolivar as their functional currency.

Impairment Loss

During the nine-month period ended September 30, 2010, PDVSA carried out the relevant impairment loss assessments, and based on the new market conditions and related businesses, identified the need to reverse $8 million of impairment loss recognized in previous periods. During nine-month period ended September 30, 2009, and as a result of these evaluations, PDVSA also reversed impairment losses of $16 million recognized in previous periods.

(13) Investments in Non-Consolidated Investees and Jointly Controlled Entities

(a) Purchase Agreement of Refinery in Dominican Republic

On August 2, 2010, the House of Representatives of the Dominican Republic approved the sale of 49% of the shares of Refinería Dominicana de Petróleo, S.A. (REFIDOMSA) to PDVSA for $136 million, as previously approved by that country's Senate, based on a sale agreement between that Nation and the Bolivarian Republic of Venezuela on May 2010.

(b) Commencement of Operations of Consorcio Convenpro

On October 2009, the subsidiary PDVSA Ingeniería y Construcción, S.A. and Constructora Norberto Odebrecht, C.A. (Odebrecht) entered into an agreement for incorporation of Consorsio Convenpro, which aims at performing engineering, procurement and construction of the Deep Conversion Project of the Puerto La Cruz Refinery, with an initial distribution of 60% for PDVSA Ingeniería y Construcción, S.A. and 40% for Odebrecht.

(14) Restricted Cash

On June 2010, CITGO Petroleum Corporation (CITGO) held restricted cash funds of $554 million to be used to finance the purchase of $545 million tax-exempt bonds at a variable exchange rate, plus accrued interest. On July 2010, CITGO redeemed $60 million in variable interest bonds subject to taxes, and on August 2010 it redeemed and repurchased tax-exempt variable interest bonds of $485 million (see note 19).

At September 30, 2010, PDVSA maintains restricted cash of $1,287 million, corresponding to funds for social development contributions, using among others, resources from the difference arising from calculation of production tax based on a rate of Bs.2.15 per U.S. dollar in accordance with Instructions 003-10, dated January 19, 2010, issued by the Venezuelan Government (see note 24).

(15) Accounts Receivable and Other Assets, Non-current

Accounts receivables and other assets, non-current follow (in millions of dollars):

	September 30, 2010	December 31, 2009
Other assets	396	469
Buildings used by government entities (see note 24)	52	53
Goodwill (see notes 8 and 9)	10	231
Non-current accounts receivable:		
Related parties (see note 24)	4,357	871
Employees	502	821
Energy agreements	1,131	605
Materials and supplies	92	110
	6,540	3,160

(16) Notes and Accounts Receivable

Notes and accounts receivable include the following (in millions of dollars):

	September 30, 2010	December 31, 2009
Related parties (see note 24)	5,398	4,637
Accounts receivable from employees	141	257
Other accounts receivable	368	624
Accounts receivable from insurance companies	76	285
Trade	7,390	9,178
	13,373	14,981
Less allowance for doubtful accounts	440	651
	12,933	14,330

(17) Prepaid Expenses and Other Assets

Prepaid expenses and other assets include the following (in millions of dollars):

	September 30, 2010	December 31, 2009
Other assets	192	375
Trading securities	235	314
Prepaid insurance	232	338
Prepaid services	168	622
Investments at cost	438	780
Advances to suppliers and contractors	1,777	1,922
Income tax paid in advance (see note 24)	2,841	6,569
	5,883	10,920

During the nine-month period ended September 30, 2010, income tax paid in advance includes payments of $170 million, corresponding to the year 2010 estimated income tax. In addition, prepaid income tax is presented net of $458 million, corresponding to income tax payable for certain Venezuelan subsidiaries at September 30, 2010.

During the nine-month period ended September 30, 2010, income tax paid in advance and prepaid income tax decreased by $3,202 million as a result of increase in the exchange rate used in translation into dollars (functional currency) of outstanding balances in bolivars owed by Venezuelan subsidiaries to tax authorities.

(18) Stockholder's Equity

Non-Controlling Interests

During the nine-month periods ended September 30, 2010 and 2009, a group of indirect subsidiaries ("Empresas Mixtas") declared and paid dividends amounting to $645 million and $87 million, respectively, to non-controlling investors. In addition, during the nine-month period ended September 30, 2010, "Empresas Mixtas" granted dividend advances to non-controlling investors amounting to $226 million.

Dividends Declared

At the Ordinary Annual Stockholder's Meeting held on August 2, 2010, dividends amounting to $1,000 million, charged to accumulated income, were declared in favor of the Bolivarian Republic of Venezuela.

Additional Contribution of the Stockholder

In the Annual Stockholder's Meeting held on August 2, 2010, a resolution was approved to transfer $2,000 million, corresponding to funds received from Fondo de Desarrollo Nacional (FONDEN) on December 2009, from the Stockholder's additional contribution to accumulated income.

(19) Long-Term Debt

Long-term debt movement, during the nine-month period ended September 30, 2010, follows (in millions of dollars):

	Currency	Annual interest rate	Nominal Value	Balance
Balance as of January 1, 2010				21,897
New Indebtedness:				
PDVSA (Holding):				
Revolving credit facility	Dollars	LIBOR + 4.5%	1,500	1,500
Reopened bond (2014)	Dollars	4.90%	1,587	995
Credit facility	Euros	CIRR	7	7
Amortization of premium in bonds issuance	Dollars			(16)
CITGO:				
Credit facility	Dollars	9.25%	700	674
Corporate bonds	Dollars	11.50%	300	290
Credit facility secured	Dollars	A1/B1 +1.35%		20
Tax-exempt bonds	Dollars	0.20% - 8.00 %		1
Obligations under finance leases	Dollars			272
Payments:				
PDVSA (Holding):				
Investment certificates	Dollars	6.20%		(356)
Investment certificates	Dollars	5.30%		(500)
Investment certificates	Bolivars	9.50%		(302)
Secured loans	Dollars	LIBOR + 0.50% to 6.50%		(175)
Secured loans	Yens	1.70% to 2.30%		(29)
CITGO:				
Revolving secured credit line	Dollars	LIBOR + 4.50%		(367)
Credit facilities	Dollars	LIBOR + 2.125 % a 6.00%		(780)
Secured credit facility	Dollars	A1/B1 + 1.35 %		(2)
Tax-exempt bonds	Dollars	0.20% - 8.00 %		(478)
Taxable bonds	Dollars			(60)
CVP:				
Secured credit line	Dollars	LIBOR + 2.25% and 2.75%		(90)
PDVSA América:				
Unsecured loans	Dollars	LIBOR + 1.00%		(6)
Obligations under finance leases	Dollars			(26)
Effect from exchange rate variation:				
Exchange rate variation - debt in yens				12
Exchange rate variation - debt in bolivars				(395)
Balance as of September 30, 2010				22,086
Less current portion				3,998
Non-current portion				18,088

New Indebtedness Transactions

On August 2010, PDVSA completed the process of private placement of bonds amounting to $1,587 million, maturing in 2014, payable in U.S. dollars upon expiration. This placement was made together with the BCV and the Ministry of Popular Power for Planning and Finance, and entirely allocated to the BCV. Also, this issue was exempt from the scope of the Capital Markets Law of Venezuela and payment of income tax over the interest from those bonds, in accordance with Official Gazette 39,349, dated January 19, 2010. The coupon for the annual yield of the bonds issued is 4.90%, pursuant to the above maturity. In this placement PDVSA extinguished a promissory note with BCV for $756 million, which was issued on December 2009 in favor of the National Treasury Office (Oficina Nacional del Tesoro or ONT), and received $345 million in cash from BCV, generating a discount of $592 million in this issue (see note 24) and gains of $106 million.

On April 23, 2010, PDVSA, China Development Bank Corporation (CDBC), Banco Espirito Santo, S.A. (BES) and other banking institutions entered into a syndicated loan agreement establishing a revolving credit facility of $1,500 million, subject to monthly amortization of principal, due in 3 years with a grace period of nine-months. The first payment of that revolving credit facility will be on July 2011.

During 2010, CITGO restructured its long-term debt with the following financial instruments:

- Credit facility of $700 million maturing in 2017. CITGO has the option of choosing between (i) the highest premium rate or the rate of U.S. federal funds, with a minimum of 3% plus a spread of 6%; or (ii) LIBOR, with a minimum of 2%, plus a spread of 7%. At September 30, 2010, the rate applied was the premium rate or the rate of U.S. federal funds, with a minimum of 3%, plus a spread of 6%, or 9.25%.
- Corporate bonds of $300 million, with an annual coupon of 11.50%, amortizations of principal every six months and maturing in 2017.
- New revolving credit facility of $750 million. CITGO may choose between (i) the highest premium rate or the rate of U.S. federal funds, plus a spread of 3.50% and a minimum of 2.50%; or (ii) LIBOR, plus a spread of 4.50%. The unused portion of the revolving credit facility secured is subject to payment every six months of a commission ranging from 50 to 125 basic points.

On June 12, 2008, a group of banks led by BNP Paribas granted CITGO Petroleum Corporation (CITGO) a credit facility of $450 million, secured by certain trade accounts receivable of CITGO. This facility matures annually, with a renegotiation option for equal periods. On June 4, 2010 this facility was renewed until June 7, 2011. At September 30, 2010, this debt amounts to $233 million.

Repurchase of Bonds

On July 2010, CITGO redeemed $60 million in variable interest bonds subject to taxes, and on August 2010 it redeemed and repurchased tax-exempt variable interest bonds for $485 million. From that amount, $290 million will held until those bonds are withdrawn or placed in the market as fixed interest bonds at the Company's option (see note 14).

(20) Employee Benefits and Other Postretirement Benefits

An analysis of liabilities for employee benefits, retirement plans and other postretirement benefit plans other than retirement plans follows (in millions of dollars):

	September 30, 2010	December 31, 2009
Employee termination benefits	360	196
Retirement plans	1,295	2,204
Other postretirement benefits other than retirement plans	3,250	5,079
	4,905	7,479
Less current portion	536	553
Non-current portion	4,369	6,926

The decrease of liabilities for retirement plans and other postretirement benefits other than retirement plans is mainly due to the exchange rate changes for translating into dollars (functional currency) the balances owed in bolivars.

(21) Provisions

A summary of provisions follows (in millions of dollars):

	September 30, 2010	December 31, 2009
Environmental issues	1,084	1,853
Asset retirement obligations	2,504	2,288
Litigation and other claims (see note 23)	1,536	2,094
	5,124	6,235
Less current portion	2,569	3,145
Non-current portion	2,555	3,090

(22) Accruals and Other Liabilities

Accruals and other liabilities are summarized as follows (in millions of dollars):

	September 30, 2010	December 31, 2009
Withholding taxes	740	852
Value added-tax (VAT)	159	190
Production tax and other taxes payable (see note 24)	2,644	2,083
Accounts payable to employees	1,002	820
Interest payable	98	160
Advances received from customers	1,230	2,402
Dividends payable (see note 18)	1,009	9
Accruals payable to contractors	1,714	6,509
Accounts payable to related parties (see note 24)	9,832	10,551
Accounts payable to non-controlling interests	1,208	1,218
Accounts payable on subsidiaries acquisitions (see note 9)	215	844
Accounts payable on acquisitions of assets	468	1,289
Other	676	957
	20,995	27,884
Less current portion	18,661	25,825
Non-current portion	2,334	2,059

During the nine-month period ended September 30, 2010, the Company entered into several supply agreements at sale prices equivalent to market prices, and received advances of $1,500 million. Also during the period, PDVSA supplied products equivalents to $2,340 million with an outstanding balance of $840 million, included under advances received from customers.

On August 2010, PDVSA paid a promissory note for $756 million issued by the ONT and transferred to the BCV, through bonds issued on that date due in 2014. At September 30, 2010, the outstanding balance of the promissory notes payable to the BCV is $3,722 million.

(23) Litigation and Other Claims

Based on an analysis of the available information, a provision of $1,536 million and $2,094 million (see note 21) was recognized under accruals and other liabilities at September 30, 2010 and December 31, 2009, respectively. If known lawsuits and claims were resolved in a manner adverse to the Company, in amounts greater than the Company's provision, then such determinations could have a material adverse effect on the Company's results of operations. However, although it is not possible to predict the outcome of these matters, management, based in part on the advice of its legal counsel, does not believe that it is probable that losses associated with the proceedings discussed above, exceeding the amounts already recognized, will be incurred in amounts that would be material to the Company's financial position or results of operations.

The Company is involved in other claims and legal actions, arising from the normal course of business, amounting to $692 million. In the opinion of the management and its legal counsel, the outcome of these claims will not have a material adverse effect on the Company's financial position, results of operations or liquidity.

(24) Related Party Transactions

PDVSA considers its Stockholder, non-consolidated investees, jointly controlled entities, the Company's directors and executives and their families, employee retirement funds, companies also property of the Stockholder and other government institutions as related parties.

A summary of transactions and balances with related parties follows (in millions of dollars):

	Three-month period ended September 30,		Nine-month period ended September 30,	
	2010	**2009**	**2010**	**2009**
Activities for the three and nine-month period:				
Income -				
Sales:				
Non-consolidated investees and jointly controlled entities	1,386	1,210	5,565	4,540
Companies owned by the stockholder and other government institutions	26	274	222	426
Other	1	20	4	57
Costs and expenses -				
Purchases of crude oil and refined products	978	810	2,857	2,410
Production tax, extraction tax and other taxes (see note 11)	1,867	3,093	6,325	7,375
Equity in net earnings of non-consolidated investees and jointly controlled entities	64	5	85	177
Other	22	139	96	166
Estimated income tax expense in Venezuela	126	1,297	4,914	3,919
Social development contributions	512	693	4,786	1,079

	September 30, 2010	**December 31, 2009**
Balances at end of the period:		
Investments in non-consolidated investees and joint controlled entities	1,887	1,899
Non-current accounts receivable (see note 15)	4,357	871
Buildings used by government entities (see note 15)	52	53
Recoverable value-added tax	4,562	7,615
Trust funds with Banco Central de Venezuela (BCV)	2,114	827
Trust funds with Banco de Desarrollo Económico y Social de Venezuela (BANDES)	339	409
Trust funds with Bicentenario Banco Universal, C. A.	20	73
Income tax paid in advance and prepaid income tax (see note 17)	2,841	6,569
Income tax payable in Venezuela	3,769	2,485
Accruals and other liabilities (see note 22)	12,830	13,685
Accounts payable to suppliers	104	150
Notes and accounts receivable (see note 16) -		
Non-consolidated investees and jointly controlled entities	1,167	1,198
Companies owned by the stockholder and other government institutions	4,231	3,439
	5,398	4,637

Balances and Transactions with the Stockholder

During the nine-month period ended September 30, 2010, production taxes were paid in cash to the Republic amounting to $5,156 million; also, during the same period, PDVSA supplied crude oil and products valued at $3,665 million, under the Energy Cooperation Agreements. In accordance with instructions by MENPET and pursuant to article 45 of the Organic Hydrocarbons Law, as of January 1, 2010, 50% of the volumes supplied by the Bolivarian Republic of Venezuela are deemed partial fulfillment of PDVSA's production tax obligations (see notes 11, 16 and 17).

During the nine-month period ended September 30, 2010, PDVSA, on behalf of the Bolivarian Republic of Venezuela, supplied crude oil and refined products under the Chinese-Venezuelan Joint Incorporation Agreement. The amounts collected on these volumes supplied by PDVSA are received by BANDES to secure performance of the commitments undertaken by the Bolivarian Republic of Venezuela under the above agreements. As of September 30, 2010, BANDES owes PDVSA $581 million in relation to these transactions (see note 7-c).

In support of social projects carried out by the National Government (see note 1), PDVSA incurred the following expenses during the three and nine-month periods ended September 30, 2010 and 2009 (in millions of dollars):

	Three-month period ended September 30,		Nine-month period ended September 30,	
	2010	**2009**	**2010**	**2009**
Contributions for social development incurred through trust funds in BANDES and other government financial institutions	-	11	-	61
Contributions incurred for missions, communities and other (see note 14)	224	432	3,807	768
	224	443	3,807	829
Ordinary contributions to FONDEN	278	250	947	250
Special contribution to FONDEN	10	-	32	-
	288	250	979	250
	512	693	4,786	1,079

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

Supply agreements of the subsidiary PDVSA Petróleo, as of September 30, 2010, remain in effect under the same conditions disclosed as of December 31, 2009.

As a result of the supply agreements subscribed, PDVSA Petróleo sold to non-consolidated investees, and jointly controlled entities, during the nine-month periods ended September 30, 2010 and 2009, crude oil and refined products for $5,208 million and $3,922 million, respectively. The outstanding balances relating to those transactions, as of September 30, 2010 and December 31, 2009 amounting to $1,135 million and $1,171 million, respectively, are presented as notes and accounts receivable from related parties.

During the nine-month periods ended September 30, 2010 and 2009, CITGO sold to affiliated companies, mainly at market prices, crude oil and refined products for $357 million and $190 million, respectively. Outstanding balances relating to these transactions, as of September 30, 2010 and December 31, 2009 of $35 million and $45 million, respectively, are presented as notes and accounts receivable from related parties.

During the nine-month periods ended September 30, 2010 and 2009, CITGO purchased refined products from various non-consolidated investees and jointly controlled entities (Hovensa L.L.C., Chalmette Refining, L.L.C. and Mount Vernon Phenol Plant), under long-term agreements. These purchases amounting to $2,857 million and $2,410 million, respectively, are included in the condensed consolidated statement of comprehensive income as purchases of crude oil and products. At September 30, 2010 and December 31, 2009, accounts payable to suppliers include $84 million and $150 million, respectively, relating to these transactions.

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

As of September 30, 2010 and December 31, 2009, notes and accounts receivable from related parties include accounts receivable from Petroquímica de Venezuela, S.A. (PEQUIVEN) of $333 million, for both years, for funds supplied to be used as working capital.

As of September 30, 2010 and December 31, 2009, accounts receivable from Compañía Anónima de Administración y Fomento Eléctrico (CADAFE) include, mainly operations undertaken by PDVSA Petróleo to supply light diesel and financial support to carry out the investment plans, which may be offset against the energy supply services provided by CADAFE. In this connection, as of September 30, 2010 and December 31, 2009, PDVSA Petróleo offset accounts receivable from CADAFE for $7 million and $18 million, respectively.

To meet the strategic guidelines and objectives of the National Government, during the nine-month period ended September 30, 2010, PDVSA continued to provide temporary financial support for the activities of CORPOELEC, through the purchase of equipment for the national electricity system. During the nine-month period ended

September 30, 2010, PDVSA received from FONDEN $1,232 million to support the funding of the activities of the electricity sector. Of this amount, $404 million were used to offset accounts receivable from CORPOELEC for commercial debts and loans for the purchase of such equipment. The remaining amount of $828 million will be used to fund future projects of the national electric sector. As of September 30, 2010, accounts receivable from CORPOELEC amounted to $1,301 million from these transactions.

The transactions with related entities as of September 30, 2010 and December 31, 2009 do not necessarily represent the results that would have been obtained if those transactions had been performed with unrelated third parties.

(25) New Laws and Resolutions

(a) Non-Associated Proved Reserves of Gaseous Hydrocarbons in Cardón IV Block, Rafael Urdaneta Project

In Official Gazette 39,496, dated August 26, 2010, the MENPET, added through Resolution 135, new non-associated proved reserves of gaseous hydrocarbon of 6,375 billion cubic feet, from Cardón IV Block of the Rafael Urdaneta Project, located in the Gulf of Venezuela. With this addition, total non-associated proved reserves of gas hydrocarbons existing in the country, as of June 2, 2010, amounting to 185,242 billon cubic feet.

(b) Resolution Regulating the Dealt with Liquefied Petroleum Gas (LPG)

Official Gazette 39,470, dated July 21, 2010, was published containing Resolution 125 issued by MENPET, which establishes standards for storing and marketing of LPG in cylinders, deposits and shelves.

(c) Presidential Decree of Nationalization of Drilling Equipment

On June 30, 2010, Official Gazette 39,456 was published containing Decree 7,532, which orders the nationalization of eleven drilling bits for oil wells, as well as all real and personal property and improvements of that drilling company in Venezuelan territory, in connection with such equipment.

(d) Foreign Exchange Agreement 18

On June 4, 2010, Official Gazette 39,439 was published containing Foreign Exchange Agreement 18, which establishes that the BCV will be in charge of regulating the terms and conditions for the negotiation, in local currency, and through the system accorded for that purpose, of securities of the Bolivarian Republic of Venezuela, its decentralized entities or any other issuing body, whether they are issued or to be issued in foreign currency.

(e) Ruling 001-2010 by National Antidrugs Office (Oficina Nacional Antidrogas or ONA)

On February 11, 2010, Official Gazette 39,366 was published containing Ruling 001-2010, which establishes standards for the admissible discounts to the expense set forth under LOCTICSEP and its Regulation for payment corresponding to fiscal years 2006, 2007 and 2008.

This ruling establishes that only the following payments made by taxpayers during fiscal years 2006, 2007 and 2008 may be subject to rebates:

- Conduction of projects for comprehensive social prevention and development.
- Expenses under non-reimbursable technical assistance agreements.
- Funding or performance of activities under comprehensive social prevention.

(f) Foreign Exchange Agreement 15

On January 27, 2010, as a result of a material error, Foreign Exchange Agreement 15 was republished in Official Gazette 39,355, originally published in Official Gazette 39,349 dated January 19, 2010. This agreement contains new provisions and guidelines complementing the multiple exchange rate system created under Foreign Exchange Agreement 14 (see note 25-h). The most relevant aspects of this agreement follow:

- As to the Value Added Tax (VAT), imports of goods and services are subject to the exchange rate of Bs.2.60 per U.S. dollar, for the food, health, education, machinery and equipment and science and technology sectors; Bs.4.30 per U.S. dollar will be used for other sectors. With regards to exports of goods and services, the applicable exchange rate is Bs.4.2893 per U.S. dollar.
- In relation to customs, the applicable exchange rate is Bs.2.60 per U.S. dollar for imports corresponding to the food, health, education, machinery and equipment and science and technology sectors; and Bs.4.30 per U.S. dollar for all other imports.

(g) Presidential Decree Restricting the Working Hours of National Central and Decentralized Public Administration

Extraordinary Official Gazette 5,955, dated January 13, 2010, was published containing Decree 7,175, which establishes a provisional measure, for a term of 150 days, restricting the working hours of National Central and Decentralized Public Administration, excluding dependencies or public offices offering attention to the population and services of essential nature. By virtue thereof, PDVSA is exempt from complying with this decree. Nevertheless, with the intention of contributing to energy savings, PDVSA established certain measures in order to decrease the consumption of electric energy at its facilities.

On June 10, 2010, Official Gazette 39,443 was published containing Decree 7,475, which extends the effects of the above decree until June 30, 2010, and on that date the measure expired.

(h) Foreign Exchange Agreement 14

On January 8, 2010, Official Gazette 39,342 was published containing Foreign Exchange Agreement 14, effective as of January 11, 2010, establishing exchange rates for the purchase and sale of currency, other than local currency, for legal entities as follows:

- Payment in currency, other than local currency, transactions aimed at imports by the sector of food, health, education, machinery and equipment and science and technology, as well as payments for the activities of the public sector not related to petroleum, will be made at an exchange rate of Bs.2.60 per U.S. dollar; payments of all other foreign currency sale transactions will be made at an exchange rate of Bs.4.30 per U.S. dollar.
- Payment of purchase of currency, other than local currency, obtained: i) by the public sector, other than those originating from hydrocarbon imports regulated by Foreign Exchange Agreement 9, will be made at an exchange rate of Bs.2.5935 per U.S. dollar; and ii) the remaining purchases of foreign currency will be made at an exchange rate of Bs.4.2893 per U.S. dollar.
- Payment of currency purchase, other than local currency, transactions, originating from export of hydrocarbons, regulated under Foreign Exchange Agreement 9, will be made at an exchange rate of Bs.4.2893 and Bs.2.5935 per U.S. dollar, pursuant to the provisions of the BCV, and proportions determined by that entity for payment of sale transactions. An exchange rate of Bs.2.5935, per U.S. dollar will be applicable to at least 30% of those currencies purchase transactions, other than the local currency (see note 10).

In addition, this agreement enables legal entities, other than PDVSA, in the area of exports of goods and services to withhold and manage up to thirty percent (30%) of income in foreign currency from the exports made; this percentage will be used to cover expenses from export activities other than long-term debt. This agreement also establishes that purchase and sale transactions of foreign currency with payment requested to the BCV before the effective date will be paid at an exchange rate of Bs.2.14 per U.S. dollar and Bs.2.15 per U.S. dollar, respectively, as established in Foreign Exchange Agreement 2, dated March 1, 2005.

(26) Subsequent Events

(a) Issues of Bonds

On January 17, 2011, PDVSA published the reopening of the bonds due in 2015, 2016 and 2017 and an 8.50% coupon amounting to $3,150 million, included in the issue originally conducted on October 29, 2010. The reopening, for a nominal value of $2,844 million was awarded, mainly, in favor of the BCV and other non-financial institutions for the settlement of promissory notes with these entities The remaining amount of the reopened bonds are to be used to settle prommisory notes with other non-financial institutions in the short-term.

In December 2010, the Company repurchased the bonds previously issued in 2007, 2009 and 2010 maturing in the years 2013, 2014, 2015, 2016 and 2017 for a total of $323 million, of which $182 million were resold to the secondary market at a discount of $74 million.

On November 17, 2010, PDVSA closed the exchange offer involving zero-coupon bonds without collateral issued in July 2009. In this process, the sum of $550 million was exchaged for a new bond maturing in 2013 with an 8.00% coupon. The exchange ratio for this transaction was 1.125%. The process for redemption of the old bond and issuing of the new bond was authorized by the Venezuelan Securities Superintendency (Superintendencia Nacional de Valores or SNV).

On October 29, 2010, PDVSA completed the offering of bonds amounting to $3,000 millons, payable in dollars, due in 2017 with an 8.50% coupon. From this transaction, PDVSA received from local buyers the sum of Bs.12,900 millons (equivalent to $3,000 million).

(b) Renewal of Investments Certificate

On January 4, 2011, investment certificates issued on December 2010 were renewed in favor of Banco del Tesoro, C.A. Banco Universal, for a twelve-month period, an annual rate of return of 8.00%, with capital indexed to the official bolivar exchange rate versus US dollar at maturity rate, monthly payment of interests and capital amortizations upon maturity.

(c) Foreign Exchange Agreement 14

On December 30, 2010, Foreign Exchange Agreement 14, effective as of January 1, 2011, was published in Official Gazette 39,584. This Agreement sets the exchange rate at Bs.4.2893 per U.S. dollar for purchases and Bs.4,30 per U.S. dollar for sales. This resolution supersedes Foreign Exchange Agreement 14, dated January 8, 2010, published in Official Gazette of the Bolivarian Republic of Venezuela 39,342, dated January 8, 2010; as well as Foreign Exchange Agreements 15, 16, 17, and any other provision that may come into conflict with this Foreign Exchange Agreement.

(d) Incorporation Agreement of "Empresa Mixta"

Official Gazette 39,577, dated December 20, 2010, was published by the National Assembly and included the approval of the incorporation of an "Empresa Mixta" by and between CVP and Petropars UK Limited, which would be aimed at performing exploration activities and crude-oil and associated natural gas production at the Dobokubi field, in Anzoátegui state. Initially, CVP and Petropars would hold interests in this new enterprise of 74% and 26%, respectively.

On December 14, 2010, the "Empresa Mixta" Petroúrica, S.A. was incorporated between CVP and CNPC Venezuela, B.V. in order to conduct exploration, production and trading activities at the Orinoco Oil Belt. The company will have an initial share distribution of 60% for CVP and 40% for CNPC Venezuela, B.V.

On December 3, 2010, the "Empresa Mixta" Petrolera Vencupet, S.A. was incorporated between CVP and Comercial CUPET, S.A. in order to conduct exploration and production activities at the Orinoco Oil Belt. The company will count on an initial share distribution of 60% for CVP and 40% for Comercial CUPET.

On November 22, 2010, PDVSA executed an agreement with the Italian company ENI Lasmo PLC (ENI) to incorporate "Empresa Mixta" Petrojunín, S.A. which will conduct crude-oil production activities in Junín Block 5 of the Orinoco Belt. Both companies will initially have an interest of 60% for CVP and 40% for ENI.

The Extraordinary Official Gazette N° 6.000 dated November 16, 2010, published Presidential Decree N° 7.823 authorizing the creation of "Empresa Mixta" between PDVSA and ENI, which purpose is to construct and operate a refinery at the industrial complex General José Antonio Anzoátegui. The company will have an initial share distribution of 60% for PDVSA and 40% for ENI.

(e) Laws enacted under the Enabling Law

On December 17, 2010, the National Assembly approved the Law Authorizing the President of the Republic to issue Decree-Laws in a range of areas for a term of 18 months after publication thereof. Under this law, the authorization encompasses areas involving the transformation of government institutions, popular participation, as well as economic, social, financial, tax and energy matters.

(f) Organic Law on Science and Technology and Innovation (LOCTI)

On December 2010, the Partial Amendment to the Organic Law on Science and Technology and Innovation (LOCTI) was published. This amendment establishes that legal or private or publicly owned entities, domiciled in the Bolivarian Republic of Venezuela or abroad, performing economic activities within the national territory are under the obligation of paying on an annual basis an established percentage of their gross income from the previous year, in respect to their business area, as follows:

- Two percent when the business area is one of those listed in the Law for the Control of Casino, Bingo facilities and Slot Machines, as well as any area relating to the industry and trade of alcoholic beverages and tobacco.
- One percent for privately owned enterprises operating in business areas subject to the Organic Law on Hydrocarbons and Gaseous Hydrocarbons, including mining, processing and distribution activities.

- Half percent for publicly owned companies if the business pursued is one of those listed in the Organic Law on Hydrocarbons and Gaseous Hydrocarbons including mining, processing and distribution activities.
- Half percent for any other business activity.

(g) Subscription of 60% of the shares of Fluvialba International Limited (Fluvialba).

On November 12, 2010, subsidiary PDVSA Argentina, S.A. (PDVSA Argentina) subscribed 60% of the shares of Fluvialba International Limited (Fluvialba), pursuant to the purchase agreement entered into with Fluviomar Holdings Ltd. for $190 million.

(h) New Subsidiary

On November 2010, PDVSA Industrial, S.A. completed the process of taking over the financial and operational policies of MCT, C.A. under the purchase agreement executed with Muas Holding B.V. on March 4, 2010.

(i) Sale of Assets of PDVSA Marketing International, S.A. (PMI Panamá) and Investment in Ruhr Oel GMBH

On October 15, 2010, PDVSA entered into a purchase agreement with Rosneft Holdings Limited S.A. for $1.6 billion, for the transfer of assets owned by PMI Panamá and all of the shares held in Ruhr Oel GMBH (ROG). This transaction is expected to be completed by May 31, 2011, after fulfillment of certain legal obligations and other conditions set forth in the purchase agreement.

(j) Presidential Decree nationalizing the companies owned by the VENOCO group

On October 11, 2010, Decree 7,712 was published in Official Gazette 39,528, establishing the nationalization of real and personal property owned by a group of companies involved in the production, processing, transportation and storage of lubricants, where the most important company is Industrias Venoco, C.A. PDVSA estimates it will take control of the operation in 2011.

(B) AUDITED FINANCIAL STATEMENTS AS OF DECEMBER 31, 2009 AND 2008 AND FOR THE YEARS ENDED DECEMBER 31, 2009 AND 2008.

PETRÓLEOS DE VENEZUELA, S.A.
AND SUBSIDIARIES (PDVSA)
(Wholly-owned by the Bolivarian Republic of Venezuela)

Consolidated Financial Statements

December 31, 2009 and 2008

With Independent Auditors' Report Thereon

PETRÓLEOS DE VENEZUELA, S.A. AND SUBSIDIARIES (PDVSA)
Consolidated Financial Statements

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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) (wholly-owned by the Bolivarian Republic of Venezuela), for the years ended December 31, 2009 and 2008. The consolidated financial statements comprise the consolidated statements of comprehensive income, financial position, stockholder's equity and cash flows, and a summary of significant accounting policies and other explanatory notes.

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. This responsibility includes: designing, implementing and maintaining internal control relevant to the preparation and fair presentation of the financial statements, that are free from material misstatements, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

Auditors' Responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audits. We conducted our audits in accordance with International Standards on Auditing. Those standards require that we comply with relevant ethical requirements and plan and perform the audit to obtain reasonable assurance whether the financial statements are free of material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on our judgment, including the assessment of the risks of material misstatement of the 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 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 principles used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Opinion

In our opinion, the accompanying consolidated financial statements fairly present, in all material respects, the consolidated financial position of Petróleos de Venezuela, S.A. and its subsidiaries (PDVSA) as of December 31, 2009 and 2008 and of its consolidated financial performance and its consolidated cash flows for the years then ended in accordance with International Financial Reporting Standards.

(Continued)

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Emphasis Paragraph

Without qualifying our opinion, the following issue should be noted: as explained in note 30 to the accompanying consolidated financial statements, PDVSA as a state-owned company by the Bolivarian Republic of Venezuela and, according to its corporate objectives and specific responsibilities, undertakes significant transactions with its Stockholder, government institutions and others. These transactions relate mainly to fiscal obligations for the payment of production tax and other taxes, social development contributions, and the purchase and transfer of assets.

ALCARAZ CABRERA VÁZQUEZ

Dimas Castro Bustillos
Public Accountant
C.P.C. N° 5326

March 30, 2010
Caracas, Venezuela

PETRÓLEOS DE VENEZUELA, S.A. AND SUBSIDIARIES (PDVSA)
Consolidated Statements of Comprehensive Income
(In million of U.S. dollars)

	Note	Years ended December 31, 2009	2008
Continuing operations:			
Sale of crude oil and products:	13-g, 30		
Exports to international markets, net		70,636	122,488
In Venezuela		2,646	2,804
Food and other mass consumption products		1,714	1,072
		74,996	126,364
Purchases net of inventory variation:			
Crude oil and products	30	25,932	44,600
Food and other mass consumption products		1,262	693
Operating expenses		16,435	17,285
Exploration expenses		247	375
Depreciation and amortization	14	5,794	5,220
Selling, administrative and general expenses		4,985	4,982
Production tax, extraction tax and other taxes	13, 30	13,360	23,462
Social development expenses:	30		
Social development contributions		2,937	2,326
FONDEN contributions		577	12,407
Finance (income) expenses:	12		
Finance income		(5,873)	(1,580)
Finance expenses		835	1,780
Equity in net earnings of investment in non-consolidated investees and jointly controlled entities	15, 30	140	(153)
Gain on sale of group of assets and liabilities held for sale	9	-	(998)
Other expenses, net	11	407	2,250
		67,038	112,649
Income before income tax		7,958	13,715
Income tax	13-a	3,330	4,281
Net income from continuing operations		4,628	9,434
Discontinued operations:			
Income (loss) from discontinued operations, net of income tax	9	(234)	57
Net income		4,394	9,491
Other comprehensive income:			
Foreign currency translation differences for foreign operations	2-c, 3-b, 3-x	104	(78)
Total comprehensive income		4,498	9,413
Net income attributable to:			
Company's stockholder		2,920	7,529
Non - controlling interests		1,474	1,962
Net income		4,394	9,491
Comprehensive income attributable to:			
Company's stockholder		3,024	7,451
Non - controlling interests		1,474	1,962
Total comprehensive income for the year		4,498	9,413

Notes 1 to 35 are an integral part of these consolidated financial statements.

PETRÓLEOS DE VENEZUELA, S.A. AND SUBSIDIARIES (PDVSA)
Consolidated Statements of Financial Position
(In million of U.S. dollars)

	Note	December 31, 2009	2008
Assets			
Property, plant and equipment, net	14	83,457	73,010
Investment in non-consolidated investees and jointly controlled entities	15	1,899	1,935
Deferred income tax	13-a	10,673	7,725
Accounts receivable and other assets	16	3,179	3,557
Recoverable value-added tax, net of current portion	13-k	-	3,408
Restricted cash, net of current portion	17	1,649	1,773
Total non-current assets		100,857	91,408
Inventories	18	8,502	8,678
Recoverable value-added tax	13-k	7,615	2,936
Notes and accounts receivable	19	14,311	10,810
Prepaid expenses and other assets	20	10,920	9,329
Restricted cash	17	415	347
Cash and cash equivalents	3-p	6,981	4,483
Assets held for sale	9	-	3,841
Total current assets		48,744	40,424
Total assets		149,601	131,832
Equity			
Share capital	21	39,094	39,094
Retained earnings	21	18,985	16,553
Stockholder's additional contribution	21	7,243	7,828
Total equity attributable to the stockholder		65,322	63,475
Non-controlling interests	21	9,067	8,038
Total equity		74,389	71,513
Liabilities			
Long-term debt, net of current portion	22	18,489	13,418
Employee benefits and other postretirement benefits, net of current portion	23	6,926	5,277
Deferred income tax	13-a	2,156	1,702
Provisions, net of current portion	24	3,090	2,694
Accruals and other liabilities, net of current portion	25	2,511	2,842
Total non-current liabilities		33,172	25,933
Long-term debt	22	2,930	1,677
Employee benefits and other postretirement benefits	23	553	476
Accounts payable to suppliers	26	7,016	7,556
Income tax payable	13-a	2,545	2,047
Provisions	24	3,145	3,178
Accruals and other liabilities	25	25,851	17,635
Liabilities classified as held for sale	9	-	1,817
Total current liabilities		42,040	34,386
Total liabilities		75,212	60,319
Total liabilities and stockholder's equity		149,601	131,832

Notes 1 to 35 are an integral part of these consolidated financial statements.

PETRÓLEOS DE VENEZUELA, S.A. AND SUBSIDIARIES (PDVSA)
Consolidated Statements of Stockholder's Equity
(In millions of U.S. dollars)

		Equity attributable to the Company's Stockholder							
			Retained Earnings						
	Note	Share capital	Legal reserves and others	Accumulated income	Total	Stockholder's Additional contribution	Total attributable to the Company's Stockholder	Non-Controlling interests	Total equity
Balance as of January 1, 2008		39,094	6,952	4,150	11,102	3,010	53,206	2,856	56,062
Comprehensive income									
Net income		-	-	7,529	7,529	-	7,529	1,962	9,491
Other comprehensive income	3-b and 3-x	-	-	(78)	(78)	-	(78)	-	(78)
		-	-	7,451	7,451	-	7,451	1,962	9,413
Transactions with the Stockholder and non-controlling interests, recognized directly in equity -									
Transfer to reserves		-	7,725	(7,725)	-	-	-	-	-
Stockholder's additional contribution	8-a and 21	-	-	-	-	8,966	8,966	-	8,966
Dividends paid	21	-	-	(2,000)	(2,000)	-	(2,000)	-	(2,000)
Non-controlling interests in stockholder's additional contribution	8-a and 21	-	-	-	-	(4,148)	(4,148)	4,148	-
Additional contribution of non-controlling interests	8-a and 21	-	-	-	-	-	-	25	25
Dividend advances to non-controlling interests	21	-	-	-	-	-	-	(344)	(344)
Share of non-controlling in dividends declared	21	-	-	-	-	-	-	(609)	(609)
		-	7,725	(9,725)	(2,000)	4,818	2,818	3,220	6,038
Balance as of December 31, 2008		39,094	14,677	1,876	16,553	7,828	63,475	8,038	71,513
Comprehensive income -									
Net income		-	-	2,920	2,920	-	2,920	1,474	4,394
Other comprehensive income	3-b and 3-x	-	-	104	104	-	104	-	104
		-	-	3,024	3,024	-	3,024	1,474	4,498
Transactions with the Stockholder and non-controlling interests, recognized directly in equity -									
Transfer to reserves	21	-	2,948	(2,948)	-	-	-	-	-
Transfer to accumulated income	21	-	-	1,408	1,408	(1,408)	-	-	-
Stockholder's additional contribution	21	-	-	-	-	2,019	2,019	-	2,019
Dividends paid	21	-	-	(2,000)	(2,000)	-	(2,000)	-	(2,000)
Distribution of Stockholder's equity to the Stockholder	9 and 21	-	-	-	-	(1,196)	(1,196)	-	(1,196)
Additional contribution of non-controlling interests	21	-	-	-	-	-	-	503	503
Dividend advances to non-controlling interests	21	-	-	-	-	-	-	(421)	(421)
Share of non-controlling in dividends declared	21	-	-	-	-	-	-	(527)	(527)
		-	2,948	(3,540)	(592)	(585)	(1,177)	(445)	(1,622)
Balance as of December 31, 2009		39,094	17,625	1,360	18,985	7,243	65,322	9,067	74,389

Notes 1 to 35 are an integral part of these consolidated financial statements.

PETRÓLEOS DE VENEZUELA, S.A. AND SUBSIDIARIES (PDVSA)
Consolidated Statements of Cash Flows
(In million of U.S. dollars)

	Note	Years ended December 31, 2009	2008
Cash flows from operating activities:			
Net income		4,394	9,491
Adjustments to reconcile net income to net cash provided by operating activities -			
Depreciation and amortization	14	5,794	5,220
Asset impairment	14	96	369
Cost of asset retirement obligations	12	116	69
Deferred income tax	13-f	(2,494)	(3,082)
Employee benefits and other postretirement benefits	23	2,756	3,806
Funds received in excess from debt issuance	22	(3,807)	-
Equity in net earnings of investment non-consolidated investees and jointly controlled entities	15	140	(156)
Loss (gain) on discontinued operations	9	234	(57)
Gain on sale of group of assets held for sale, net	9	-	(998)
Excess in net assets' fair value over the cost of the acquisition	10	(8)	(8)
Changes in the fair value of long-term accounts receivable	16	467	516
Increase in allowance for doubtful accounts	27	258	244
Increase in allowance for obsolete inventories and net realizable value	18	81	1,540
Increase in provisions	11, 29	437	1,783
Changes in operating assets -			
Notes and accounts receivable	19	(2,731)	(2,096)
Inventories	18	(157)	(1,172)
Prepaid expenses and other assets	20	(1,670)	(1,170)
Recoverable value-added tax	13-k	(1,271)	(1,450)
Changes in operating liabilities -			
Accounts payable to suppliers	26	(540)	4,345
Income tax payable, accruals and other liabilities	13-a, 25	7,020	658
Provisions		(190)	(95)
Payments of employee benefits and other postretirement benefits		(1,030)	(1,051)
Total adjustments		3,501	7,215
Net cash provided by operating activities		7,895	16,706
Cash flows from investing activities:			
Acquisition of property, plant and equipment, net	14	(15,333)	(18,413)
Acquisition of subsidiaries, net of cash acquired	10	(14)	(315)
Decrease in restricted cash		56	1,178
Cash from sale of group of assets held for sale, net	9	-	1,599
Sale of investment in non-consolidated investees	15	-	31
Incorporation of new non-consolidated investees	15	(6)	(73)
Additional contributions to non-consolidated investees	15	(138)	-
Dividends received from non-consolidated investees and jointly-controlled entities	15	59	369
Other variations in assets		63	(224)
Net cash used in investing activities		(15,313)	(15,848)
Cash flows from financing activities:			
Proceeds from issue of debt	22	11,754	3,938
Payments of long-term debt	22	(1,393)	(5,710)
Funds received from Stockholder	21	2,000	5,000
Dividends paid to Stockholder	21	(2,000)	(2,000)
Additional contribution of non-controlling interests	21	503	25
Dividend advances to non-controlling interests	21	(421)	(344)
Dividends paid to non-controlling interests	21	(527)	(609)
Net cash provided by financing activities		9,916	300
Net increase in cash and cash equivalents		2,498	1,158
Cash and cash equivalents at beginning of year		4,483	3,325
Cash and cash equivalents at year-end		6,981	4,483
Supplemental disclosure:			
Significant cash disbursements in the year -			
Interest, net of amount recorded as assets		541	758
Income tax, production tax and other taxes		22,709	33,809
Social development expenses		3,083	15,110
Significant transactions not requiring cash -			
Dividends paid through assignment of promissory notes		(9)	(131)
Stockholder's additional contribution, including non-controlling interests	8, 21	522	6,658
Stockholder's long-term debt payments through delivery of crude oil and products	8-a, 22	(252)	(533)
Property, plant and equipment acquired pursuant to LOREBSCAPH, LORMICL and LECUPS	14, 25	1,066	-
Transfer of electric-sector shares	9	(1,196)	-

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 headquarters are located at Edificio Petróleos de Venezuela, Torre Este, Avenida Libertador, La Campiña, Apartado N° 169, Caracas 1050-A.

Petróleos de Venezuela, S.A. and its subsidiaries (PDVSA or the Company) are wholly-owned by the Bolivarian Republic of Venezuela, which controls PDVSA, as stockholder, through the Ministry of Popular Power for Energy and Oil (hereinafter referred as MENPET). PDVSA is responsible for planning, coordinating, supervising and controlling the activities of its subsidiaries, both in Venezuela and abroad, in addition to promoting or participate in activities aimed at fostering the comprehensive, organic and sustainable development of the country, including activities of agricultural and industrial nature, preparation or transformation of goods and their marketing, and rendering services to proper achieve the link between the hydrocarbon resources and the Venezuelan economy (see notes 3-a, 8, 10, 15 and 30). Most of its foreign subsidiaries are involved in refining and marketing activities in North America, Europe and the Caribbean. The consolidated financial statements of PDVSA, as of and for the years ended December 31, 2009 and 2008, include the Company, its non-consolidated investees and jointly controlled entities.

The main activities of PDVSA in Venezuela are governed by the Organic Hydrocarbons Law, 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 dispositions enacted by the National Government through MENPET and any applicable common law provisions. Outside Venezuela, PDVSA's activities are regulated by the laws and standards 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 (IFRSs), adopted by the International Accounting Standards Board (IASB).

On March 30, 2010, the Executive Committee approved to submit for consideration at the Stockholder's Meeting the consolidated financial statements for the year ended December 31, 2009, which will soon be presented to the Stockholder's Meeting and which are expected to be approved without changes. The consolidated financial statements for the year ended December 31, 2008 were approved at the Stockholder's Meeting dated June 6, 2009.

(b) Basis of Measurement

The consolidated financial statements have been prepared on the historical cost basis, except for certain assets and liabilities measured at fair value. Assets measured and stated at fair value are mainly the following: derivative financial instruments, recoverable value-added tax, and long-term accounts receivable from entities performing social projects and energy agreements.

The methods used to measure fair values are discussed comprehensively in note 5.

(c) Functional and Presentation Currency

The consolidated financial statements are presented in U.S. dollars (dollar or $) which is the functional currency of the Company since the main economic environment of the operations of PDVSA is the international market of crude oil and refined products. Additionally, a significant portion of revenues and long-term debt, as well as most costs, expenses and investments are denominated in dollars.

All financial information presented in dollars has been rounded to the nearest million.

(d) Use of Estimates and Judgments

The preparation of 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. The Company uses its best estimates and judgments; however, actual results may differ from these estimates.

Estimates and underlying assumptions are reviewed periodically, and the effects of revisions of accounting estimates, if any, are recognized in the period in which the estimates are revised and in any future period affected.

The significant areas of critical judgments in applying accounting policies that have the most significant effect on the amounts recognized in the consolidated financial statements are described in the following notes:

- Notes 9 and 10 – Business combinations.
- Note 14 – Valuation of property, plant and equipment.
- Notes 22 and 28 – Leases.
- Note 27 – Valuation of financial instruments.

Information on estimates and uncertainties that have a significant risk of resulting in a material adjustment in future periods are included in the following notes:

- Note 13 – Deferred income tax and use of tax losses.
- Note 23 – Measurement of contractual retirement benefit obligations and other postretirement benefits other than retirement.
- Note 24 – Provision for litigation and other claims, accrual for environmental matters and asset retirement obligations.

(3) Significant Accounting Policies

Accounting policies have been applied consistently for all years presented in these consolidated financial statements by the Company, its subsidiaries, non-consolidated investees and jointly controlled entities.

(a) Basis of Consolidation

Investments in Subsidiaries

Subsidiary companies are those 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. The accounting policies of subsidiaries have been amended as necessary to align them with the policies adopted by the Company.

The most significant wholly-owned subsidiaries are the following: PDVSA Petróleo, S.A. (PDVSA Petróleo); Corporación Venezolana del Petróleo, S.A. (CVP); and PDVSA Gas, S.A. (PDVSA Gas); in Venezuela; PDV Holding, Inc. (PDV Holding) and its main subsidiary PDV America, Inc. (PDV America) which operates in the United States of America. The main activity of PDVSA in the United States of America is represented by CITGO Petroleum Corporation and its subsidiaries (CITGO), wholly-owned by PDV America.

Non-Consolidated Investees and Jointly Controlled Entities (Equity Method)

Non-consolidated investees are those entities where PDVSA has a significant influence, but not control over the financial and operating policies. Significant influence is presumed to exist when the Company owns directly or indirectly between 20 and 50 percent of the voting rights in the other company. Jointly controlled entities are those where PDVSA has common control, established through a contractual agreement and require unanimous consent of the parties for strategic decision-making on financial and operating matters.

Non-consolidated investees and jointly controlled entities are accounted for using the equity method and are recognized initially at cost, plus goodwill identified upon acquisition, net of any accrued impairment loss. The consolidated financial statements of PDVSA include the corresponding share in the results of operations and changes in equity of non-consolidated investees and jointly controlled entities from the date when influence commences until the date when control ceases. When the share of losses exceeds the investment in a non-consolidated investee or jointly controlled entity, the carrying amount of that investment is reduced to zero, and the recognition of further losses is discontinued, except when PDVSA is jointly and severally liable for obligations incurred by those non-consolidated investees and jointly controlled entities.

Business Combinations

PDVSA has adopted early the International Financial Reporting Standard 3 (IFRS 3) *Business Combinations* (January 2008), and has applied the acquisition method for the corresponding business combinations disclosed in note 10 (see note 3-x).

The acquisition date of a business combination corresponds to the date on which control is transferred to the acquirer. Specific criteria are applied to determine the acquisition date and whether control is transferred from one party to another.

PDVSA recognizes as an asset the goodwill arising from acquisition of subsidiaries, non-consolidated investees and jointly controlled entities. The goodwill is initially measured by the excess of the fair value of the consideration transferred (cost), over PDVSA's share in the net fair value of assets, liabilities and contingent assets identified at the acquisition date.

The consideration transferred includes the fair values of assets transferred and liabilities incurred by PDVSA, as well as the fair value of any contingent payment.

When the initial accounting of a business combination may be determined on a provisional basis only, 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 a provisional basis, the combination will be recognized using those provisional values. For the purpose of completing the initial accounting, any adjustment made to those provisional values within the twelve months following the acquisition date is recognized.

A contingent liability of the acquiree is assumed in a business combination only if such a liability represents a present obligation and arises from a past event, and its fair value can be measured reliably.

PDVSA measures any non controlling interest at its proportionate interest in the identifiable net assets of the acquiree.

Transaction costs incurred by PDVSA in connection with a business combination, such as finder's fees, legal fees, due diligence fees and other professional and consulting fees are expensed as incurred.

When the PDVSA interest in the net fair value of assets, liabilities and contingent liabilities identifiable exceeds the cost of the business combination, that excess is recognized in the consolidated statements of comprehensive income.

Transactions Eliminated on Consolidation

Intercompany balances and transactions, and any unrealized gains or expenses 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 in those companies. Unrealized losses are eliminated in the same way as unrealized gains, provided that there is no evidence of impairment.

Investments at Cost

Investments in shares in which PDVSA does not exercise any significant control or influence are accounted for at cost, and the dividends of those companies are recognized as income once they are declared.

Non controlling Interests

The share of minority interests in the stockholder's equity and results of the subsidiaries of PDVSA are presented in the statement of stockholder's equity as "non controlling interests" and as net income and comprehensive income of the year attributable to non controlling interests in the consolidated statements of comprehensive income.

(b) Currencies Other than the Dollar

Transactions in Currencies Other than the Dollar

Transactions in foreign currencies other than the dollar are translated to the respective functional currency of the related entities of PDVSA, at the exchange rate in effect at the dates of the transactions. Monetary assets and liabilities in foreign currencies other than the dollar at the reporting date are translated into the functional currency using the applicable exchange rate on that date. Foreign currency gains or losses are recognized in the consolidated statements of comprehensive income. Non-monetary assets and liabilities in currencies other than the dollar stated at fair value are retranslated to the functional currency using the exchange rate at the date of determining fair value.

Translation of a Foreign Operation

The assets and liabilities of subsidiaries domiciled outside of Venezuela and the United States of America, whose functional currency is other than the dollar and is under a non-hyperinflationary economy, are translated into dollars using the exchange rate effective on the reporting date, and income and expenses at the average exchange rate of the year presented in accordance with International Accounting Standard 21 *The Effects of Changes in Foreign Exchange Rates* (IAS 21). The translation effect has not been significant in recent years and is included in the comprehensive income of the year as other comprehensive income. When a foreign operation is disposed, in part or in full, amount of the effect from foreign currency translation associated with that transaction is transferred to profit or loss as part of the profit or loss on disposal.

The financial statements of subsidiaries domiciled in Venezuela, whose functional currency is the bolivar, were prepared in accordance with International Accounting Standards 29 *Financial Reporting in Hyperinflationary Economies* (IAS 29), and subsequently translated to dollars in accordance with IAS 21, at the exchange rate at year-end for all amounts of the statements of financial position and comprehensive income. In accordance with IAS 29, an economy is deemed hyperinflationary if it has a series of characteristics, mainly an accumulated inflation rate close to or greater than 100% over the last three years. For the purpose of IAS 29, Venezuela has been deemed a 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 IFRIC 7 *Applying the Restatement Approach under IAS 29*.

Translation to the Presentation Currency

The translation of the consolidated financial statements of the Company from dollars into bolivars, a presentation currency other than the functional currency, was made in accordance with IAS 21 as follows: assets and liabilities at the closing rate at the reporting date, and income and expenses at the average exchange rate effective throughout each year. Any exchange rate differences resulting from the above are recognized in the comprehensive income of the year as other comprehensive income.

(c) Revenue Recognition

Revenue from the sale of crude oil, natural gas, refined products and other is measured at the fair value of the consideration received or receivable, net of commercial discounts and production taxes of the volumes supplied by the Republic, and are recognized in the consolidated statements of comprehensive income when the risk and significant rights derived from title 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 there is no continuing management involvement with assets sold. Mainly, these transfers are governed by the delivery terms in agreements with clients.

Revenues from activities other than the principal activities of PDVSA are recognized when realized by the transfer of risk and benefits associated with the sale of assets; or in proportion to the degree of completion of the transaction or agreement, at the reporting date for services rendered and construction agreements.

(d) Finance Income and Expenses

Finance income, included in the consolidated statements of comprehensive income, consist, principally, of interest earned on invested funds, and changes (gains) in the fair value of financial assets and the additional funds received from the issuance of debt.

Finance expenses, included in the consolidated statements of comprehensive income, consist, principally, of interest on financial obligations, increases in asset retirement obligations (see notes 3-j and 3-u), and changes (loss) in the fair value of financial assets (see note 12). Interest expenses on financial obligations not directly attributable to the purchase, construction or production of a qualifying asset are recognized in profit and loss using the effective interest rate method (see note 3-i).

(e) Income Tax

Income tax expense comprises current and deferred income tax. Income tax expense is recognized in the results of each year, except to the extent that it relates to items that should be recognized in the 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 income tax is recognized using the balance sheet method. Deferred assets and liabilities are recognized in respect of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes, and operating loss and tax credits carryforwards to on future periods. Deferred 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 law. The effect on deferred tax assets and liabilities of changes in tax rates is recognized in the comprehensive income of the year in which they become effective.

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 laws of each tax jurisdiction is recognized as a liability when the obligation to pay the related dividend is recognized.

(f) Research and Development

Research costs incurred to obtain new scientific or technical knowledge are recognized as operating expenses in the consolidated statements of comprehensive income when incurred. In 2009 and 2008, such costs amounted to $276 million and $555 million, respectively.

(g) Social development expenses

Consist of contributions to social programs and projects through which PDVSA is involved in the social and integral development of the country (see notes 1, 16, 17 and 30). These contributions are recognized directly as an expense at the time the obligation is undertaken, except for contributions made through trusts, which are recognized directly as social development expenses, when disbursed (see note 17), leaving the trustor and beneficiaries with the administrative responsibility over the funds.

(h) Financial Instruments

Non-Derivative Financial Instruments

Non-derivative financial instruments are comprised by long-term accounts receivable, notes and accounts receivable, recoverable value added tax, restricted cash, cash and cash equivalents, long-term debt, accounts payable to suppliers and accruals and other liabilities (see notes 3-q and 5).

Non-derivative financial instruments are recognized initially at fair value plus any directly attributable transaction costs, in the case of financial assets or liabilities not recognized at fair value through profit or loss.

A financial instrument is recognized initially on the trade date at which the Company becomes a party of the contractual provisions of the instrument. Financial assets are derecognized if the contractual rights of the Company over the cash flows of the asset expire or if the Company transfers the financial asset to another entity without retaining control or a significant portion of risks and rewards of the asset. Financial liabilities are derecognized when the specific contractual obligation of the Company expires or is cancelled.

Finance assets and liabilities are offset and the net amount presented in the consolidated statements of financial position when, and only when, PDVSA has a legal right to offset the amounts and intends either to settle on a net basis or to realize the asset and settle the liability simultaneously.

See the policy for accounting finance income and expenses in note 3-d.

Derivative Financial Instruments

PDVSA uses derivative financial instruments to reduce its exposure to commodity price risk and interest rate risk arising from operating and financing activities. Derivatives are recognized initially at fair value; attributable transaction costs are recognized in the consolidated statements of comprehensive income as incurred. Subsequent to initial recognition, derivative financial instruments are measured at fair value and changes therein are recognized in the consolidated statements of comprehensive income. The effects of changes in the fair value of derivatives in 2009 and 2008 are not significant.

In accordance with its corporate policy, PDVSA does not use derivative financial instruments for trading or speculative purposes.

(i) Property, Plant and Equipment

Recognition and measurement

Property, plant and equipment are measured at cost net of accumulated depreciation and impairment losses (see note 3-q). The successful efforts method of accounting is used for exploration and production activities for crude oil and gas, considering the International Financial Reporting Standard 6 *Exploration and Evaluation of Mineral Resources* (IFRS 6), related to the recognition of exploration and evaluation assets. Costs of well development, related plant and equipment used in exploitation of oil and gas are recognized as part of the cost of 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 operating expenses. Other exploratory expenditures, including the geological and geophysical costs, 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-j).

Financing costs of projects requiring major investments and those incurred in financing of specific projects are recognized as property, plant and equipment, when 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. An asset is deemed qualified when it requires a substantial amount of time prior to being ready for use.

The cost of assets built by the Company includes interest on borrowings, the cost of materials and direct labor as well as any other direct cost attributable to bringing the asset to working condition. It also includes dismantling and removal costs at the location where built.

All disbursements relating to construction or acquisition of property, plant and equipment in the stage prior to be ready for intended use are stated at cost 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 sale or disposal of an item of property, plant equipment is determined by comparing the proceeds from the sale or disposal, if any, with the net carrying amount of property, plant and equipment and is recognized within other (income) expenses, net in the consolidated statements of comprehensive income.

Subsequent Costs

Major maintenance costs or a general repair, as well as replacement of significant items of property, plant and equipment, are capitalized when these are identified as a separate component of the asset to which such maintenance, repair or replacement corresponds and are depreciated over the period between one maintenance or replacement and another. Disbursements for minor maintenance, repairs and renewals incurred to maintain the facilities in normal operating condition are expensed immediately.

Depreciation

Depreciation and amortization of capitalized costs related to wells and facilities for the production of crude oil and gas, are calculated 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 (see note 35).

Capitalized costs of other plants and equipment are depreciated over their estimated useful lives, mainly using the straight-line method, whose average useful lives range from:

Plants and refining facilities	17 – 25
Storage facilities and crude oil and gas transportation	12 – 25
Buildings and constructions	20
Machinery and equipment	10
Land, maritime and air transportation units	3 – 20
Services of industrial and camps support	10 – 17
Remaining assets	3 – 10
Assets acquired under financial leases (see notes 3-m and 22)	10

When items of an asset under property, plant and equipment have different useful lives, they are presented separately as a significant component of that asset.

Depreciation methods and useful lives of property, plant and equipment are reviewed annually. Land is not depreciated.

(j) Costs Associated with Asset Retirement Obligations

PDVSA capitalizes the estimated costs associated with asset retirement obligations, involving assets for exploration activities and production of crude oil and gas and other industrial facilities, based on the future retirement plan for those assets. Costs are capitalized as part of the long-lived assets and are amortized by charging operating costs over their useful lives (see note 3-u).

(k) Goodwill

Goodwill arising from the acquisition of subsidiaries is included as an intangible asset as part of other assets (see notes 3-a, 10 and 16).

The goodwill that arise upon the acquisition of non-consolidated investees and jointly controlled entities is included as an intangible asset as part of the carrying amount of the investment (see note 15).

After initial recognition, goodwill is measured at cost less accumulated impairment loss.

(l) Biological Assets

Biological assets are measured at fair value less estimated costs to sale; with any change therein recognized in profit or loss. The estimated costs to sale include all costs that would be necessary to sell those assets (see note 16).

(m) Leased Assets

Leases in term of which the Company assumes substantially all the risks and rewards of ownership are classified as finance leases. Upon initial recognition, the leased asset is measured at the lower of its fair value and the present value of the minimum lease payments. Subsequent to initial recognition, the asset is accounted for in accordance with the accounting policy applicable to that asset. Other leases are deemed operating; therefore, are not recognized in the consolidated statements of financial position (see notes 3-i, 22 and 28).

Determining Whether an Arrangement Contains a Lease

When a contract is executed, PDVSA determines whether that contract corresponds to or contains a lease. A specific asset is subject to a lease if contractual compliance depends on use of that specific asset. A contract transfers the right to use the asset if the contract transfers to PDVSA the right to control use of the underlying asset.

At the time the contract is executed or reassessed, PDVSA separates payments and other consideration required by the contract, corresponding to the lease and those relating to other elements, based on their relative fair values. If PDVSA concludes that for a financial lease it is impracticable to separate payments reliably an asset and a liability are recognized for an amount equal to the fair value of the underlying asset. Subsequently, the liability is reduced as payments are made and a finance charge is recognized on the liability using the incremental interest rate.

(n) Inventories

Inventories are measured at the lower of cost or net realizable value. Net realizable value is the estimated selling prize in the ordinary course of business, less estimated costs of completion and selling expenses.

The cost of inventories of crude oil and its products is determined using the average cost method.

The cost of inventories of food and other mass consumption products, located in the warehouses of the Company, is determined principally by the retailer's method, less an allowance for possible losses. This method implies determining the cost of inventory by deducting from the sales price of the item an appropriate amount of the gross profit. The percentage applied considers those inventories marked below their original sales prices. The average cost method is used for the remainder of the inventories (see note 18).

Materials and supplies are stated principally at average cost, less an allowance for possible losses, and are classified into two groups: current and non-current assets (see notes 16 and 18).

(o) Trade Accounts Receivable

Trade accounts receivable are recognized using the amounts billed and are stated net of an allowance for doubtful accounts, which represents the amount of probable losses from accounts receivable. The Company estimates such allowance based on the aging of accounts receivable and the results of assessment of the client portfolio (see notes 5, 19 and 27).

(p) Cash Equivalents

PDVSA considers as cash equivalents time deposits and all other cash placements with original maturities of less than three months and available on a current basis which at December 31, 2009 and 2008 amounted to approximately $622 million and $540 million, respectively.

(q) Impairment of Assets

Financial Assets

PDVSA assess 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 that one or more events have had a negative effect on the estimated future cash flows of the asset.

Significant financial assets are reviewed individually to determine their impairment. The remaining financial assets with similar credit-risk characteristics are reviewed as a group (see note 6).

In evaluating impairment, PDVSA uses historical trends of the probability of default, 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 related to a financial asset 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 statements of comprehensive income. An impairment loss is reversed if the amount can be related objectively to an event occurring after the impairment loss was recognized (see note 27).

Non-Financial Assets

The carrying amounts of non-financial assets, excluding inventory and deferred tax, are reviewed at each reporting date of the consolidated statements of financial position to determine whether evidence of impairment exists. 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.

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 determine 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. 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 in the cash-generating units expected to benefit from synergies of the combination.

An impairment loss is recognized when the carrying amount of an asset or its cash-generating unit exceeds its recoverable amount. Impairment losses are recognized in the results of the year. Impairment losses recognized in respect of cash-generating units are allocated first to reduce the carrying amount of any goodwill allocated to the units, and then to reduce the carrying amounts of the other assets in the unit on a pro rata basis.

An impairment loss is reversed 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 been recognized. An impairment loss in respect of goodwill is not reversed.

(r) Assets Held for Sale

Non-current assets or disposal groups of assets and liabilities are classified as held for sale if their carrying amount will be recovered through sale rather than through continuing use. This condition is met only when the sale is highly probable and non-current assets or disposal groups are available for sale immediately in their present condition, and the sale is expected to take place in the term of one year from their classification date. Immediately before classification as held for sale the non-current assets or disposal groups are recognized in accordance with the Company's accounting policies and, subsequently, measured at the lower of carrying amount or fair value, less estimated cost to sell (see note 9).

An impairment loss for a disposal group is first allocated to goodwill, if any, and then prorated to the remaining assets and liabilities, except in the event that no loss has been recognized in inventories, financial assets, deferred tax assets, employee benefit assets, which continue to be recognized initially in accordance with the PDVSA policies. An impairment loss initially recognized on assets classify as held for sale, and a subsequent gain or loss from changes in fair value is recognized in the consolidated statements of comprehensive income. A gain from changes in fair value may not exceed the accumulated impairment loss previously recognized.

(s) Discontinued Operations

A discontinued operation is a business component of the Company represented by an operating segment or significant geographic area of operations separated from the rest of the operations and has been disposed of or classified as held for sale, or is a subsidiary acquired exclusively for resale. Classification as discontinued operations occurs when the asset is retired, sold or otherwise disposed of or when the transaction 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 restated as if the operation had been discontinued from the beginning of the comparative year (see note 9).

(t) Employee Benefits and Other Postretirement Benefits

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 acquired 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. The discount rate reflects the performance which, at the date of the consolidated financial statements, is reflected by financial instruments issued by institutions with high credit ratings and having maturities similar to those of the obligations. The calculation is performed annually by a qualified actuary using the projected unit credit method.

Improvements to the benefits plan, relating to cost of past services are recognized as an expense in the consolidated statements of comprehensive income over the estimated period, which in average represents the time when the benefits become vested. To the extent that such benefits are vested after its approval, the expense is recognized immediately in the consolidated statements of comprehensive income.

The Company recognizes as either income or expense a portion corresponding to the amount of actuarial gains or losses, exceeding 10% of the greater of the following amounts: a) the present value of defined benefit obligations; and b) the fair value of the plan's assets at that date. 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 of the defined benefit plans.

Employees' Severance Indemnities

Employees' severance indemnities corresponding to employees in Venezuela are recognized as incurred, in accordance with labor laws and union labor contracts. A significant portion of the termination benefits has been deposited in trust accounts on behalf of the employees.

Short-Term Benefits

Obligations for short-term benefits, such as employee bonuses, vacations and other benefits are recognized as expenses as the related services are performed by the employee

Postretirement Benefits Other than Retirement

The net obligation for other postretirement benefits, contractually defined, 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 card. The obligation is calculated using the projected unit credit method, and is discounted to reflect its present value and is reduced by the fair value of related assets, if any. The discount rate must reflect the performance, as of the date of the consolidated financial statements, of financial instruments issued by institutions of high credit rating at the date of the consolidated financial statements and having maturities similar to those of the obligations.

Costs of past services and actuarial gains and losses are recognized using the same methodology as the contractually defined retirement plan.

(u) Provisions

A provision is recognized if, as a result of a past event, the Company has a present legal or constructive obligation that can be reliably estimated, and it is probable that an outflow of economic benefits will be required to settle the obligation. When the effect of the time value of money is significant, the provision is determined by applying a discount rate associated with the estimated payment terms, if the terms can be estimated reliably as well as the risk associated with those obligations (see note 24).

Environmental Issues

According to the environmental policies established by PDVSA and current laws, a liability is recognized when the costs are probable and can be reliably estimated. Environmental expenditures that relate to current or future revenues are expensed or capitalized as appropriate. Expenditures for past operations that do not contribute to generating current or future income are charged to expense. Recognition of these provisions coincides with the identification of an obligation for environmental remediation where PDVSA has sufficient information to determine a fair estimate of the respective cost. Subsequent adjustments to estimates, if necessary, are made upon obtaining additional information (see note 29).

Asset Retirement

Obligations associated with the retirement of long-lived assets are recognized at fair value on the date on which such obligation is incurred, based on future discounted cash flows. The fair values are determined based on current regulations and technologies.

Changes in the fair values of obligations are added to or deducted from the cost of the respective asset. The adjusted depreciation amount of the asset is depreciated over its remaining useful life. Therefore, once its useful life has expired, all subsequent changes in the fair value of the obligation are recognized in the consolidated statements of comprehensive income. The increase in the obligation for each year elapsed is recognized in the results of operations as finance expenses (see note 3-d).

Costs and obligations associated with retirement of assets related to the main structures used in refining, trade and supply activities are not estimates due to those assets is deemed to be indefinite in time as a result of major maintenance and repairs, and information is not available to determine fairly, the date in which these assets may be disposed.

Litigation 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).

(v) Segment Reporting

A segment is an identifiable component of PDVSA providing products or services, or providing products or services within a specific economic environment, which is subject to specific risks and benefits that are different from those of other segments.

PDVSA has determined that its business segments are based on the methodology used by management for internal reporting. PDVSA identifies these 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); and gas, food and other mass consumption products (see note 7).

Operating income, assets and liabilities of each segment include transactions and balances directly attributable to that segment, as well as any other item that can be distributed on a reasonable basis. Undistributed transactions and balances are mainly comprised of long-term debt, financial leases and related financial expenses, deferred income tax and income tax payable.

Net disbursements for investments include net total costs incurred in the year for the purchase of property, plant and equipment.

(w) Recently Issued Accounting Standards

Several new standards, amendments and interpretations to current standards are not yet effective for the year ended December 31, 2009 and have not been applied in preparing these consolidated financial statements. The most significant standards for PDVSA are the following:

- In November 2009, the IASB issued IFRS 9 *Financial Instruments*, which introduces new requirements for classifying and measuring financial assets, based on whether they correspond to debt or equity instruments, and on application of testing of the business model and the characteristics of contractual cash flows. This standard is effective for fiscal years beginning on or after January 1, 2013.

- In November 2009, the IASB issued interpretation 19 (IFRIC 19) *Extinguishing Financial Liabilities with Equity Instruments*, which establishes accounting for equity instruments issued to extinguish all or part of a financial liability. This interpretation is effective for fiscal years beginning on or after July 1, 2010.
- During the year ended December 31, 2009, the IASB issued amendments to the following standards and interpretations: IFRS 1 *First-Time Adoption of International Financial Reporting Standards*, IFRS 2 *Share-Based Payments*, IFRS 7 *Financial Instruments: Disclosures*, IAS 24 *Related Party Disclosures*, IAS 32 *Financial Instruments: Presentation*, IAS 39 *Financial Instruments: Recognition and Measurement*, IFRIC 9 *Reassessment of Embedded Derivatives* and IFRIC 14 – IAS 19 *The Limit on a Defined Benefit Asset, Minimum Funding Requirements and Their Interaction*. These amendments are effective for fiscal years beginning on or after January 1, 2010.
- In April 2009, the IASB published its annual project of improving IFRS, introducing a series of amendments to several existing standards and interpretations that are not effective for the year ended December 31, 2009. The most important amendments for PDVSA are the following: IFRS 5 *Non-Current Assets Held for Sale and Discontinued Operations*; IFRS 8 *Operating Segments*; IAS 1 *Presentation of Financial Statements*; IAS 7 *Statement of Cash Flows*; IAS 17 *Leases*; IAS 18 *Revenue*; IAS 36 *Impairment of Assets*; IAS 38 *Intangible Assets*; IAS 39 *Financial Instruments: Recognition and Measurement*; IFRIC 8 *Reassessment of Embedded Derivatives* and IFRIC 16 *Hedges of a Net Investment in a Foreign Operation*.

The Company completed its analysis of these amendments and determined that they will not have any significant effects on the consolidated financial statements.

(x) Recently Adopted Accounting Standards

In 2009, new standards and interpretations came into effective. The most important for the Company are the following:

- IAS 1 revised *Presentation of Financial Statements* (September 2007), which introduces a comprehensive statement of income including income or loss of the period and other comprehensive income, comprising items of income and expenses not recognized in the results of the period because of the requirements of other standards. Also, it establishes the change of "balance sheet" for "statement of financial position". As a result of this adoption, PDVSA presents in its consolidated statements of stockholder's equity all changes arising from transactions with its stockholder, and income and expenses formerly recognized under stockholders' equity are included in the consolidated statement of comprehensive income and the names used in its consolidated financial statements have been changed.
- IAS 27 revised *Consolidated and Separate Financial Statements* (January 2008), which requires accounting in stockholder's equity for the changes in ownership interests in a subsidiary not resulting in loss of control. In the event that a company losses control over a subsidiary, and that company eliminates the assets, liabilities and components of stockholder's equity related to the subsidiary, any gain or loss is recognized in the consolidated statement of comprehensive income. Investments in that subsidiary are measured at fair value until the date control ends. Adoption of this standard required use of the term non controlling interest instead of minority interests.
- Amendment to IFRS 7 *Financial Instruments: Disclosures*, which requires further disclosures about the measurement of fair value and liquidity risk.
- *IFRS 8 Operating Segments*, which introduces a "management approach" to segment reporting and will require the disclosure of operating segment information based on internal reports regularly reviewed by the Company's chief operating decision maker in order to assess each segment's performance.
- *IFRIC 17 Distributions of Non-Cash Assets to Owners*, which establishes how an entity must measure distributions of assets to its owners when dividends are not paid in cash. Those dividends must be measured at fair value of the net assets to be distributed, and the difference between the dividend paid and the fair value of the net assets must be recognized in the comprehensive income of the year.

The following standards and interpretations are effective for the year ended December 31, 2009, but are not currently relevant to the Company:

- *Amendment to IAS 1 Presentation of Financial Statements and IAS 32 Financial Instruments: Presentation*, issued by the IASB in February 2008.

- *Amendment to IFRS 1 First-Time Adoption of International Financial Reporting Standards and IAS 27 Consolidated and Separate Financial Statements,* issued by the IASB in May 2008.
- *Amendment to IFRS 2 Share Based Payments,* issued by the IASB in January 2008.
- *Interpretation 15 (IFRIC 15) Agreements for the Construction of Real Estate,* issued by the IASB in July 2008.

In addition, during 2009, PDVSA decided to adopt early the following revised standard, which will be effective for fiscal years beginning on or after July 1, 2009:

- Amendment to IFRS 3 *Business Combinations* (January 2008), which maintains the acquisition method for accounting of these transactions but introduces changes in the valuation of non controlling interest and partial acquisitions or combinations. Changes to this amendment are applied prospectively and did not have any significant effects on the consolidated financial statements.

(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 sell to the BCV funds in foreign currency required to meet its obligations in domestic currency. The remaining amounts in foreign currency can be held by PDVSA to meet its foreign currency obligations and investments. Any excess must be transferred by PDVSA to the Fondo de Desarrollo Nacional (FONDEN) (see note 30).

On November 21, 2005, Official Gazette 38,318 was published, containing the Foreign Currency Exchange Agreement 9, which establishes the use of funds derived from the export of hydrocarbons, including gaseous hydrocarbons and others, which must be sold to the BCV, except for those resulting from PDVSA's activities as mentioned in the BCV Law reform above. This agreement states that PDVSA and its subsidiaries are not allowed to maintain funds in foreign currency within the National Territory for more than 48 hours and also establishes 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 to $2,000 million, to secure operating payments and investments.

On March 22, 2007 Official Gazette 38,650 was published containing a reform to the Foreign Currency Agreement 9, which establishes that PDVSA may acquire foreign currency directly from the BCV to replace, up to the authorized amount, funds placed offshore in accordance with Article 113 of the BCV Law. 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 Oil Production Plan 2007 - 2013 (see notes 12, 27-c, 34-c and 34-g).

(5) Determination of Fair Values

Certain of the Company's accounting policies and disclosures 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 based mainly on market values. The market value of property is the estimated amount for which a property could be exchanged on the date of valuation between a willing buyer and a willing seller in an arm's length transaction, after proper marketing wherein the parties had each acted knowledgeably, and willingly.

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, principally, bears interest at variable market rates, and the carrying amount approximates 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 estimated costs of completion and sale, 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 approximate their fair value because of the short-term of those instruments.

Derivative Financial Assets and Liabilities

The fair value of derivative financial instruments is based on the estimated amount that the Company would receive or pay to terminate the agreements, taking into account current commodity prices, interest rates and the current creditworthiness of the parties involved.

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 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 and Liabilities

The fair value of non current accounts receivable and other assets, recoverable value-added tax and certain accruals and other liabilities is determined by discounting the carrying value, according to expected recoveries and estimated future payments, using interest rates based on the risks inherent of the instrument, such as creditworthiness, liquidity, currency and other factors.

(6) Financial Risk Management

PDVSA has exposure to the following risks from its use of financial instruments:

- Credit risk.
- Liquidity risk.
- Market risk.
- Operational risk.

This note presents information about PDVSA's exposure to each of the above risks, the Company's objectives, policies and processes for measuring and managing risks, and the Company's management of capital. The consolidated financial statements include more quantitative disclosures (see note 27).

PDVSA'S Board of Directors is responsible for establishing and oversight of the Company's risk management framework. When developing the strategic plan and budget for the Company, business risks are analyzed to gain an overall understanding of their impact on the Company.

Risk management policies are established to identify and analyze the risks faced by the Company, 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 the Company's activities.

(a) Credit Risk

Credit risk is the risk of financial loss to the Company if a customer or counterparty to a financial instrument fails to meet its contractual obligations and arises principally from notes and accounts receivable from sales, 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 client portfolio worldwide and, periodically, their financial position is evaluated. As a result of this evaluation, an allowance for doubtful accounts is recognized in the financial statements (see notes 19 and 27). Also, cash equivalents are represented by high-quality instruments issued by financial institutions.

(b) ***Liquidity Risk***

Liquidity risk is that PDVSA will encounter difficulty in meeting the obligations associated with its financial liabilities that are settled by delivering cash or another financial asset. PDVSA's approach to managing liquidity is to ensure, as far 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 the Company's reputation.

As a fundamental policy, the Company ensures that it has enough cash available to meet 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, with unused balances not bearing interest, which are available to meet cash requirements (see notes 22 and 27).

(c) ***Market Risk***

Market risk is the risk that changes in market prices, including foreign exchange rates, interest rates or sales prices, will affect PDVSA's income or the value of its financial instruments.

The activities of the Company, financial conditions and the results of its operations depend on export volumes and crude oil and by-product prices. These prices are cyclical and tend to be unstable; therefore, the primary risk is volatility of crude oil and by-product prices.

PDVSA constantly monitors market conditions to ensure optimal placement of its crude oil and other 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 by-products (see note 29). PDVSA also uses derivative financial instruments to manage market risks. As of December 31, 2009 and 2008, and for the year then ended, PDVSA has not classified derivatives as hedging instruments (see note 3-h).

(d) ***Operational Risk***

Operational risk is the risk of direct or indirect loss arising from a wide variety of causes associated with the PDVSA's processes, personnel, technology and infrastructure, and from external factors other than credit, market and liquidity risks such as those arising from legal and regulatory requirements and generally accepted standards of corporate behaviour. Operational risks arise from all of the PDVSA's operations.

PDVSA's objectives is to manage operational risk so as to balance the avoidance of financial losses and damaged to the Company's reputation with overall cost effectiveness aimed at the social and integral development of the country and to avoid control procedures that restrict initiative and creativity.

The primary responsibility for the development and implementation of controls to address operational risk is assigned to senior management within each business unit. This responsibility is supported by the development of overall PDVSA standards for the management of operational risk in the following areas: segregation of duties, reconciliation and monitoring of transactions, compliance with regulatory and other legal requirements, documentation of controls and procedures, training and professional development and, risk mitigation, including insurance where this is effective.

Compliance with PDVSA standards is supported by a programme of periodic reviews undertaken by Internal Audit.

(e) ***Capital Management***

As the Venezuelan national oil company, PDVSA's approach is to manage capital by maintaining the Company's capacity to continue as a going concern and to provide the strength and drive for national development and leverage the integral transformation of the country.

The Company'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, PDVSA may make decisions regarding the strategies for dividend payments, the creation or transfer of reserves and the sale of assets.

(7) Segment Reporting

PDVSA determines and discloses its operatives segments based on information internally reported to the Board of Directors and evaluates the performance of its segments based on net sales, operating income (net sales less cost and expenses, except for finance income (expenses), social development expenses, net gain from sale of group assets and liabilities held for sale, share in net income of non-consolidated investees and jointly controlled entities), 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 made according to the destination of the refined products made from them.

Refined products for the local market are sold at a subsidized price; therefore, PDVSA's management believes that inters segment sales of crude oil and natural gas for refined products and local supply, are measured at cost less the discount granted by MENPET as a subsidy. Also, inter segment sales of crude oil and natural gas for the export market are measured at approximate market prices.

Business Segments

The following are the main business segments of the Company:

- The exploration and production activities include the search for crude oil and gas reserves, and improvement of extra-heavy crude, and transportation of crude oil and natural gas to the point of delivery to the refineries and fractionation plants.
- Refining, supply and marketing activities in Venezuela include the administration of refineries, marketing and transportation of crude oil and refined products under the brand name PDV®. The refining, trade and supply activities in the USA comprise the administration of refineries and gasoline and by-products marketing, mainly in the East and the Midwest regions of the United States, under the brand name CITGO®.
- The gas activity includes the management of gas processing plants, commercialization and upgrading of natural and liquid gas, both for industrial and household use, as well as its transportation, distribution, placement and sale.
- The food and mass consumption products includes processing infrastructure, storage and distribution of food products, aimed at fostering the new social and productive model for endogenous, territorial and social development to ensure food sovereignty for the Venezuelan people.
- The "other" segment includes operations by subsidiaries conducting activities different from those listed above.

	Exploration and production		Refining, trade and supply		Gas		Food and mass consumption products		Other		Total	
	2009	2008	2009	2008	2009	2008	2009	2008	2009	2008	2009	2008
At December 31 -												
Current assets not distributed											48,744	40,424
Segment assets:												
Property, plant and equipment, net:												
In Venezuela	53,379	49,228	8,578	8,069	10,388	8,818	2,084	1,009	2,343	726	76,772	67,850
In the United States of America	-	-	4,764	4,705	-	-	-	-	-	-	4,764	4,705
In Other Countries	-	-	1,921	455	-	-	-	-	-	-	1,921	455
Total property, plant and equipment, net	53,379	49,228	15,263	13,229	10,388	8,818	2,084	1,009	2,343	726	83,457	73,010
Non - current assets not distributed											17,400	18,398
Total assets											149,601	131,832
Segment liabilities:												
In Venezuela	17,100	13,793	15,386	12,060	3,086	2,392	1,326	2,327	4,891	2,518	41,789	33,090
In the United States of America	-	-	2,272	2,611	-	-	-	-	-	-	2,272	2,611
In Other Countries	-	-	451	2,882	-	-	-	-	686	937	1,137	3,819
Total segment liabilities	17,100	13,793	18,109	17,553	3,086	2,392	1,326	2,327	5,577	3,455	45,198	39,520
Liabilities not distributed											26,237	20,799
Total liabilities											71,435	60,319

The financial information for PDVSA segments follows (in millions of dollars):

	Exploration and production		Refining, trade and supply		Gas		Food and mass consumption products		Discontinued operations (3)		Other		Eliminations		Total		Discontinued operations (3)		Continuing operations	
	2009	2008	2009	2008	2009	2008	2009	2008	2009	2008	2009	2008	2009	2008	2009	2008	2009	2008	2009	2008
For the years ended December 31 -																				
Net disbursements for investments:																				
In Venezuela	8,124	12,836	2,336	736	1,580	2,515	886	936	-	-	725	468	-	-	13,651	17,491	-	-	13,651	17,491
In the United States of America	-	-	598	743	-	-	-	-	-	-	-	-	-	-	598	743	-	-	598	743
In other countries	-	-	1,080	168	-	-	-	-	-	-	4	11	-	-	1,084	179	-	-	1,084	179
Total net disbursements for investments	8,124	12,836	4,014	1,647	1,580	2,515	886	936	-	-	729	479	-	-	15,333	18,413	-	-	15,333	18,413
Depreciation and amortization	3,818	3,573	1,500	1,355	283	260	64	12	-	87	129	20	-	-	5,794	5,307	-	(87)	5,794	5,220
Cost of asset retirement obligations	111	63	-	2	5	4	-	-	-	-	-	-	-	-	116	69	-	-	116	69
Impairment (reversal) of the value of asset	18	(236)	78	605	-	-	-	-	-	-	-	-	-	-	96	369	-	-	96	369
Sales [4]:																				
Sales to external customers -																				
In Venezuela	21,977	47,004	16,764	17,431	1,779	2,902	1,502	1,072	414	951	218	471	-	-	42,654	69,831	(414)	(951)	42,240	68,880
In the United States of America	-	-	24,814	41,279	-	-	-	-	-	-	-	-	-	-	24,814	41,279	-	-	24,814	41,279
In other countries	-	-	7,752	16,205	-	-	190	-	-	-	-	-	-	-	7,942	16,205	-	-	7,942	16,205
Total sales to external customers	21,977	47,004	49,330	74,915	1,779	2,902	1,692	1,072	414	951	218	471	-	-	75,410	127,315	(414)	(951)	74,996	126,364
Inter-segment sales:																				
In Venezuela	30,630	49,139	4,841	10,524	1,331	2,427	-	-	-	-	-	-	(36,802)	(62,090) [1]	-	-	-	-	-	-
In the United States of America	-	-	117	-	-	-	-	-	-	-	-	-	(117)	- [1]	-	-	-	-	-	-
In other countries	-	-	10,454	9,088	-	-	-	-	-	-	-	-	(10,454)	(9,088) [1]	-	-	-	-	-	-
Total inter-segment sales	30,630	49,139	15,412	19,612	1,331	2,427	-	-	-	-	-	-	(47,373)	(71,178)	-	-	-	-	-	-
Total sales	52,607	96,143	64,742	94,527	3,110	5,329	1,692	1,072	414	951	218	471	(47,373)	(71,178)	75,410	127,315	(414)	(951)	74,996	126,364
Segment operating income (loss):																				
In Venezuela	8,367	27,230	(1,254)	2,571	303	1,707	(961)	(788)	(256)	43	3,806	1,512	(3,838)	(5,141) [2]	6,167	27,134	256	(43)	6,423	27,091
In the United States of America	-	-	422	411	-	-	-	-	-	-	-	-	-	-	422	411	-	-	422	411
In other countries	-	-	(167)	(842)	-	-	-	-	-	-	(104)	837	-	-	(271)	(5)	-	-	(271)	(5)
Total operating income (loss) in segment reporting	8,367	27,230	(999)	2,140	303	1,707	(961)	(788)	(256)	43	3,702	2,349	(3,838)	(5,141)	6,318	27,540	256	(43)	6,574	27,497
Finance (income) expenses:																				
Finance income															5,873	1,580	-	-	5,873	1,580
Finance expenses															(835)	(1,780)	-	-	(835)	(1,780)
Gain on sale of group of assets and liabilities held for sale															-	998	-	-	-	998
Gain on sale of investment in non-consolidated investees															-	-	-	-	-	-
Social development expenses															(3,514)	(14,733)	-	-	(3,514)	(14,733)
Net equity in earnings of non-consolidated investees and jointly-controlled entities															(140)	153	-	-	(140)	153
Income tax															(3,308)	(4,267)	(22)	(14)	(3,330)	(4,281)
Net income															4,394	9,491	234	(57)	4,628	9,434
Non-cash expenses for segments other than depreciation and depletion	1,026	1,390	1,085	1,974	367	297	-	-	-	-	489	583	-	-	2,967	4,244	-	-	2,967	4,244
Non-cash net income not distributed															(4,930)	(161)	-	-	(4,930)	(161)
Total non-cash expenses															(1,963)	4,083	-	-	(1,963)	4,083

(1) Represents elimination of inter-segment sales.
(2) Represents elimination of inter-segment purchases and costs.
(3) See note 9.
(4) Mainly crude oil and products.

(8) Joint Development Activities

PDVSA has entered into joint development activities and energy cooperation agreements with other countries. The most important agreements follow:

(a) Development of the Orinoco Oil Belt Extra-Heavy Crude Oil Reserves, and Exploration and Profit Sharing Agreements

The Venezuelan National Assembly (formerly National Congress) approved between 1993 and 1999 several jointly controlled entities for exploring, upgrading and marketing extra-heavy crude oil of the Orinoco Belt. The purpose of these jointly controlled entities was to perform vertically integrated activities for the exploration, development, production, mixing and transport of extra-heavy crude oil, from the areas of Junín, Carabobo, Boyacá and Ayacucho of the Orinoco Belt, in the states of Guárico, Anzoátegui and Monagas. The disbursements required by these associations for the development and completion of the projects were funded by PDVSA, capital contributions from investors, debt financing and income from production during the development stage.

On February 26, 2007 the government of the Bolivarian Republic of Venezuela issued Decree Law 5,200 for Migration of Jointly Controlled Entities in the Orinoco Oil Belt to "Empresas Mixtas", as well as Exploration and Profit Sharing Agreements (Migration to "Empresas Mixtas" Law), under which the associations Petrolera Zuata, Petrozuata S.A. (Petrozuata), Sincrudos de Oriente, S.A. (Sincor), Petrolera Cerro Negro, S.A. (Cerro Negro) and Petrolera Hamaca, C.A. (Hamaca) had to become "Empresas Mixtas", in which the subsidiary CVP or any other PDVSA subsidiary had to have no less than a 60% interest, in accordance with the provisions of the Organic Hydrocarbons Law.

On June 26, 2007, PDVSA executed memoranda of understanding with transnational companies which are parties to the aforementioned agreements, except for ConocoPhillips in Petrozuata and Hamaca, and ExxonMobil in Cerro Negro, with which no agreements were reached; therefore, PDVSA undertook the activities of those agreements. These memoranda of understanding define the share composition of "Empresas Mixtas".

Official Gazette 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 "Empresas Mixtas", as well as Exploration and Profit Sharing Agreements, which established deadlines for private parties to subscribe the memorandum of incorporation for "Empresas Mixtas", and where no agreement is reached, PDVSA or one of its subsidiaries will undertake operations. In 2007, PDVSA received from the National Government the net assets of the partners that decided not to migrate to "Empresas Mixtas", recognizing an account payable the Bolivarian Republic of Venezuela of $2,467 million included in the consolidated statements of financial position at December 31, 2009 and 2008 in the item of accruals and other liabilities (see note 25).

In Official Gazette 38,801, dated November 1, 2007, the National Assembly approved the creation of the "Empresas Mixtas" and, during the first quarter of 2008, transfer decrees were published to complete the incorporation of the following entities:

"Empresa Mixta"	PDVSA's share (%)	Area or Agreement	Partners
Petromonagas, S.A.	83.33	Cerro Negro	Veba Oil & Gas Cerro Negro GmbH (subsidiary of British Petroleum plc.) (16.67%)
Petrocedeño, S.A.	60.00	Sincor	Total Venezuela, S.A. (30.32%) and Statoil Sincor Netherlands B.V. (9.68%)
Petropiar, S.A.	70.00	Hamaca	Chevron Orinoco Holdings B.V. (30%)

Subsidiary Petrozuata is wholly-owned by PDVSA Petróleo since 2007.

As a result of the migration to "Empresas Mixtas" of the jointly controlled entities of the Orinoco Belt and the Exploration and Profit Sharing Agreements, ExxonMobil lodged arbitration procedures and injunctions against PDVSA (see note 29).

Settlement Agreement with Total Venezuela, S.A. and Statoil Sincor AS for the Sincor Project.

In January 2008, an agreement was executed with Total Venezuela, S.A. and Statoil Sincor AS, establishing that PDVSA would pay those companies $1,100 million for the purchase of 22% of the net assets for the incorporation of the "Empresa Mixta" Petrocedeño, S.A, so that PDVSA would hold a 60% interest in that company. From this amount, $130 million corresponding to the debt of Total Venezuela, S.A. and Statoil Sincor AS with the Bolivarian Republic of Venezuela, was discounted (see note 25). PDVSA would pay those companies the remaining $970 million, through a payment to Total for $735 million by the delivery of crude oil and to Statoil Sincor AS for $235 million in cash. In 2008, these payments were made as established in the agreement.

The net assets incorporated in 2008 as a result of this agreement had the following effect on PDVSA's consolidated financial statements (in millions of dollars):

	Amounts recognized as of acquisition date	
	Dollars	Bolivars
Property, plant and equipment, net (see note nota 14) [1]	1,421	3,055
Inventories	41	88
Notes and accounts receivable, and other assets	80	172
Long-term debt	(99)	(213)
Accounts payable to suppliers and other liabilities	(343)	(737)
Net assets incorporated	1,100	2,365

(1) Presented as part of acquisitions and incorporations of the year 2008.

Exploration and Profit Sharing Agreements

In January 1996, the subsidiary CVP was appointed, through contract-risk and profit-sharing agreements with private investor companies to coordinate, control and supervise the activities relating to the exploration and extraction in hydrocarbon fields in new areas: Eastern Paria Gulf, Western Paria Gulf and La Ceiba.

In accordance with the terms of the association agreements, CVP and the investors incorporated jointly "Empresas Mixtas" for each area; the share capital at December 31, 2006 was represented by 35% in shares owned by CVP and 65% in shares owned by the other investors.

In 2007, as a result of the Law on Migration to "Empresas Mixtas", the partners of the association agreement of the East Paria Gulf area entered into an agreement to migrate to the "Empresa Mixta" Petrolera Paria, S.A.

With regards to the jointly controlled entity in the West Paria Gulf, during 2007, partners Conoco Venezuela, C.A. and Karimun Corporation (OPIC), withdrew from the business; therefore, in accordance with the regulation of the migration process, the development plan of the project continued with the partners CVP and ENI Venezuela B.V. (ENI).

With regards to the jointly controlled entity in the area of La Ceiba, during 2007, partners did not enter into the memorandum of understanding for migration to an "Empresa Mixta"; therefore, activities in this area were undertaken by PDVSA. In that year, CVP paid Petro-Canada the sum of $75 million for settlement of the jointly controlled entity in the area of La Ceiba; Exxon Mobil lodged arbitration and precautionary measures against PDVSA, relating to this process (see note 29).

On November 1, 2007, the National Assembly approved the creation of the "Empresas Mixtas" listed below and, in 2008, decrees were published by the Bolivarian Republic of Venezuela establishing the transfer decrees. This completed the incorporation process of the following "Empresas Mixtas":

"Empresa Mixta"	PDVSA's share (%)	Área	Partners
Petrolera Paria, S.A.	60.00	Easter Paria Gulf	Sinopec International Petroleum Exploration and Production Corporation (32%) and INE Oil & Gas Inc. (8%)
Petrosucre, S.A.	74.00	Western Paria Gulf	ENI (26%)
Petrolera Güiria, S.A.	64.25	Central Paria Gulf	ENI (19.50%) and INE Oil & Gas Inc. (16.25%)

Other "Empresas Mixtas" incorporated

During 2008 and 2007, the transfer decrees to complete the incorporation process for the following "Empresas Mixtas" were published:

"Empresa mixta"	PDVSA's share (%)	Área	Partners
Petrolera IndoVenezolana, S.A.	60.00	San Cristóbal	ONGC Nile Ganga B.V. (40%)
Petrolera BieloVenezolana, S.A.	60.00	Guara Este Bloque X Lago	Estatal Unitaria "Unión de Empresas Productoras Belorusneft" (40%)
Petrozumano, S.A.	60.00	Zumano	CNPC Venezuela B. V. (40%)

In addition, the "Empresa Mixta" Veneziran Oil Company, S.A. was incorporated by CVP and Iran Marine Industrial Company (SADRA), with a share interest of 61% and 39%, respectively.

On March 10, 2009, Official Gazette 39,117 was published containing the decision of choosing Petrovietnam Exploration Production Corporation Ltd or its respective non-consolidated investees to join CVP in the incorporation of "Empresa Mixta" Petromacareo, S.A., with an initial share interest of 60% for CVP and 40% for that company.

Official Gazette 39,189, dated March 29, 2009, authorized Petromacareo, S. A. to conduct exploration activities as well as upgrading of extra-heavy crude oil.

Orimulsión® Agreements

In April 2001, a cooperation agreement for Orimulsión® was subscribed between Bitúmenes Orinoco, S.A. (BITOR) and China National Oil and Gas Exploration and Development Corporation (CNODC), a subsidiary of China National Petroleum Corporation (CNPC), the objective of which is to carry out a series of pre-investments necessary to determine definitively the project's feasibility. On that same year, the National Assembly authorized BITOR to establish with CNODC a jointly controlled entity named Orifuels Sinoven, S.A. (SINOVENSA).

Pursuant to "Plena Soberanía Petrolera" policies and to enhance the value of the natural resource and use extra-heavy crude oil for mixing, in the first quarter of 2006, the Company ceased production of Orimulsión® at its facilities in Morichal (Monagas State) and launched a negotiation process regarding existing Orimulsion® supply agreements. As part of the negotiation, certain clients have agreed to receive fuel oil instead of Orimulsión® whereas others have terminated their supply agreements.

During 2007, BITOR, CNPC Exploration and Development Company Limited, Petrochina Fuel Oil Company Limited (PETROCHINA) and SINOVENSA agreed to: (a) create a new "Empresa Mixta" named Petrolera Sinovensa, S.A., which will operate in the area of production of heavy and/or extra-heavy crude oil, and in which BITOR (or one of its non-consolidated investees or CVP), would own 60% of the shares, (b) transfer part of the assets owned by Sinovensa to the new "Empresa Mixta" Petrolera Sinovensa, S.A., (c) to settle claims derived from termination of the Orimulsión® Supply Agreement, BITOR would pay PETROCHINA $300 million, plus interest on the unpaid balance.

On February 1, 2008, a transfer decree, published in Official Gazette 38,863, authorized completion of the incorporation of Petrolera Sinovensa, S.A. for exploration and production activities in the Carabobo area (located in the Orinoco Oil Belt area), with CVP and CNPC Venezuela B.V., holding a share interest of 60% and 40%, respectively.

After February 1, 2008 and according to the agreement to settle claims related to termination of the Orimulsión® Supply Agreement, BITOR recognized $300 million, paid in full during 2008 through discounts on the amounts PDVSA Petróleo billed PETROCHINA for the sale of hydrocarbons; at December 31, 2008, interest payable amounting to $22 million is presented in accruals and other liabilities and was paid in 2009 through discounts on the amounts billed by PDVSA Petróleo to PETROCHINA.

Stockholder's Additional Contribution

The contribution of net assets in 2008 for incorporation of the "Empresas Mixtas" Petromonagas, S.A., Petropiar, S.A., Petrocedeño, S.A., Petrosucre, S.A., Petrolera Sinovensa, S.A., Petrozumano, S.A., Petrolera IndoVenezolana, S.A., Petrolera Paria, S.A., Petrolera Güiria, S.A. and Petrolera BieloVenezolana, S.A., had the following effects on the consolidated financial statements of PDVSA as of the transfer date (in millions of dollars):

	Amounts recognized as of the transfer date
Property, plant and equipment, net (see note 14) [1]	14,367
Inventories	313
Notes and accounts receivable and other assets	489
Long-term debt (see note 22)	(450)
Accounts payable and other liabilities	(1,597)
Net assets incorporated	13,122
Carrying amount of net assets transferred by PDVSA	(6,761)
Additional contribution by the Stockholder (see note 21)	6,361

(1) As a result of this process, PDVSA increased its property, plant and equipment by $7,432 million, stated as assets from Joint Development Activities (see note 14). The carrying amounts of property, plant and equipment, net transferred for the incorporation of the above "Empresas Mixtas" is $6,935 million.

(b) Migration of Operating Agreements to "Empresas Mixtas"

On March 31, 2006, the National Assembly enacted the Terms and Conditions for Incorporating "Empresas Mixtas", which establish automatic termination of the operating agreements as of that date. In February 2008, PDVSA entered into a settlement agreement with Italian company ENI Dación B.V., through which it gained complete control of the Dación field, located in Anzoátegui State. The consideration recognized to ENI Dación B.V. was $730 million, inclided in the consolidated statements of comprehensive income under other expenses (income) net, credited to accruals and other liabilities (see notes 11 and 25). Payment of this amount will take place in seven years and will bear interest at LIBOR+1%, and will be supported by the cash flows of Petrosucre, S.A., an "Empresa Mixta" wherein ENI is a minority partner. Interest paid on this agreement is included in the consolidated comprehensive income of each year under finance expenses, and the amount payable is recognized in accruals and other liabilities (see notes 12 and 25).

(c) Energy Agreements with Latin America and the Caribbean

The Government of the Bolivarian Republic of Venezuela subscribed 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). These agreements establish, among others, that PDVSA will supply crude oil and products to the state oil companies of the participating countries for, approximately, 817 MBPD and 514 MBPD for the years ended December 31, 2009 and 2008, 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, between 15 and 25 years (see notes 13, 16 and 30). The agreements will be effective for a one-year period and may be renewed by mutual agreement between the parties involved.

(9) Assets Held for Sale and Discontinued Operations

At December 31, 2009, the Company does not maintain assets or liabilities classified as held for sale. At December 31, 2008, non-current assets or alienable group of assets and liabilities held for sale are comprised of the following (in millions dollars):

Assets held for sale -	
Lubricants and wax plant - Lake Charles Refinery and a terminal	97
Power sector companies [1]	3,744
Total	3,841
Liabilities directly associated with assets held for sale -	
Power sector companies [1]	1,817

(1) Comprised mainly of property, plant and equipment and long-term debt

In August 2008, CITGO initiated activities to sell its lubricants and wax plant, located in the Lake Charles Refinery - Louisiana, United States of America. In September 2009, CITGO decided to stop the process to sell that plant, and reclassified the assets from held for sale back to property, plant and equipment.

In accordance with the guidelines and strategic objectives of the National Government, in 2007 the stockholder of PDVSA authorized the purchase of shares of several companies in the power and utilities sector of the country, which will be transferred in the short-term to the Corporación Electrica Nacional, S. A. (CORPOELEC), pursuant to Decree Law of the Organic Law on Reorganization of the Electricity Sector, published in Official Gazette 38,736 dated July 31, 2007 (see note 33-h). In the Special Stockholder's Meeting held on June 30, 2009, the assignment and transfer of the shares of those electricity-sector companies to CORPOELEC, at their carrying amounts at June 30, 2009 of $1,602 million were approved (see notes 21 and 30).

In 2008, the Company sold the following assets and liabilities classified as held for sale, and a subsidiary presented as discontinued operations:

- Property, plant and equipment and inventory of two asphalt refineries owned by CITGO Asphalt Refining Company (CARCO), a subsidiary of CITGO, located in Paulsboro - New Jersey and Savannah - Georgia, in the United States of America. From this sale, CITGO received $802 million in cash, and recognized income from sale of those assets of $318 million, reported in the consolidated statements of comprehensive income, under income from sale of group of assets held for sale.
- Propernijn, N.V. (a subsidiary of Propernyn, B.V.), located in the Netherlands Antilles and its subsidiaries Baproven Limited (BAPROVEN); Bahamas Oil Refining Company International Limited (BORCO); Borco Towing Company Limited (BORTOW); Freeport Trading Co. Ltd. (FREETRADE) and Marine Agent & Brokers Ltd (MARBROK), located in the Bahamas. From this sale, Propernyn, B.V. received $797 million in cash and recognized a gain of $680 million in the consolidated statements of comprehensive income, under income from sale of group of assets and liabilities held for sale.
- All of the shares of the subsidiary Productos Especiales, C.A. (Proesca) were sold to the related company Petroquímica de Venezuela, S.A. (PEQUIVEN), wholly-owned by the Bolivarian Republic of Venezuela. In regards to this sale, performed at book value, the consolidated financial statements at December 31, 2009 and 2008 include $49 million receivable from PEQUIVEN.

Income attributable to discontinued operations follows (in millions of dollars):

	Years ended December 31,	
	2009	**2008**
Proesca -		
Other income - net income (see note 15)	-	3
Electricity sector companies -		
Sales	414	951
Costs and expenses	670	911
(Loss) income before income tax	(256)	40
Deferred income tax benefit - (see note 13)	22	14
Net (loss) income	(234)	54
Total (loss) income from discontinued operations, net of taxes (see note 13-a)	(234)	57

Cash flows from (used in) discontinued operations follow (in millions of dollars):

	Years ended December 31,	
	2009	**2008**
Cash flows (used in) provided by operating activities	(17)	430
Cash flows used in investing activities	(84)	(502)
Cash flows (used in) provided by financing activities	(7)	344

During 2008, no impairment loss has been recognized resulting from the measurement of non-current assets or disposable groups of assets and liabilities held for sale.

(10) New Subsidiaries

(a) Subsidiaries Incorporated

On June 11, 2009, subsidiary Palmaven, S.A., together with the Government of Barinas State, incorporated the company Corporación Socialista Barinesa de Infraestructura, S.A. (CORSOBAIN), whose corporate purpose is to sell asphalt mix, asphalt products, premixed concrete and aggregates, as well as preparing and performing programs, projects and civil works.

On July 1, 2009, subsidiary PDVSA Servicios, S.A. incorporated PDVSA Operaciones Acuáticas, S.A. for the purpose of carrying out activities in aquatic areas, under the Organic Law Reserving for the State Assets and Services Related to Primary Hydrocarbon Activities (see notes 14, 25 and 33-c).

Based on the Organic Law on Reorganization of the Domestic Liquid Fuels Market, published on September 18, 2008 in Official Gazette 39.019, PDVSA Empresa Nacional de Transporte, C.A. was incorporated in October 2008, to undertake intermediation activities for the supply of liquid fuels between PDVSA and retailers (see notes 14, 25 and 33-g).

In accordance with the guidelines of the National Government and the strategic plans of the Company, in 2008, the following wholly-owned subsidiaries were incorporated by PDVSA: Productora y Distribuidora Venezolana de Alimentos, S.A. (PDVAL); PDVSA Desarrollos Urbanos, S.A.; PDVSA Ingeniería y Construcción, S.A.; and PDVSA Naval, S.A.

(b) Subsidiaries Acquired

During 2009, the following companies were acquired:

- On June 29, 2009, PDVSA Industrial, S.A. (PDVSA Industrial) executed a purchase agreement of $59 million with Nyala Trading, S.L. for all the shares of the company Tuberías Helicoidales, C.A. (TUBHELCA). At December 31, 2009, $29 million has been paid on this transaction, and at the same date, accruals and other liabilities include $30 million as an account payable from purchase of subsidiaries, and long-term accounts receivable and other assets include $10 million for goodwill derived from this purchase.
- On June 25, 2008, Official Gazette 38,959 was published containing Resolution 006620 of the Ministry of Popular Power for Defense, whereby 60% (724,034) of the ordinary, non-convertible, nominal shares of Diques y Astilleros Nacionales, C.A. (DIANCA) were transferred to PDVSA. On June 18, 2009, the legal transfer of those shares to PDVSA was completed. At December 31, 2009, $19 million is included in the consolidated statements of equity of the Company as an additional contribution by the Stockholder (see note 21).
- On March 13, 2009, PDVSA Agrícola, S.A. (PDVSA Agrícola) entered into a purchase agreement with Kirov Trading e Servicios Internacionais LDA for all their shares in Inversiones Wheat Mills, C.A. The amount paid by this company was $36 million. The consolidated statements of comprehensive income of 2009 include under other expenses (income) net, $8 million corresponding to excess in net assets' fair value over cost of acquisition.

The purchase of shares of these companies resulted in operating and financial control and had the following effects on the consolidated financial statements of PDVSA as of the transaction date (in millions of dollars):

	Values recognized as of acquisition date			
	Companies acquired with goodwill	Companies acquired with excess in assets' value over acquisition cost	Companies transferred by the Stockholder	Total
Property, plant and equipment, net (see note 14)	68	45	57	170
Notes and accounts receivable and other assets	19	1	198	218
Accounts payable to suppliers and other liabilities	(51)	(2)	(224)	(277)
Non-Controlling interest	-	-	(12)	(12)
Identifiable asset and liabilities, net	36	44	19	99
Goodwill (see notes 3-a and 16)	10	-	-	10
Excess in value of net assets acquired over cost (see notes 3-a and 11)	-	(8)	-	(8)
Additional contribution by the Stockholder	-	-	(19)	(19)
Accounts payable to suppliers (see note 26)	(30)	-	-	(30)
Cash payments	16	36	-	52
Cash acquired	(2)	(7)	(29)	(38)
Cash paid, net of cash acquired	14	29	(29)	14

PDVSA used the best values available as of the purchase date to allocate the price paid for the assets and liabilities acquired. The management is still reviewing and determining the fair values that will be used to determine the values to be recognized as a result of that acquisition and, in a term not greater than one year, the Company will recognize any effect thereof in the carrying value of assets, liabilities, identifiable contingent liabilities and goodwill (see note 3-a).

Other companies were acquired during 2008, being relevant Centro de Almacenes Congelados, C.A. (CEALCO), Indugram, C.A., Productos La Fina, C.A., Industrias Diana, C.A., Palmeras Diana del Lago, C.A., Astilleros Navales Venezolanos, S.A. (Astinave) and a group of companies specializing in production and distribution of dairy products, leading by Lácteos Los Andes, C.A.

The acquisition of shares of companies operating in the food and industrial sector during 2008 resulted in operating and financial control and had the following effect on the consolidated financial statements of PDVSA as of the transaction date (in millions of dollars):

	Values recognized as of acquisition date		
	Companies acquired with goodwill	Companies acquired with excess in assets' value over acquisition cost	Total
Propert, plant and equipment, net (see note 14)	136	142	278
Notes and accounts receivable and others assets	107	121	228
Long-term debt (see note 22)	(17)	(21)	(38)
Accounts payable and other liabilities	(68)	(109)	(177)
Non-Controlling interest	(2)	-	(2)
Identifiable assets and liabilities, net	156	133	289
Goodwill (see notes 2-a y 16)	301	-	301
Excesss in value of net assets acquired over cost (see notes 3-a and 11)	-	(8)	(8)
Accounts payable (see note 26)	(193)	(60)	(253)
Cash payments	264	65	329
Cash acquired	(7)	(7)	(14)
Cash paid, net of cash acquired	257	58	315

At December 31, 2009 and 2008, the companies acquired generated profits of $12 million and $38 million, respectively. If the purchase would had taken place on January 1, management believes that the consolidated sales and consolidated net comprehensive income of PDVSA would have been $75,632 million and $8,771 million, respectively, for the year ended December 31, 2009; and $127,923 million and $9,470 million, respectively, for the year ended December 31, 2008.

During the years ended December 31, 2009 and 2008, the consolidated statements of comprehensive income include sales of companies acquired during each of those years of $5 million and $1,072 million, respectively, with an associated cost of sales of $5 million and $693 million, respectively.

(c) Other Acquisitions

In addition, during the year ended December 31, 2009, disbursements have been made for the purchase of companies in which PDVSA will exercise control over financial and operating policies, and those transactions are presented as part of prepaid expenses and other assets under investments at cost (see note 20). Additionally at December 31, 2009, no payments have been made on those agreements, and the balance payable is included in the consolidated statements of financial position at December 31, 2009, under accruals and other liabilities, as accounts payable for the purchase of subsidiaries (see note 25). A summary of those transactions follows:

- On December 29, 2009, PDVSA Petróleo executed purchase agreements with C.A. La Electricidad de Caracas (EDC) for all its shares of companies Generación de Vapor, C.A. (GENEVAPCA) and Phoenix International, C.A. (Phoenix) for $332 million and $12 million, respectively.
- On November 4, 2009, PDVSA Industrial, S.A. entered into a purchase agreement of $198 million with Verhover Investments B.V. for 80% of its shares of company Venezuelan Heavy Industries, C.A. (VHICOA).
- On October 21, 2009, PDVSA Industrial executed a purchase agreement with Lempira Trading, S.A. for all its shares of the company Soldaduras y Tuberías de Oriente, C.A. (SOLTUCA) of $215 million.
- On June 19, 2009, PDVSA Agrícola entered into a purchase agreement for all the shares of companies Lácteos Las Matas, C.A., Agropecuarias Las Matas, C.A., Agropecuaria Coisan, C.A. and Agropecuaria Torunos, C.A. The aggregate amount paid by PDVSA Agrícola to the sellers was $23 million.

(11) Other Expenses, Net

A summary of other expenses, net follows (in millions of dollars):

	Years ended December 31,	
	2009	2008
Provision for litigation and other claims (see notes 24 and 29)	139	1,200
Impairment of assets (see note 14)	136	556
Review of impairment loss (see note 14)	(40)	(187)
Other tax expenses	108	148
Compensation to ENI Dación B.V. (see note 8-b)	-	730
Other income from services to third parties	(309)	(206)
Work in progress cancelled (see note 14)	127	5
Allowance for inventory obsolence (see note 18)	49	129
Cost from unrecoverable tax credits	202	84
Excess in value of net assets acquired over the cost of the investment (negative goodwill) (see note 10)	(8)	(8)
Other non-operating expenses	3	(201)
	407	2,250

(12) Finance (Income) Expenses

A summary of finance (income) expenses follows (in millions of dollars):

	Years ended December 31,	
	2009	2008
Finance income	(5,873)	(1,580)
Finance expenses -		
Borrowing expenses (see notes 8-b and 22)	471	770
Adjustments to fair value of financial assets (see notes 13 and 16)	40	516
Cost of asset retirement obligations (see notes 3-d and 3-t)	116	69
Other finance expenses	208	425
	835	1,780

Finance income from bonds issued and placed

During the year ended December 31, 2009, the Company issued long-term debt bonds in dollars (see note 22) for a nominal value of $6,261 million. As a result of the circumstances within the Venezuelan capital market, mainly due to the possibility the buyer of those bonds has of acquiring foreign currency through transactions in foreign capital markets using those instruments, the amount offered and paid in bolivars by buyers of those bonds significantly exceeded their nominal value. From those financial transactions, PDVSA received $10,068 million.

Return on Investment Funds

In the process of managing the funds authorized by the BCV (see note 4), PDVSA has entered into agreements with foreign financial entities for temporary investments through purchase of "participation shares" in dollars, with variable yields and maturities of less than three months. The main conditions in those agreements are the following:

- Each installment is subscribed and paid by PDVSA in dollars.
- The investments funds carry out the investments accorded by PDVSA and are contractually bound to redeem the installments upon maturity.
- The installments are redeemable in the currency required by PDVSA, and the agreement establishes the methodology to determine redemption of the installments and their return.

During 2009 and 2008, PDVSA subscribed installments of approximately $710 million and $2,195 million, respectively, with yields of approximately $1,018 million and $1,213 million, respectively. At December 31, 2009 and 2008, PDVSA had no funds placed on those temporary investments.

Repurchase of debt and payment to suppliers

During December 2009, the Company repurchased bonds issued in October 2009 maturing in 2014, 2015 and 2016 (see note 22). From this transaction, PDVSA recognized profits of $170 million, corresponding to the difference between the carrying amount of the debt and the purchase value of those bonds. Subsequently, PDVSA performed a financial transaction with those bonds to pay off certain outstanding obligations with suppliers. The bonds are denominated in dollars and were received by suppliers at a consensual amount in bolivars.

From this transaction, PDVSA recognized profits of $264 million, derived from the difference between the carrying amount of accounts payable to suppliers and the value agreed upon for those bonds by the suppliers involved in the transaction. Each of those suppliers signed a settlement agreement relating to the balances paid by PDVSA in this transaction to settle its debt.

(13) Taxes and Production Tax

A summary of taxes and production tax affecting the consolidated operations of PDVSA follows (in millions of dollars):

	Years ended December 31,	
	2009	**2008**
Income tax:		
Continuing operations -		
Estimated income tax expense:		
Venezuela (see note 30)	5,841	6,952
Foreign	(17)	411
	5,824	7,363
Deferred income tax:		
Venezuela	(2,938)	(3,821)
Foreign	444	739
	(2,494)	(3,082)
Income tax expense, continuing operations	3,330	4,281
Discontinued operations (see note 9)	(22)	(14)
Total income tax	3,308	4,267
Production tax, extraction tax and other taxes:		
Production tax	10,066	20,067
Special advantages tax	304	368
Extraction tax	1,704	2,487
Surface tax	391	146
Export registration tax	52	76
General consumption tax	367	227
Organic Law against Illegal Trafficking and Consumption of Stupefacient and Psychotropic Substances (LOCTICSEP) (see note 33-g)	476	91
Total production tax, extraction tax and other taxes	13,360	23,462

(a) ***Income tax***

The difference between the statutory income tax rate and the effective consolidated income tax rate for each year is as follows (in millions of dollars):

	Years ended December 31,			
	2009		2008	
	%	Dollars	%	Dollars
Net income:				
Continuing operations		4,628		9,434
Discontinued operations (see note 9)		(234)		57
		4,394		9,491
Income tax:				
Continuing operations		3,330		4,281
Discontinued operations (see note 9)		(22)		(14)
		3,308		4,267
Net income (from continuing operations and discontinued operations) before tax		7,702		13,758
Statutory income tax rate for the petroleum sector	50.0	3,851	50.0	6,879
Tax adjustment for inflation and effect of translation into dollars	13.2	1,014	(23.7)	(3,257)
Unrealized loss on financial instruments	4.3	332	0.8	109
Tax losses	(14.0)	(1,079)	(3.6)	(491)
Fund for Macroeconomic Stabilization (FEM)	(0.0)	(1)	(0.1)	(7)
Extraterritorial income	0.7	54	3.1	425
Permanent provisions	3.8	290	1.1	145
Effects of subsidiaries subject to lower tax rates	(11.2)	(866)	(3.6)	(495)
Equity interest	0.0	1	(0.1)	(11)
Dividend tax	0.5	37	4.2	578
Tax differences in property, plant and equipment	(13.3)	(1,027)	(6.5)	(898)
Other finance income	16.5	1,267		
Other differences, net	(5.3)	(412)	1.0	140
Effective income tax rate in Venezuela	45.2	3,461	22.7	3,117
Effect of foreign subsidiaries	(2.0)	(153)	8.4	1,150
Effective income tax rate	43.2	3,308	31.0	4,267

(b) ***Tax Loss Carryforwards***

The current Income Tax Law allows tax losses to be carried forward for three years to offset future taxable income, except losses resulting from the application of the fiscal inflation adjustment, which can be carried forward for one year.

At December 31, 2009, tax credits corresponding to extraterritorial tax loss carryforwards amount to approximately $1,402 million, of which $613 million mature in 2011 and $789 million mature in 2012.

(c) ***Adjustment for Inflation***

The Venezuelan Income Tax Law established an initial adjustment for the effects of inflation for the income tax calculation. The inflation adjusted value of property, plant and equipment is depreciated or depleted over their remaining useful lives for tax purposes. The Tax Law also provides for the calculation of a regular inflation adjustment to be made every year, and included in the reconciliation of taxable income as a taxable or deductible item.

(d) ***Transfer Pricing***

In conformity with the Venezuelan Income Tax Law, taxpayers subject to income tax who carry out import, export and loan transactions with related parties domiciled abroad must determine their income, costs and deductions applying transfer pricing rules. PDVSA has obtained analyses supporting its transfer pricing methodology. The resulting effects for each subsidiary are included in the determination of income tax of each year.

(e) Income Tax Rate

The current Income Tax Law of Venezuela establishes a general tax rate of 50% for companies involved in hydrocarbons and related activities, eliminating application of the rate of 34% to companies incorporated under the joint venture agreements executed under the superseded Organic Law Restricting 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 exports or improvement of heavy or extra-heavy crude oil are subject to a tax rate of 34%. The applicable income tax rate for most of foreign subsidiaries is 35%.

(f) Deferred Income Tax

Changes in deferred income tax assets (liabilities) reported in income of each year are the following (in millions of dollars):

	2007 Assets (liabilities)	Benefit (expense) recognized in the statement of income	2008 Assets (liabilities)	Benefit (expense) recognized in the statement of income	2009 Assets (liabilities)
Employee benefits and other post-retirement benefits	897	1,095	1,992	1,081	3,073
Property, plant and equipment	382	1,201	1,583	846	2,429
Production tax payable	219	(36)	183	51	234
Capitalized borrowing costs	(107)	(154)	(261)	(48)	(309)
Investments in non-consolidated investees and jointly controlled entities	(37)	(76)	(113)	(1)	(114)
Inventories	438	531	969	(558)	411
Tax credit and tax loss carryforwards	11	-	11	-	11
Payment of dividends	(500)	150	(350)	170	(180)
Provisions	1,392	557	1,949	383	2,332
Special provisions	-	102	102	413	515
Unrealized loss from financial instruments	-	(39)	(39)	35	(4)
Other	246	(249)	(3)	122	119
	2,941	3,082	6,023	2,494	8,517

(g) Production Tax

In accordance with the Organic Hydrocarbons Law, production tax is paid based on the crude oil produced and natural gas processed in Venezuela. A rate of 30% is applied to the volumes of hydrocarbons and natural gas produced in traditional areas (applicable to PDVSA Petróleo, PDVSA Gas and "Empresas Mixtas", including those recently incorporated in the Orinoco Belt).

Pursuant to instructions issued by the National Government, within the framework of the Energy Cooperation Agreements (see note 8-c) and the Agreement for Creation of the Joint Chinese-Venezuelan Fund (see note 31); in 2009, PDVSA supplied crude oil and products for $4,157 million and $4,055 million, respectively. According to Article 45 of the Organic Hydrocarbons Law, the volumes delivered by the Republic are deemed as fulfillment of PDVSA's obligation for production taxes.

Beginning in 2008, in accordance with MENPET's resolution, PDVSA has discounted from production tax the difference between the settlement price of production tax and 35$/Bl of the subsidized volumes destined to the domestic market.

(h) Extraction Tax

The amendment to the Organic Hydrocarbons 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 taxes. In determining this tax, the taxpayer may deduct the amount that would have been paid for production tax, including the additional production tax paid as a special advantage.

(i) Surface Tax

The Organic Hydrocarbons Law establishes the payment of a tax equivalent to 100 tax units (TU) per square kilometer or fraction of surface extension of land permitted that remains unexploited. This tax will be increased annually by 2% during the first five years and by 5% in subsequent years.

(j) Export Registration Tax

The Organic Hydrocarbons 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 since May 24, 2006, applicable for 60 continuous days commencing on the date of publication of the corresponding Official Gazette.

(k) Value Added Tax (VAT)

Official Gazette 39,147, dated March 26, 2009, included the Partial Amendment Law of the Budget Law for the Fiscal Year 2009, which establishes a rate increase from 9% to 12%, beginning on April 1, 2009.

The VAT law establishes an exemption on trading of certain fuels derived from hydrocarbons and the possibility to recover from the tax authorities certain tax credits resulting from export sales. The amounts pending recovery do not bear interest. A consolidated summary of VAT credits pending recovery or offset follows (in millions of dollars):

	December 31,	
	2009	2008
Credits pending recovery or offset at beginning of year	6,344	5,576
Generated during the year	1,482	1,499
Recovered during the year (see note 29)	-	(682)
Fair value adjustment (see note 12)	(211)	(49)
Credits pending recovery or offset at end of year (see note 30)	7,615	6,344
Less, current portion	7,615	2,936
Long-term portion	-	3,408

Management believes that the agreements made with the National Treasury will enable the Company to recover a significant percentage of the tax credits in 2010.

At December 31, 2009 and 2008, approximately $167 million and $184 million, respectively, of recoverable tax credits correspond to subsidiaries involved with the Orinoco Oil Belt's joint ventures.

(l) General Consumption Tax

The sale of gasoline and other fuels in Venezuela and the United States of America is subject to consumption tax.

In the United States of America, this tax is paid by the consumer; therefore, it is included in the sale price of the product and collected and paid to government entities without affecting the consolidated comprehensive income of the Company; during 2009 and 2008, such taxes amounted to approximately $377 million and $533 million, respectively, in Venezuela; and $2,107 million and $2,389 million, respectively, in the United States of America.

Also, the Venezuelan subsidiary Deltaven paid this tax, which is recognized it as an operating expense in its consolidated comprehensive income. During 2009 and 2008, the tax amounted to approximately $367 million and $227 million, respectively.

(m) Other Taxes

"Empresas Mixtas" are subject to payment of taxes on special advantages, which are determined based on: a) an interest as additional production tax of 3.33% on volumes of hydrocarbons extracted in marked areas and delivered to Petróleos de Venezuela, S.A., 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 Petróleos de Venezuela, S.A. in each calendar year and (ii) the aggregated payments made by "Empresas Mixtas" to the Bolivarian Republic of Venezuela, for the activity in the same calendar year, for production taxes and special advantages on hydrocarbons and 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 "Empresas Mixtas".

(14) Property, Plant and Equipment

Property, plant and equipment are comprised of 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	Land, sea and air transportation units	Industrial, camp and other support services	Construction in progress	Totals
Cost:									
Balance at December 31, 2007	49,798	15,182	7,284	3,416	9,705	1,704	6,328	15,562	108,979
Purchases and additions	1,370	374	33	356	127	144	173	15,836	18,413
Cost of jointly-controlled entities assets (see note 8-a)	910	3,598	1,427	242	8	5	94	1,148	7,432
Transfers and capitalizations	3,502	892	824	75	126	272	127	(5,818)	-
Sales and disposals	(28)	(212)	(1)	(24)	(26)	(87)	(55)	(7)	(440)
Asset retirement obligations	908	-	-	-	-	-	-	-	908
Other (see note 11)	127	(50)	34	54	(219)	7	(34)	(318)	(399)
Balance at December 31, 2008	56,587	19,784	9,601	4,119	9,721	2,045	6,633	26,403	134,893
Purchases and additions	357	637	169	158	264	409	447	13,958	16,399
Transfers and capitalizations	5,222	393	811	115	131	269	131	(7,072)	-
Sales and disposals	(31)	(116)	(10)	(6)	(3)	(15)	(4)	-	(185)
Asset retirement obligations	40	-	-	-	-	-	-	-	40
Other	172	(97)	6	224	104	48	75	(777)	(245)
Effect of inflation on translation	-	2	14	162	381	79	149	244	1,031
Balance at December 31, 2009	62,347	20,603	10,591	4,772	10,598	2,835	7,431	32,756	151,933
Depreciation and amortization:									
Balance at December 31, 2007	29,785	7,687	5,343	2,555	5,613	1,211	4,349	-	56,543
Depreciation and amortization	2,588	1,547	449	145	124	98	269	-	5,220
Sales and disposals	(15)	(152)	(8)	(17)	(23)	(8)	(55)	-	(278)
Asset impairment (see note 11)	(183)	349	46	8	(4)	42	111	-	369
Asset retirement obligations	(3)	-	-	-	-	-	-	-	(3)
	4	41	6	19	(45)	3	4	-	32
Balance at December 31, 2008	32,176	9,472	5,836	2,710	5,665	1,346	4,678	-	61,883
Depreciation and amortization	2,853	1,705	444	202	155	156	279	-	5,794
Sales and disposals	(12)	(113)	(7)	(5)	(3)	(11)	(3)	-	(154)
Asset impairment (see note 11)	18	72	3	(36)	31	12	(4)	-	96
Other	77	28	34	79	59	15	4	-	296
Effect of inflation on translation	-	-	7	36	309	61	148	-	561
Balance at December 31, 2009	35,112	11,164	6,317	2,986	6,216	1,579	5,102	-	68,476
Total net cost at December 31, 2009	27,235	9,439	4,274	1,786	4,382	1,256	2,329	32,756	83,457
Total net cost at December 31, 2008	24,411	10,312	3,765	1,409	4,056	699	1,955	26,403	73,010

During 2009, PDVSA, through its subsidiaries, as established in the Organic Law Reserving for the State Assets and Services Related to Primary Hydrocarbon Activities (LOREBSCAPH), the Organic Law on Reorganization of the Domestic Liquid Fuels Market (LORMICL) and the Organic Law for Expropriation for Public or Social Interest (LECUPS), undertook control of assets associated with activities governed by these laws, recognizing as part of purchases and additions of the year $1,066 million, (see notes 10, 25, 33-c, 33-g and 33-i). At December 31, 2009, PDVSA is determining and negotiating the value of those assets with the parties involved. A summary of these additions follows (in millions of dollars):

	LOREBSCAPH	LORMICL	LECUPS	Total
Subsidiary -				
PDVSA Petróleo, S.A.	306	152	-	458
PDVSA Gas, S.A.	78	-	-	78
PDVSA Industrial, S.A.	-	-	111	111
PDVSA Servicios, S.A. and subsidiary (see note 10-a)	419	-	-	419
	803	152	111	1,066

In 2009, the Company assessed impairment and, considering new market conditions and business aspects, determined a reversal of $40 million of impairment loss recognized in previous years, principally relating to certain assets, buildings, constructions and services. Additionally, an impairment expense of $136 million was recognized, principally related to plants and refining facilities and machinery and equipment. In 2008, as a result impairment reviews, the Company determined a reversal of $187 million, principally in relation of certain production assets and recognized an impairment expense of $556 million, mainly related to plants and refining facilities and services (see note 11).

At December 31, 2009 and 2008, PDVSA reported expenditures for major maintenance and general repairs of $2,508 million and $2,287 million, respectively, which are considered as a separate component of assets and included under property, plant and equipment, principally in plants and refining facilities (see note 3-i).

During 2009 and 2008, borrowing interests of 129 million and $254 million, respectively, were capitalized in construction in progress.

At December 31, 2009 and 2008, certain refining and gas compression plant assets and equipment have been leased for approximately $172 million and $455 million, net of accumulated depreciation of approximately $267 million and $384 million, respectively. The depreciation expense during 2009 and 2008 includes $30 million and $54 million, respectively, corresponding to assets under lease agreements.

In 2008, as a result of the migration process to "Empresas Mixtas" of the joint ventures of the Orinoco Oil Belt, as well as the exploration and profit sharing agreements, the Company increased its assets by a net amount of $7,432 million, which is presented as assets from Joint Development Activities (see note 8-a). A summary of these additions follows (in millions of dollars):

Company	Assets from operations of the Orinoco Oil Belt	Assets from operations of Shared Risk and Profits Agreements	Total
Petrocedeño, S.A.	3,582	-	3,582
Petromonagas, S.A.	175	-	175
Petropiar, S.A.	2,098	-	2,098
Petrosinovensa, S.A.	970	-	970
Petrosucre, S.A.	-	444	444
Petrolera Güiria, S.A.	-	106	106
Petrolera Paria, S.A.	-	57	57
	6,825	607	7,432

During 2009 and 2008, the Company recognized $170 million and $278 million, respectively, under property, plant and equipment, net, for business combinations as a component of purchases and additions of the year (see note 10).

Construction in Progress

The balance of construction in progress consist principally of investment programs aimed at maintaining production capacity and adjusting the facilities to the production levels set forth in the business plan of the Company, as well as tangible assets for exploration work and several projects being performed to be capitalized as property, plant and equipment at the date of incorporation into operations.

(15) Investments in Non-Consolidated Investees and Jointly Controlled Entities

Investments in non-consolidated investees and jointly controlled entities recognized under the equity method are summarized as follows (in millions of dollars):

	December 31,			
	2009	2008	2009	2008
	Percentage of share capital %		Equity interest	
Foreign:				
United States of America:				
Chalmette Refining, L.L.C. (Chalmette Refining) [2]	50	50	423	406
Merey Sweeny, L.P. (Merey Sweeny) [2]	50	50	25	55
US Virgin Islands - Hovensa L.L.C. (Hovensa) [2]	50	50	623	846
Other	(*)	(*)	90	82
			1,161	1,389
Germany:				
Ruhr Oel GmbH (ROG) [2]	50	50	197	191
Sweden:				
Nynas AB (Nynas) [2]	50	50	206	185
Other:				
Investees of PDVSA América, S.A.:				
Petrojam Limited [2]	49	-	27	-
YPFB Petroandina, S.A.M. [1]	40	-	57	-
Ende Andina S.A.M. [1]	40	-	68	-
Other	(*)	(*)	21	32
Petrolera del Cono Sur, S.A. [1]	46	46	20	22
Other	(*)	(*)	14	5
			1,771	1,824
In Venezuela:				
Quiriquire Gas, S.A. [1]	40	40	92	81
Gas Guárico, S.A. [1]	30	30	32	24
Other	(*)	(*)	4	6
			128	111
			1,899	1,935

(1) Non-consolidated investees.

(2) Jointly controlled entities.

(*) Equity interest ranging from 20% to 50% in several investees.

A summary of PDVSA's investments in non-consolidated investees and jointly controlled entities follows (in millions of dollars):

	2009	2008
Balance at January 1st	1,935	2,088
Equity interest in net income of non-consolidated investees and jointly-controlled entities (see note 30):		
Continuing operations	(140)	153
Discontinued operations (see note 9)	-	3
Disposal of non-consolidated investees (see note 9)	-	(31)
Incorporation of new non-consolidated investees	6	73
Additional contributions to non-consolidated investees	138	-
Dividends received from non-consolidated investees and jointly-controlled entities [(1)]	(59)	(369)
Investments, net of foreign exchange effects	19	18
Balance at December 31st	1,899	1,935

(1) Principally from non-consolidated investees of CITGO, Hovensa, Nynas and one non-consolidated investee of PDVSA Gas.

A summary of the combined financial information of non-consolidated investees and jointly controlled entities abroad and in Venezuela follows (in millions of dollars):

	December 31,					
	2009			2008		
	Venezuela	Foreign	Total	Venezuela	Foreign	Total
Financial position:						
Non-current assets	237	5,488	5,725	180	5,631	5,811
Current assets	474	2,632	3,106	422	4,713	5,135
Non-current liabilities	(6)	(2,083)	(2,089)	(3)	(2,635)	(2,638)
Current liabilities	(338)	(2,902)	(3,240)	(302)	(4,223)	(4,525)
Net equity	367	3,135	3,502	297	3,486	3,783

	Years ended December 31,					
	2009			2008		
	Venezuela	Foreign	Total	Venezuela	Foreign	Total
Result of operations for the year:						
Sales	191	20,452	20,643	230	34,481	34,711
Operating income (loss)	135	(427)	(292)	113	1,214	1,327
Net income (loss)	110	(581)	(471)	79	275	354

(16) Accounts Receivable and Other Assets

Accounts receivable and other assets are summarized as follows (in millions of dollars):

	December 31,	
	2009	2008
Other	469	339
Buildings used by government entities (see note 30)	53	56
Goodwill (see note 10)	231	301
Long-term accounts receivable from related entities (see note 30)	1,711	1,650
Long-term accounts receivable from energy agreements (see note 8-c)	605	661
FONDESPA's executing entities (see note 17)	-	534
Materials and supplies (see note 18)	110	16
	3,179	3,557

At December 31, 2009 and 2008, PDVSA determined and adjusted to fair value long-term balances under energy agreements, recognizing income of $150 million at December 31, 2009, and loss of $150 million at December 31, 2008 (see note 12). At December 31, 2009 and 2008, the contractual value of these agreements amounts to $1,321 million and $1,526 million, respectively, and the accumulated fair value adjustment amounts to $716 million and $866 million, respectively.

At December 31, 2009 and 2008, long-term account receivable from related companies include accounts receivable associated with energy agreements of $151 million and $161 million, respectively, which are stated net of fair value adjustments of $265 million and $286 million, respectively. During 2009 and 2008, income of $21 million and loss of $46 million, respectively, was recognized.

In 2009, the Board of Directors of PDVSA decided to recognize under social development expenses the amounts awarded to companies performing projects and programs through Fondo para el Desarrollo Económico y Social del País (FONDESPA), formerly presented under long-term accounts receivable (see notes 3-g, 17 and 30).

At December 31, 2009 and 2008, other assets include $116,279 corresponding to 25% of the shares of CORPOELEC acquired by PDVSA. This investment is presented at cost since management believes that it does not control the financial and operating policies of this company (see note 33-h).

At December 31, 2008, PDVSA determined and adjusted to fair value the balances receivable from each of the entities performing the programs and projects, and recognized a loss of $32 million (see note 12).

At December 31, 2009 and 2008, $21 million and $1 million, respectively, are included under other assets in relation to biological assets.

(17) Restricted Cash

Restricted cash consist of the following (in millions of dollars):

	December 31,	
	2009	2008
Trust funds in the Banco de Desarrollo Económico y Social de Venezuela (BANDES):		
Fondo para el Desarrollo Económico y Social del País (FONDESPA)	333	634
Integral Cooperation Agreement executed with the Republic of Argentina (see note 8-c)	76	59
	409	693
Trust funds entered into with Bicentenario Banco Universal, C.A.:		
Fund for construction and conditioning of medical assistance module for Misión Barrio Adentro	1	12
Funds for performance of social development projects	72	-
	73	12
Fondo para la Estabilización Macroeconómica (FEM) (see note 30)	827	825
Funds for projects of extra-heavy crude oil in the Orinoco Oil Belt (see notes 8-a and 29)	320	342
Integral Cooperation Agreement with the Republic of Portugal	110	-
Letters of credit (see note 29)	203	100
Liquidity account of CITGO (see note 22)	115	146
Other	7	2
	2,064	2,120
Less current portion	415	347
Long-term portion	1,649	1,773

As a result of the new social responsibilities of PDVSA, the following trusts have been established with BANDES and Bicentenario Banco Universal, C.A. (formerly, Banfoandes, Banco Universal, C.A. - Banfoandes), for social programs and projects, work, goods and services aimed at the development of infrastructure, agricultural activities, roads, health and education in the country (see note 30):

Trusts in BANDES

a) *FONDESPA,* approved in Stockholder's meeting on January 23, 2004, established in US dollars and to be funded by extraordinary income from the export of crude oil and products exceeding the average price budgeted per barrel, net of production tax, taxes and other direct expenses, in 2004, 2005 and 2006. No contributions have been made to this fund since 2006 (see notes 16 and 30).

b) *Integral Agreement of Cooperation with the Republic of Argentina,* subscribed by the Bolivarian Republic of Venezuela and the Republic of Argentina, and approved at PDVSA's Board of Directors' Meeting on July 15, 2004. This trust fund in dollars will comprise cash and securities received from Compañía Administradora del Mercado Mayorista Eléctrico Sociedad Anónima (CAMMESA), Argentina's energy company, for the sales of crude oil and products by PDVSA under the agreement (see note 8-c). The funds will be limited to making payments to companies located in the Republic of Argentina for the imports in Venezuela of products from that country. During 2009 and 2008, contributions to this trust were made of $240 million and $199 million, respectively.

Trust in Bicentenario, Banco Universal, C. A.

a) *Trust for Construction and Conditioning of Medical Assistance Modules for Misión Barrio Adentro,* approved by the Board of Directors on March 24, 2005 for the construction of 1,000 medical assistance modules for Barrio Adentro Mission. This trust was created on June 20, 2005, with an initial contribution of $23 million for one year, automatically renewable for similar periods. No contributions have been made to this fund since 2005.

b) *Trust for Performance of Social Development Projects,* approved by the Board of Directors of PDVSA on August 30, 2005, denominated in bolivars, with an initial contribution of $7 million and aimed at the performance of diverse social development activities. During 2009, contributions were made to this fund amounting to $97 million, as a result of the transfer of remaining amounts and yields from trust agreements undergoing settlement processes (inactive).

Fondo para la Estabilización Macroeconómica (FEM)

In November 2003, the Venezuelan Government established the FEM, to achieve stabilization of the expenses, at national state and municipal levels. It was created for the purpose of managing fluctuations of ordinary income. Pursuant to Law, PDVSA made contributions in dollars until 2003 based on additional income from oil-related sources, determined as 50% of the excess of the income from oil and by-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 2009 and 2008 are due to interest.

For the withdrawal of resources from the FEM by the respective entities, the Permanent Finance Commission of the National Assembly must be notified, as well as the General Comptrollership of the Republic, and the respective process contemplated in the Law must be initiated.

Trust with Banco Caixa Geral de Depósitos under the Integral Cooperation Agreement with the Republic of Portugal

Trust denominated in dollars and comprised of cash and securities from collections made to Compañía Petróleos de Portugal – PETROGAL, S.A., a Portuguese energy company, from sale of crude oil and products that PDVSA performs under the Supplementary Economic and Energy Cooperation Agreement entered into by and between the Bolivarian Republic of Venezuela and the Republic of Portugal in May 2008. The funds will be used only for payments to companies located in the Republic of Portugal for import of goods and services from that country. During 2009, contributions to this trust amounted to $50 million.

Funds for Extra-Heavy Crude Oil Project in the Orinoco Oil Belt

At December 31, 2009 and 2008, restricted cash includes $300 million deposited in the accounts of PDVSA Cerro Negro, S.A. (PDVSA Cerro Negro) in the United States of America, under attachment proceedings (see note 29).

A summary of these restricted funds at December 31, 2009 and 2008 follows (in millions of dollars):

	December 31,	
	2009	2008
Corpoguanipa, S.A.	8	13
Petrozuata	1	18
PDVSA Cerro Negro	311	311
	320	342
Less non-current portion	301	301
Current portion	19	41

Letters of Credit

In December 2009 and 2008, $120 million and $100 million, respectively, were deposited in a European bank to secure the engineering, procurement and construction project of Central Eléctrica Bachaquero – Tamare, contracted to Consorcio Man Ferrostaal – Koch.

Also, PDVSA Petróleo holds deposits of $80 million in a European bank to secure a credit facility of $350 million with that bank. Movement of those funds represent borrowing interest.

Liquidity Account

Corresponds to the "Liquidity Account", in accordance with the agreement subscribed with financial institutions for the issue of bonds and loans, and consist of cash and time deposits, including interest earned on those amounts.

(18) Inventories

Inventories are summarized as follows (in millions of dollars):

	December 31,	
	2009	2008
Materials and supplies, net	1,716	1,467
Crude oil and products	6,469	6,210
Food and other mass consumption products and other, net	427	1,017
	8,612	8,694
Less materials and supplies classified in other non-current assets (see note 16)	110	16
	8,502	8,678

Net Realizable Value

During 2009, the Company adjusted inventories of food and mass-consumption products and others by $32 million to their net realizable amounts, included under costs and expenses in the consolidated statement of comprehensive income. At December 31, 2009, these inventories were measured at net realizable value of $181 million.

During the year ended December 31, 2008, the Company adjusted inventories of crude oil and products by $1,359 million to their net realizable value, and food and mass-consumption products and other by $52 million, included in the costs and expenses of consolidated statements of comprehensive income.

Allowance for Obsolescence

At December 31, 2009 and 2008, the inventories of materials and supplies and food and mass-consumption products are presented net of allowance for obsolescence as follows (in millions of dollars):

	2009			2008		
	Materials and supplies	Food and mass consumption products and other	Total	Materials and supplies	Food and mass consumption products and other	Total
Balance at January 1st	49	141	190	61	-	61
Increase	23	26	49	-	141	141
Decrease	(5)	-	(5)	(12)	-	(12)
Balance at December 31st	67	167	234	49	141	190

(19) Notes and Accounts Receivable

Notes and accounts receivable include the following (in millions of dollars):

	December 31,	
	2009	2008
Companies and related entities (see note 30)	4,875	2,335
Other accounts receivable	624	612
Accounts receivable from insurance companies	285	401
Trade	9,178	7,855
	14,962	11,203
Less, allowance for doubtful accounts	651	393
	14,311	10,810

Exposure to credit and currency risks relating to notes and accounts receivable are discussed in note 27.

(20) Prepaid Expenses and Other Assets

Prepaid expenses and other assets include the following (in millions of dollars):

	December 31,	
	2009	2008
Other assets	353	146
Derivative assets (see notes 6 and 27)	22	274
Trading securities (see note 27)	314	256
Prepaid insurance	338	287
Prepaid service	622	140
Investments at cost (see note 10-c)	780	-
Advances to suppliers and contractors	1,922	2,333
Income tax paid in excess (see note 30)	6,569	5,893
	10,920	9,329

Payment of estimated income tax returns for certain subsidiaries in 2009 and 2008 resulted in tax paid in excess amounting to $1,128 million and $4,202 million, respectively, when compared to the final income tax return. During 2009, $713 million of tax paid in excess during 2008 were used to offset current tax payable. The accumulated income tax paid in excess of $6,569 million will be used to offset future tax payments. In addition, income tax paid in excess at December 31, 2008 includes $3,200 million corresponding to income tax payable determined in 2008.

(21) Stockholder's Equity

Capital Stock

According to the bylaws of Petróleos de Venezuela, S.A., the nominal value of share capital is Bs.1,280 million corresponding to 51,204 shares. Pursuant to law, these shares may not be transferred or encumbered in any way (see note 1).

Reserves

The legal reserve is a requirement for Venezuelan companies. Pursuant to Venezuelan law, the legal reserve cannot be distributed as dividends.

At December 31, 2009 and 2008, other reserves include principally the reserve for the realization of deferred income tax assets of $10,673 million and $7,725 million, respectively.

Dividends

Cash dividends are declared and paid to the Stockholder in bolivars based on the statutory financial statements reflecting retained earnings.

During 2009 and 2008, cash dividends were declared and paid of $2,000 million each year.

Additional Contribution of the Stockholder

In December 2009, the Company received from FONDEN $2,000 million to support financing activities and projects performed by the Company during 2009, under the Company's business plan, which are presented as part of the Additional Contribution of the Stockholder in the consolidated stockholder's equity at December 31, 2009.

On June 30, 2009, the Stockholder's Meeting of PDVSA, pursuant to the Decree of the Organic Law on Reorganization of the Electricity Sector, approved the assignment and transfer of shares of the electricity sector to CORPOELEC, decreasing the amount previously recognized as Additional Contribution of the Stockholder by $1,196 million (see notes 9 and 30).

On June 18, 2009, the legal transfer of 60% of the shares of DIANCA to PDVSA was completed in accordance with Resolution 006620 del Ministry of Popular Power for Defense, causing an effect of $19 million in the consolidated stockholder's equity at December 31, 2009 as an Additional Contribution of the Stockholder (see note 10-b).

In the Annual Stockholder's Meeting held on June 6, 2009, a resolution was approved to transfer $1,408 million, corresponding to a portion of the funds received from FONDEN in December 2008, from the Additional Contribution of the Stockholder to accumulated income.

In December 2008, PDVSA received from FONDEN $5,000 million for financing non-oil activities performed by the Company during 2008 and 2007. Of this amount, $2,395 million was used to offset accounts receivable from related companies for loans granted by PDVSA to those companies for electricity and petrochemical projects. The remaining amount of $2,605 million, million was included in the consolidated equity at December 31, 2008 as an Additional Contribution of the Stockholder and corresponds to repayment of disbursements made previously by PDVSA for the purchase of companies of the electricity sector.

In 2008, the additional contribution of the Stockholder includes $6,361 million corresponding to net assets during the incorporation of new companies resulting from the migration process to "Empresas Mixtas" of the joint ventures of the Orinoco Oil Belt and Exploration and Profit Sharing Agreements (see note 8-a).

Non Controlling Interests

During 2009 and 2008, a group of indirect subsidiaries ("Empresas Mixtas") declared and paid dividends of $527 million and $609 million, respectively, to non controlling investors.

During 2009 and 2008, the "Empresas Mixtas" paid advances to non controlling interests on account of dividends amounting to $421 million and $344 million, respectively.

During 2009 and 2008, non controlling investors made an additional contribution of working capital of $503 million and $25 million, respectively.

(22) Long-Term Debt

The consolidated long-term debt of PDVSA consists of the following (in millions of dollars):

		Interest rate		Maturity		December 31,	
	Currency	2009	2008	2009	2008	2009	2008
						Dollars	
PDVSA (Parent Company):							
Unsecured bonds	Dollars	4.90% - 5.50%	5.25% - 5.50%	2014 - 2037	2014 - 2037	10,761	7,500
Unsecured zero coupon bonds	Dollars	0%	-	2011	-	3,000	-
Secured loans	Dollars	LIBOR + 0.50% - 6.50%	LIBOR + 0.50% - 6.50%	2022	2022	2,860	3,094
Investment certificates	Dollars	5.30% - 6.20%	6.20%	3 - 6 months	3 months	856	1,156
Investment certificates	Bolivars	9.50%	-	18 months	-	1,000	-
Secured loans	Yens	1.70% - 2.30%	1.70% - 2.30%	2012	2012	146	208
Unsecured loans	Dollars	LIBOR + 4.5%	LIBOR + 4.5%	2010	2010	1	3
Obligation under finance leases	Dollars	-	-	-	-	11	-
						18,635	11,961
CITGO:							
Secured credit facilities	Dollars	A1/P1 + 1.35%	A1/P1 1.35% - 3.40%	2010	2009	225	39
Credit facilities	Dollars	LIBOR + 1.50% - 2.125%	LIBOR + 137.5 base points or 1.84% and LIBOR + 2%	2012	2012	1,118	1,123
Tax-exempt bonds	Dollars	0.90% - 8%	2% - 8%	2043	2043	587	588
Secured revolving credit facility	Dollars	3.25%	3.25%	-	2010	400	413
Bonds subject to taxes	Dollars	2.02%	3.15%	2026	2026	60	60
Obligation under finance leases	Dollars	-	-	-	-	24	30
						2,414	2,253
Petrozuata (see note 8-a):							
Secured bonds	Dollars	7.63% - 8.37%	7.63% - 8.37%	2017 - 2022	2009 - 2022	11	13
PDVSA Gas:							
Obligation under finance leases	Bolivars	-	-	-	-	-	355
Petrocedeño:							
Secured credit facilities	Dollars	LIBOR + 2.25% - 2.75%	LIBOR + 2.25% - 2.75%	2012	2012	189	309
Refinería Isla:							
Obligation under finance leases	Dollars	-	-	-	-	166	175
PDVSA VI:							
Secured loans	Dollars	-	8.46%	-	2009	-	15
PDVSA Cerro Negro:							
Secured bonds	Dollars	7.33% - 8.03%	7.33% - 8.03%	2028	2009 - 2028	3	4
Productos La Fina:							
Promissory notes	Bolivars	-	16% - 19%	-	2009	-	6
INTEVEP:							
Obligation under finance leases	Bolivars	-	-	-	-	1	3
Lácteos Los Andes:							
Promissory notes	Bolivars	-	15% - 18.85%	-	2009 - 2010	-	1
						21,419	15,095
Less current portion						2,930	1,677
Long-term portion						18,489	13,418

Future maturities of long-term portion of consolidated debt at December 31, 2009 consist of the following (in millions of dollars):

Years -	
2011	3,337
2012	514
2013	1,156
2014	2,317
Remaining years	11,165
	18,489

PDVSA (Parent Company)

Unsecured Bonds

On October 28, 2009, PDVSA completed the process of the public tender of bonds of $1,413 million, $1,413 million and $435 million maturing in 2014, 2015 and 2016, respectively and payable in dollars upon maturity. This issue was made in coordination with the Banco Central de Venezuela (BCV) and the Ministry of Popular Power for the Economy and Finance and was exempt from the scope of the Venezuelan Capital Markets Law and with a tax exemption applicable to interests. The annual coupon for bonds issued is 4.90%, 5.00% and 5.125%, respectively. Proceeds payable from this issue, amounted to $4,501 million (see note 12).

Between January and February 2007, the public tender of bonds was approved up to $7,500 million maturing in 10, 20 and 30 years (2017, 2027 and 2037) payable in dollars upon maturity. This issue was supervised and regulated by the BCV, and was exempt from the scope of the Venezuelan Capital Markets Law, by virtue of PDVSA's condition as a state-owned company. The annual coupon for bonds issued is 5.25%, 5.375% and 5.50%, maturing in 10, 20 and 30 years, respectively. Proceeds from this issue, from domestic buyers of this instrument amounted to $7,913 million, (see note 12).

Between April 12 and May 10, 2007, the issue process of bonds was completed, and the $7,500 million offered was placed. Also, on April 12, 2007, Decree 5,282 was published exonerating income tax payments on returns to the holders of this placement.

Unsecured Zero Coupon Bonds

On July 10, 2009, the process for the public tender of zero coupon bonds up to $3,000 million, maturing in two years (2011) and payable in dollars upon maturity, was completed. This offer was supervised and regulated by the BCV, and was exempt from the scope of the Venezuelan Capital Markets Law, by virtue of PDVSA's condition as a state-owned company. Proceeds from this issue amounted to $5,567 million, from local buyers (see note 12).

Investment Certificates

In April 2009, PDVSA issued investment certificates to BANDES and Fideicomiso Banco del Tesoro, C.A. Banco Universal amounting to $500 million, at a term of six months, renewable for equal periods, with annual interest of 5.30%, payable upon maturity and annual interest in arrears of 1.50%,.

In February 2009, PDVSA issued investment certificates to Fondo de Garantía de Depósitos y Protección Bancaria (FOGADE) amounting to $372 million, $512 million and $116 million. These certificates were issued in bolivars for a term of 18 months and renewable for equal periods, with annual interest of 9.5% payable upon maturity.

In December 2008, PDVSA issued in favor of Banco del Tesoro, C.A. Banco Universal, an investment certificate for $1,000 million, maturing in 90 days and renewable for equal periods with an annual interest of 6.20% payable upon maturity and annual interest in arrears of 1.50%. During 2009, PDVSA paid of $800 million and maintains a balance of $200 million.

In December 2008, PDVSA issued in favor of BANDES, investment certificates for $156 million, maturing in 90 days and renewable for equal periods with an annual interest of 6.20% payable upon maturity and annual interest in arrears of 1.50%. In March 2009, this certificate was renewed maturing in three months.

In February 2007, a group of banks, lead by the Japan Bank for International Cooperation (JBIC), approved a loan to the Company of $3,500 million. This loan has a fifteen-year term, bears interest at a rate ranging from LIBOR + 0.5% to 6.5%, and includes cash payment options or delivery of crude oil and products at market prices, subject to an agreement of minimum amounts, reviewed every three years. During 2009 and 2008, PDVSA paid $233 million and $233 million, and at December 31, 2009 and 2008, the Company holds an outstanding balance of $2,860 million and $3,094 million, respectively.

In December 2008, PDVSA paid off the credit facility held with a group of banks led by BNP Paribas of $1,156 million, originally undertaken in 2007 for an amount of $1,124 million, extended for an additional year on January 25, 2008 and bearing interest at LIBOR + 1.5%.

CITGO

Credit Facilities

On November 15, 2005, CITGO entered into an agreement for a $1,850 million, senior secured credit facility, which consists of the five-year revolving credit facility in the amount of $1,150 million and a seven-year term loan of $700 million. The credit facility is secured by CITGO's interest in its Lake Charles, Louisiana and Corpus Christi, Texas refineries; its trade accounts receivable and its inventories and is subject to covenants typical for secured borrowing. CITGO may choose from (i) the higher of the premium rate or the rate of federal funds plus a margin of 0.5%; or (ii) the adjusted LIBOR rate plus the applicable margin. The unused portion of this secured revolving credit facility is subject to semi-annual payment of a commission fee ranging from 15 to 50 basic points in the year 2009. The available credit capacity is $138 million at December 31, 2009.

At December 31, 2009 and 2008 the outstanding balances of this debt are $607 million and $612 million, respectively.

Bonds Exempt from Venezuelan Taxes

On December 17, 2007, CITGO modified this credit facility to incorporate payment of collateral of a six months bridge loan of $1,000 million at an interest rate of LIBOR + 1.75%. This short-term loan was undertaken with a group of banks led by BNP Paribas and UBS, and expired on June 17, 2008. The cost of obtaining this loan of $22 million was amortized over the term of the loan. In June 2008, CITGO settled this credit facility by undertaking the following financial arrangements:

- On June 12, 2008, a group of banks led by BNP Paribas approved a credit facility of $450 million, secured by trade accounts receivable of CITGO and bearing interest at a variable rate equivalent to the return on A1/P1 commercial papers plus a spread of 1.35%. This facility matures annually with a renegotiation option for annual terms. At December 31, 2009 and 2008, the outstanding balances of this debt are $225 million and $39 million, respectively.
- On June 16, 2008, a group of banks led by Sumitomo Mitsui Bank Corporation (SMBC) granted a loan of $515 million. This loan matures in 2012, bears interest at LIBOR + 2.125% and includes two special amortizations, the first of $200 million in February 2011 and the second of $100 million in February 2012. At December 31, 2009 and 2008, the outstanding balance of this debt is $511 million.

Through state organizations of the United States of America, CITGO obtained funds for indebtedness with Industrial Revenue Bonds (IRB) for financing certain port facilities, pollution control equipment and environmental facilities in its Lake Charles, Corpus Christi and Lemont refineries. These bonds bear interest at variable and fixed rates ranging from 0.90% to 8,00% for the year ended December 31, 2009, and from 2% to 8% during the year ended December 31, 2008, and are due in 2043. Through letters of credit issued under the secured senior credit facility of CITGO, additional support is provided to variable-rate bonds. At December 31, 2009 and 2008, the outstanding balances of this debt are $587 million and $588 million, respectively.

Secured Revolving Credit Facility

At December 31, 2009 and 2008, CITGO has a debt of $400 million and $413 million, respectively, for a secured revolving credit facility, maturing in 2010, of $1,150 million. The interest rate on this debt was 3.25% in 2008, and the unused portion was subject to six-month payments of a commission ranging from 15 to 50 basis points. The available credit capacity of CITGO, net of letters of credit, was $36 million at December 31, 2008.

Petrozuata

In September 2008, PDVSA made a public tender for the purchase of bonds issued by Petrozuata Finance, Inc. (a subsidiary of Petrozuata), and paid $740 million for 97.96% of the outstanding bonds, comprised of the following:

- Series "A" at 7.63% annual interest and due in 2009;
- Series "B" at 8.22% annual interest and due in 2017; and
- Series "C" at 8.37% annual interest and due in 2022.

In July 2008, PDVSA settled all of the loan agreements undertaken by Petrozuata; the amount paid was $161 million, representing $158 million of principal and $3 million of interest.

At December 31, 2009 and 2008, the outstanding balances of this debt are $11 million and $13 million, respectively.

Petrocedeño

As a result of the control acquired under the migration process to "Empresas Mixtas", in January 2008, the financial statements of Petrocedeño are consolidated with those of CVP (a subsidiary of PDVSA). The indebtedness of this "Empresa Mixta" was $620 million, bearing interest at LIBOR + 2.25% and 2.75%. During 2009 and 2008, payments have been made of $120 million and $141 million, respectively, corresponding to current amortization of debt. Also, in 2008, payments were made of $170 million, for debt restructuring in the migration to an "Empresa Mixta". At December 31, 2009 and 2008, the outstanding balances of this debt are $189 million and $309 million, respectively (see note 8-a).

PDVSA Cerro Negro

In June 1998, a non-consolidated special purpose company of the former joint ventures of the Orinoco Oil Belt, PDVSA Cerro Negro issued secured bonds of $600 million with an annual interest rate ranging from 7.33% to 8.03%, due from 2009 to 2028. The participation of PDVSA Cerro Negro (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.

In addition, PDVSA paid $129 million to a group of banks led by ABN Amro Bank, for a total payment of $630 million, thus settling the debt of the former joint venture. With the payment of the debts of Cerro Negro Project, a new "Empresa Mixta", Petromonagas, S. A., was incorporated, in which PDVSA owns 83.33% of the shares through CVP, and British Petroleum plc owns 16.67% through its subsidiary Veba Oil & Gas Cerro Negro GmbH.

During the year ended December 31, 2009, PDVSA Cerro Negro made an amortization of this debt of approximately $1 million.

Productos La Fina

In August 2008, PDVSA acquired through subsidiary PDVAL, 100% of the shares of Productos La Fina, which held bank promissory notes with six domestic financial institutions for $21 million. At December 31, 2008, payments of $15 million had been made on these promissory notes (see note 10).

Lácteos Los Andes

At December 31, 2009, subsidiary Lácteos Los Andes, C.A. holds a bank promissory note in bolivars with a domestic financial institution of $139,535, at an annual interest rate of 13% and due in February 2010. At December 31, 2008, Lácteos Los Andes, C.A. held bank promissory notes with domestic financial institutions for $1 million.

Covenants

Several credit facilities establish covenants restricting the Company from incurring additional debt, paying dividends, placing liens on property and selling certain assets. The Company was in compliance with these covenants at December 31, 2009 and 2008.

Obligation under Finance Leases

At December 31, 2009 and 2008, PDVSA has the obligation to acquire certain refining assets and related equipment acquired under capital leases and recognized in property, plant and equipment (see note 14).

A summary of future lease payments, at December 31, 2009, follows (in millions of dollars):

Years -	
2010	44
2011	33
2012	28
2013	28
2014	28
Subsequent years	149
Future estimated lease payments	310
Less interest	(108)
Total capital leases	202

Liabilities held for sale

C.A. La Electricidad de Caracas and Subsidiaries (EDC)

The consolidated long-term debt of EDC, at December 31, 2008, consists of the following (in millions of dollars):

	Interest rate	Due in	Dollars
Bearer bonds	8.5%	2018	650
Bearer bonds	10.25%	2014	13
JP Morgan Chase – OAM13	Libor + 0.20%	2011	5
			668
Less current portion of long-term debt			2
Long-term portion			666

On April 10, 2008, EDC issued bonds in the domestic public market (Bond 2018) for $650 million, due in 10 years with a return of 8.5% payable every six months. Those bonds are fully or partially redeemable at any time and are secured by EDC.

EDC has two credit facilities with JP Morgan Chase Bank N.A. secured by a bond issued by the Export Import Bank of the United States (Eximbank), described as follows:

- Credit facility granted in September 1999 of $22 million due on February 25, 2011, bearing annual interest at LIBOR + 0.2%, for the purchase of an engine component. At December 31, 2008, the balance of this facility amounts to $5 million.
- Credit facility granted in September 1999 for $36 million due on January 10, 2008, bearing annual interest at 5.91%. On January 7, 2008, the balance of principal and interest of this facility was paid in full.

Maturities in consolidated long-term debt of EDC, at December 31, 2008, follow (in millions of dollars):

Years -	
2010	2
2011	1
2014	13
Subsequent years	650
	666

C.A. Electricidad de Valencia (ELEVAL)

At December 31, 2008, ELEVAL held bank promissory notes with different domestic financial institutions amounting to $6 million. During 2008, those promissory notes caused interest at rates ranging from 20.22% to 26.00%.

According to the strategic guidelines and objectives of the National Government, in 2007, the Stockholder of PDVSA authorized the purchase of shares in several companies of the domestic electricity sector, which would be transferred in the short-term to Corporación Eléctrica Nacional, S. A. (CORPOELEC), pursuant to the Decree of the Organic Law on Reorganization of the Electricity Sector, published in Official Gazette 38,736, dated July 31, 2007. In 2009, PDVSA's stockholder approved the assignment and transfer of those electricity-sector companies to CORPOELEC (see note 9).

(23) Employee Termination, Pension and Other Postretirement Benefits

An analysis of liabilities for labor obligations, pension plan and other postretirement benefit plans other than pension plans follows (in millions of dollars):

	December 31, 2009	2008
Employee termination benefits	196	195
Pension plans	2,204	1,424
Other postretirement benefits other than pension plans	5,079	4,134
	7,479	5,753
Less current portion	553	476
Long-term portion	6,926	5,277

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, 2009 and 2008, the guaranteed amounts in the savings funds are approximately $259 million and $274 million, respectively.

(b) Pension Plans and Other Retirement Benefits

In most Venezuelan and foreign subsidiaries, there are retirement plans and other benefits covering employees and eligible former employees. These plans, among other conditions, are based on seniority of service, age and salary.

Pursuant to the collective labor contract, PDVSA and its Venezuelan subsidiaries have a retirement plan that covers all eligible employees. There are pension funds with the respective organizations for the administration of the assets of such funds once the employee has retired. The financing of the pension plan for Venezuelan employees is based on a contribution system, with monthly mandatory contributions based on normal salary of 3% by the employee and 9% by the Company, managed under individual capitalization accounts for each employee.

For employees joining the Company 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, the Company will make additional contributions to ensure the minimum payment of the pension benefit, according to the contractual plan.

For employees hired before September 30, 2000, the calculation of the pension benefit takes into account the greater of (a) the pension amounts 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 the Company on the cash basis.

CITGO sponsors three defined-contribution retirement and savings plans covering most of the eligible employees under either an hourly regime or earning salaries. Those plans receive contributions from the Company and voluntary contributions from the employees. CITGO recognized as an expense $25 million for the years ended December 31, 2009 and 2008, in relation to its contribution to those plans. Also, CITGO sponsors three qualified defined benefit plans; two of them cover eligible employees under an hourly regime and one covers eligible employees earning salaries. In addition, it sponsors three defined benefit plans not qualifying for certain eligible employees.

In addition to pension plans, CITGO also provides certain postretirement life insurance and health insurance for eligible employees under hourly rates and employees earning salaries. These benefits are subject to deductions and other limitations and are recognized on the cash basis. CITGO reserves the right to modify or terminate these benefits at any time.

An analysis of the accrual for pension plans and other retirement benefits follows (in millions of dollars):

	December 31,			
	2009	2008	2009	2008
	Pension plans		Other retirement benefits	
Present value of funded obligation	5,048	4,789	634	588
Present value of unfunded obligation	15	68	7,683	8,305
	5,063	4,857	8,317	8,893
Fair value of plan assets	(2,700)	(2,556)	(1)	(1)
Present value of net obligation	2,363	2,301	8,316	8,892
Unrecognized actuarial gains (losses)	748	(133)	120	(2,129)
Unrecognized past service cost	(907)	(744)	(3,357)	(2,629)
Accrual in the financial statements	2,204	1,424	5,079	4,134

Recognized expenses

An analysis of the expense for pension plans and other retirement benefits, recognized in the consolidated statements of comprehensive income, follows (in millions of dollars):

	December 31,			
	2009	2008	2009	2008
	Pension plans		Other retirement benefits	
Service cost for the year	111	94	569	195
Interest cost on obligations	613	342	1,190	610
Expected return on plan assets	(202)	(233)	(5)	-
Past service cost	561	383	295	1,539
Recognized actuarial losses (gains)	27	(13)	(836)	218
	1,110	573	1,213	2,562

The expense is recognized in the following items of the consolidated statements of comprehensive income as follows (in millions of dollars):

	December 31,			
	2009	2008	2009	2008
	Pension plans		Other retirement benefits	
Operating expenses	244	127	1,019	2,164
Selling, administrative and general expenses	866	446	194	398
	1,110	573	1,213	2,562

Present Value of Obligations

A reconciliation of the present value of obligations based on the actuarial study follows (in millions of dollars):

	December 31,			
	2009	2008	2009	2008
	Pension plans		Other retirement benefits	
Present value at beginning of year	4,857	3,998	8,893	6,906
Service cost for the year	111	94	569	195
Interest cost	613	342	1,190	610
Actuarial (gains) losses	(940)	500	(3,063)	(1,865)
Benefits paid by employer	(315)	(188)	(272)	(229)
Past service cost	722	94	1,000	3,274
Employee contributions	15	17	-	2
	5,063	4,857	8,317	8,893

Fair Value of Plan Assets

A reconciliation of the fair value of assets of the pension plans and other retirement benefits follows (in millions of dollars):

	December 31,			
	2009	2008	2009	2008
	Pension plans		Other retirement benefits	
Plan assets at beginning of year	2,556	2,677	1	1
Expected return	202	233	-	-
Actuarial losses	(30)	(413)	-	-
Contributions made by the Company	191	230	15	13
Contributions made by employees	96	17	-	2
Benefits paid by employer	(315)	(188)	(15)	(15)
	2,700	2,556	1	1

A summary of the pension plan assets portfolio follows (in millions of dollars):

	December 31,	
	2009	2008
Cash and cash equivalents	29	1
Fixed income instruments	737	1,811
Mixed income instruments	1,892	500
Other	42	244
	2,700	2,556

Presumed Trends and Premises

The trends of the rates for medical plans affect the amounts reported. A change in a percentage point in the rates used 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	226	(174)
Effect on the benefit of the obligation	962	(763)

The Company expects to pay approximately $229 million in contributions to pension plans and other postretirement benefits in 2010.

Actuarial assumptions used follow:

	Years ended December 31,			
	2009	2008	2009	2008
	Pension plans		Other retirement benefits	
	%			
Venezuela:				
Discount rate	15.6	13.9	15.6	13.9
Rate of increase in compensations	21.0	16.5	21.0	16.5
Tax of return on seniority adjustment	15.6	12.0	-	-
Medical inflation rate	-	-	24.4	16.5
Inflation rate	20.0	15.0	20.0	15.0
Food inflation rate	-	-	25.8	18.6
Expected tax of return on plan assets	15.6	7.9	-	-
Foreign:				
Discount rate	6.3	7.5	6.3	7.5
Rate of increase in tax compensations	4.5	4.5	4.5	4.5
Expected tax of return on plan assets	7.9	8.0	8.0	8.0

The assumptions relating to future death rates are based on published statistics and mortality indexes, which establish that the average life expectancy in Venezuela of a retired person aged 65 is 13 years for women and 11 years for men.

The long-term expected rate of return on plan assets in Venezuela for pension plans is 15.6%, and abroad it is 8% for pensions and other postretirement benefits. 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 previous years follows (in millions of dollars):

	2009	2008	2007	2006	2005
Pension plans -					
Present value of the obligation	5,063	4,857	3,998	2,992	3,097
Fair value of plan assets	(2,700)	(2,556)	(2,677)	(2,375)	(2,632)
Deficit in plan	2,363	2,301	1,321	617	465
Other retirement benefits -					
Present value of the obligation	8,317	8,893	6,906	3,867	2,904
Fair value of plan assets	(1)	(1)	(1)	(1)	(1)
Deficit in plan	8,316	8,892	6,905	3,866	2,903

(24) Provisions

A summary of provisions consists of the following (in millions of dollars):

	December 31,	
	2009	2008
Environmental issues (see note 29)	1,853	1,640
Asset retirement obligations (see note 14)	2,288	2,107
Litigation and other claims (see note 29)	2,094	2,125
	6,235	5,872
Less current portion	3,145	3,178
Long-term portion	3,090	2,694

Retirement costs and obligations of assets associated with the main structures used in refining, trade and supply activities could not be estimated since these assets are considered to have indefinite use in time, as a result of maintenance and major repairs, and no information is available for reasonable determination of their retirement date.

An analysis of provisions for the year 2009 follows (in millions of dollars):

	Balance at December 31, 2008	Increase	Decrease	Balance at December 31, 2009	Current portion	Long-term portion
Environmental issues	1,640	384	(171)	1,853	717	1,136
Asset retirement obligations	2,107	374	(193)	2,288	841	1,447
Litigation and other claims	2,125	139	(170)	2,094	1,586	508

(25) Accruals and Other Liabilities

Accruals and other liabilities are comprised of the following (in millions of dollars):

	December 31,	
	2009	2008
Withholding taxes	852	522
VAT	190	187
Production tax and other taxes payable (see note 30)	2,083	1,718
Accounts payable to employees	820	860
Accrual for refinery work	66	100
Premium on bonds issued (see note 22)	362	383
Interest payable	160	138
Dividends payable	9	23
Advances received from customers	2,402	2,078
Accruals payable to contractors	6,443	5,015
Accounts payable to related parties (see notes 8-a and 30)	10,634	6,867
Accounts payable to non-controlling interests (see notes 8-a and 8-b)	1,218	1,346
Accounts payable for purchase of subsidiaries (see note 10)	844	253
Accounts payable for addition of assets (see note 14)	1,289	-
Other	990	987
	28,362	20,477
Less current portion	25,851	17,635
Long-term portion	2,511	2,842

Advances Received from Customers

During 2009 and 2008, PDVSA entered into several supply agreements at sales prices equivalent to market value, under which advances of $3,513 million and $3,400 million, respectively, were received. Also, during 2009 and 2008, PDVSA supplied products equivalent to $3,398 million and $1,451 million, with an outstanding balance of $2,063 million and $1,949 million at December 31, 2009 and 2008, respectively, included under advances received from customers.

Accounts Payable to Related Parties

Accounts payable to related parties include $4,466 million and $4,400 million corresponding to promissory notes due to the National Treasury Office (ONT-Oficina Nacional del Tesoro) issued in December 2009 and 2008, respectively, due between July 2010 and June 2011, and between July and November 2009, respectively, at an annual interest rates between 2.46% and 2,93%, and 1.80% and 1.96%, for 2009 and 2008, respectively. Between July and November 2009, PDVSA paid $4,400 million corresponding to promissory notes issued in December 2008. Between February and June 2008, the Company paid $6,000 million corresponding to promissory notes issued in December 2007.

At December 31, 2009, accounts payable to related parties include $3,777 million, payable in 2010 by offsetting disbursements made in performing social development activities or through transfers to the stockholder's equity of the Company, at the discretion of the Stockholder. This amount derives from investments made on behalf of the Republic using funds received from FONDEN in December 2008 (see notes 12, 21 and 30).

In 2007, PDVSA received from the National Government the net assets of the partners that decided not to migrate to "Empresas Mixtas", recognizing a net liability with the Bolivarian Republic of Venezuela of $1,706 million, under accounts payable to related parties. At December 31, 2009 and 2008, the balance of this liability is the following (in millions of dollars):

	Petrozuata	Cerro Negro	Hamaca	Total
Net value of assets received, less payments made by PDVSA to different creditors for financial obligations to release loan agreement covenants (see note 8-a)	795	28	883	1,706

Accounts Payable to Non Controlling Interests

At December 31, 2009 and 2008, accounts payable to non controlling interests are comprised of netting agreements derived from the migration process to "Empresas Mixtas" with ENI Dacion, B.V. (see note 8-b) of $637 million and $730 million, respectively; on interest generated by Total Venezuela, S.A. under the settlement agreement (see note 8-a) of $11 million at December 31, 2009 and 2008; as well as working-capital debt contributed by stockholders Statoil Sincor AS and Total Venezuela, S.A. of $138 million and $432 million, respectively, at December 31, 2009; and $146 million and $459 million, respectively, at December 31, 2008.

On July 1, 2009, PDVSA Petróleo subscribed a payment agreement with ENI Dación BV for $104 million to pay, through supply of crude oil and products, the portion corresponding to the first year of the the settlement agreement subscribed in February 2008 between the parties for control of the Dación camp. At December 31, 2009, under this agreement PDVSA Petróleo supplied to ENI Dación BV products equivalent to $93 million.

Withholdings for the "Empresas de Propiedad Social" (EPS) Program

At December 31, 2009 and 2008, accruals and other liabilities include $296 million and $133 million, respectively, corresponding to taxes withheld by PDVSA to its contractors for the social fund established in the "Empresas de Propiedad Social" (EPS) program. These contributions are required under PDVSA's new service and contracting plan for works and services and are aimed at developing social projects or work for the benefit of communities.

(26) Accounts Payable to Suppliers

Accounts payable to suppliers include the following (in millions of dollars):

	December 31,	
	2009	2008
Related parties (see note 30)	150	32
Trade (see note 27)	6,866	7,524
	7,016	7,556

Exposure to liquidity risk related to accounts payable to suppliers is presented in note 27.

(27) Financial Instruments

(a) Credit Risk

Exposure to Credit Risk

The carrying value of financial assets represents the maximum credit risk exposure as follows (in millions of dollars):

	December 31,	
	2009	2008
Long-term accounts receivable (see note 16)	2,575	2,845
Recoverable value added tax (see note 13-g)	7,615	6,344
Notes and accounts receivable (see note 19)	14,311	10,810
Restricted cash (see note 17)	2,064	2,120
Cash and cash equivalents	6,981	4,483
	33,546	26,602

The maximum exposure to credit risk for notes and accounts receivable by geographic region follows (in millions of dollars):

	December 31,	
	2009	2008
United States and Canada	3,819	1,608
Central America and the Caribbean	1,335	3,790
Europe	169	889
Asia	1,066	301
South America	1,054	642
Venezuela	1,735	625
	9,178	7,855

The maximum exposure to credit risk for notes and accounts receivable by type of customer follows (in millions of dollars):

	December 31,	
	2009	2008
Trade	7,269	6,158
Energy agreements	1,909	1,697
	9,178	7,855

Impairment Losses

The aging of notes and trade accounts receivable follows (in millions of dollars):

	December 31,			
	2009		2008	
Aging	Gross	Impairment	Gross	Impairment
Less than 30 days	6,361	-	6,833	-
From 31 to 180 days	1,524	-	528	-
From 181 days to one year	639	-	101	-
More than one year	654	651	393	393
	9,178	651	7,855	393

The maximum exposure to credit risk is concentrated in trade accounts receivable. PDVSA makes an allowance for doubtful accounts based on the aging of the balances and the results of the evaluations of the client portfolio.

Changes in the allowance for doubtful accounts in 2009 and 2008 follow (in millions of dollars):

	December 31,	
	2009	2008
	Dollars	
Balance at January 1st	393	150
Increase	258	244
Decrease	-	(1)
Balance at December 31st	651	393

Based on historical arrears indexes, PDVSA believes that an allowance for doubtful account 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 client portfolio worldwide (see note 6-a).

(b) Liquidity risk

The contractual maturities of finance liabilities, including estimated interest payments and excluding the impact of compensation agreements follow (in millions of dollars):

	Carrying amount		Contractual cash flows		6 months or less		From 6 to 12 months		From 1 to 2 years		From 2 to 5 years		Over 5 years	
	December 31,		December 31,		December 31,		December 31,		December 31,		December 31,		December 31,	
	2009	2008	2009	2008	2009	2008	2009	2008	2009	2008	2009	2008	2009	2008
Non-derivative long-term liabilities:														
Long-term debt (see note 22)	21,383	14,532	30,167	22,002	1,592	1,575	2,540	449	4,226	937	4,699	2,412	17,110	16,629
Obligation under finance leases (see note 22)	36	563	48	688	9	34	10	34	6	117	6	108	17	395
Total long-term debt	21,419	15,095	30,215	22,690	1,601	1,609	2,550	483	4,232	1,054	4,705	2,520	17,127	17,024
Other liabilities (included in accruals and other liabilities (see note 25) (1)	17,279	11,054	17,279	11,112	6,139	2,565	6,640	6,182	1,988	1,030	1,345	-	1,167	1,335
Accounts payable related entities (see notes 25 and 30)	150	32	150	32	-	-	150	32	-	-	-	-	-	-
Accounts payable suppliers (see note 26)	6,866	7,524	6,866	7,524	6,405	6,828	461	696	-	-	-	-	-	-
Derivatives:														
Future exchange agreements:														
Outflow capital	20	162	59	175	58	140	1	34	-	1	-	-	-	-
Capital income	(22)	(274)	(193)	(288)	(184)	(229)	(8)	(58)	(1)	(1)	-	-	-	-
	45,712	33,593	54,376	41,245	14,019	10,913	9,794	7,369	6,219	2,084	6,050	2,520	18,294	18,359

(1) Includes withholdings, VAT, production tax and other taxes payable, accounts payable to related parties, accounts payable to non-controlling interests, interest payable, dividends payable, accounts payable from purchase of non-consolidated investees and accounts payable from incorporation of assets.

*(c) **Foreign Exchange Risk***

PDVSA has the following monetary assets and liabilities denominated in currencies other than the dollar which are converted to dollars at the exchange rate prevailing at the date of the consolidated statements of financial position (in millions of dollars):

	December 31,	
	2009	**2008**
Monetary assets:		
Bolivars	16,736	15,980
Euros	349	1,052
Other currencies	49	5
	17,134	17,037
Monetary liabilities:		
Bolivars	21,654	26,496
Yens	146	208
Other currencies	351	56
	22,151	26,760
Net monetary liability position	(5,017)	(9,723)

In 2008, the BCV published a new inflation indicator, National Consumer Price Index (NCPI), resulting from a revision to the basis of calculating the Consumer Price Index (CPI), which was used until December 31, 2007. The NCPI, among other variables, covers a larger geographical area of Venezuela and uses 2007 as its base year.

The year-end exchange rate, the average exchange rate for the year and the inter-annual increases in the NCPI and the CPI, published by the BCV, were the following (see notes 34-c and 34-g):

	December 31,	
	2009	**2008**
Exchange rate for dollars at year-end (Bs./$1)	2.15	2.15
Average annual dollar exchange rate (Bs./$1)	2.15	2.15
Interannual increase in the CPI (%)	26.90	31.90
Interannual increase in the NCPI (%)	25.10	30.90

*(d) **Interest Rate Risk***

An analysis by the type of interest on financial instruments of the Company follows (in millions of dollars):

	December 31,	
	2009	**2008**
Fixed rate instruments -		
Fixed-term deposits	393	446
Long-term debt	(15,939)	(9,366)
Accounts payable to related entities (see note 25)	(4,466)	(4,400)
	(20,012)	(13,320)
Variable rate instruments -		
Long-term debt	(5,480)	(5,729)
	(25,492)	(19,049)

Cash Flow Sensitivity Analysis for Instruments at Variable Rates

PDVSA does not use the fair value hedge accounting model for its fixed-rate assets and liabilities nor has it designated derivatives as hedging instruments. Therefore, any change in the interest rates as of the reporting date would not affect the consolidated results of the Company.

Cash Flow Sensitivity Analysis for Long-Term Debt at Variable Rates

A change of one percent in the interest rate as of the reporting date would have increased (decreased) the consolidated results by the amounts presented below. This analysis assumes that all other variables remain constant and is performed using the same base as in 2008 (effect in millions of dollars):

	Results	
	Increase by one percent	Decrease by one percent
December 31, 2009 -		
Long-term debt	57	(57)
December 31, 2008 -		
Long-term debt	57	(57)

(e) Fair Value of Financial Instruments

The fair values of financial assets and liabilities, as well as the carrying amounts presented in the consolidated statements of financial position, follow (in millions of dollars):

		December 31,			
		2009		2008	
	Note	Carrying amount	Fair value	Carrying amount	Fair value
Assets measured at fair value:					
Long-term accounts receivable	16	2,316	2,316	2,845	2,845
Recoverable value added tax	13-g	7,615	7,615	6,344	6,344
Notes and accounts receivable	19	14,311	14,311	10,810	10,810
Derivative assets (included in prepaid expenses and other assets)	20	22	22	274	274
Restricted cash	17	2,064	2,064	2,120	2,120
Trading securities (included in prepaid expenses and other assets)	20	314	314	256	256
Cash and cash equivalents		6,981	6,981	4,483	4,483
Liabilities measured at fair value:					
Long-term debt	22	(21,419)	(14,870)	(15,095)	(9,746)
Accounts payable to suppliers	25	(7,016)	(7,016)	(7,556)	(7,556)
Other liabilities (included in accruals and other liabilities)[1]	25	(23,788)	(23,788)	(16,169)	(16,169)
Derivative liabilities (included in accruals and other liabilities)	25	(20)	(20)	(162)	(162)

(1) Includes withholdings, VAT, production tax and other taxes payable, interest payable, dividends payable, accounts payable to related parties, accounts payable to non controlling interests, accounts payable for the purchase of subsidiaries and accounts payable for addition of assets.

The bases to determine fair values are discussed in note 5.

(28) Operating Leases

Future lease payments follow (in millions of dollars):

	December 31,	
	2009	2008
Years -		
2009	-	414
2010	56	215
2011	48	193
2012	33	184
2013	32	183
2014	29	139
Subsequent years	212	-
Estimated future lease payments	410	1,328

Rental expense incurred under operating leases in 2009 and 2008 was approximately $417 million and $492 million, respectively, included in operating expenses.

(29) Commitments and Contingencies

Guarantees

As of December 31, 2009, Petróleos de Venezuela, S.A. and some of its subsidiaries have construction completion guarantees related to debt and financing arrangements of joint projects, as well as for the purchase of food products inventories. The companies guarantee obligations and year of termination follow (in millions of dollars):

	Guarantee obligations	Year of completion
Companies -		
Petróleos de Venezuela, S.A. (see note 17)	203	2013
CITGO	6	2012
PDVSA Petróleo	93	2012

At December 31, 2009 and 2008, PDVSA has not recognized liabilities for these concepts; historically, claims as a result of guarantees have not been significant.

During 2009 and 2008, CITGO has guaranteed debts of subsidiaries and investees, including letters of credit and borrowings for the acquisition of commercialization equipment.

PDVSA Petróleo has a global environmental guarantee undertaken with the Ministry of Popular Power for the Environment and Natural Resources (MINAMB-Ministerio del Poder Popular para el Ambiente), which guarantees the performance of environmental compliance in accordance with current legislation.

Agreements with the Organization of the Petroleum Exporting Countries (OPEC)

The Bolivarian Republic of Venezuela is a member of OPEC, an organization mainly aimed at establishing 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 or variation in prices has not had a significant effect on the Company's consolidated financial position, results of operations and cash flows.

At extraordinary meetings of OPEC held in September and December 2008, a crude oil production cutback of 4.2 million barrels per day was agreed, effective as of January 1, 2009. As a result of this agreement, PDVSA cut back its production by 189 thousand barrels per day beginning on January 1, 2009.

Arbitration before the International Chamber of Commerce (ICC)

On January 25, 2008, Mobil Cerro Negro Ltd. (subsidiary of ExxonMobil) filed an arbitration request before the International Arbitration Court of the International Chamber of Commerce in New York, United State of America, against Petróleos de Venezuela, S.A. and PDVSA Cerro Negro, indicating 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 PDVSA. On July 19, 2008, before the Arbitration Court, the Terms of Reference Agreement was signed. The defendant filed a petition to transfer the proceedings to a different jurisdiction, but it was denied on July 18, 2008.

Also, Mobil Cerro Negro Ltd. filed a request for seizure of assets to be ordered by the South District Court of New York, and was attached to the above arbitration. The seizure requested affected $300 million deposited in the accounts of PDVSA Cerro Negro, held in the Bank of New York Mellon and corresponded to funds released in favor of PDVSA Cerro Negro, as a result of the repurchase of debt undertaken to finance the Proyecto Cerro Negro. The order was issued without giving prior notice of the request to PDVSA Cerro Negro and was confirmed on February 13, 2008. The sum in question will remain withheld until an arbitration award is produced (see note 17).

A request to freeze assets and deliver information at a global level was made by Mobil Cerro Negro Ltd. This request was approved by the Supreme Court of England and Wales on January 24, 2008. This order prohibits Petróleos de Venezuela, S. A. from freely disposing of its assets in England and Wales and compels it to keep, at a global level, unencumbered assets of no less than $12,000 million. This order establishes that PDVSA is not restricted from disposing of any of its assets in the proper course of business. PDVSA defended its position on February 14, 2008. On March 18, 2008, the Supreme Court of England and Wales made a pronouncement in favor of PDVSA, rejecting the aforementioned order.

During 2009, the parties filed their respective briefs containing their allegations. The final hearing is expected to take place in the middle months of 2010. At January 31, 2010, the arbitration process remains ongoing, and the parties expect that a decision to be produced in 2011.

PDVSA believes that resolution of this dispute will not have a significant effect on its operations and financial position.

Other Litigation and Claims

In January 2008, a class action was launched comprising the five claims in different courts of the United States of America, through which several U.S. companies sued PDVSA and its subsidiaries domiciled in the United States of America. This action is being heard by the South District Court of Houston, Texas, and the plaintiffs claim violation of the Anti-Monopoly Laws of the United States of America, in prejudice of consumers. On March 1, 2010, the appellate hearing on dismissal of the claim will take place.

On July 30, 2007, the 9th Superior Tax Contentious Court issued its ruling for an appeal filed by PDVSA Petróleo, S.A. against tax assessments issued by the Tax Administration, objecting the deductibility of a contribution made, in accordance with Article 6 of the Organic Hydrocarbons Law. This ruling concludes that only exports of "oil" and no other products or by-products of hydrocarbon are deductible. This must be construed restrictively since it involves a tax benefit (deduction). The management of PDVSA and its legal counsel have expressed that such ruling is based on legal provisions, but they uphold deductibility through an appeal before the Political-Administrative Court of the Supreme Court of Justice (TSJ-Tribunal Supremo de Justicia). At December 31, 2009 and 2008, the provision for litigation and other claims includes $1,345 million, respectively, which also includes a series of cases relating to the deductions established in Article 6 of that Law and on which no legal pronouncement has been made. The Company's management and its legal consultants believe that these amounts must be taken into account in the respective provision.

At December 31, 2009 and 2008, the provision for litigation and other claims includes $135 million related to tax obligations of PDVSA Petróleo corresponding to 1994, 1995 and 1996 amounting to $830 million, on which PDVSA has made payments for a total of $695 million in Tax Reimbursement Certificates (CERT) to SENIAT, and cash of $682 million and $13 million, respectively.

At December 31, 2009, The Company is involved in other claims and legal actions arising in the normal course of business and amounting of $1,041 million. In the opinion of management and its legal advisors, the outcome of these claims will not have a material adverse effect on the Company's financial position, results of operations or liquidity.

At December 31, 2009 and 2008, based on an analysis of the available information an estimate of $2,094 million and $2,125 million, respectively, is included as provisions (see note 24). If known lawsuits and claims were to be determined in a manner adverse to the Company, and in amounts greater than the Company's accruals, then such determinations could have a material adverse effect on the Company's results of operations in a given reporting period. Although it is not possible to anticipate the outcome of these matters, management, based in part on advice of its legal counsel, does not believe that it is probable that losses associated with the proceedings discussed above, that exceed amounts already recognized, will be incurred in amounts that would be material to the Company's financial position or results of operations.

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 effects of waste disposal and spills of pollutants. In the United States of America and Europe, PDVSA's operations are subject to various federal, state and local environmental laws and regulations, which may require them to take action to remedy or alleviate the effects on the environment of earlier plant decommissioning or leakage of pollutants.

PDVSA has invested approximately $42 million and will additionally invest $1 million in 2010 to complement implementation of its Integral Risk Management System (SIR-PDVSA®). Also, PDVSA implemented an investment plan to meet environmental regulations in Venezuela, which required $180 million in 2009, as follows: $133 million on environmental compliance, and $47 million for other investments related to the environment and occupational health. CITGO estimates expenses of approximately $665 million for projects regulating environmental risks from 2010 to 2014.

Additionally and as part of the environmental responsibility of PDVSA, there is a plan for environmental remediation and restoration of environmental obligation generated until 2004. The plan has an expected duration of 12 years and started in 2001 addressing remediation of pits and unspecified crude oil, hazardous materials and waste, facilities, abandoned equipment and dismantlement, areas impacted by oil-related activities and radioactive sources. Based on the analysis of detailed information available, PDVSA estimated obligation relating to remediation and restoration of environmental obligation and recognized expenses in the results of 2009 and 2008 of $384 million and $583 million, respectively (see note 24).

CITGO has received various notices of violation from the Environmental Protection Agency (EPA) and other regulatory agencies, which include notices under the federal Clean Air Act, and could be designated as Potentially Responsible Parties (PRPs) jointly with other industrial 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 or CITGO is engaged in settlement negotiations. CITGO is committed to negotiate agreements with the previously mentioned authorities.

Conditions that require additional expenditures may exist at various sites including, but not limited to, the Company'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 Party Transactions

PDVSA considers its Stockholder, non-consolidated investees, jointly controlled companies, the Company's 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 follows (in millions of dollars):

	Years ended December 31,	
	2009	2008
Activities of the year:		
Incomes from sales:		
Non-consolidated investees and jointly-controlled entities	7,439	13,168
Companies owned by the Stockholder and other government institutions	313	674
(Loss) gain from interest in the net earnings of non-consolidated investees and jointly-controlled entities (see note 15):		
Continuing operations	(140)	153
Discontinued operations	-	3
Other income	76	86
Costs and expenses:		
Purchases of crude oil and refined products	3,375	5,817
Production tax, income tax and other taxes (see note 13)	13,360	23,462
Other	16	73
Estimated income tax expenses in Venezuela (see note 13-a)	5,841	6,952
Social development expenses	3,514	14,733

	December 31,	
	2009	2008
Balances at year end:		
Investments recognized under the equity method (see note 15)	1,899	1,935
Buildings used by government entities (see note 16)	53	56
Long-term accounts receivable (see note 16)	1,696	1,936
Recoverable value added tax (see note 13-k)	7,615	6,344
FONDESPA executing entities (see notes 16 and 17)	-	534
FEM contributions (see note 17)	827	825
Trust funds with BANDES (see note 17)	409	693
Trust funds with Bicentenario Banco Universal, C.A. (see note 17)	73	12
Income tax paid in advance (see note 20)	6,569	5,893
Income tax payable in Venezuela (see note 13)	2,485	1,900
Accruals and other liabilities	13,768	9,317
Accounts payable to suppliers (see note 26)	150	32
Notes and accounts receivable (see note 19):		
Non-consolidated investees and jointly-controlled entities	1,198	379
Companies owned by the Stockholder and other government institutions	3,677	1,956
	4,875	2,335

Balances and Transactions with the Stockholder

During 2009 and 2008, production taxes were paid in cash to the Republic amounting of $11,575 million and $22,473 million, respectively; also, during 2009, PDVSA delivered crude oil and refined products for 181 MBPD and 188 MBPD, amounting to $4,157 million and $4,055 million, respectively, pursuant to Energy Cooperation agreements (see note 8-c) and the Chinese-Venezuelan Fund Incorporation Agreement. During 2008, PDVSA delivered crude oil and refined products for 168 MBPD and 86 MBPD, amounting to $6,462 million and $2,166 million, respectively. According to Article 45 of the Hydrocarbons Organic Law, these products delivered by the Republic are considered part of the fulfillment of PDVSA's obligations for production tax (see notes 13-g, 16 and 19).

In support of social projects carried out by the National Government, PDVSA incurred in the following expenses during 2009 and 2008 (in millions of dollars):

	Years ended December 31,	
	2009	2008
Expenses for social development incurred through trust funds in BANDES and other government financial institutions	1,027	1,315
Contributions to missions, communities and other	1,910	1,011
	2,937	2,326
FONDEN contributions	569	6,677
Special contribution (see note 33-j)	8	5,730
	577	12,407

During 2009, under the strategic guidelines established by the National Government, for the purpose of meeting the operating needs and investment projects of the electricity sector of the country, PDVSA made contributions of $700 million, presented in the consolidated statements of comprehensive income as social development expenses.

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

Notes and accounts receivable from non-consolidated investees and jointly controlled entities follow (in millions of dollars):

	December 31,	
	2009	2008
Hovensa	909	314
Nynas	162	49
Petrojam Limited	102	-
Mount Vernon Phenol Plant (Mt. Vernon)	25	16
	1,198	379

During 2009 and 2008, PDVSA made the following sales to non-consolidated investees and jointly controlled entities (in millions of dollars):

	Years ended December 31,	
	2009	2008
Hovensa	5,460	9,210
Nynas	1,036	1,376
Chalmette Refining	-	619
ROG	597	886
MC Bitor LTD	66	536
Mt. Vernon	154	305
Thyssen Citgo Petcoke Corporation	126	236
	7,439	13,168

At December 31, 2009 and 2008, PDVSA maintains the following supply agreements:

	Supply agreement (MBPD)		Year of termination
	2009	2008	
Company -			
ROG	27	245	Contractual term, plus 3 additional years
Nynas	54	57	Contractual term, plus 3 additional years
Hovensa	238	270	Between 2014 - 2022
	319	572	

During 2009 and 2008, CITGO acquired refined products from several non-consolidated investees and jointly controlled entities (Hovensa, Chalmette Refining and Mt. Vernon) under long-term agreements. These purchases of $3,375 million in 2009 and $5,817 million in 2008, are included in the consolidated statements of comprehensive income of each year as purchases of crude oil and refined products. At December 31, 2009 and 2008, accounts payable to suppliers include $150 million and $31 million, respectively, in connection with these transactions.

Balances and Transactions with Key Management Personnel

During 2009 and 2008 compensation paid by PDVSA to its directors for salaries and social security were approximately $1.20 million and $1.69 million, respectively.

In addition to salaries and social security contributions, the Company also grants non-monetary benefits to its directors as well contractual benefits and postretirement benefits. Under the terms of the collective agreement of PDVSA, directors have the same rights as all other employees, with respect to eligibility for retirement plan and postretirement benefits other than pension plans. At December 31, 2009 and 2008, these obligation amount to approximately $2.74 million and $2.21 million, respectively, (see note 23).

Certain directors of the Company hold key positions in other related entities, and some of their powers include influencing the operating and financial policies of those companies.

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

During 2009 and 2008, PDVSA made the following sales to companies owned by the Stockholder and other government institutions (in millions of dollars):

	Years ended December 31,	
	2009	**2008**
C.A. de Administración y Fomento Eléctrico (CADAFE)	62	34
Siderúrgica del Orinoco, C.A.	32	40
C. A. Energía Eléctrica de Venezuela (Enelven)	20	55
C.A. Energía Eléctrica de Barquisimeto (Enelvar)	18	47
Metanol de Oriente, S.A. (Metor)	-	97
Supermetanol, C.A.	-	93
Fertilizantes Nitrogenados de Venezuela, C.E.C. (Fertinitro)	78	217
PEQUIVEN	62	14
Other	41	77
	313	674

Notes and accounts receivable from the Stockholder and other government institutions comprise the following (in millions of dollars):

	December 31,	
	2009	**2008**
CORPOELEC	2,308	1,270
PEQUIVEN	388	269
Corporación Venezolana de Agraria	35	-
Corporación de Abastecimiento y Servicios Agrícolas, S.A.	104	-
Asociación Civil "Administradora de los Fondos de Pensiones de los Jubilados de Petróleos de Venezuela, S.A."	77	-
Accounts receivable from employees	257	219
Other	508	198
	3,677	1,956

At December 31, 2009 and 2008, accounts receivable from CADAFE include, mainly, light-diesel supply transactions undertaken by PDVSA Petróleo and financial support for the investment plan, which may be offset against the energy supply service provided by CADAFE. In this connection, during 2009 and 2008, PDVSA Petróleo offset accounts receivable from CADAFE by $267 million and $24 million, respectively.

Also, at December 31, 2009 and 2008, long-term accounts receivable from related parties include principally accounts receivable from employees amounting to $803 million and $469 million, respectively, corresponding to employee loans for contractual benefits, and accounts receivable from PEQUIVEN amounting to $333 million and 332 million, respectively, for funds to be used as working capital.

To meet the guidelines established by MENPET and the strategic plans of PDVSA, the Company temporarily continued to support financially the activities of PEQUIVEN. This support includes loans for working capital to carry out the investment plan in 2006, discounts on methane gas prices and financing of accounts receivable up to 180 days. In 2008, PDVSA provided PEQUIVEN funds amounting to $240, to be used as working capital, presented as long-term accounts receivable from related entities (see note 16).

Amounts recognized from transactions with related parties at December 31, 2009 and 2008 do not necessarily represent the results that would have been obtained if those transactions had been performed with third parties.

(31) Information on Production, Refining and Export Activities

A summary of operating data, relating to production, refining and export of crude oil based on sub-ledgers of the Company and production reports prepared by the MENPET follows (expressed in million barrels per day - MBPD):

	Years ended December 31,	
	2009	**2008**
Oil production:		
Direct management [1]	2,269	2,382
"Empresas mixtas" - Light - medium	349	378
"Empresas mixtas" - Orinoco Oil Belt (2)	394	446
PDVSA's participation in the Orinoco Oil Belt joint ventures [2]	-	29
Total production of PDVSA	3,012	3,235
National production [3]	3,012	3,260
Refining capacity (unaudited):		
National sector [4]	1,303	1,303
International sector [5]	1,732	1,732
Total refining capacity	3,035	3,035
Crude oil volume processed in refineries:		
National sector	961	1,010
International sector (unaudited)	1,373	1,431
Total volume of crude oil processed in refineries	2,334	2,441
Own exports:		
Crude oil	2,019	2,213
By-products	663	663
Total PDVSA export	2,682	2,876
National exports [6, 7 and 8]	2,682	2,897

(1) Includes condensed crude oil of 8 MBPD in 2009 and 2008.

(2) Official Gazette 38,801, dated November 1, 2007, includes the approval by the National Assembly of the creation of "Empresas Mixtas" of the Orinoco Oil Belt, which began operations in 2008 (see note 8-a).

(3) Includes 25 MBPD in 2008 and corresponding to third-party interests in the Orinoco Oil Belt Associations (see note 8-a).

(4) Includes refineries of the domestic sector: Centro de Refinación Paraguaná – CRP (Amuay, Cardón and Bajo Grande), El Palito, Puerto la Cruz and San Roque.

(5) Includes the portion corresponding to PDVSA of international sector refineries (Nynas AB, Ruhr Oel GmbH, Hovensa LLC and Chalmette Refining LLC); as well as wholly-owned refineries Isla, Lake Charles, Lemont, Corpus Christi; PDVSA's participation is 100%.

(6) Includes 21 MBPD in 2008, corresponding to third-party interests in the Orinoco Oil Belt Associations (see note 8-a).

(7) Includes sales to Petroecuador of 21 MBPD in 2009 and 38 MBPD in 2008, included in the consolidated financial statements, offset with purchases under the existing energy agreement between PDVSA and Petroecuador.

(8) Includes 181 MBPD from Energy Cooperation Agreements and 188 MBPD from "Fondo Chino" supplied under agreements between the Bolivarian Republic of Venezuela and the countries that are parties to those agreements (see note 13-g).

(29) Financial Information for Domestic and International Sectors

A consolidated summary of financial information of PDVSA, according to sectors and activities is presented below, to comply with Article 20 of the Organic Hydrocarbons Law (in millions of dollars):

	Domestic Sector												Eliminations			
	Exploration and production		Gas		Refining, trade supply and other		Eliminations		Total domestic Sector		International Sector		Adjustments and reclassifications (2)		Global Consolidated	
	2009	2008	2009	2008	2009	2008	2009	2008	2009	2008	2009	2008	2009	2008	2009	2008
Continuing operations -																
Sale of crude oil and products:																
Exports and foreign, net	33,502	58,316	841	1,464	18,949	29,277	-	-	53,292	89,057	36,473	58,669	(19,129)	(25,238)	70,636	122,488
In Venezuela	9,786	14,302	2,270	3,866	2,135	19,802	(11,545)	(34,417)	2,646	3,553	6,666	7,905	(6,666)	(8,654)	2,646	2,804
Food, mass-consumption products and other	-	-	-	-	1,524	1,072	-	-	1,524	1,072	190	-	-	-	1,714	1,072
	43,288	72,618	3,111	5,330	22,608	50,151	(11,545)	(34,417)	57,462	93,682	43,329	66,574	(25,795)	(33,892)	74,996	126,364
Purchases net of inventory variation:																
Crude oil and products	9,454	13,928	658	865	12,712	35,292	(11,545)	(34,279)	11,279	15,806	40,249	61,923	(25,596)	(33,129)	25,932	44,600
Food, mass-consumption products and other	-	-	-	-	1,083	693	-	-	1,083	693	179	-	-	-	1,262	693
Operating expenses	12,130	9,755	753	913	1,217	2,900	-	-	14,100	13,568	2,354	3,888	(19)	(171)	16,435	17,285
Exploration expenses	247	375	-	-	-	-	-	-	247	375	-	-	-	-	247	375
Depreciation and amortization	3,818	3,573	282	260	1,127	895	-	-	5,227	4,728	567	492	-	-	5,794	5,220
Selling, administrative and general expenses	1,057	1,987	126	269	3,222	2,269	-	-	4,405	4,525	580	457	-	-	4,985	4,982
Production tax, extraction tax and other taxes	12,246	22,348	432	655	682	459	-	-	13,360	23,462	-	-	-	-	13,360	23,462
Social development expenses:																
Social development contributions	-	-	-	-	2,937	2,326	-	-	2,937	2,326	-	-	-	-	2,937	2,326
FONDEN contributions	577	9,938	-	-	-	2,469	-	-	577	12,407	-	-	-	-	577	12,407
Finance (income) expenses:									-	-						
Finance income	(64)	-	-	-	(5,738)	(1,310)	-	-	(5,802)	(1,310)	(71)	(185)	-	(85)	(5,873)	(1,580)
Finance expenses	78	348	(2)	1	699	1,362	-	-	775	1,711	60	153	-	(84)	835	1,780
Equity in net earnings of non-consolidated									-	-						
investees and jointly controlled entities	-	-	(51)	(32)	-	2	-	-	(51)	(30)	191	(123)	-	-	140	(153)
Income from sale of group of assets and liabilities									-	-						
held for sale	-	-	-	-	-	-	-	-	-	-	-	(998)	-	-	-	(998)
Other (income) expenses, net	819	1,966	510	681	(746)	287	-	-	583	2,934	(195)	(974)	19	290	407	2,250
	40,362	64,218	2,708	3,612	17,195	47,644	(11,545)	(34,279)	48,720	81,195	43,914	64,633	(25,596)	(33,179)	67,038	112,649
Income before income tax	2,926	8,400	403	1,718	5,413	2,507	-	(138)	8,742	12,487	(585)	1,941	(199)	(713)	7,958	13,715
Income tax	964	2,338	67	356	2,414	794	-	-	3,445	3,488	(152)	1,674	37	(881)	3,330	4,281
Net income from continuing operations	1,962	6,062	336	1,362	2,999	1,713	-	(138)	5,297	8,999	(433)	267	(236)	168	4,628	9,434
Discontinued operations:																
(Loss) income from discontinued operations, net of taxes	(234)	-	-	-	-	73	-	-	(234)	73	-	-	-	(16)	(234)	57
Net income	1,728	6,062	336	1,362	2,999	1,786	-	(138)	5,063	9,072	(433)	267	(236)	152	4,394	9,491
Other comprehensive income:																
Foreign currency tralation difference for foreign operations	-	-	-	-	-	-	-	-	-	-	104	(78)	-	-	104	(78)
Total comprehensive income	1,728	6,062	336	1,362	2,999	1,786	-	(138)	5,063	9,072	(329)	189	(236)	152	4,498	9,413

(1) Represents eliminations of sales, purchases and costs between activities.

(2) Represents eliminations, adjustments and reclassifications of sales, purchases and other between domestic and international sectors for the consolidated financial statements.

The domestic sector is mainly comprised of the followings companies: Palmaven, S.A., Bitúmenes Orinoco, S.A., PDVSA Gas, S.A. and subsidiaries, PDVSA Petróleo and subsidiaries, S.A., PDVSA Agrícola, S.A. and subsidiaries, Corporación Venezolana del Petróleo, S.A. and subsidiaries, and Deltaven, S.A.

	Domestic Sector													
	Exploration and production		Gas		Refining, trade supply and other		Total domestic Sector		International Sector		Eliminations, adjustments and reclassifications [1]		Global Consolidated	
	2009	2008	2009	2008	2009	2008	2009	2008	2009	2008	2009	2008	2009	2008
Assets														
Property, plant and equipment, net	53,378	49,228	10,388	8,818	13,544	9,898	77,310	67,944	6,147	5,066		-	83,457	73,010
Investments in non-consolidated investees and jointly controlled entities	-	-	125	106	5,944	1,357	6,069	1,463	2,023	2,076	(6,193)	(1,604)	1,899	1,935
Deferred income tax	6,171	3,453	298	308	4,038	3,381	10,507	7,142	-	223	166	360	10,673	7,725
Accounts receivable and other assets	5,954	3,662	51	46	3,115	3,157	9,120	6,865	186	490	(6,127)	(3,798)	3,179	3,557
Recoverable value-added tax, net of current portion	-	4,121	-	-	-	1,453	-	5,574	-	-	-	(2,166)	-	3,408
Restricted cash, net of current portion	653	976	-	-	670	797	1,323	1,773	25	-	301	-	1,649	1,773
Total non-current assets	66,156	61,440	10,862	9,278	27,311	20,043	104,329	90,761	8,381	7,855	(11,853)	(7,208)	100,857	91,408
Inventories	1,643	1,693	422	359	3,317	4,212	5,382	6,264	3,550	3,144	(430)	(730)	8,502	8,678
Recoverable value-added tax	5,002	408	92	47	2,505	304	7,599	759	16	11	-	2,166	7,615	2,936
Notes and accounts receivable	4,716	2,856	963	495	7,734	5,315	13,413	8,666	4,375	4,523	(3,477)	(2,379)	14,311	10,810
Prepaid expenses and other assets	3,289	1,660	743	925	5,761	6,521	9,793	9,106	4,041	3,385	(2,914)	(3,162)	10,920	9,329
Restricted cash	203	90	-	-	513	201	716	291	-	56	(301)	-	415	347
Cash and cash equivalents	588	1,434	6	(5)	4,350	1,230	4,944	2,659	2,037	1,824	-	-	6,981	4,483
Assets held for sale	-	-	-	-	-	3,744	-	3,744	-	97	-	-	-	3,841
Total current assets	15,441	8,141	2,226	1,821	24,180	21,527	41,847	31,489	14,019	13,040	(7,122)	(4,105)	48,744	40,424
Total assets	81,597	69,581	13,088	11,099	51,491	41,570	146,176	122,250	22,400	20,895	(18,975)	(11,313)	149,601	131,832
Equity	39,258	46,879	5,228	7,689	28,088	11,542	72,574	66,110	5,946	6,557	(4,131)	(1,154)	74,389	71,513
Liabilities														
Long-term debt, net of current portion	8,777	5,683	-	355	7,784	4,663	16,561	10,701	1,928	2,169	-	548	18,489	13,418
Employee benefits and other postretirement benefits, net of current portion	3,438	1,854	353	232	2,460	1,773	6,251	3,859	675	609	-	809	6,926	5,277
Deferred income tax	270	4	1	1	524	614	795	619	1,361	1,083	-	-	2,156	1,702
Provisions, net of current portion	2,514	1,975	170	193	138	120	2,822	2,288	268	406	-	-	3,090	2,694
Accruals and other liabilities, net of current portion	1,154	1,792	1,734	246	150	2,678	3,038	4,716	6,012	4,512	(6,539)	(6,386)	2,511	2,842
Total non-current liabilities	16,153	11,308	2,258	1,027	11,056	9,848	29,467	22,183	10,244	8,779	(6,539)	(5,029)	33,172	25,933
Current debt	1,025	717	1,107	-	145	876	2,277	1,593	653	68		16	2,930	1,677
Employee benefits and other postretirement benefits	291	125	178	-	60	1,090	529	1,215	24	69	-	(808)	553	476
Accounts payable to suppliers	4,107	878	892	829	2,580	5,306	7,579	7,013	3,617	3,491	(4,180)	(2,948)	7,016	7,556
Income tax payable	2,006	1,434	(32)	87	511	379	2,485	1,900	60	147	-	-	2,545	2,047
Provisions	2,547	2,710	177	120	143	141	2,867	2,971	278	207	-	-	3,145	3,178
Accruals and other liabilities	16,210	5,530	3,280	1,347	8,908	10,571	28,398	17,448	1,578	1,577	(4,125)	(1,390)	25,851	17,635
Liabilities held for sale	-	-	-	-	-	1,817	-	1,817	-	-	-	-	-	1,817
Total current liabilities	26,186	11,394	5,602	2,383	12,347	20,180	44,135	33,957	6,210	5,559	(8,305)	(5,130)	42,040	34,386
Total liabilities	42,339	22,702	7,860	3,410	23,403	30,028	73,602	56,140	16,454	14,338	(14,844)	(10,159)	75,212	60,319
Total liabilities and stockholder's equity	81,597	69,581	13,088	11,099	51,491	41,570	146,176	122,250	22,400	20,895	(18,975)	(11,313)	149,601	131,832

(1) Represents eliminations, adjustments and reclassifications between domestic and international sectors for the consolidated financial statements.

(33) Laws, Resolutions and Legal Contributions

Laws and Resolutions

(a) Partial Amendment to the Law of the Banco Central de Venezuela

On November 6, 2009, in Official Gazette 39,301, the Partial Amendment to the Law of the Banco Central de Venezuela was published. This amendment authorizes the BCV to purchase and sell in the capital market securities and other financial instruments issued by PDVSA. It also establishes that the tender for the purchase of securities issued by PDVSA must be authorized by the National Government and will be subject to the objections established for inter-institutional coordination.

(b) Amendment to the Terms and Conditions for Creation and Operation of "Empresas Mixtas"

On September 28, 2009, Official Gazette 39,273 was published containing the Amendment to the Agreement for Creation and Operation of "Empresas Mixtas", establishing new percentages for distribution of additional production tax of 3.33%, also know as a special advantage that must be paid by "Empresas Mixtas" for oil-related activities. The amendment to the Agreement sets forth that this distribution will be carried out as follows: a) 2.22% for the Fondo Especial para el Poder Popular (FOPO), directly managed by the National Government and aimed at endogenous development projects under the guidelines established in 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 "Empresa Mixta" 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-m).

(c) Organic Law Reserving for the State Assets and Services Related to Primary Hydrocarbon Activities

On May 7, 2009, Official Gazette 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 primary activities established under the Organic Hydrocarbons Law to be performed by PDSVA or any of its subsidiaries (see notes 10, 14 and 25).

(d) Presidential Instructions for the Elimination of Public-Sector Luxury and Superfluous Expenses

Official Gazette 38,146 published on March 25, 2009, containing Decree 6,649 of the Presidency of the Bolivarian Republic of Venezuela, included the Presidential Instructions for the Elimination of Public-Sector Luxury and Superfluous Expenses, applicable to all agencies and entities of the national public administration.

(e) Economic Measures Announced by the National Government

On March 21, 2009, the President of the Republic, at a meeting with the Ministers, announced a series of economic measures to face falling oil prices. These measures include increasing VAT from 9% to 12% and raising the minimum wage by 20%, 10% in May and the remaining 10% in September 2009.

(f) Resolution Establishing Standards for Fuel Handling, Quality and Sale

On March 16, 2009, Official Gazette 39,139 was published containing the Resolution Establishing Standards for Fuel Handling, Quality and Sale, aimed at regulating the sale of fuels, specifically gasoline for internal combustion engines and diesel engines, relating to handling, quality and storage of those fuels.

(g) Organic Law on Reorganization of the Domestic Liquid Fuels Market

On September 18, 2008, Official Gazette 39,019 was published containing the Organic Law on Reorganization of the Domestic Liquid Fuels Market, reserving for the Republic intermediation activities for the supply of liquid fuels, for national convenience, strategic character, public service and first necessity, undertaken by PDVSA and its subsidiaries and the establishments retailing those liquid fuels (see notes 10 and 14).

(h) Organic Law on Reorganization of the Electricity Sector

Official Gazette 38,736, dated July 31, 2007, published a Decree Law for Reorganization of the Electricity Sector, which created the company Corporación Eléctrica Nacional, S. A. attached to the MENPET, the purpose of which is the generation, transmission, distribution and marketing of power and electricity. Its capital stock will be subscribed 75% by the Republic, through the MENPET, and 25% by PDVSA. This Law orders the Bolivarian Republic of Venezuela, Corporación Venezolana de Guayana (CVG) and PDVSA, to transfer the shares they own in public electricity companies to CORPOELEC (see notes 9, 16 and 30).

(i) Law of Compulsory Purchase for Public or Social Interest

On July 1, 2002, Official Gazette 37,475 was published containing the Law of Compulsory Purchase for Public or Social Interest, aimed at regulating the transfer of ownership rights or any other rights of individuals over assets required to satisfy common wellbeing by granting to the Republic in general any use or improvement for common wellbeing to be performed by the Republic, states, municipalities, autonomous institutes, individuals or duly authorized companies.

Legal Contributions

(j) Law on Special Contribution on Excess Prices in the International Hydrocarbons Market

During 2008, the Law on Special Contribution on Excess Prices in the International Hydrocarbons Market and Resolutions 151 and 195 of MENPET were published. This law and the resolutions establish a special contribution to be paid on a monthly basis for companies exporting or transporting liquid hydrocarbons and by-products abroad. The contribution will be equivalent to a) 50% of the difference between the average monthly price of crude oil of the "Venezuelan basket" and the threshold price of $70 per barrel; and b) 60% of the difference of the average monthly price of crude oil of the "Venezuelan basket" and the threshold price in excess of $100 per barrel. This contribution will be made on every oil barrel exported or transported abroad and will be paid monthly by MENPET to FONDEN. The consolidated statements of comprehensive income for the year ended December 31, 2009 and 2008, includes under social development expenses $8 million and $5,730 million, respectively, for this special contribution (see note 30).

(k) Organic Law on Science, Technology and Innovation

In August 2005, the Organic Law of Science, Technology and Innovation was enacted. Under this law, from January 1, 2006, large corporations of the country must pay on an annual basis a sum equivalent to 0.5% of the gross income obtained within the national territory on any investment activities relating to science, technology and innovation. Also, this law establishes that large corporations carrying out activities established in the Organic Hydrocarbons Law and Hydrocarbon Gas Law must pay on an annual basis a sum equivalent to 2% of the gross income obtained in the national territory from investment activities for science, technology and innovation. For the years ended December 31, 2009 and 2008, the Company determined a contribution of $2,601 million and $1,656 million, respectively, which was offset with disbursements relating to investment activities for science, technology and innovation during those years.

(l) Organic Law against Illegal Trafficking and Consumption of Stupefacient and Psychotropic Substances

In December 2005, the Organic Law against Illegal Trafficking and Consumption of Stupefacient and Psychotropic Substances was published. This Law establishes that all legal entities, private or public, with fifty or more employees must use 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 integral protection programs for children and adolescents.

On May 31, 2006, the National Antidrugs Office (ONA - Oficina Nacional Antidrogas) published a notice extending the term for payment of the contributions under that law; therefore, at December 31, 2009 and 2008 no payments have been made.

Official Gazette 39,211, dated July 1, 2009, was published containing Presidential Decree 6,776 enacting the Partial Regulation 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 the ONA.

Official Gazette 39,336, dated December 29, 2009, was published containing ONA Resolutions 007-2009 and 008-2009, setting 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 declaration 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. As a result of this clarification, PDVSA redetermined the amounts of its contributions for 2006, 2007 and 2008, and recognized expenses of $235 million, including the contribution of 2009, which was recognized under production tax, extraction tax and other taxes in the consolidated statements of comprehensive income of 2009. During 2008, PDVSA recognized expenses of $91 million from those contributions (see note 34-a).

(34) Subsequent Events

(a) Resolution 001-2010 of the Oficina Nacional Antidrogas (ONA)

On February 10, 2010, Official Gazette 39,366,was published containing Ruling 001-2010, which establishes standards for admissible discounts to the contribution required by the LOCTICSEP and its Regulation for proper payment for tax years 2006, 2007 and 2008. This ruling establishes that only the following payments may be discounted by taxpayers during tax years 2006, 2007 and 2008:

- Performance of integral social prevention programs.
- Contributions under the non-reimbursable technical assistance agreements.
- Funding or performance of activities related to integral social prevention.

(b) Incorporation Agreement for "Empresas Mixtas"

On February 1, 2010, PDVSA executed an agreement with Consorcio Nacional Petrolero (CNP), comprised of Russian firms Rosneft Oil Company, Lukoil Oil Company, JSC Gazprom, Neft (Gazpromneft), TNK-BP Company and Surgutneftegaz, for incorporation of an "Empresa Mixta" to carry out crude oil extraction activities at the Junín 6 Block of the Orinoco Oil Belt. The distribution of its initial capital is 60% held by CVP and 40% held by CNP.

(c) Foreign Exchange Agreement 15

On January 27, 2010, Foreign Exchange Agreement 15 was republished in Official Gazette 39,355 as a result of a material error and had been originally published in Official Gazette 39,349, dated January 19, 2010. This agreement contains new provisions and guidelines to complement the official multiple exchange rate system created by Foreign Exchange Agreement 14 (see note 34-g). The most relevant aspects of this agreement are the following:

- With regards to Value Added Tax (VAT), imports of goods and services 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. In relation to exports of goods and services, the applicable exchange rate applicable is Bs.4.2893 per US dollar.
- In relation to customs matters, the applicable exchange rate is Bs.2.60 per US dollar for imports by the sectors of food, health, education, machinery and equipment and science and technology; and Bs.4.30 per US dollar for other types of imports.

(d) Employee Benefits

On January 20, 2010, PDVSA subscribed a Collective Employment Agreement, effective until 2011, which establishes salary improvements and social benefits for employees listed in the contractual payroll in Venezuela.

(e) Presidential Decree Exonerating Income Tax Payment on Interests from PDVSA Debt Bonds

On January 19, 2010, Official Gazette 39,349 was published containing Decree 7,184, exonerating from payment of income tax on interest derived from bonds issued by PDVSA, corresponding to holders, individuals and legal entities.

(f) Presidential Decree Restricting the Working Hours of Domestic Central and Decentralized Public Administrations

Extraordinary Official Gazette 5,955, dated January 13, 2010, was published containing Decree 7,175, establishing as a provisional special measure, for a period of 150 days, a restriction on the working hours of the Domestic Central and Decentralized Public Administration. Not included in the scope of this Decree are dependencies or public offices for attention to the people and services of an essential nature. Consequently, PDVSA is exempt from adhering to the special work schedule. Nevertheless, for the purpose of contributing to energy savings, PDVSA has established measures to lower its energy consumption at its facilities.

*(g) **Foreign Exchange Agreement 14***

On January 8, 2010, Official Gazette 39,340 was published containing Foreign Exchange Agreement 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 aimed at imports by sectors of food, health, education, machinery and equipment and science and technology, 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, different from those caused by hydrocarbon imports, regulated by Foreign Exchange Agreement 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 foreign currency purchase transactions derived from export of hydrocarbons, regulated by Foreign Exchange Agreement 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 foreign currency purchase transactions.

Also, this agreement establishes that legal entities, other than PDVSA, exporting goods and services, may withhold and manage up to thirty percent (30%) of income from foreign currency related to the exports made. This percentage will be used to cover expenses caused by export activities other than long-term 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/$1 and Bs.2.15/$1, respectively, established in Foreign Exchange Agreement 2, dated March 1, 2005.

*(h) **Recently Issued Accounting Standards***

In January 2010, the IASB issued an amendment to IFRS 1 *First-time Adoption of IFRS*, exempting entities adopting IFRS for first-time from providing the additional information introduced in March 2009 to enhance the disclosures of financial instruments (amendment to IFRS 7 *Financial Instruments: Disclosures*). The effective date of this amendment for those adopting IFRS for the first time is July 1, 2010, and early application is permitted.

(35) Supplementary Information on Oil and Gas Exploration and Production Activities (unaudited)

The following tables provide supplementary information on the oil and gas exploration, development and production activities. All production activities are located in Venezuela, principally represented by PDVSA Petróleo, CVP and PDVSA Gas and the "Empresas Mixtas" of CVP, whereas exploration activities are performed in both Venezuelan and the following countries: Bolivia, Ecuador, Cuba, Argentina and Uruguay.

Table I - Crude Oil and Natural Gas Reserves

All crude oil and natural gas reserves located in Venezuela are owned by the Bolivarian Republic of Venezuela. Crude oil and natural gas reserves are estimated by PDVSA and reviewed by MENPET, using reserve criteria which are consistent with those prescribed by the American Petroleum Institute (API) of the United States of America.

Proved reserves are the estimated quantities of oil and gas which, with reasonable certainty, are recoverable in future years from known deposits under existing economic and operating conditions. Due to the inherent uncertainties and limited nature of the data relating to deposits, estimates of underground reserves are subject to change over time, as additional information becomes available. Proved reserves do not include additional quantities 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 oil and gas are the quantities that can be expected to be recovered from existing wells with existing equipment and operating methods. Proved undeveloped reserves are those volumes which are expected to be recovered from new wells on undrilled acreage, or from existing wells.

Proved crude oil reserves have been separated between conventional crude oils (condensed, light, medium and heavy grade crude oils), and extra-heavy crude oil.

A summary of the 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,	
	2009	**2008**
Proved developed and undeveloped reserves of conventional crude oil as of January 1st	40,712	41,204
Revisions	1,006	278
Extensions and new discoveries	23	127
Production	(833)	(897)
Proved developed and undeveloped reserves of conventional crude oil as of December 31st	40,908	40,712
Proved developed and undeveloped reserves of extra-heavy crude oil as of December 31st	170,265	131,611
Total proved developed and undeveloped reserves as of December 31st	211,173 (1)	172,323
Total proved developed reserves, submitted to production, including extra-heavy crude oil as of December 31st (included in the previous total)	15,054	16,298

(1) Includes condensed crude oil reserves of 1,844 million barrels.

At December 31, 2009 and 2008, the certified reserves of crude oil assigned to "Empresas Mixtas" (see note 8-a) amounted to 16,880 million barrels and 20,500 million barrels, respectively. Production for the years ended December 31, 2009 and 2008, reached 144 million barrels and 138 million barrels, respectively.

(b) 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 "Empresas Mixtas" of the Orinoco Oil Belt and through the application of new technologies for refining and improvement of the crude oil aimed at the economic viability of production (see note 8-a).

During 2009 and 2008, changes in proved developed and undeveloped extra-heavy crude oil reserves related to "Empresas Mixtas" of the Orinoco Oil Belt as well as, total proved developed and undeveloped extra-heavy crude oil reserves at those dates, reflecting the full amount of the reserves, are summarized below (in millions of barrels):

	Years ended December 31,			
	2009		**2008**	
	"Empresas mixtas" (1) (2)	**Total including "Empresas mixtas"**	**"Empresas mixtas" (1) (2)**	**Total including "Empresas mixtas"**
Proved developed and undeveloped reserves of extra-heavy crude oil at January 1st	20,500	131,611	10,085	58,173
Revisions	-	38,920	10,598	73,738
Transfers (3)	(3,476)	-	-	-
Development and new discoveries	-	-	-	-
Production	(144)	(266)	(183)	(300)
Proved developed and undeveloped reserves of extra-heavy crude oil at December 31st	16,880	170,265	20,500	131,611
Proved developed reserves submitted to production of extra-heavy crude oil at December 31st	1,110	4,749	1,898	5,669

(1) In 2008, transfer decrees were issued, and the incorporation of the following "Empresas Mixtas" was completed: Petropiar, S.A., Petrocedeño, S.A., and Petromonagas, S.A., which formerly operated as projects Hamaca, Sincor and Cerro Negro of the Orinoco Oil Belt (see note 8-a).

(2) Includes Petropiar, S.A., Petrocedeño, S.A., Petromonagas, S.A. and Petrolera Sinovensa, S.A.

(3) The proved reserves allocated to Petropiar, S.A. and Petromonagas, S. A. were returned to the Nation.

During 2009 and 2008, PDVSA produced 266 million barrels and 300 million barrels of extra-heavy crude oil, respectively, of which 84 million barrels and 24 million barrels, were used for production of extra-heavy crude oil with less than 8° API, respectively (see note 8-a).

In June 2005, MENPET allocated Proyecto Orinoco Magna Reserva to CVP to quantify and certify the reserves of the Orinoco Oil Belt. The strategic guidelines established are aimed at converting such belt into a generator of economic, social, industrial, technological and sustainable development of the country, through valuation and optimal development of its hydrocarbon resources with the current legal framework and the development plan of the nation.

To quantify and certify the reserves, the Orinoco Oil Belt was divided into 4 large areas: Boyacá, Junín, Ayacucho and Carabobo and, these were in turn divided into 30 blocks (excluding the area of the "Empresas Mixtas" Petrocedeño, S. A., Petropiar, S. A., Petromonagas, S. A., Petrozuata, C. A. and Petrolera Sinovensa, S. A.), of which 19 blocks will be quantified in a joint effort between CVP and the professionals of 22 companies from 19 countries signing Memoranda of Understanding Agreements with the National Government.

In 2009, the total proved oil reserves increased by 39,949 million barrels, mainly those associated with the Proyecto Orinoco Magna Reserva and traditional areas, as summarized below (in million barrels/billion cubic feet):

Areas	Proceeds from Oil	Proceeds from Gas
Ayacucho (blocks 2, 3 and 5)	17,565	1,845
Junín (blocks 7 and 10)	8,473	270
Boyacá (blocks 2 and 5)	13,198	2,134
Traditional areas	713	631
	39,949	4,880

The Orinoco Oil Belt contains 1,360,000 million barrels of Original Oil On Site (OOOS), and it is estimated that its recoverable reserves will be 272,000 million barrels, based on the total recovery factor of 20%. Reserves to be certified at the beginning of the project are 235,600 million barrels of which a total of 57,060 million barrels in 2007, 73,738 million barrels in 2008 and 38,920 in 2009, from the Orinoco Oil belt have been certified. This has increased official reserves by 169,718 million barrels over the last five years.

*(c) **Natural Gas Reserves (in billions of cubic feet)***

	Years ended December 31, 2009	Years ended December 31, 2008
Proved developed and undeveloped reserves of natural gas at January 1st	151,976	152,021
Revisions	544	1,151
Extensions and new discoveries	148	101
Production	(1,390)	(1,297)
Proved developed and undeveloped reserves of natural gas at December 31st	151,278	151,976
Proved developed reserves of natural gas relating to extra-heavy crude oil as of December 31st	27,599	24,039
Total proved developed and undeveloped reserves of natural gas at December 31st	178,877	176,015
Total proved developed reserves of natural gas submitted to production, including those relating to extra-heavy crude oil at December 31st (included in the previous total) [(1)]	36,682	38,682

(1) In 2008, proved developed reserves of gas were reviewed field by field by considering the production behavior of active fields, the type of hydrocarbon (considering that 85% of total gas reserves are associated to petroleum and this resource currently presents only 9% of development), and the request made by MENPET to include calculation of these reserves in the studies proposed. In previous years, information on the remaining reserves that have been developed was based on estimates of approximately 70% of total proved reserves, which included inactive wells and fields.

Proved natural gas reserves include the recoverable portion from liquifiable hydrocarbons, which is obtained in PDVSA's processing plants. In 2009 and 2008, liquified national gas was recovered for approximately 58 million and 61 million equivalent barrels, respectively.

Production of natural gas is presented on the basis of actual volumes before the extraction of liquefiable hydrocarbons. During 2009 and 2008, natural gas utilized in reinjection operations amounted to approximately 1,034 billion and 1,128 billion cubic feet, respectively.

In 2009, PDVSA incorporated 4,341 billion cubic feet of associated and non-associated gas reserves, with relevant addition of 3,710 billion cubic feet, arising from the review of the proved reserves of associated gas in the reservoirs of the Proyecto Orinoco Magna Reserva.

Table II – Costs Incurred in Exploration and Development Activities

Exploration costs include the costs of geological and geophysical activities and drilling and equipping exploratory wells. Development costs include those of 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 both expensed and capitalized for PDVSA's conventional and extra-heavy crude oil reserves (in millions of dollars):

	2009			2008		
	Conventional crude oil	**Extra-heavy crude oil (1) (2)**	**Total**	**Conventional crude oil**	**Extra-heavy crude oil (1) (2)**	**Total**
Explorations costs	247	-	247	375	-	375
Development costs	10,925	940	11,865	14,068	1,283	15,351
	11,172	940	12,112	14,443	1,283	15,726

(1) In 2008, the transfer decrees were issued, and the incorporation process of the "Empresas Mixtas" Petropiar, S.A., Petrocedeño, S.A. and Petromonagas, S.A. was completed; these were formerly projects Hamaca, Sincor and Cerro Negro of the Orinoco Belt. For 2008, the costs incurred in exploration and development of extra-heavy crude oil were no longer recognized under the proportional consolidation method (see note 8-a).

(2) 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 Producing Activities

The following table summarizes costs recognized as assets in oil and gas producing activities and the related accumulated depreciation and amortization at December 31, for PDVSA's conventional and extra-heavy crude oil reserves (in millions of dollars):

	2009			2008		
	Conventional crude oil	**Extra-heavy crude oil (2) (3)**	**Total**	**Conventional crude oil**	**Extra-heavy crude oil (2) (3)**	**Total**
Assets used in production	50,063	2,251	52,314	47,148	3,357	50,505
Equipment and facilities	11,321	4,241	15,562	18,642	9,394	28,036
	61,384	6,492	67,876	65,790	12,751	78,541
Accumulated depreciation and amortization	(36,065)	(917)	(36,982)	(42,654)	(985)	(43,639)
Construction in progress	22,096	1,225	23,321	21,765	1,379	23,144
Net capitalized cost as assets	47,415	6,800	54,215	44,901	13,145	58,046

(1) Includes land of $137 million at December 31, 2009 and 2008, respectively.

(2) In 2008, the transfer decrees were issued, and the incorporation process of the "Empresas Mixtas" Petropiar, S.A., Petrocedeño, S.A. and Petromonagas, S.A. was completed, formerly projects Hamaca, Sincor and Cerro Negro of the Orinoco Belt. In 2008, costs recognized as assets for production of oil and gas were no longer recognized under the proportional consolidation method (see note 8-a).

(3) Includes Petropiar, S.A., Petrocedeño, S.A., Petromonagas, S.A. and Petrolera Sinovensa, S.A.

Table IV – Results of Operations for Oil and Gas Producing Activities for Each Year (in millions of dollars):

	Years ended December 31,					
	2009			2008		
	Conventional crude oil	Extra-heavy crude oil (1) (2)	Total	Conventional crude oil	Extra-heavy crude oil (1) (2)	Total
Net production income:						
Sales	33,373	7,606	40,979	49,400	12,995	62,395
Transfers	16,883	-	16,883	40,511	-	40,511
Production costs	(7,443)	(955)	(8,398)	(9,918)	(692)	(10,610)
Production and extraction taxes	(9,446)	(2,324)	(11,770)	(18,888)	(3,893)	(22,781)
Depreciation and amortization	(3,071)	(1,030)	(4,101)	(2,856)	(977)	(3,833)
Exploration cost	(247)	-	(247)	(375)	-	(375)
Results before income tax	30,049	3,297	33,346	57,874	7,433	65,307
Income tax	(15,083)	(1,648)	(16,731)	(29,157)	(3,717)	(32,874)
Results of production operations	14,966	1,649	16,615	28,717	3,716	32,433

(1) In 2008, the transfer decrees were issued, and the incorporation process of the "Empresas Mixtas" Petropiar, S.A., Petrocedeño, S.A. and Petromonagas, S.A. was completed, formerly projects Hamaca, Sincor and Cerro Negro of the Orinoco Belt. In 2008, costs recognized as assets for production of oil and gas were no longer recognized under the proportional consolidation method (see note 8-a).

(2) Includes Petropiar, S.A., Petrocedeño, S.A., Petromonagas, S.A. and Petrolera Sinovensa, S.A.

Revenues from oil production are calculated using foreign market prices as if all production were sold.

The difference between the results before income taxes referred to above and the operating income reported for the upstream segment (see note 7) for 2009 and 2008 is mainly due to: 1) presentation of production at market value versus sales to third parties and intersegment sales of approximately $929 million and $1,434 million, respectively; 2) the inclusion in the business segment of income and general and other expenses, net of approximately $20,863 million and $26,577 million, respectively.

Production costs represent extraction expenses incurred to operate and maintain productive wells and related equipment and facilities, including such costs as operating labor, materials, supplies and fuel consumed in operations and the costs of operating natural liquid gas plants incurred by PDVSA and the "Empresas Mixtas".

The costs of extra-heavy crude production include the expenses incurred to operate and maintain the productive wells, as well as transportation and handling expenses.

Exploration costs include those related to the geological and geophysical activities and drilling of non-productive exploratory wells.

Depreciation and amortization expenses relate to assets employed in production activities. Income tax expense is calculated using the statutory rate for the year. For these purposes, results of operations do not include borrowing expenses, and corporate overhead nor their associated tax effects.

The following table summarizes average per unit sales prices and production costs:

	Years ended December 31,	
	2009	2008
Average sales prices:		
Crude oil, per barrel	57.01	85.36
Gas basket price, per barrel	24.60	26.55
Natural gas, per barrel	7.03	9.43
Average production cost, per barrel of oil equivalent	6.33	7.10
Average production cost, per barrel of oil equivalent, excluding "Empresas Mixtas"	5.64	5.70

Table V - Standardized Measure of Discounted Future Net Cash Flows Related to Proved Oil and Gas Reserves

As a result of uncertainties surrounding the timing of the ultimate development of the country's extra-heavy crude oil reserves, only the conventional proved reserves and those reserves of "Empresas Mixtas" of the Orinoco Oil Belt producing extra-heavy crude oil projects have been used in the calculation of discounted future net cash flows.

Estimated future cash inflows from production are computed by applying the 2009 average prices of export and the oil and gas year-end quantities of estimated proved reserves. Future income from extra-heavy crude oil production is determined using prices and quantities of the upgraded crude that will be produced in the upgrading facilities. Upgraded crude oil prices approximate those of conventional crude oil with similar characteristics at year-end. Future development and production costs are those estimated future expenditures necessary to develop and extract year-end estimated proved reserves, assuming continuation of year-end economic conditions. Estimated future income tax expense is calculated by applying the appropriate year-end statutory tax rates. These are applied to estimated future pre-tax net cash flows. This calculation requires a year-by-year estimate of when future expenditures will be incurred and when the reserves will be produced.

The information provided below does not represent certified estimates of PDVSA's expected future cash flows or a precise value of its proved measured oil and gas reserves. Estimates of proved reserves are imprecise 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 as to the timing of future production from proved reserves and the timing and amount of future development and production costs. The calculations are made as of 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):

	2009			2008		
	Conventional crude oil	Extra-heavy crude oil [1] [2]	Total	Conventional crude oil	Extra-heavy crude oil [1] [2]	Total
Future cash flows	3,431,836	1,018,919	4,450,755	3,945,132	1,736,004	5,681,136
Future production costs	(338,273)	(36,599)	(374,872)	(258,456)	(28,952)	(287,408)
Future production and extraction tax	(964,746)	(339,606)	(1,304,352)	(1,138,943)	(578,610)	(1,717,553)
Future development costs	(184,494)	(96,199)	(280,693)	(115,356)	(91,660)	(207,016)
Future income tax expenses	(665,899)	(178,065)	(843,964)	(798,171)	(342,262)	(1,140,433)
Asset retirement cost	(5,176)	-	(5,176)	(6,223)	-	(6,223)
Future net cash flows	1,273,248	368,450	1,641,698	1,627,983	694,520	2,322,503
Effect of discounting net cash flows at 10%	(1,078,997)	(136,683)	(1,215,680)	(1,289,914)	(492,781)	(1,782,695)
Future discounted cash flows	194,251	231,767	426,018	338,069	201,739	539,808

(1) In 2008, the transfer decrees were issued, and the incorporation process of the "Empresas Mixtas" Petropiar, S.A., Petrocedeño, S.A. and Petromonagas, S.A. was completed, formerly projects Hamaca, Sincor and Cerro Negro of the Orinoco Belt. In 2008, costs recognized as assets for production of oil and gas were no longer recognized under the proportional consolidation method (see note 8-a).

(2) Includes Petropiar, S.A., Petrocedeño, S.A., Petromonagas, S.A. and Petrolera Sinovensa, S.A.

Table VI - Analysis of Changes in Standardized Measure of Discounted Future Net Cash flows Related to Proved Crude Oil and Natural Gas Reserves

The following table analyzes the changes of each year (in millions of dollars):

	2009			2008		
	Conventional crude oil	Extra-heavy crude oil (1) (2)	Total	Conventional crude oil	Extra-heavy crude oil	Total
Present value at January 1:st						
Sales, net of production taxes	(27,729)	(4,326)	(32,055)	(57,874)	(5,493)	(63,367)
Value of additional reserves during the year, due to extensions and discoveries	101	-	101	949	-	949
	(27,628)	(4,326)	(31,954)	(56,925)	(5,493)	(62,418)
Changes in the value of reserves of the previous year resulting from:						
Development costs incurred in the year	10,925	940	11,865	14,068	1,284	15,352
Changes in future development costs	12,215	2,061	14,276	2,135	12,495	14,630
Net changes in production prices and costs	(72,297)	178,425	106,128	348,696	75,759	424,455
Reviews of prior estimates of reserves	4,706	-	4,706	7,988	211,502	219,490
Net changes in income tax expense	20,180	(5,902)	14,278	11,854	5,642	17,496
Net changes in production tax and other	(91,919)	(141,170)	(233,089)	(314,079)	(216,712)	(530,791)
Total changes in the year	(143,818)	30,028	(113,790)	13,737	84,477	98,214

(1) In 2008, the transfer decrees were issued, and the incorporation process of the "Empresas Mixtas" Petropiar, S.A., Petrocedeño, S.A. and Petromonagas, S.A. was completed, formerly projects Hamaca, Sincor and Cerro Negro of the Orinoco Belt. In 2008, costs recognized as assets for production of oil and gas were no longer recognized under the proportional consolidation method (see note 8-a).

(2) Includes Petropiar, S.A., Petrocedeño, S.A., Petromonagas, S.A. and Petrolera Sinovensa, S.A.

(C) AUDITED FINANCIAL STATEMENTS AS OF DECEMBER 31, 2008 AND 2007 AND FOR THE YEARS ENDED DECEMBER 31, 2008 AND 2007.

PETRÓLEOS DE VENEZUELA, S.A.
AND SUBSIDIARIES (PDVSA)

(Wholly-owned by the Bolivarian Republic of Venezuela)

Consolidated Financial Statements

December 31, 2008 and 2007

With Independent Auditors' Report Thereon

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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) (wholly-owned by the Bolivarian Republic of Venezuela), which comprise the consolidated balance sheets as of December 31, 2008 and 2007, and the consolidated statements of income, the consolidated statements of stockholder's equity and the consolidated statements of cash flows for the years then ended, and a summary of significant accounting policies and other explanatory notes. The financial statements of certain subsidiaries for the year ended December 31, 2007, were audited by other auditors. These subsidiaries represent 9% of total assets and 39% of net income for that year, with respect to the corresponding consolidated totals (see note 2-f to the accompanying consolidated financial statements). The financial statements of those subsidiaries were audited by other auditors, whose reports as of December 31, 2007 have been furnished to us and, our opinion, with respect to the amounts included in the financial statements of those subsidiaries as of that date, is based solely on the reports of the other auditors.

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. This responsibility includes: designing, implementing and maintaining internal control relevant to the preparation and fair presentation of the financial statements, that are free from material misstatements, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

Auditors' Responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audits. We conducted our audits in accordance with International Standards on Auditing. Those standards require that we comply with relevant ethical requirements and plan and perform the audit to obtain reasonable assurance whether the financial statements are free of material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on our judgment, including the assessment of the risks of material misstatement of the 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 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 principles used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

(Continued)

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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, based on our audits and the reports of the other auditors with respect to 2007, the accompanying consolidated financial statements fairly present, in all material respects, the consolidated financial position of Petróleos de Venezuela, S.A. and its subsidiaries (PDVSA) as of December 31, 2008 and 2007, and of its consolidated financial performance and its consolidated cash flows for the years then ended in accordance with International Financial Reporting Standards.

Emphasis Paragraph

Without qualifying our opinion, the following issue should be noted: as explained in note 30 to the accompanying consolidated financial statements, PDVSA as a state company owned by the Bolivarian Republic of Venezuela and, according to its corporate objectives and specific responsibilities, undertakes significant transactions with its Stockholder, government institutions and others. These transactions relate mainly to fiscal obligations for the payment of production tax and other taxes, social development contributions, and the purchase and transfer of assets, among others.

ALCARAZ CABRERA VÁZQUEZ

Dimas Castro Bustillos
Public Accountant
C.P.C. Nº 5326

March 29, 2009
Caracas, Venezuela

PETRÓLEOS DE VENEZUELA, S.A. AND SUBSIDIARIES (PDVSA)
(Wholly-owned by the Bolivarian Republic of Venezuela)

Consolidated Balance Sheets

(In millions of U.S. dollars)

Assets	Note	December 31, 2008	December 31, 2007
Property, plant and equipment, net	15	73.010	52.436
Investment in non-consolidated investees and joint ventures	16	1.935	2.088
Deferred income tax	14-a	7.725	5.343
Long-term accounts receivable and other assets	17	3.557	4.167
Recoverable value-added tax, net of current portion	14-f	3.408	2.230
Restricted cash, net of current portion	18	1.773	1.743
Total non-current assets		91.408	68.007
Inventories	19	8.678	8.470
Recoverable value-added tax	14-f	2.936	3.346
Notes and accounts receivable	20	10.810	11.225
Prepaid expenses and other assets	21	9.329	7.721
Restricted cash	18	347	1.555
Cash and cash equivalents		4.483	3.325
Assets held for sale	10	3.841	3.245
Total current assets		40.424	38.887
Total assets		131.832	106.894
Stockholder's Equity			
Stockholder's equity, see consolidated statements of stockholder's equity	22	71.513	56.062
Liabilities			
Long-term debt, net of current portion	23	13.418	13.634
Employee benefits and other postretirement benefits, net of current portion	24	5.277	2.508
Deferred income tax	14-a	1.702	2.402
Accruals and other liabilities, net of current portion	25	5.536	1.812
Total non-current liabilities		25.933	20.356
Current portion of long-term debt	23	1.677	2.977
Employee benefits and other postretirement benefits	24	476	490
Accounts payable to suppliers	26	7.556	3.111
Income tax payable	14-a	2.047	3.048
Accruals and other liabilities	25	20.813	20.085
Liabilities held for sale	10	1.817	765
Total current liabilities		34.386	30.476
Total liabilities		60.319	50.832
Total liabilities and stockholder’s equity		131.832	106.894

Notes 1 to 35 are an integral part of the consolidated financial statements.

PETRÓLEOS DE VENEZUELA, S.A. AND SUBSIDIARIES (PDVSA)
(Wholly-owned by the Bolivarian Republic of Venezuela)

Consolidated Statements of Income

(In millions of U.S. dollars)

	Note	Years ended December 31, 2008	2007
Continuing operations:			
Sale of crude oil and products:	30, 14-b		
Exports to international markets, net		122.488	93.820
In Venezuela		2.804	2.357
Food and other mass consumption products	11	1.072	65
		126.364	96.242
Costs and expenses:			
Purchases net of inventory variation:			
Crude oil and products	30	39.500	28.137
Food and other mass consumption products	11	693	-
Operating expenses		22.385	14.958
Exploration expenses		375	154
Depreciation and amortization	15	5.220	4.018
Selling, administrative and general expenses		4.982	2.702
Production tax, extraction tax and other taxes	14-b, 30	23.462	21.981
Social development expenses:			
Social development contributions	30	2.326	7.341
FONDEN contributions		12.407	6.761
Finance (income) expenses:	13		
Finance income		(1.580)	(566)
Finance expenses		1.780	1.067
Other (income) expenses:	12		
Gain on sale of group of assets and liabilities held for sale	10	(998)	-
Gain on sale of investment in non-consolidated investees	16	-	(641)
Other expenses (income), net	12	2.328	(127)
		112.880	85.785
Equity in net earnings of non-consolidated investees and jointly-controlled entities	16, 30	153	732
Income before income tax		13.637	11.189
Income tax	14-a	4.281	5.017
Net income from continuing operations		9.356	6.172
Discontinued operations:			
Income from discontinued operations, net of income tax	10	57	101
Net income		9.413	6.273
Net income:			
Attributable to the Company's stockholder		7.451	5.371
Minority interests		1.962	902
Net income		9.413	6.273

Notes 1 to 35 are an integral part of the consolidated financial statements.

PETRÓLEOS DE VENEZUELA, S.A. AND SUBSIDIARIES (PDVSA)

(Wholly-owned by the Bolivarian Republic of Venezuela

Consolidated Statements of Stockholder's Equity

Years ended December 31, 2008 and 2007

(In millions of U.S. dollars)

		Equity attributable to the Company's Stockholder							
			Retained Earnings						
	Note	Capital stock	Legal reserves and other	Accumulated (loss) income	Total	Additional contribution of Stockholder	Total attributable to the Company's Stockholder	Minority interests	Total stockholder's equity
Balance as of December 31, 2006		39.094	8.860	(471)	8.389	3.233	50.716	2.387	53.103
Net income		-	-	5.371	5.371	-	5.371	902	6.273
Transfer to reserves	22	-	(1.908)	1.908	-	-	-	-	-
Dividends paid	22	-	-	(2.658)	(2.658)	-	(2.658)	-	(2.658)
Additional contribution of Stockholder	22	-	-	-	-	93	93	-	93
Additional contribution of minority interests	22	-	-	-	-	-	-	3	3
Decrease in additional contribution of Stockholder and minority interests	22	-	-	-	-	(223)	(223)	(150)	(373)
Share of minority interests in additional contribution of Stockholder	22	-	-	-	-	(93)	(93)	93	-
Share of minority interests in dividends declared	22	-	-	-	-	-	-	(379)	(379)
Balance as of December 31, 2007		39.094	6.952	4.150	11.102	3.010	53.206	2.856	56.062
Net income		-	-	7.451	7.451	-	7.451	1.962	9.413
Transfer to reserves	22	-	7.725	(7.725)	-	-	-	-	-
Dividends paid	22	-	-	(2.000)	(2.000)	-	(2.000)	-	(2.000)
Additional contribution of Stockholder	9-a & 22	-	-	-	-	8.966	8.966	-	8.966
Additional contribution of minority interests of "Empresas Mixtas" in the additional contribution of Stockholder	9-a & 22	-	-	-	-	(4.148)	(4.148)	4.148	-
Additional contribution of minority interests	9-a & 22	-	-	-	-	-	-	25	25
Dividend advances to minority interests	22	-	-	-	-	-	-	(344)	(344)
Share of minority interests in dividends declared	22	-	-	-	-	-	-	(609)	(609)
Balance as of December 31, 2008		39.094	14.677	1.876	16.553	7.828	63.475	8.038	71.513

Notes 1 to 35 are an integral part of the consolidated financial statements.

PETRÓLEOS DE VENEZUELA, S.A. AND SUBSIDIARIES (PDVSA)
(Wholly-owned by the Bolivarian Republic of Venezuela)

Consolidated Statements of Cash Flows

Years ended December 31, 2008 and 2007

(In millions of U.S. dollars)

	Years ended December 31,	
	2008	**2007**
Cash flows from operating activities:		
Net income	9.413	6.273
Adjustments to reconcile net income to net cash provided by operating activities -		
Depreciation and amortization	5.220	4.018
Asset impairment	369	10
Cost of asset retirement obligations	69	53
Deferred income tax	(3.082)	(1.587)
Provision for employee benefits and other postretirement benefits	3.806	2.899
Equity in earnings of non-consolidated investees and jointly-controlled entities	(156)	(733)
Gain on sale of investments in non-consolidated investees	-	(641)
Gain on sale of group of assets held for sale, net	(998)	-
Excess of net assets acquired over the cost of investment	(8)	(666)
Changes in the fair value of long-term accounts receivable	516	446
Increase in allowance for doubtful accounts	244	43
Increase in allowance for obsolete inventories and net realizable value	1.540	14
Changes in operating assets -		
Notes and accounts receivable	(2.096)	(1.703)
Inventories	(1.705)	(1.650)
Prepaid expenses and other assets	(1.170)	(5.690)
Recoverable value-added tax	(1.450)	(1.340)
Changes in operating liabilities -		
Accounts payable to suppliers	4.345	(3.248)
Income tax payable, accruals and other liabilities	2.646	9.317
Payment of employee benefits and other postretirement benefits	(1.051)	(2.006)
Total adjustments	7.039	(2.464)
Net cash provided by operating activities	16.452	3.809
Cash flows from investment activities:		
Purchases of property, plant and equipment, net	(18.413)	(12.852)
Purchases of subsidiaries, net of cash acquired	(315)	-
Decrease (increase) in restricted cash	1.178	(929)
Cash from sale of group of assets held for sale, net	1.599	-
Sale of investment in non-consolidated investees	31	756
Incorporation of new non-consolidated investees	(73)	-
Dividends received from non-consolidated investees	369	635
Purchase of assets held for sale, net	-	(1.087)
Other variations in assets	(203)	290
Net cash used in investment activities	(15.827)	(13.187)
Cash flows from financing activities:		
Increase in long-term debt	3.938	15.527
Payments of long-term debt	(5.477)	(2.069)
Funds received from Stockholder	5.000	-
Dividends paid to Stockholder	(2.000)	(2.658)
Additional contribution of minority interests	25	-
Dividend advances to minority interests	(344)	-
Dividends paid to minority interests	(609)	(379)
Net cash provided by financing activities	533	10.421
Net increase in cash and cash equivalents	1.158	1.043
Cash and cash equivalents at beginning of year	3.325	2.282
Cash and cash equivalents at year-end	4.483	3.325
Supplemental disclosure:		
Significant cash disbursements in the year -		
Interest, net of amount recorded under assets	758	455
Income tax, production tax and other taxes	33.809	27.124
Social development expenses	15.133	13.897
Significant transactions not requiring cash -		
Dividends paid through assignment of promissory notes	(131)	(85)
Decrease in additional contribution of Stockholder	-	(223)
Additional contribution of Stockholder, net of minority interest	6.658	-

Notes 1 to 35 are an integral part of the consolidated financial statements.

(1) Reporting Entity

Petróleos de Venezuela, S.A. is a company incorporated and domiciled in the Bolivarian Republic of Venezuela and its headquarters are located at Edificio Petróleos de Venezuela, Torre Este, Avenida Libertador, La Campiña, Apartado N° 169, Caracas 1010-A.

Petróleos de Venezuela, S.A. and its subsidiaries (PDVSA or the Company) are wholly-owned by the Bolivarian Republic of Venezuela, which controls PDVSA, as stockholder, through the Ministry of Popular Power for Energy and Oil (hereinafter referred to as MENPET). PDVSA is responsible, in Venezuela, for developing the hydrocarbon industry; as well as planning, coordinating, supervising and controlling the activities of its subsidiaries, both in Venezuela and abroad (see notes 3-a, 9, 16 and 30). Most of its foreign subsidiaries are involved in refining and marketing activities in North America, Europe and the Caribbean. The consolidated financial statements of PDVSA, for the years ended December 31, 2008 and 2007, include the Company, its affiliates and jointly-controlled entities.

On August 6, 2008, Official Gazette 38,988 was published, containing Decree 6,234 of the Partial Amendment to Decree 3,299, dated December 7, 2004, establishing the Corporate Bylaws and Memorandum of Incorporation of Petróleos de Venezuela, S.A. (Bylaws and Memorandum of Incorporation), which introduce a series of changes mainly to the corporate purpose and eliminate petrochemical and carbochemical activities and add activities aimed at fostering integral, organic and sustained development of Venezuela, including agricultural and industrial activities, and manufacturing or transformation of goods and their commercialization, and to provide services, so that there may be a direct link between hydrocarbon resources and the Venezuelan economy.

Based on the social responsibility of PDVSA, set forth in Articles 302 and 311 of the Constitution of the Bolivarian Republic of Venezuela, Article 5 of the Organic Hydrocarbons Law, and the second clause of the Bylaws-Memorandum of Incorporation, referring to PDVSA's involvement in social and integral development of Venezuela, and to support the works or services aimed at the development of infrastructure and public roads, agricultural activities, health and education and any other productive investment in Venezuela, PDVSA participates in diverse programs established by the National Government (see notes 3-a, 17, 18 and 30).

The main activities of PDVSA are governed by the Organic Hydrocarbons Law, 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 dispositions issued by the National Government through MENPET and any applicable laws.

(2) Basis of Presentation

(a) Statement of Compliance

The consolidated financial statements are prepared in accordance with International Financial Reporting Standards (IFRSs), adopted by the International Accounting Standards Board (IASB) and its interpretations issued by the International Financial Reporting Interpretations Committee (IFRIC) of the IASB.

On March 28, 2009, the Executive committe approved to submit for consideration at the Stockholder's Meeting the consolidated financial statements for the year ended December 31, 2008, which will soon be presented to the stockholder's meeting and which are expected to be approved without changes. The consolidated financial statements for the year ended December 31, 2007 were approved at the Stockholder's Meeting on March 27, 2008.

(b) Basis of Measurement

The consolidated financial statements have been prepared on the historical cost basis, except for certain assets and liabilities measured at fair value. Assets measured and stated at fair value are the following: derivative financial instruments, recoverable value-added tax and long-term accounts receivable from entities performing social projects and energy agreements.

The methods used to measure fair values are discussed comprehensively in note 6.

(c) Functional and Presentation Currency

The consolidated financial statements are presented in U.S. dollars (dollar or $) which is the functional currency of the Company since the main economic environment of the operations of PDVSA is the international market of crude oil and refined products. Additionally, a significant portion of revenues and long-term debt as well as most costs, expenses and investments are denominated in dollars.

All financial information presented in dollars has been rounded to the nearest million.

(d) Use of Estimates and Judgments

The preparation of 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. The Company uses its best estimates and judgments; however, actual results may differ from these estimates.

The related estimates and assumptions are based on experience and other factors which are considered reasonable under current circumstances and form the basis for determining the carrying value of assets and liabilities not easily determinable by other means. Estimates and assumptions are reviewed periodically, and revisions of accounting estimates are recorded in the same year and in any future years affected.

The significant areas of estimation, uncertainty and critical judgments, in applying accounting policies that have the most significant effect on the amounts recognized in the consolidated financial statements follow:

- Business combinations (see notes 10 and 11).
- Deferred income tax and use of tax losses (see note 14).
- Depreciation, amortization and impairment (see note 15).
- Financial leases (see note 23).
- Measurement of contractual retirement benefit obligations and other postretirement benefits other than retirement (see note 24).
- Accrual for asset retirement obligations (included in accruals and other liabilities) (see note 25).
- Valuation of financial instruments (see note 27).
- Operating leases (see note 28).
- Provision for litigation and other claims and accrual for environmental matters (see note 29).
- Crude oil and gas reserves (see note 35).

(e) Consolidated Financial Statements – Subsidiaries Audited by Other Independent Auditors

The consolidated financial statements of PDVSA as of December 31, 2007, and for the year then ended, were audited by independent auditors. A list of subsidiaries audited by auditors, other than our corporate auditors Alcaraz Cabrera Vázquez (a Venezuelan member firm of KPMG International), indicating the respective interest in net income and total assets with respect to the consolidated totals, is presented below:

Company	Interest (%) with respect to consolidated totals: Net income	Interest (%) with respect to consolidated totals: Total Assets	Independent Auditors
Subsidiaries :			
Petroboscán, S.A.	9.98%	1.30%	Espiñeira, Sheldon y Asociados, a member firm of PricewaterhouseCoopers (PWC)
Petrolera Zuata, Petrozuata, C.A.	9.00%	3.57%	Espiñeira, Sheldon y Asociados, a member firm of PricewaterhouseCoopers (PWC)
Petroregional del Lago, S.A.	4.78%	1.08%	Espiñeira, Sheldon y Asociados, a member firm of PricewaterhouseCoopers (PWC)
Petroquiriquire, S.A.	3.10%	0.56%	Lara Marambio y Asociados, a member firm of Deloitte Touche Tohmatsu (Deloitte)
Petrodelta, S.A.	2.89%	0.23%	Lara Marambio y Asociados, a member firm of Deloitte Touche Tohmatsu (Deloitte)
Petroindependiente, S.A.	1.76%	0.69%	Espiñeira, Sheldon y Asociados, a member firm of PricewaterhouseCoopers (PWC)
Petrolera Sino-Venezolana, S.A.	1.50%	0.36%	Espiñeira, Sheldon y Asociados, a member firm of PricewaterhouseCoopers (PWC)
Baripetrol, S.A.	1.43%	0.27%	Espiñeira, Sheldon y Asociados, a member firm of PricewaterhouseCoopers (PWC)
Lagopetrol, S.A.	1.37%	0.03%	Espiñeira, Sheldon y Asociados, a member firm of PricewaterhouseCoopers (PWC)
Boquerón, S.A.	1.09%	0.29%	Mendoza, Delgado, Labrador y Asociados, a member firm of Ernst & Young Global (E&Y)
Petroperijá, S.A.	1.02%	0.43%	Mendoza, Delgado, Labrador y Asociados, a member firm of Ernst & Young Global (E&Y)
Petrocabimas, S.A.	0.58%	0.11%	Marambio, González & Asociados, a member firm of Kreston International
Petrowarao, S.A.	0.38%	0.14%	Lara Marambio y Asociados, a member firm of Deloitte Touche Tohmatsu (Deloitte)
Petrocumarebo, S.A.	0.21%	0.07%	Espiñeira, Sheldon y Asociados, a member firm of PricewaterhouseCoopers (PWC)
Petroguárico, S.A.	0.18%	0.05%	Espiñeira, Sheldon y Asociados, a member firm of PricewaterhouseCoopers (PWC)
Joint Ventures:			
Proyecto Hamaca	7.51%	3.21%	Espiñeira, Sheldon y Asociados, a member firm of PricewaterhouseCoopers (PWC)
Sincor Joint Operation	5.59%	2.49%	Mendoza, Delgado, Labrador y Asociados, a member firm of Ernst & Young Global (E&Y)
Proyecto Cerro Negro	3.66%	2.08%	Espiñeira, Sheldon y Asociados, a member firm of PricewaterhouseCoopers (PWC)

(3) Significant Accounting Policies

Accounting policies have been applied consistently for all years presented in these consolidated financial statements and have been applied consistently by its subsidiaries, affiliates and jointly-controlled entities.

Certain reclassifications have been made in the 2007 consolidated financial statements to conform to the classifications used in 2008. Also, the comparative consolidated statements of income have been presented as if discontinued operations in the current year had taken place at the beginning of the comparative year (see note 10).

(a) Basis of Consolidation

Investments in Subsidiaries

Subsidiary companies are those 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. In assessing control, potential voting rights that may be exercised or transferred are taken into account. The financial statements of subsidiaries are included in the consolidated financial statements from the date that control commences until the date that control ends. The accounting policies of subsidiaries have been amended as necessary to adjust them to the policies adopted by the Company.

The most significant wholly-owned subsidiaries are the following: PDVSA Petróleo, S.A. (PDVSA Petróleo); Corporación Venezolana del Petróleo, S.A. (CVP); PDVSA Gas, S.A. (PDVSA Gas); Deltaven, S.A. (Deltaven); and PDVSA Agrícola, S.A. in Venezuela; PDV Holding, Inc. (PDV Holding) and its main subsidiary PDV America, Inc. (PDV America), which operates in the United States of America. The main activity of PDVSA in the United States of America is represented by CITGO Petroleum Corporation and its subsidiaries (CITGO), wholly-owned by PDV America.

During 2008 and 2007, new PDVSA subsidiaries were incorporated and acquired to meet the requirements of operations under different energy cooperation agreements undertaken between the Bolivarian Republic of Venezuela and other countries, as well as other subsidiaries to service the industrial, naval, food and development sectors: Magna Reserva; Orinoco Project; Delta Caribe; Growth of Traditional Areas; Refining, Infrastructure and Commercialization and Integration Projects (see notes 9 and 11).

In accordance with the strategic objectives and guidelines of the National Government, the Stockholder's Meeting of PDVSA in 2007 authorized the purchase of shares of the following companies operating the electricity sector in the country: C.A. La Electricidad de Caracas (EDC); Sistema Eléctrico del Estado Nueva Esparta, C.A. (SENECA); C.A. Electricidad de Valencia (ELEVAL) and C.A. Luz y Fuerza Eléctrica de Puerto Cabello (CALIFE) (see note 10).

From October 2007, the consolidated financial statements of PDVSA include the financial statements of Petrolera Zuata, Petrozuata, C.A. (Petrozuata), resulting from control over its activities from that date. Until September 30, 2007, the investment in Petrozuata was recorded under the equity method (see notes 9-a and 16).

Non-Consolidated Investees and Jointly-Controlled Entities (Equity Method)

Non-consolidated investees are those entities where PDVSA has a significant influence, but not control over the financial and operating policies. Significant influence is presumed when the Company owns directly or indirectly between 20 and 50 percent of the voting rights in the other company. Jointly-controlled entities are those where PDVSA has common control, established through a contractual agreement and require unanimous consent of the parties for strategic decision-making on financial and operating matters. Non-consolidated investees and jointly-controlled companies are recognized based on the equity method and initially recorded at cost, plus goodwill identified upon acquisition, net of any accrued impairment loss. The consolidated financial statements of PDVSA include the corresponding share in the results of operations and changes in stockholder's equity of non-consolidated investees and jointly-controlled companies from the date when influence commences until the date when control ceases. When the interest in losses exceeds the investment in a non-consolidated investee or jointly-controlled company, the carrying value of that investment is reduced to zero, and recognition of further losses ceases, except when PDVSA is jointly and severally liable for obligations incurred by such non-consolidated investees and jointly-controlled companies.

Interests in Joint Ventures

Joint ventures are any entity in which PDVSA exercises joint control, contractually established. PDVSA Petróleo participates, through its consolidated subsidiaries PDVSA Cerro Negro, S.A. (PDVSA Cerro Negro); PDVSA Sincor, S.A. (PDVSA Sincor); and Corpoguanipa, S.A. (Corpoguanipa), in joint ventures for the development of extra-heavy oil reserves in the Orinoco Belt. These subsidiaries of PDVSA Petróleo have prepared their financial statements taking into account their interest in the assets, liabilities, income and costs, in accordance with their share in the joint ventures, from the date the joint control commences until it ceases. In accordance with guidelines established by the National Government, the activities of these joint ventures were undertaken by "empresas mixtas" created with a majority interest of PDVSA from the time of publication of the respective asset transfer decrees, that is, during the first quarter of 2008. Following that publication, the financial information of the incorporated "Empresas Mixtas" is included in the consolidated financial statements of PDVSA on a consolidated basis (see note 9-a).

Transactions Eliminated in Consolidation

Intercompany balances and transactions, and any unrealized gains or expenses from intercompany transactions, are eliminated in preparing the consolidated financial statements. Unrealized gains from transactions with entities, whose investment is accounted for using the equity method, are eliminated against the investment in such companies. Unrealized losses are eliminated in the same manner as unrealized gains, provided that there is no evidence of impairment.

Investments at Cost

Investments in shares in which PDVSA does not exercise any significant control or influence are accounted for at cost, and the dividends of those companies are recorded as income once they are declared.

(b) Currencies Other than the Dollar

Transactions in Currencies Other than the Dollar

Transactions in foreign currencies other than the dollar are translated to the respective functional currency of the related entities of the Company, at the exchange rate in effect at the transaction date. Monetary assets and liabilities in foreign currencies other than the dollar at the balance sheet date are translated into the functional currency using the applicable exchange rate on that date. The foreign currency gain or loss on monetary items is the difference between the net cost in the functional currency at the beginning of the year, adjusted by the payments during the year, and the net cost in foreign currency translated using the exchange rate at year-end. Non-monetary assets and liabilities in currencies other than the dollar stated at fair value are retranslated to the functional currency using the exchange rate as of the date of determining fair value. Foreign exchange gains or losses resulting from retranslation are recorded in the consolidated statements of income (see note 5).

Financial Statements of Subsidiaries Incorporated Outside Venezuela and the United States of America

Assets and liabilities of subsidiaries outside of Venezuela and the United States of America, with a functional currency other than the dollar, are translated into dollars at the rate of exchange in effect at the date of the financial statements. Income and expense items are translated at the weighted average exchange rate prevailing during each year presented. The accumulated translation effect has not been significant in recent years and is included in stockholder's equity under accumulated income or losses. When a foreign operation is sold, fully or partially, the translation effect associated with such operation is recorded in the consolidated statements of income.

(c) Financial Instruments

Non-Derivative Financial Instruments

Non-derivative financial instruments are long-term accounts receivable, notes and accounts receivable, recoverable tax credits, restricted cash, cash and cash equivalents, long-term debt, accounts payable to suppliers and other liabilities (see notes 3-k and 6).

Non-derivative financial instruments are recognized initially at fair value plus, for instruments not at fair value through the consolidated statement of income, any directly attributable transaction costs.

A financial instrument is recorded when the Company engages or commits to the contractual clauses thereof. Financial assets are reversed if the contractual rights of the Company over the cash flows of the asset expire or if the Company transfers the financial asset to another entity without retaining control or a significant portion of risks and rewards of the asset. Regular way purchases and sales of financial assets are accounted for at trade date, which is generally the date on which the Company commits to purchase or sell the asset. Financial liabilities are derecognized when the specific contractual obligation of the Company expires or is paid.

See accounting policies for recording financial income and expenses in note 3-p.

Derivative Financial Instruments

PDVSA uses derivative financial instruments to reduce its exposure to commodity price risk and interest rate risk arising from operational, borrowing and financing activities. Those instruments are initially recorded at their fair values; transaction costs are recognized in the consolidated statements of income as incurred. Subsequent to initial recognition, derivative financial instruments are measured at fair value recognizing any changes in the consolidated statements of income. The effects of changes in the fair value of derivatives in 2008 and 2007 are not significant and are included in the consolidated statements of income.

In accordance with its corporate policy, PDVSA does not use derivative financial instruments for trading or speculative purposes.

(d) Property, Plant and Equipment

Property, plant and equipment are stated at cost net of accumulated depreciation and impairment loss (see note 3-k). The successful efforts method of accounting is used for exploration and production activities for crude oil and gas, considering that established in International Financial Reporting Standard 6 Exploration and Evaluation of Mineral Resources (IFRS 6), related to the recognition of exploration and evaluation assets. Costs of well development, related plant and equipment used in explotation of oil and gas are recorded as part of the cost of assets. Costs of exploratory wells are recorded as assets until it is determined whether the well is commercially feasible; otherwise, such costs are charged to operating expenses. Other exploratory expenditures, including the geological and geophysical costs, are expensed as incurred. Major maintenance costs or a general repair, as well as replacement of significant items of property, plant and equipment, are capitalized when these are identified as a separate component of the asset to which such maintenance, repair or replacement corresponds and are depreciated over the period between one maintenance or replacement and another. Disbursements for minor maintenance, repairs and renewals incurred to maintain the facilities in normal operating condition are expensed immediately.

The cost of property, plant and equipment also includes disbursements for acquisition of those assets, as well as the amounts associated with asset retirement obligations (see note 3-e).

Financing costs of projects requiring major investments and those incurred in financing of specific projects are recognized as property, plant and equipment, when directly related to the construction or acquisition of an asset. Capitalization of these costs is suspended during the years in which construction activities is interrupted, and capitalization ceases when the activities required for use of the asset have been substantially completed (see note 3-p).

The cost of assets built by the Company includes interest on borrowings, the cost of materials and direct labor as well as any other direct cost attributable to bringing the asset to working condition. It also includes dismantling and removal costs at the location where built.

All disbursements relating to construction or purchase of property, plant and equipment in the stage prior to implementation are stated at cost as work in progress. Once the assets are ready for use, they are transferred to property, plant and equipment and depreciation or amortization commences.

When parts of an asset under property, plant and equipment have different useful lives, they are recorded separately as a significant component of that asset.

Depreciation and amortization of capitalized costs related to wells and facilities for the production of crude oil and gas, are determined 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 plants and equipment are depreciated over their estimated useful lives, mainly using the straight-line method, which for plants and refining facilities ranges between 17 and 25 years; for storage facilities and crude oil and gas transportation between 12 and 25 years; for buildings and constructions 20 years; for machinery and equipment between 5 and 10 years; for, maritime and air transportation units between 3 and 20 years; for the services of industrial and camps support between 10 and 17 years; and for remaining assets between 3 and 10 years. In addition, the assets acquired under financial leases are depreciated using the straight-line method over approximately 10 years, which approximates the average estimated useful life, with the transfer of ownership of these assets at the end of the lease term (see notes 3-g y 23). Land is not depreciated.

Depreciation methods and useful lives of property, plant and equipment are reviewed annually.

The gain or loss from sale or disposal of an item of property, plant equipment is determined by comparing the proceeds from the sale or elimination, if any, to the carrying amount of property, plant and equipment and is recognized under other (income) expenses, net in the consolidated statements of income.

(e) Costs Associated with Asset Retirement Obligations

PDVSA capitalizes the estimated costs associated with asset retirement obligations, involving assets for exploration activities and production of crude oil and gas and other industrial facilities, based on the future retirement plan for those assets. Costs are capitalized as part of the long-lived assets and are amortized by charging operating costs over their useful lives.

Obligations associated with the retirement of long-lived assets are recorded at fair value on the date on which such obligation is incurred, based on future discounted cash flows. The fair values are determined based on current regulations and technologies.

Changes in the fair values of obligations are added to or deducted from the cost of the respective asset. The adjusted depreciation amount of the asset is depreciated over its remaining useful life. Therefore, once its useful life has expired, all subsequent changes in the fair value of the obligation are recorded in the consolidated statements of income. The increase in the obligation for each year elapsed is recognized in the results of operations as finance expenses (see note 3-p).

(f) Goodwill

The Company recognizes as an asset any goodwill as of the acquisition date of subsidiaries, non-consolidated investees and jointly-controlled entities. Goodwill is initially measured as the excess of the cost of the business combination over the Company´s interest in the net fair value of the identifiable assets, liabilities and contingent liabilities. Subsequent to initial recognition, goodwill is measured at cost less accumulated impairment losses.

When the Company´s interest in the net fair value of identifiable assets, liabilities and contingent liabilities exceeds the cost of the business combination, that excess is recognized immediately in the consolidated statement of income.

(g) Leased Assets

Leased assets for which the Company undertakes substantially all risks and rewards are classified as capital leases. At the time of initial recognition, the leased asset is valued at the lower of its fair value and the present value of minimum lease payments. After initial recognition, the asset is recorded according to the applicable accounting policies. Other leases are deemed operating; therefore, such leased assets are not recorded in the consolidated balance sheets (see notes 3-d, 23 and 28).

(h) Inventories

Inventories are stated at the lower of cost or net realizable value. Net realizable value is the estimated sale value in the normal course of business, less costs to complete and estimated selling costs.

The cost of inventories of crude oil and its products is determined using the average cost method.

The cost of inventories of food and other mass consumption products, located in the warehouses of the Company, is determined principally by the retailer's method, less an allowance for possible losses. This method implies determining the cost of inventory by deducting from the sales price of the item an appropriate amount of the gross profit. The percentage applied takes into account those inventories marked below their original sales prices. The average cost method is used for the remainder of the inventories (see note 19).

Materials and supplies are stated principally at average cost, less an allowance for possible losses, and are classified into two groups: current assets and non-current assets.

(i) Trade Accounts Receivable

Trade accounts receivable are recorded using the amounts billed and are stated net of an allowance for doubtful accounts, which represents the amount of probable losses from accounts receivable. The Company estimates such allowance based on the aging of accounts receivable and the results of assessment of the client portfolio (see notes 6, 20 and 27).

(j) Cash Equivalents

PDVSA considers as cash equivalents all deposits and other cash placements and time deposits with original maturities of less than three months and available on a current basis which at December 31, 2008 and 2007 amounted to approximately $540 million and $622 million, respectively.

(k) Impairment of Assets

Financial Assets

PDVSA reviews the carrying value 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 that one or more events have had a negative effect on the estimated future cash flows of the asset.

Significant financial assets are evaluated individually to determine their impairment. The remaining financial assets with similar credit-risk characteristics are evaluated as a group (see note 7).

An impairment loss is recognized in the consolidated statements of income. Reversal of an impairment loss is recorded if the reversal can be related objectively to an event occurring after the impairment loss was recognized (see note 27).

Non-Financial Assets

The carrying amounts of non-financial assets, excluding inventory and deferred tax, are reviewed at each reporting date to determine whether evidence of impairment exists. 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.

The recoverable amount of an asset or cash-generating unit is the greater of its value in use and its fair value. To determine value in use, net future cash flows are discounted. Impairment is determined by the Company based on the cash-generating units, according to business segments, geopraphic locations and end-use of the production generated by each unit. A cash generating unit is the smallest group of assets identifiable generating cash flows substantially independent of other assets or groups of assets. To assess impairment, the goodwill resulting from a business combination is located in the cash-generating units expected to benefit from synergies of the combination.

An impairment loss is recognized when the carrying amount of an asset or of its cash-generating unit exceeds its recoverable amount. An impairment loss is recognized in the consolidated results of operations. Impairment losses recognized in respect of cash-generating units is reduced from any goodwill allocated to the units and then from the carrying amounts of other assets in the unit on a pro rata basis.

An impairment loss can be reversed only if the impairment loss relates to a change in the estimates used after the impairment loss was recognized. Such reversals may not exceed the carrying value of assets net of depreciation or amortization as if no impairment loss had been recognized. An impairment loss associated with goodwill is not reversed.

(l) Assets Held for Sale and Discontinued Operations

Assets Held for Sale

Non-current assets or alienable groups comprised of both assets and liabilities are classified as held for sale if their carrying value will be recovered by selling them and not by continuous use. This condition is met only when the sale is highly probable and non-current assets or alienable groups are available for sale immediately in their present condition, and the sale is expected to take place in the term of one year from their classification date. Prior to such classification, non-current assets or alienable groups are recorded in accordance with the Company's accounting policies and, subsequently, measured at the lower of carrying value or fair value, less estimated costs to sell (see note 10).

An impairment loss for a disposable group is first allocated to goodwill, if any, and then prorated to the remaining assets and liabilities, except in the event that no loss has been recorded in inventories, financial assets, deferred tax assets, employee benefit assets, which continue to be recorded initially in accordance with the Company's policies. An impairment loss initially recognized as held for sale, and a subsequent gain or loss from changes in fair value is recorded in the consolidated statements of income. A gain from changes in fair value may not exceed the accumulated impairment loss previously recognized.

Discontinued Operations

A discontinued operation is a business component of the Company represented by an operating segment or significant geographic area separated from the rest of the operations and has been disposed of or classified as held for sale or a subsidiary acquired exclusively for resale. Classification as discontinued operations occurs when the asset is retired, sold or otherwise disposed of or when the transaction 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 income is restated as if the operation had been discontinued from the beginning of the comparative year (see note 10).

(m) Employee Termination, Pension and Other Postretirement Benefits

Retirement Plans

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 acquired 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. The discount rate reflects the performance which, at the date of the consolidated financial statements, is reflected by financial instruments issued by institutions with high credit ratings and having maturities similar to those of the obligations. The calculation is made by an actuary using the projected unit credit method.

Improvements to the benefits plan, relating to cost of past services are recorded as an expense in the consolidated statements of income over the estimated period, until the benefits become vested. To the extent that such benefits are vested, the expense is recorded immediately in the consolidated statements of income.

The Company records as either income or expense a portion corresponding to the amount of its unrecorded actuarial gains or losses, exceeding 10% of the greater of the following amounts: a) the present value of defined benefit obligations; and b) the fair value of the plan's assets. 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 of the defined benefit plans.

Employees' Severance Indemnities

Employees' severance indemnities corresponding to employees in Venezuela are recorded as incurred, in accordance with labor laws and collective labor contracts. A significant portion of the termination benefits has been deposited in trust accounts on behalf of the employees.

Short-Term Benefits

Obligations for short-term benefits, such as employee bonuses, vacations and other benefits are recorded as expenses as the related services are performed by the employee.

Postretirement Benefits Other than Retirement

The net obligation for other postretirement benefits, contractually defined, 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 card. The obligation is calculated using the projected unit credit method, and is discounted to reflect its present value and is reduced by the fair value of related assets, if any. The discount rate must reflect the performance, as of the date of the consolidated financial statements, of financial instruments issued by institutions of high credit rating at the date of the consolidated financial statements and having maturities similar to those of the obligations.

Costs of past services and actuarial gains and losses are recorded using the same methodology as the contractually defined retirement plan.

(n) Provisions

A provision is recorded if as a result of a past event the Company has a present or legal constructive obligation that can be reliably estimated, and it is probable that an outflow of economic benefits will be required to settle the obligation. Provisions are recorded based on management's best estimates, taking into account the amount required to settle the obligation, which includes, but is not limited to, management's experience with similar transactions. When the effect of the time value of money is significant, the provision is determined by applying a discount rate associated with the estimated payment terms, if the terms can be reasonably estimated as well as the risk associated with those obligations.

According to the environmental policies established by PDVSA and current laws, a liability is recorded when the costs are probable and can be reliably estimated. The payments for environmental conservation relating to income from current or future operations are recorded as expenses or assets, as the case may be. Payments for past operations that do not contribute to generating current or future income are charged to expense. The creation of these provisions coincides with the identification of an obligation for environmental remediation where PDVSA has sufficient information to determine a fair estimate of the respective cost. Subsequent adjustments to estimates, if necessary, are made upon obtaining additional information.

(o) Revenue Recognition

Revenue from the sale of crude oil, natural gas, refined products and other, of the domestic and foreign subsidiaries are measured at fair value of the consideration received or to be received, net of commercial discounts and production taxes of the volumes supplied by the Republic, are recorded in the statements of income when the risk and significant rights derived from title 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 the Company maintains no interest in the assets sold. Mainly, these transfers are governed by the delivery terms in agreements with clients. Revenues from activities other than the principal activities of the Company are recorded when realized by the transfer of risk and benefits associated with the sale of assets. Revenues are not recorded if there is a significant uncertainty regarding the recovery of the obligation acquired by the purchaser.

(p) Finance Income and Expenses

Financial income, included in the consolidated statements of income, is mainly comprised of interest income on invested funds, and changes (gains) in the fair value of financial assets.

Financial expenses, included in the consolidated statements of income, are comprised of expenses from interest on financial obligations, increases in asset retirement obligations (see notes 3-d and 3-e), and financial expenses related to impairment losses (see note 12) and changes (loss) in the fair value of financial assets (see note 13).

(q) Income Tax

Income Tax expense comprises current and deferred income tax. Income tax expense is recorded in the results of each year, except when it corresponds to items directly recorded in stockholder's equity.

Current tax is the estimated amount that must be paid based on the taxable income for the year, using the methodology established by current laws and tax rates as of the balance sheet date and any adjustment to taxes payable from previous years.

Deferred income tax is recorded using the balance sheet method. Deferred tax assets and liabilities are recorded for temporary differences between the amounts of assets and liabilities presented in the balance sheet and their respective fiscal bases, and operating loss and tax credits carryforwards. 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 law. The effect on deferred tax assets and liabilities of changes in tax rates is recorded in the results of the year in which they become effective.

Deferred income tax assets are recorded only to the extent that it is probable that such benefits will be realized in the future. Deferred income tax assets are reviewed at the date of the consolidated financial statements 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 laws of each tax jurisdiction, is recorded as a liability when the liability to pay the related dividend is recognized.

(r) Segment Reporting

A segment is an identifiable component of PDVSA providing products or services (operating segment), or providing products or services within a specific economic environment (geographic segment), which is subject to specific risks and benefits that are different from those of other segments.

PDVSA has determined that its business segments are based on the methodology used by management for internal reporting. PDVSA identifies these 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); and gas (see note 8).

Operating income, assets and liabilities of each segment include transactions and balances directly attributable to that segment, as well as any other item that can be distributed on a reasonable basis. Undistributed transactions and balances are mainly comprised of long-term debt, financial leases and related financial expenses, deferred income tax and income tax payable.

Net disbursements for investments include net total costs incurred in the year for the purchase of property, plant and equipment.

(s) Research and Development Costs

Research costs incurred to obtain new scientific or technical knowledge are recorded as operating expenses in the consolidated statements of income when incurred. In 2008 and 2007, such costs amounted to $555 million and $188 million, respectively.

Development activities involve a plan or design for production of new or substantially improved products and processes. Development costs are capitalized only if development costs can be measured reliably, the product or process is technically and commercially feasible, future economic benefits are probable and the Company has sufficient resources to complete development and to use or sell the asset. The capitalized costs include the cost of materials, direct labor and other general

expenses that are directly attributable to preparing the asset for its intended use. Other development costs are expensed when incurred. Capitalized development costs are measured at cost less accumulated amortization and accumulated impairment losses.

(t) Social Development Contributions

Correspond to contributions to social programs and projects through which PDVSA takes part in the social and integral development of the country (see notes 1, 17, 18 and 30). These contributions are recorded directly as an expense at the time the obligation is undertaken.

(u) Recently Issued Accounting Standards

Several new standards, amendments and interpretations to current standards are not effective for the year ended December 31, 2008 and have not been applied in preparation of these consolidated financial statements. The most significant standards for PDVSA are the following:

- In November 2008, the IASB issued Interpretation 17 (IFRIC 17) - *Distributions of Non-Cash Assets to Owners*, which establishes how an entity must measure distributions of assets to its owners when dividends are not paid in cash. This interpretation will be effective for years beginning on or after July 1, 2009.

  The Company completed its analysis of this interpretation and determined that it would not have any significant effects on the consolidated financial statements.

- In July 2008, the IASB issued an amendment to International Accounting Standard 39 *Financial Instruments: Recognition and Measurement* (IAS 39), specifying situations in which inflation may be considered a hedged risk for hedge accounting. Also, it establishes conditions for a company to use an option as a hedging instrument. This amendment will be effective for years beginning on or after July 1, 2009.

  The Company completed its analysis of this amendment and determined that it will not have any significant effects on the consolidated financial statements.

- In May 2008, the IASB published its annual project of improvements to IFRSs, introducing a series of amendments to existing standards and interpretations, not applicable to the year ended December 31, 2008. The most relevant changes for PDVSA are the following: IFRS 5 *Non-Current Assets Held for Sale and Discontinued Operations*; IFRS 7 *Financial Instruments: Disclosures*; IAS 1 *Presentation of Financial Statements;* IAS 8 *Accounting Policies, Changes in Accounting Estimates and Errors;* IAS 10 *Events after the Reporting*

  Period; IAS 16 Property, Plant and Equipment; IAS 18 Revenue; IAS 19 Employee Benefits; IAS 20 *Accounting for Government Grants and Disclosures of Government Assistance*; IAS 23 *Borrowing Costs*; IAS 27 *Consolidated and Separate Financial Statements*; IAS 28 *Investments in Associates*; IAS 29 *Financial Reporting in Hyperinflationary Economies*; IAS 31 *Interests in Joint Ventures*; IAS 34 *Interim Financial Reporting*; IAS 36 *Impairment of Assets*; IAS 39 *Financial Instruments: Recognition and Measurement*; IAS *40 Investment Property* and IAS 41 *Agriculture*. These changes will be effective for years beginning on or after January 1, 2009.

The Company completed its analysis of these improvements and determined that they will not have any significant effects on the consolidated financial statements.

- *In M*ay 2008, *the IASB* i*ssued amendment to IFRS 1 First-Time Adoption of International Financial Reporting Standards and IAS 27 Consolidated and Separate Financial Statements, which eliminates the definition of the cost method* a*nd* re*places it with the o*bligation t*o file divi*dends received from subsidiaries and jointly-controlled entities as income in the separate financial statements of the investor. This amendment will be effective for economic years beginning on or after January 1, 2009.

  The Company completed its analysis of this amendment and determined that it will not have any significant effects on the consolidated financial statements.

- In February 2008, the IASB issued amendments to IAS 1 *Presentation of Financial Statements* and IAS 32 *Financial Instruments: Presentation*, which establish when certain financial instruments must be classified as liabilities or stockholder's equity. It applies to financial instruments classified as stockholder's equity, which include contractual clauses for repurchase or settlement by the issuer or, establish an obligation for the company to deliver part of its net assets, but only in the event of liquidation. These amendments will be effective for years beginning on or after January 1, 2009.

  The Company completed its analysis of this amendment and determined that it will not have any significant effects on the consolidated financial statements.

- In January 2008, the IASB issued IFRS 3 revised *Business Combinations*, which maintains the purchase method for accounting of these transactions but introduces changes in the valuation of non-controlling interest and partial acquisitions or combinations. This standard will be effective for years beginning on or after July 1, 2009.

  The Company completed its analysis of this standard and determined that it will not have any significant effects on the consolidated financial statements.

- In November 2006, the IASB issued IFRS 8 *Operating Segments*, which introduces a "management approach" to segment reporting and will require the disclosure of operating segment information based on internal reports regularly reviewed by the Company's Chief Operating Decision Maker in order to assess each segment's performance. This standard will be effective for years beginning on or after January 1, 2009.

  The Company completed its analysis of this standard and determined that it will not have any significant effects on the consolidated financial statements.

- In September 2007, the IASB issued IAS 1 revised *Presentation of Financial Statements*, which introduces an integral statement of income including gain or loss of the period and other integral results, comprising items of income and expenses not recognized in the results of the period because of requirements of other standards. Also, it establishes the change of "balance sheet" for "statement of financial position". This revised standard will be effective for years beginning on or after January 1, 2009.

  The Company completed its analysis of this standard and determined that it will not have any significant effects on the consolidated financial statements.

- In January 2008, the IASB issued IAS 27 revised *Consolidated and Separate Financial Statements*, which requires accounting in stockholder's equity for the changes in ownership interests in a subsidiary not resulting in loss of control. In the event that a company loses control over a subsidiary, and that company eliminates the assets, liabilities and components of stockholder's equity related to the subsidiary, any gain or loss is recognized in the consolidated statement of income. Investments in that subsidiary are measured at fair value until the date control ceases. This standard will be effective for years beginning on or after January 1, 2009.

  The Company completed its analysis of this standard and determined that it will not have any significant effects on the consolidated financial statements.

- In July 2008, the IASB issued Interpretation 15 (IFRIC 15) *Agreements for the Construction of Real Estate*, which regulates recognition of revenues in companies performing construction of real estate for sale, according to plans, before their construction begins. This interpretation will be effective for years beginning on or after January 1, 2009.

  The Company completed its analysis of this standard and determined that it will not have any significant effects on the consolidated financial statements.

(v) Recently Adopted Accounting Standards

In 2008, the following standards and interpretations are effective:

- Amendments to IAS 39 *Financial Instruments: Recognition and Measurement* and IFRS 7 *Financial Instruments: Disclosures*, enabling the company, under limited circumstances, to reclassify non-derivative financial assets outside the categories of "fair value with changes in results" and "available for sale". These reclassifications require additional disclosures.

- Interpretation 14 (IFRIC 14) - IAS 19 *The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction*, which establishes when reimbursements or reductions in future contributions on a defined benefit asset will be considered available. Also, it provides guidance on the impact of the minimum funding requirements of those assets. Further, it sets forth when a minimum funding requirement gives rise to a liability.

- Interpretation 16 (IFRIC 16) *Hedges of a Net Investment in a Foreign Operation* defines the conditions to identify the risks to be recorded as hedging financial instruments under IAS 39.

- Also, in 2008 PDVSA decided to implement early application of IAS 23 revised *Borrowing Costs*, which is effective for years beginning on or after January 1, 2009. This revised standard eliminates the option of recognizing borrowing costs under income and requires their capitalization, provided that they are directly attributable to the purchase, construction or production of a qualified asset, as part of the cost of that asset.

The accounting policies of the Company have been reviewed and amended, as required, to adopt new standards and interpretations. These adoptions did not have any significant effects on PDVSA's consolidated financial statements.

(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 sell only to the BCV income in foreign currency required to meet its obligations in domestic currency. The remaining amounts in foreign currency can be held by PDVSA to meet its foreign currency obligations and investments. Any excess must be transferred by PDVSA to the Fondo de Desarrollo Nacional (FONDEN), created by the Government on September 8, 2005, for the support of social investment projects for production, education, health, special situations and improvement of the profile and balance of foreign public debt (see note 30).

On November 21, 2005, Official Gazette 38,318 was published, containing the Foreign Currency Exchange Agreement 9, which establishes the use of funds derived from the export of hydrocarbons, including gaseous hydrocarbons and others, which must be sold to the BCV, except for those resulting from PDVSA's activities as mentioned in the BCV Law reform above. This agreement states that PDVSA and its subsidiaries are not allowed to maintain funds in foreign currency within the National Territory for more than 48 hours and also establishes conditions for the use of funds by PDVSA, the monthly information to be filed with the BCV relating to the flow of funds generated by its activities, its asset and liability positions in foreign currency and detailed information of the payments made by PDVSA abroad.

On March 2, 2006 the directors of the BCV authorized PDVSA to increase the revolving fund to $2,000 million, to secure operating payments and investments.

On March 22, 2007 Official Gazette 38,650 was published containing Foreign Currency Agreement 9, which establishes that PDVSA may acquire currency directly from the BCV to replace, up to the authorized amount, funds placed offshore in accordance with Article 113 of the BCV Law. 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 Oil Production Plan 2007 - 2013.

On March 1, 2005, the National Government and the BCV modified Exchange Agreement 2 of February 6, 2004, fixing the exchange rates for the sale and purchase of foreign currency at Bs.F2.15 and Bs.F2.14 to $1, respectively (see note 2-d).

(5) Transactions and Balances in Currencies Other than the Dollar

PDVSA has the following monetary assets and liabilities denominated in currencies other than the dollar which are converted to dollars at the exchange rate prevailing at the balance sheet date (in millions of dollars):

	December 31,	
	2008	**2007**
Monetary assets:		
Bolivars	15,980	12,602
Euros	1,052	502
Other currencies	5	5
	17,037	13,109
Monetary liabilities:		
Bolivars	26,496	18,932
Yens	208	213
Euros	-	3
Other currencies	56	35
	26,760	19,183
Net monetary liability position	(9,723)	(6,074)

In 2008, the BCV published a new inflation indicator, National Consumer Price Index (NCPI), resulting from a revision to the basis of calculating the Consumer Price Index (CPI), which was used until December 31, 2007. The NCPI, among other variables, covers a larger geographical area of Venezuela and uses 2007 as its base year.

The year-end exchange rate, the average exchange rate for the year and the inter-annual increases in the NCPI and the CPI, published by the BCV, were as follows:

	December 31,	
	2008	**2007**
Exchange rate for dollars at year-end (Bs.F./$1)	2.15	2.15
Average annual dollar exchange rate (Bs.F./$1)	2.15	2.15
Interannual increase in the CPI (%)	31.90	22.46
Interannual increase in the NCPI (%)	30.90	-

(6) Determination of Fair Values

Certain of the Company's accounting policies and disclosures require the determination of fair values both for financial and non-financial assets and liabilities. Fair values have been determined for valuation and/or disclosure, using available market information and appropriate valuation methodologies and, as required, additional information about fair value estimates of assets and liabilities is included in the specific notes to the consolidated financial statements.

The fair value of property, plant and equipment recognized as a result of a business combination is based mainly on market values. The market value of assets is the estimated amount at which they could be exchanged on the valuation date between a willing buyer and seller in an arm's length transaction, after proper marketing wherein the parties had each acted knowledgeably, prudently and without compulsion.

The fair value of long-term accounts receivable and other assets, recoverable value-added tax and certain accruals and other liabilities is determined by discounting the carrying value, according to expected recoveries and estimated future payments, using interest rates based on the risks inherent in the instrument evaluated, such as creditworthiness, liquidity, currency and other factors.

Restricted cash, principally, bears interest at variable market rates, and the carrying amount approximates fair value.

The fair value of inventories, recognized as a result of a business combination, is based on the estimated sales price in the normal course of business less estimated costs of completion and sale, and a reasonable profit margin based on the effort required to complete and sell the inventories.

The carrying value of cash and cash equivalents, notes and accounts receivable, other financial assets included in prepaid expenses and other assets and accounts payable to suppliers approximate their fair value due to the short maturity of these instruments.

The fair value of derivative financial instruments is based on the estimated amount that the Company would receive or pay to terminate the agreements, taking into account current commodity prices, interest rates and the current creditworthiness of the parties involved.

The fair value of non-derivative instruments, which is determined for disclosure purposes, is determined based on information provided by financial institutions and the present value of future cash flows of interest and capital, discounted at the market interest rate as of the date of the consolidated financial statements, based on the inherent risk of those obligations.

For financial lease agreements, the market interest rate is determined based on similar lease agreements.

(7) Financial Risk Management

PDVSA has exposure to the following risks from its use of financial instruments:

- Credit risk
- Liquidity risk
- Market risk

This note presents information about PDVSA's exposure to each of the above risks, the Company's, objectives, policies and processes for measuring and managing risks, and the Company's management of capital. The consolidated financial statements include more quantitative disclosures (see note 27).

The Board of Directors of PDVSA is responsible for establishing and oversight of the Company's risk management framework. When developing the strategic plan and budget for the Company, business risks are analyzed to gain an understanding of their impact on the Company.

Risk management policies are established to identify and analyze the risks faced by the Company, set proper risk limits and controls, and monitor risks and compliance with limits. Risk management policies and systems are reviewed regularly to reflect changes in market conditions and the Company's activities.

(a) Credit Risk

Credit risk is the risk of financial loss to the Company if a client or counterparty to a financial instrument fails to meet its contractual obligations which arise principally from cash and cash equivalents and accounts receivable from sales. For the purpose of mitigating credit risk, cash equivalents are represented by high-quality instruments placed in different institutions. Also, notes and accounts receivable are distributed among a broad and reliable client portfolio worldwide and, periodically, their financial position is evaluated. As a result of this evaluation, an allowance for doubtful accounts is recognized in the financial statements (see notes 20 and 27).

(b) Liquidity Risk

Liquidity risk is the risk that the Company will not be able to meet its financial obligations as they mature. The Company's approach to managing liquidity is to ensure, as far 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 the Company's reputation.

As a fundamental policy, the Company ensures that it has enough cash available to meet, 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, with unused balances not bearing interest, which are available to meet cash requirements (see notes 23 and 27).

(c) Market Risk

Market risk is the risk of changes in market prices, including exchange rates, interest rates or sales prices, affecting the income of PDVSA or the value of its financial instruments.

The activities of the Company, financial conditions and the results of its operations depend on export volumes and crude oil and by-product prices. These prices are cyclical and tend to be unstable; therefore, the primary risk is volatility of crude oil and by-product prices.

PDVSA constantly monitors market conditions to ensure optimal placement of its crude oil and other products. Furthermore, the Bolivarian Republic of Venezuela is a member of the Organization of Petroleum Exporting Countries (OPEC), through which it enters into agreements aimed at stabilizing prices for crude oil and by-products (see note 29). PDVSA also uses derivative financial instruments to manage market risks. As of December 31, 2008 and for the year then ended, PDVSA has not classified derivatives as hedging instruments (see note 3-c).

(d) Capital Management

As the Venezuelan national oil company, PDVSA's approach is to manage capital by maintaining the Company's capacity to continue as a going concern and to provide the strength and drive for national development and leverage the comprehensive transformation of the country.

The Company'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, PDVSA may make decisions regarding the strategies for dividend payments, the creation or transfer of reserves and the sale of assets.

The consolidated financial statements of PDVSA at the end of 1998 presented an accumulated deficit of $14,626 million, which was reversed as a result of the National Government's strategic and political decisions, which led to favorable results in recent years. The accumulated deficit was finally reversed in 2007.

(8) Segment Reporting

Inter segment sales, which primarily consist of sales of crude oil and natural gas, are generally made according to the destination of the refined products made from them.

Refined products for the local market are sold at a subsidized price; therefore, PDVSA's management believes that inter segment sales of crude oil and natural gas for refined products and local supply, are measured at cost less the discount granted by MENPET as a subsidy. Also, inter segment sales of crude oil and nature gas for the export market are measured at approximate market prices.

PDVSA evaluates the performance of its segments based on net revenues, operating income (sales of crude oil and products, less costs and expenses except for borrowing expenses), net disbursements for investment and property, plant and equipment.

(a) Business Segments

The following are the main business segments of the Company:

- The exploration and production activities include the search for crude oil and gas reserves, and improvement of extra-heavy crude, and transportation of crude oil and natural gas to the point of delivery to the refineries and fractionation plants.

- Refining, supply and marketing activities in Venezuela include the administration of refineries, marketing and transportation of crude oil and refined products under the brand name PDV®. The refining, trade and supply activities in the USA comprise the administration of refineries and gasoline and by-products marketing, mainly in the East and the Midwest regions of the United States, under the brand name CITGO.

- The gas activity includes the management of gas processing plants, commercialization and upgrading of natural and liquid gas, both for industrial and household use, as well as its transportation, distribution, placement and sale.

- The "other" segment includes operations by subsidiaries carrying on activities different from oil-related activities, and the most significant area is the food sector.

(b) Geographical Segments

The exploration and production activities for crude oil and gas are performed solely in Venezuela. Refining, supply and marketing activities are focused mainly in Venezuela and the USA.

The "other" line item includes corporate related items and results of non-significant operations in Venezuela, Europe and the Caribbean.

Information by geographical sector, income and assets by segment are based on the geographical location of assets.

Financial information for the segments of the Company is presented in the following table (in millions of dollars):

	Exploration and production		Refining, trade and supply		Gas		Other		Total	
	2008	2007	2008	2007	2008	2007	2008	2007	2008	2007
At December 31 -										
Current assets not distributed									40,424	38,887
Segment assets:										
Property, plant and equipment, net:										
In Venezuela	49,228	33,503	8,069	6,674	8,818	6,977	1,735	372	67,850	47,526
In the United States of America	-	-	4,705	4,578	-	-	-	-	4,705	4,578
In other countries	-	-	455	332	-	-	-	-	455	332
Total property, plant and equipment, net	49,228	33,503	13,229	11,584	8,818	6,977	1,735	372	73,010	52,436
Non - current assets not distributed									18,398	15,571
Total assets									131,832	106,894
Segment liabilities:										
In Venezuela	13,793	16,090	12,060	1,782	2,392	1,830	4,845	3,369	33,090	23,071
In the United States of America	-	-	2,611	3,180		-		-	2,611	3,180
In other countries	-	-	2,882	738		-	937	834	3,819	1,572
Total segment liabilities	13,793	16,090	17,553	5,700	2,392	1,830	5,782	4,203	39,520	27,823
Liabilities not distributed									20,799	23,009
Total liabilities									60,319	50,832

(Continued)

	Exploration and production		Refining, trade and supply		Gas		Discontinued operations (3)		Other		Eliminations			Total		Discontinued operations (3)		Continuing operations	
Years ended December 31 -	**2008**	**2007**	**2008**	**2007**	**2008**	**2007**	**2008**	**2007**	**2008**	**2007**	**2008**	**2007**		**2008**	**2007**	**2008**	**2007**	**2008**	**2007**
Capital expenditure:																			
In Venezuela	12.836	7.955	736	1.600	2.515	3.122	-	-	1.404	(303)	-	-		17.491	12.374	-	-	17.491	12.374
In the United States of America	-	-	743	371	-	-	-	-	-	-	-	-		743	371	-	-	743	371
In other countries	-	-	168	57	-	-	-	-	11	50	-	-		179	107	-	-	179	107
Total capital expenditure, net	12.836	7.955	1.647	2.028	2.515	3.122	-	-	1.415	(253)	-	-		18.413	12.852	-	-	18.413	12.852
Depreciation and amortization	3.573	2.446	1.355	1.293	260	219	87	146	32	60	-	-		5.307	4.164	87	146	5.220	4.018
Cost of asset retirement obligations	63	54	2	-	4	(1)	-	-	-	-	-	-		69	53	-	-	69	53
Impairment loss (reversal)	(236)	10	605	-	-	-	-	-	-	-	-	-		369	10	-	-	369	10
Sale of crude oil and products:																			
Sales to external customers -																			
In Venezuela	47.004	31.084	17.378	11.286	2.902	2.904	951	859	1.543	477	-	-		69.778	46.610	951	859	68.827	45.751
In the United States of America		-	41.279	37.927	-	-	-	-	-	-	-	-		41.279	37.927	-	-	41.279	37.927
In other countries		-	16.258	12.544	-	-	-	17	-	20	-	-		16.258	12.581	-	17	16.258	12.564
Total sales to external customers	47.004	31.084	74.915	61.757	2.902	2.904	951	876	1.543	497	-	-		127.315	97.118	951	876	126.364	96.242
Inter-segment sales:																			
In Venezuela	49.139	33.988	10.577	7.609	2.427	1.828	-	-	-	11	(62.143)	(43.436)	1	-	-	-	-	-	-
In the United States of America	-	-	-	87	-	-	-	-	-	-	-	(87)	1	-	-	-	-	-	-
In other countries	-	-	9.036	5.310	-	-	-	-	-	-	(9.036)	(5.310)	1	-	-	-	-	-	-
Total inter-segment sales	49.139	33.988	19.613	13.006	2.427	1.828	-	-	-	11	(71.179)	(48.833)		-	-	-	-	-	-
Total sales	96.143	65.072	94.528	74.763	5.329	4.732	951	876	1.543	508	(71.179)	(48.833)		127.315	97.118	951	876	126.364	96.242
Segment operating income (loss):																			
In Venezuela	27.230	19.770	2.571	(2.350)	1.707	1.110	43	112	724	(118)	(5.141)	3.326	2	27.134	21.850	43	112	27.091	21.738
In the United States of America	-	-	411	2.315	-	-	-	-	-	-	-	-		411	2.315	-	-	411	2.315
In other countries	-	-	(842)	(146)	-	-	-	29	759	512	-	-		(83)	395	-	29	(83)	366
Total operating income (loss) in segment reporting	27.230	19.770	2.140	(181)	1.707	1.110	43	141	1.483	394	(5.141)	3.326		27.462	24.560	43	141	27.419	24.419
Finance (income) expenses:																			
Finance income														1.580	566	-	-	1.580	566
Finance expenses														(1.780)	(1.067)	-	-	(1.780)	(1.067)
Other (income) expenses:																			
Gain on sale of group of assets and liabilities held for sale														998	-	-	-	998	-
Gain on sale of investment in non-consolidated investees														-	641	-	-	-	641
Social development expenses														(14.733)	(14.102)	-	-	(14.733)	(14.102)
														13.527	10.598	43	141	13.484	10.457
Net equity in earnings of non-consolidated investees and jointly-controlled entities														153	732	-	-	153	732
Income tax														(4.267)	(5.057)	14	(40)	(4.281)	(5.017)
Net income														9.413	6.273	57	101	9.356	6.172
Non-cash expenses for segments other than depreciation and depletion	1.390	1.379	1.974	1.240	297	191	-	-	583	152	-	-		4.244	2.962	-	-	4.244	2.962
Non-cash net income not distributed														(1.944)	(3.124)	-	-	(1.944)	(3.124)
Total non-cash (income) expenses														2.300	(162)	-	-	2.300	(162)

(1) Represents elimination of inter-segment sales.
(2) Represents elimination of inter-segment purchases and costs
(3) See note 10.

(Continued)

Financial information relating to geographical segments of the Company is presented in the table below (in millions of dollars):

	Venezuela	United States of America	Other countries	Total
Year ended December 31, 2008 -				
Net sales [1]	68,827	41,279	16,258	126,364
Long-lived assets [2]	67,850	4,705	455	73,010
Year ended December 31, 2007 -				
Net sales [1]	45,751	37,927	12,564	96,242
Long-lived assets [2]	47,526	4,578	332	52,436

(1) Based on the country in which the sale originates.

(2) Based on asset location.

(9) Joint Development Activities

PDVSA has entered into joint development activities and energy cooperation agreements with other countries. The most important agreements follow:

(a) Development of the Orinoco Oil Belt Extra-Heavy Crude Oil Reserves, and exploration and profit sharing agreements

The Venezuelan National Assembly (formerly National Congress) approved between 1993 and 1999 several joint ventures for exploring, upgrading and marketing extra-heavy crude oil of the Orinoco Belt. The purpose of these joint ventures was to perform vertically integrated activities for the exploration, development, production, mixing and transport of extra-heavy crude oil, from the areas of Junín (formerly Zuata), Carabobo (formerly Cerro Negro), Boyacá (formerly Sincor) and Ayacucho (formerly Hamaca) of the Orinoco Belt, for processing in the improvement plants to produce upgraded crude oil to be traded in foreign markets.

The disbursements required by these associations for the development and completion of the projects were funded by PDVSA, capital contributions from investors, debt financing and income from production during the development stage.

Under the "Plena Soberanía Petrolera" policy, on February 26, 2007 the government of the Bolivarian Republic of Venezuela issued Decree Law 5,200 for Migration of Joint Ventures in the Orinoco Belt to "Empresas Mixtas", as well as Exploration and Profit Sharing Agreements; therefore, Petrolera Zuata, Petrozuata S.A. (Petrozuata), Sincrudos de Oriente, S.A. (Sincor), Petrolera Cerro Negro, S.A. (Cerro Negro) and Petrolera Hamaca, C.A. (Hamaca) had to become "Empresas Mixtas", in which the subsidiary CVP or any other PDVSA subsidiary had to have no less than a 60% interest, in accordance with the provisions of the Organic Hydrocarbons Law.

On June 26, 2007, PDVSA executed memoranda of understanding with transnational companies which are parties to the aforementioned agreements, except for ConocoPhillips in Petrozuata and Hamaca, and ExxonMobil in Cerro Negro, with which no agreements were reached; therefore, PDVSA undertook the activities of those agreements. These memoranda of understanding define the share composition of "Empresas Mixtas" incorporated and were presented to the National Assembly, as set forth in the Organic Hydrocarbons Law.

Official Gazette 38,785, dated October 8, 2007, contained the Law on the Effect of the Migration Process of Joint Ventures of the Orinoco Belt to "Empresas Mixtas", as well as Exploration and Profit Sharing Agreements, which established deadlines for private parties to subscribe the memorandum of incorporation for "Empresas Mixtas", and where no agreement is reached, PDVSA or one of its subsidiaries will undertake operations. In 2007, PDVSA received from the National Government the net assets of the partners that decided not to migrate to "Empresas Mixtas", recording a net liability with the Bolivarian Republic of Venezuela of $1,706 million. As of December 31, 2008 and 2007, the balance of this liability is as follows (in millions of dollars):

	Petrozuata	Cerro Negro	Hamaca	Total
Accounts payable to related parties (see note 25) - net value of assets received, less payments made by PDVSA to different creditors for financial obligations to release loan agreement covenants	795	28	883	1,706

In Official Gazette 38,801, dated November 1, 2007, the National Assembly approved the creation of the following "Empresas Mixtas" and, during the first quarter of 2008, transfer decrees 38,846, 38,847 and 38,884, were published in Official Gazettes of the Bolivarian Republic of Venezuela, resulting in the incorporation of the following "Empresas Mixtas":

"Empresa Mixta"	PDVSA's share (%)	Area or Agreement	Partners
Petromonagas, S.A.	83.33	Cerro Negro	Veba Oil & Gas Cerro Negro GmbH (subsidiary of Britsh Petroleum Plc.) (16.67%)
Petrocedeño, S.A.	60.00	Sincor	Statoil Sincor Netherlands B.V. (9.68%) and Total Venezuela, S. A. (30.32%)
Petropiar, S.A.	70.00	Hamaca	Chevron Orinoco Holdings B.V. (30%)

From the date on which PDVSA took over the operations of the joint ventures to the publication date of the transfer decrees, the joint ventures continued operations with the partners who decided to migrate to "Empresas Mixtas". A summary of aspects of the joint ventures prior to the transfer of assets and operations to "Empresas Mixtas" follows:

Joint venture	PDVSA's share (%)	Partner
Petrozuata	100.00	-
Cerro Negro	83.33	Veba Oil & Gas Cerro Negro, GmbH
Sincor	38.00	Total Fina - Statoil
Hamaca	70.00	ChevronTexaco

These joint ventures migrated to "Empresas Mixtas" during the first quarter of 2008. The subsidiary Petrozuata is wholly owned by PDVSA Petróleo since October 2007.

In the quarter ended December 31, 2007, Petrozuata contributed profits of $289 million. If consolidation had taken place from January 1, 2007, management believes that consolidated income and consolidated net income for 2007 would have amounted to $97,461 million and $6,396 million, respectively (see note 3-a).

A summary of the combined financial statements of the Cerro Negro, Sincor and Hamaca joint ventures follows (in millions of dollars):

	December 31,	
	2008	2007
Financial position:		
Non-current assets	-	10,199
Current assets	329	3,304
Non-current liabilities	-	(1,876)
Current liabilities	(170)	(1,465)
Net stockholder's equity	159	10,162

	Quarter ended March 31, 2008	Year ended December 31, 2007
Results of operations:		
Sales	783	7,396
Costs and expenses	(409)	(4,117)
Operating profit	373	3,279
Net income	297	3,279

(Continued)

As a result of the migration to "Empresas Mixtas" of joint ventures of the Orinoco Oil Belt and Exploration and Profit Sharing Agreements, ExxonMobil sought arbitration and precautionary measures against PDVSA (see note 29).

Settlement Agreement with Total Venezuela, S.A. and Statoil Sincor AS for the Sincor Project

In January 2008, an agreement was executed with Total Venezuela, S.A. and Statoil Sincor AS, establishing that PDVSA would pay those companies $1,100 million for the purchase of 22% of the net assets for the incorporation of the "Empresa Mixta" Petrocedeño, S.A, so that PDVSA would hold a 60% interest in that company. From this amount, $130 million corresponding to the debt of Total Venezuela, S.A. and Statoil Sincor AS with the Bolivarian Republic of Venezuela, was discounted (see note 25).

PDVSA would pay those companies the remaining $970 million, by a payment to Total for $735 million by the delivery of crude oil and to Statoil Sincor AS for $235 million in cash. In 2008, these payments were made as established in the agreement.

The net assets incorporated as a result of this agreement had the following effect on PDVSA's financial statements (in millions of dollars):

	Amounts recognized as of purchase date
Property, plant and equipment, net (see note 15)	1,421
Inventories	41
Accounts receivable and other	80
Debt	(99)
Accounts payable and other liabilities	(343)
Net assets incorporated	1,100

Exploration and Profit Sharing Agreements

In January 1996, the subsidiary CVP was appointed, through contract-risk and profit-sharing agreements with private investor companies (association agreements), to coordinate, control and supervise the activities relating to the exploration and extraction in hydrocarbon fields in new areas.

In accordance with the terms of the association agreements, CVP and the investors incorporated jointly "Empresas Mixtas" for each area, the capital stock of which is represented by 35% Class "A" shares owned by CVP and 65% Class "B" shares owned by the other investors. As of December 31, 2006, CVP holds investments in shares representing its 35% interest in the "Empresas Mixtas" as of that date, created for each area, as follows:

"Empresa Mixta"	Area	Partners of CVP
Administradora del Golfo de Paria Este, S.A.	Eastern Paria Gulf	Ineparia, Inc. - Conoco Venezuela, C. A. - ENI Venezuela B.V. (ENI) - OPIC Karimun Corporation (OPIC)
Compañía Agua Plana, S.A.	Western Paria Gulf	Conoco Venezuela, C. A. - ENI - OPIC
Administradora Petrolera La Ceiba, C.A.	La Ceiba	Mobil Venezolana de Petróleo, Inc - Petro-Canada

In 2007, as a result of the Law on Migration to "Empresas Mixtas" of Joint Ventures of the Orinoco Oil Belt, Exploration and Profit Sharing Agreements, the partners of the joint venture of the East Paria Gulf area entered into an agreement to migrate to the "Empresa Mixta" Petrolera Paria, S.A. This joint venture will continue its activities until the transfer decree is published.

With regards to the joint venture in the Western Paria Gulf in 2007, partners Conoco Venezuela, C.A. and OPIC, withdrew from the business in 2007 as they did not sign the Memorandum of Understanding for Migration to an "Empresa Mixta"; therefore, in accordance with the regulation of the migration process, the development plan of the project continued with the partners CVP and ENI, until publication of the decree to transfer to an "Empresa Mixta".

With regards to the joint venture in the area of La Ceiba, in 2007, partners Mobil Venezolana de Petróleo, Inc. (a subsidiary of ExxonMobil) and Petro-Canada did not enter into the memorandum of understanding for migration to an "Empresa Mixta"; therefore, activities in this area were undertaken by PDVSA. In August 2007, CVP paid Petro-Canada the sum of $75 million for settlement of the joint venture in the area of La Ceiba; Exxon Mobil sought arbitration and precautionary measures against PDVSA, relating to this process (see note 29).

In Official Gazette 38,801, dated November 1, 2007, the National Assembly approved the creation of the "Empresas Mixtas" listed below and, in 2008, Official Gazettes 38,851 and 38,884 were published by the Bolivarian Republic of Venezuela establishing the transfer decrees. This completed the incorporation process of the following "Empresas Mixtas":

"Empresa Mixta"	PDVSA's share (%)	Area	Partners
Petrolera Paria, S. A.	60.00	Eastern Paria Gulf	Sinopec International Petroleum Exploration and Production Corporation (32%) and INE Oil & Gas Inc. (8%)
Petrosucre, S. A.	74.00	Western Paria Gulf	ENI (26%)
Petrolera Güiria, S. A.	64.25	Central Paria Gulf	ENI (19.50%) and INE Oil & Gas Inc. (16.25%)

(Continued)

Other "Empresas Mixtas" incorporated

Also, during 2008 and 2007, Official Gazettes 38,917, 38,840 and 38,807, of the Bolivarian Republic of Venezuela were published containing the transfer decrees to complete the incorporation process for the following "Empresas Mixtas":

"Empresa Mixta"	PDVSA's share (%)	Area	Partners
Petrolera IndoVenezolana, S.A.	60.00	San Cristóbal	ONGC Nile Ganga B.V. (40%)
Petrolera BieloVenezolana, S.A.	60.00	Guara Este Bloque X Lago	Estatal Unitaria "Unión de Empresas Productoras Belorusneft" (40%)
Petrozumano, S.A.	60.00	Zumano	CNPC Venezuela B. V. (40%)

In addition, the "Empresa Mixta" Veneziran Oil Company, S.A. was created to provide engineering, construction, reconstruction, repair and any other service related to offshore platforms and structures for the development of offshore projects, incorporated by CVP and Iran Marine Industrial Company (SADRA), with a share interest of 61% and 39%, respectively.

Orimulsión® Agreements

In April 2001, a cooperation agreement for Orimulsión® was signed between Bitúmenes Orinoco, S.A. (BITOR) and China National Oil and Gas Exploration and Development Corporation (CNODC), a subsidiary of China National Petroleum Corporation (CNPC), the objective of which is to carry out a series of pre-investments necessary to determine definitively the project's feasibility. On December 13, 2001, the National Assembly of the Bolivarian Republic of Venezuela authorized BITOR to establish with CNODC a jointly controlled entity named Orifuels Sinoven, S. A. (SINOVENSA).

Pursuant to "Plena Soberanía Petrolera" policies and to enhance the value of the natural resource and use extra-heavy crude oil for mixing, in the first quarter of 2006, the Company ceased production of Orimulsión® at its facilities in Morichal (Monagas State) and launched a negotiation process regarding existing Orimulsion® supply agreements. As part of the negotiation, certain clients have agreed to receive fuel oil instead of Orimulsión® whereas others have terminated their supply agreements.

On September 22, 2006, MENPET determined that the production of Orimulsión® is not a suitable use of extra-heavy crude oil reserves; therefore, it announced the definitive cessation of its production as of December 31, 2006.

During 2007, BITOR, CNPC Exploration and Development Company Limited, Petrochina Fuel Oil Company Limited (PETROCHINA) and SINOVENSA agreed to: (a) create a new "Empresa Mixta" named Petrolera Sinovensa, S.A., which will operate in the area of production of heavy and/or extra-heavy crude oil, and in which BITOR (or one of its non-consolidated investees or CVP), would own 60% of the shares, (b) transfer all assets owned by Sinovensa (except accounts receivable, cash and cash equivalents and tax credits) to the new "Empresa Mixta" Petrolera Sinovensa, S.A., (c) settle

claims derived from termination of the Orimulsión® Supply Agreement, once the new "Empresa Mixta" is incorporated and granted rights to perform primary activities, BITOR would pay PETROCHINA $300 million, plus interest on the unpaid balance, taking May 1, 2007 as the reference date, at LIBOR plus one percent (LIBOR + 1%), and (d) if by January 2008, the new "Empresa Mixta" has not commenced operations or has not been permitted to operate, any of the parties may, at its sole discretion, terminate the agreement.

On February 1, 2008, a transfer decree, published in Official Gazette 38,863, authorized completion of the incorporation of Petrolera Sinovensa, S.A. for exploration and production activities in the Carabobo area (located in the Orinoco Oil Belt area of Monagas state), with CVP and CNPC Venezuela B.V., holding a share interest of 60% and 40%, respectively.

After February 1, 2008 and according to the above terms, BITOR recognized $300 million for termination of the Orimulsión® Supply Agreement, which was paid in full during 2008 through discounts on the amounts PDVSA Petróleo billed PETROCHINA for the sale of hydrocarbons. As of December 31, 2008, interest of $22 million included in accruals and other liabilities remained outstanding.

Additional Contribution by the Stockholder

The contribution of net assets for incorporation of the "Empresas Mixtas" Petromonagas, S.A., Petropiar, S.A., Petrocedeño, S.A., Petrosucre, S.A., Petrolera Sinovensa, S.A., Petrozumano, S.A., Petrolera IndoVenezolana, S.A., Petrolera Paria, S.A., Petrolera Güiria, S.A. and Petrolera BieloVenezolana, S.A., had the following effects on the consolidated financial statements of PDVSA as of the transfer date (in millions of dollars):

	Amounts recognized as of the transfer date
Property, plant and equipment, net (see note 15)	14,367
Inventories	313
Accounts receivable and other	489
Long-term debt (see note 23)	(450)
Accounts payable and other liabilities	(1,597)
Net assets incorporated	13,122
Carrying value of net assets transfered by PDVSA	(6,761)
Additional contribution by the Stockholder (see note 22)	6,361

The carrying value of property, plant and equipment, net transferred for incorporation of the above "Empresas Mixtas" amounts to $6,935 million.

(b) Migration of Operating Agreements to "Empresas Mixtas"

Migration to "Empresas Mixtas"

On March 31, 2006, the National Assembly enacted the Terms and Conditions for Incorporating "Empresas Mixtas", as well as the model of the Contract for Conversion into "Empresas Mixtas" to be executed by any private companies interested in such process. On that same date, the respective Memoranda of Understanding for the migration of Operating Agreements to "Empresas Mixtas", were signed except for the operators of two Operating Agreements, which voluntarily abstained from doing so.

The aforementioned Contract for Conversion into "Empresas Mixtas" establishes the automatic termination of operating agreements from March 31, 2006, without the operating companies having the right to be compensated, except for payments corresponding to the first quarter of 2006 or to file any claim relating to such termination. Furthermore, it was agreed that the assets operated as of that date by such operating agreements were to be immediately at the disposal of the "Empresas Mixtas" for performance of their activities, and title thereto would be subsequently transferred.

In June 2007, the National Assembly of the Bolivarian Republic of Venezuela approved the incorporation of the "Empresas Mixtas" Petrodelta, S.A. and Lagopetrol, S.A. in wich CVP has an interest of 60% and 69%, respectively. In Official Gazette 38,796, dated October 25, 2007, authorization was granted to these "Empresas Mixtas" to carry out primary activities related to hydrocarbons.

Settlement Agreements

In February 2008, PDVSA entered into a settlement agreement with the Italian company ENI Dación B.V., which enabled the former to takeover 100% control of the Dación field, located in Anzoátegui State. The final consideration recognized to ENI Dación B.V. was $730 million, included in the consolidated statements of income, under other (income) expenses, net, credited to accruals and other liabilities (see notes 12 and 25). Payment will be made over seven years at LIBOR plus one percent (LIBOR+1%) and secured by the cash flows of Petrosucre, S.A., an "Empresas Mixtas" in which ENI is a minority stockholder.

On March 5, 2007, PDVSA entered into a payment agreement with Total Oil & Gas and British Petroleum PCL, to end all interest, rights, actions or claims relating to the extinct operating agreement, corresponding to Campo Jusepín in Monagas state, amounting to $250 million. As of December 31, 2007, this amount had been paid in full.

(c) Projects for Development of Offshore Natural Gas - Plataforma Deltana

For purposes of granting rights related to the exploration and development of the Plataforma Deltana (Delta Platform), the area was divided into 5 blocks, mainly considered non-associated gas projects. The first exploration phase was completed by PDVSA in July 2003.

The licenses for exploration and development of blocks 2 and 4 were granted by MENPET in February 2003 to ChevronTexaco Corporation and ConocoPhillips to blocks 2 and Statoil AS to block 4. These companies are engaged in carrying out a minimum exploratory program with an estimated investment of $150 million and the subsequent investment for its development, if its profitability is confirmed. The interest of PDVSA in the partnership will be established when the profitability of each block is determined.

During the second half of 2003 blocks 3 and 5, as re-dimensioned, were offered. Block 3 was won by ChevronTexaco Corporation, which was allocated officially by MENPET in February 2004. Block 5 did not receive offers.

In 2008, ChevronTexaco Corporation requested from MENPET a declaration of viability based on the proved reserves of blocks 2 and 3; commercial production is expected to begin in 2014.

In the second half of 2008, the data package of block 1 was negotiated with The Petroleum Oil and Gas Corporation of SA (Pty) Limited, trading (PetroSA). Currently, this company is carrying out analyses to prepare a business proposal.

The activity of PDVSA in the Project has been concentrated on following the administration of the licensees of blocks 2, 3 and 4 during the exploration phase as technical support to MENPET; the analysis of possible business opportunities and development of blocks 1 and 5; the assessments required to complete the conceptual engineering of the entire project, including the transportation systems from Complejo Industrial Gran Mariscal de Ayacucho (CIGMA) and the gas liquefaction plant (NLG); in addition to the social-economic environmental impact analyses, the environmental base line and programs for sustainable development for the communities of the Delta del Orinoco (see note 15-b).

(d) Projects for Development of Offshore Natural Gas - Rafael Urdaneta

This project contemplates development of non-associated gas reserves in the Gulf of Venezuela, principally in the fields of Róbalo, Merluza, Liza and Sierra, to produce approximately 1,000 million cubic feet per day (MCFPD), for the domestic market, and any excess will be used for foreign business opportunities. The project is aimed at exploration activities, development of infrastructure for offshore gas production, installation of pipelines for gas and condensed product transportation, construction of a gas liquefying plant and docking facilities for modern NLG ships.

The exploration area is divided into 29 blocks, and exploration licenses were granted to ChevronTexaco Corporation for block Cardón III; Repsol YPF and ENI for block Cardón IV; Gazprom for blocks Urumaco I and II; Petrobras and Teikoku for block Moruy, and Petropars for block Cardón II.

(e) Energy Agreements with Latin America and the Caribbean

The Government of the Bolivarian Republic of Venezuela subscribed 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). These agreements establish, among others, that PDVSA will supply crude oil and products to the state oil companies of the participating countries. A summary of these agreements follows:

Agreement	Country	Company	MBPD	Year signed
IAC	Cuba	CUPET	92	2000
CECA / PETROCARIBE	Dominican Republic	Refinería Dominicana, S.A. (REFIDOMSA)	50	2004
IAC	Argentina	CAMMESA	25	2004
CECA	Paraguay	Petróleos de Paraguay (PETROPAR)	25	2004
CECA	Bolivia	Yacimientos Petrolíferos Fiscales de Bolivia (YPFB)	8	2004
CECA / PETROCARIBE	Jamaica	Petroleum Corporation of Jamaica (PETROJAM)	24	2005
CECA	Uruguay	ANCAP	44	2005
PETROCARIBE	Surinam	Staatsolie Maatschappij Suriname N.V.	10	2005
CECA	Ecuador	Petróleos del Ecuador (PETROECUADOR)	100	2006
PETROCARIBE	Nicaragua	Petróleos de Nicaragua (PETRONIC)	27	2007
PETROCARIBE	Other Caribbean countries	Several	29	-
San José Agreement	Several Caribbean and Latin American countries	Several	80	1980

Most of these supply agreements establish, among other conditions, a sales 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, between 15 and 25 years (see note 17). The agreements will be effective for a one-year period and may be renewed by mutual agreement between the parties involved.

On August 16, 2008, the CECA signed on November 8, 2004 by the Governments of the Bolivarian Republic of Venezuela and the Republic of Paraguay was amended, establishing supply by the Bolivarian Republic of Venezuela of crude oil, refined products and LPG to the Republic of Paraguay of up to 25MBPD or its equivalent in energy. As of December 31, 2007, the agreement established supply of crude oil and products of 19 MBPD.

(10) Assets Held for Sale and Discontinued Operations

In 2008, the subsidiary CITGO Petroleum Corporation (CITGO) initiated activities to sell property, plant and equipment, and inventories of a wax and lubricants plant located in the Lake Charles Refinery in Louisiana, USA and a terminal. These sales are expected to be completed prior to the end of the first semester of 2009.

In accordance with the guidelines and strategic objectives of the National Government, in 2007 the stockholder of PDVSA authorized the purchase of shares of several companies in the electricity sector of the country, which will be transferred in the short-term to the Corporación Electrica Nacional, S. A. (CORPOELEC), pursuant to Decree Law of the Organic Law on Reorganization of the Electricity Sector, published in Official Gazette 38,736 dated July 31, 2007 (see note 33-f). In accordance with instructions issued by MENPET, the shares of those electricity sector companies will be transferred at their carrying value at the time of the transaction. Currently, PDVSA and MENPET are completing a series of formalities for the transfer of the electricity sector companies to CORPOELEC. The Company remains committed to the transfer plan and believes that the process will be completed during the first semester of 2009.

A summary of these purchase transactions is presented below:

(a) C. A. La Electricidad de Caracas

On February 15, 2007, PDVSA entered into an agreement with The AES Corporation (AES) and its subsidiary AES Shannon Holding, B.V. for the purchase of the latter's interest in C.A. La Electricidad de Caracas (EDC), equivalent to 82.14% of the shares. In accordance with Venezuelan law, to purchase the remaining outstanding shares, PDVSA made a public tender.

From April 8 to May 8, 2007, PDVSA made a public tender to purchase up to 17.86% of the remaining outstanding shares of EDC, for the bolivars equivalent of $0.2734 per share (determined based on the official exchange rate for the sale of dollars, effective as of the closing date). This also involved a public tender in Venezuela and one in the United States of America for the purchase of each and every American Depositary Share (ADS's) outstanding, each representing 50 shares of EDC at a price of $13.6675 for each ADS.

As a result of the above public tender and the agreement with AES, PDVSA purchased 93.61% of the total outstanding shares of EDC, amounting to $844 million.

(b) Sistema Eléctrico del Estado Nueva Esparta, C.A. (SENECA)

On February 8, 2007, PDVSA signed a Memorandum of Understanding with CMS Energy Corporation, to purchase its shares in the company Sistema Eléctrico del Estado Nueva Esparta, C.A. (SENECA), for $106 million, which represents 88% of the capital stock of that company. On March 7, 2007, the stockholder of PDVSA approved the purchase on the agreed terms, which was completed by March 30, 2007.

(c) Other Electricity Sector Companies

On July 6, 2007, PDVSA purchased all of the shares of C.A. Electricidad de Valencia (ELEVAL) for $190 million and on November 16, 2007, it purchased all of the shares of C.A. Luz y Fuerza Eléctrica de Puerto Cabello (CALIFE) for $55 million.

The purchase of the shares of these electricity sector companies resulted in operating and financial control and had the following effects on the consolidated financial statements of PDVSA as of the purchase date (in millions of dollars):

	Values recorded as of the purchase date
Property, plant and equipment, net	2,091
Accounts receivable and other	372
Cash and cash equivalents	108
Long-term debt	(313)
Accounts payable and other liabilities	(397)
Identified assets and liabilities, net	1,861
Excess of net assets acquired over cost of the investment (see note 12)	(666)
Cash payments	1,195
Cash acquired	(108)
Cash paid, net of cash acquired	1,087

The Company determined the carrying values of assets and liabilities of electricity sector companies as of the purchase date and did not identify significant fair value adjustments for purposes of reporting the purchase (see note 6).

In 2008, the Company sold the following assets and liabilities classified as held for sale as of December 31, 2007:

- Property, plant and equipment and inventory of two asphalt refineries owned by CITGO Asphalt Refining Company (CARCO), a subsidiary of CITGO, located in Paulsboro - New Jersey and Savannah - Georgia, in the United States of America. From this sale, CITGO received $802 million in cash, and recorded income from sale of those assets of $318 million, reported in the consolidated statements of income, under income from sale of group of assets held for sale.

- Propernijn, N.V. (a subsidiary of Propernyn, B.V.), located in the Netherlands Antilles and its subsidiaries Baproven Limited (BAPROVEN); Bahamas Oil Refining Company International Limited (BORCO); Borco Towing Company Limited (BORTOW); Freeport Trading Co. Ltd. (FREETRADE) and Marine Agent & Brokers Ltd (MARBROK), located in the Bahamas. From this sale, Propernyn, B.V. received $797 million in cash and recorded a gain of $680 million, in the consolidated statements of income, under income from sale of group of assets and liabilities held for sale.

In 2008, PDVSA sold at its carrying value, all of the shares of the subsidiary Productos Especiales, C.A. (Proesca) to the related company Petroquímica de Venezuela, S.A. (PEQUIVEN), which is wholly-owned by the Bolivarian Republic of Venezuela. As of December 31, 2008, the consolidated financial statements include $49 million receivable from PEQUIVEN corresponding to this transaction.

Non-current assets or disposable group of assets and liabilities held for sale as of December 31, 2008 and 2007 follow (in millions of dollars):

Assets held for sale -

	Property, Plant and Equipment		Inventories		Notes and Accounts Receivable		Cash and Cash Equivalents		Other		Total	
	2008	2007	2008	2007	2008	2007	2008	2007	2008	2007	2008	2007
Lubricants and wax plant - Lake Charles Refinery and one terminal	91	-	6	-	-	-	-	-	-	-	97	-
Electricity sector companies	2.520	2.053	100	93	486	194	401	172	237	251	3.744	2.763
Morichal and Paria Ships - PDV Marina	-	4	-	-	-	-	-	-	-	-	-	4
Paulsboro Refinery and New Jersey Refinery	-	136	-	169	-	-	-	-	-	-	-	305
Propernijn, N.V. and subsidiaries	-	145	-	-	-	19	-	-	-	9	-	173
Total	2.611	2.338	106	262	486	213	401	172	237	260	3.841	3.245

Liabilities held for sale -

	Long-Term Debt [1]		Employee Benefits		Accounts Payable		Accruals and Other Liabilities		Total	
	2008	2007	2008	2007	2008	2007	2008	2007	2008	2007
Electricity sector companies	674	284	256	151	315	126	572	174	1.817	735
Propernijn, N.V. and subsidiaries	-	-	-	-	-	20	-	10	-	30
Total	674	284	256	151	315	146	572	184	1.817	765

(1) See note 23

(Continued)

Income attributable to discontinued operations follows (in millions of dollars):

	Years ended December 31,	
	2008	**2007**
Proesca -		
Other income - net income (see note 16)	3	1
Electricity sector companies -		
Sales	951	859
Cost and expenses	911	748
Income before income tax	40	111
(Expense) income from deferred income tax - (see note 14)	(14)	40
Net income	54	71
Propernijn, N.V. and subsidiaries -		
Sales	-	17
Other income from services	-	65
Costs and expenses	-	53
Income before income tax	-	29
Income tax	-	-
Net income	-	29
Total income from discontinued operations, net of taxes (see note 14-a)	57	101

Cash flows from (used in) discontinued operations follows (in millions of dollars):

	Years ended December 31,	
	2008	**2007**
Electricity sector companies -		
Cash flows provided by operating activities	430	264
Cash flows used in investing activities	(502)	(133)
Cash flows provided by (used in) financing activities	344	(195)
Propernijn, N.V. and subsidiaries -		
Cash flows used in financing activities	-	(29)

(Continued)

If the electric sector companies had been purchased on January 1, 2007, management estimates that the income from discontinued operations, net of taxes for the year ended December 31, 2007, would have been $170 million.

During 2008 and 2007, no impairment loss has been recorded resulting from the measurement of non-current assets or disposable groups of assets and liabilities held for sale.

(11) New PDVSA Subsidiaries

(a) Petroleum Sector

Based on the Organic Law on Reorganization of the Domestic Liquid Fuels Market (see note 33-a), in October 2008, PDVSA Empresa Nacional de Transporte, C.A. was incorporated to undertake intermediation activities for the supply of liquid fuels between PDVSA and retailers.

(b) Industrial Sector

In accordance with the guidelines of the National Government and the strategic plans of the Company, in February 2008, the following wholly-owned subsidiaries were incorporated by PDVSA: PDVSA Desarrollos Urbanos, S.A.; PDVSA Ingeniería y Construcción, S.A.; and PDVSA Naval, S.A. These subsidiaries were created for development and performance of social infrastructure, engineering services and construction of large-scale projects; construction, repair and maintenance of ships; as well as to conduct social, cultural, technological and education projects and programs for the benefit of communities.

On October 20, 2008, PDVSA Naval, S.A. signed a sale agreement for 97.55% of the shares of Astilleros Navales Venezolanos, S.A. (Astinave) for $135 million. At December 31, 2008, $130 million is included under accruals and other liabilities for this transaction; and in long-term accounts receivable and other assets, $61 million is recorded for goodwill generated from this purchase (see note 34-i).

(c) Food Sector

Decree 5,689 published in Official Gazette 38,811, dated November 15, 2007, establishes "V Exceptional Plan for Economic and Social Development" for, among other aspects, the supply of basic basket items, raw materials for preparation of foods and other first-necessity agricultural items. On February 1, 2008, in support of this Plan, the subsidiary PDVSA Agrícola, S.A. incorporated the company Productora y Distribuidora Venezolana de Alimentos, S.A. (PDVAL).

Also, during 2008, the following companies were acquired:

- On March 14, 2008, PDVSA acquired for $201 million all of the shares of a group of companies whose main business is the production and distribution of dairy products, the most important company of the group being Lácteos Los Andes, C.A. As of December 31, 2008, $186 million has been paid on this transaction and, as of the same date, $15 million is included in accruals and other liabilities under accounts payable and $160 million in long-term accounts receivable and other assets of goodwill resulting from the acquisition.

- On September 30, 2008, PDVAL purchased all of the shares of the companies Inter Inversiones, S.A. for $14 million, Inversiones Toen, C.A. for $13 million, Inversiones Omega IX, C.A. for $13 million, Representaciones El Faraón, C.A. for $13 million and Inversiones Omega VI, C.A. for $7 million. As of December 31, 2008, $7 million has been paid for these acquisitions, and as of that date, $53 million was recorded under accruals and other liabilities as accounts payable, and $14 million under long-term accounts receivable and other assets for goodwill derived from this transaction. In addition, the consolidated statements of income include under other expenses (income), net $1 million of negative goodwill resulting from the excess of the value of assets over the cost of the acquistions.

- On March 8, 2008, PDVAL entered into a sale agreement with Inversiones Tacoa, C.A. for all of the shares or the company Centro de Almacenes Congelados, C.A. (CEALCO). The amount paid for this company was $73 million. As of December 31, 2008, $66 million is included in long-term accounts receivable and other assets for goodwill generated from this transaction.

- On August 11, 2008, PDVAL signed a sale agreement with Verstabel B.V. for all of the shares of companies Indugram, C.A. and Productos La Fina, C.A., for $39 million. As of December 31, 2008, $16 million has been paid and, as of that date, $23 million is included in accruals and other liabilities under accounts payable and other expenses (income), net, and $1 million of negative goodwill resulting from the excess of the value of assets over the cost of the acquisition.

- On July 22, 2008, PDVAL entered into a purchase-sale agreement for $79 million with Cedric Private Foundation for all of the shares of Alexis International LTD, which wholly-owned the capital stock of Industrias Diana, C.A. and Palmeras Diana del Lago, C.A. As of December 31, 2008, $47 million has been paid and, as of that date, $32 million is included in accruals and other liabilities under accounts payable and other expenses (income), net, and $6 million of negative goodwill resulting from excess of the value of assets over the cost of the acquisition.

The purchase of shares in these food and industrial sector companies resulted in operating and financial control and had the following effects on the consolidated financial statements of PDVSA as of the transaction date (in millions of dollars):

	Valuation recognized as of acquisition date		
	Companies acquired with goodwill	**Companies acquired with excess value of assets over acquisition cost**	**Total**
Property, plant and equipment, net (see note 15)	136	142	278
Accounts receivable and other	107	121	228
Debt (see note 23)	(17)	(21)	(38)
Accounts payable and other liabilities	(68)	(109)	(177)
Minority investors	(2)	-	(2)
Identifiable assets and liabilities, net	156	133	289
Goodwill (see notes 3-f and 17)	301	-	301
Excess value of net assets acquired over cost (see notes 3-f and 12)	-	(8)	(8)
Accounts payable (see note 25)	(193)	(60)	(253)
Cash payments	264	65	329
Cash acquired	(7)	(7)	(14)
Cash paid, net of cash acquired	257	58	315

As of December 31, 2008, the food-sector companies acquired generated profits of $38 million. If the purchase had taken place on January 1, 2008, management believes that the consolidated sales and consolidated net income of PDVSA, for the year ended December 31, 2008, would have been $127,293 million and $9,470 million, respectively.

During the year ended December 31, 2008, the consolidated statements of income include sales of companies of the food sector for $1,072 million, with an associated cost of sales of $693 million. During the year ended December 31, 2007, no sales were made in this connection.

(12) Other (Income) Expenses, Net

A summary of other (income) expenses, net follows (in millions of dollars):

	Years ended December 31,	
	2008	**2007**
Provision for litigation and other claims (see notes 25 and 29)	1,200	1,153
Impairment of assets (see note 15)	369	10
Loss (income) on sale of assets	5	(207)
Other tax expenses	148	122
Compensation to ENI Dacion B.V. (see note 9-b)	730	-
Freight services and third-party storage services	(206)	(166)
Excess of net assets acquired over cost of the investment (negative goodwill) (see notes 10 and 11)	(8)	(666)
Income from procurement services for PEQUIVEN (see note 30)	(86)	(73)
Other non-operating expenses (income)	176	(300)
	2,328	(127)

(13) Finance Income (Expenses)

A summary of financial income (expenses) follows (in millions of dollars):

	Years ended December 31,	
	2008	**2007**
Finance income	1,580	566
Finance expenses -		
Borrowing expenses (see note 23)	(770)	(370)
Adjustments to fair value of financial assets (see note 17)	(516)	(446)
Cost of asset retirement obligations	(69)	(53)
(Loss) income from exchange rate fluctuations	31	16
Other finance expenses	(456)	(214)
	(1,780)	(1,067)
	(200)	(501)

In the process of managing the two funds authorized by the BCV (see note 4), PDVSA holds part of those funds in temporary investments with maturities no more than three months in different financial instruments, with variable returns, in financial institutions and investment funds. The consolidated statements of income for the year ended December 31, 2008, include under financial income, principally $1,213 million of returns from holding those funds.

(14) Taxes and Production Tax

A summary of taxes and production tax affecting the consolidated operations of PDVSA follows (in millions of dollars):

	Years ended December 31,	
	2008	**2007**
Income tax:		
Continuing operations	4,281	5,017
Discontinued operations (see note 10)	(14)	40
Total income tax	4,267	5,057
Production tax, extraction tax and other taxes:		
Production tax	20,294	19,872
Extraction tax	2,487	1,720
Surface tax	146	113
Export registration tax	76	54
Special advantages tax	368	203
LOPTISCEP tax	91	19
Total production tax, extraction tax and other taxes	23,462	21,981

(a) Income Tax

Income before income tax, for each year comprised the following (in millions of dollars):

	Years ended December 31,	
	2008	**2007**
Venezuela:		
Continuing operations	13,197	7,278
Discontinued operations	43	112
Foreign:		
Continuing operations	440	3,911
Discontinued operations	-	29
	13,680	11,330

(Continued)

The income tax expense for each year follows (in millions of dollars):

	Years ended December 31,	
	2008	**2007**
Continuing operations:		
Estimated income tax expense -		
Venezuela (see note 30)	6,952	4,952
Foreign	411	1,652
	7,363	6,604
Deferred income tax (benefit) expense -		
Venezuela	(3,821)	(1,239)
Foreign	739	(348)
	(3,082)	(1,587)
Income tax expense continuing operations	4,281	5,017
Discontinued operations:		
Income tax expense discontinued operations -		
Venezuela	(14)	40
Income tax expense discontinued operations -		
Foreign	-	-
	4,267	5,057

(Continued)

The difference between the statutory income tax rate and the effective consolidated income tax rate for each year is analyzed as follows (in millions of dollars):

	Years ended December 31,			
	2008		2007	
	%		%	
Net income:				
Continuing operations		9,356		6,172
Discontinued operations (see note 10)		57		101
		9,413		6,273
Income tax:				
Continuing operations		4,281		5,017
Discontinued operations (see note 10)		(14)		40
		4,267		5,057
Net income (from continuing operations and discontinued operations) before tax		13,680		11,330
Nominal income tax rate for the petroleum sector	50.00	6,840	50.0	5,665
Tax adjustment for inflation and effect of translation into dollars	(23.81)	(3,257)	(10.1)	(1,140)
Unrealized loss on financial instruments	0.80	109	-	-
Tax losses	(3.57)	(488)	(0.1)	(17)
Fund for Macroeconomic Stabilization (FEM)	(0.05)	(7)	(0.1)	(10)
Extraterritorial income	3.11	425	-	-
Provisions	1.06	145	3.1	348
Effects of subsidiaries subject to lower tax rates	(3.62)	(495)	(2.8)	(316)
Tax losses not recorded as deferred tax asset	(0.02)	(3)	2.5	284
Equity interest	(0.08)	(11)	0.3	36
Dividend tax	4.23	578	7.6	866
Deffered tax from bases differences on property, plant and quipment, net	(6.56)	(898)	-	-
Other differences, net	1.31	179	1.0	109
Effective income tax rate in Venezuela	22.80	3,117	51.4	5,825
Effect of foreign subsidiaries	8.41	1,150	(6.8)	(768)
Effective income tax rate	31.21	4,267	44.6	5,057

Pursuant to the Income Tax Law effective until September 25, 2006, PDVSA and some of its Venezuelan subsidiaries were entitled to investment tax credits up to 12% of the amounts invested in property, plant and equipment, for the carry-forward period of three years. Such credits, however, could not exceed 2% of net taxable income according to the previous law. Tax credits as of that date could be used until their expiration and, according to the current Income Tax Law, could not generate tax credits on new investments. In 2008 and 2007, tax credits on new investments of $31 million and $27 million, respectively, were used.

The current Income Tax Law allows tax losses to be carried forward for three years to offset future taxable income, except losses resulting from the application of the fiscal inflation adjustment, which can be carried forward for one year.

As of December 31, 2008, tax credits corresponding to excess credits on new investments and tax loss carryforwards amount to approximately $124 million and $1,900 million, respectively, which expire as follows (in millions dollars):

	December 31,		
	2009	**2010**	**2011**
Investment tax credits	124	-	-
Tax losses	439	848	613

The Venezuelan Income Tax Law introduced an initial adjustment for the effects of inflation for the income tax calculation. The inflation adjusted value of property, plant and equipment is depreciated or depleted over their remaining useful lives for tax purposes. The Tax Law also provides for the calculation of a regular inflation adjustment to be made every year, and included in the reconciliation to taxable income as a taxable or deductible item.

In conformity with the Venezuelan Income Tax Law, taxpayers subject to income tax who carry out import, export and loan operations with related parties domiciled abroad must determine their income, costs and deductions applying transfer pricing rules. PDVSA has obtained analyses supporting its transfer pricing methodology. The resulting effects for each subsidiary are included in the determination of income tax of each year.

The current Income Tax Law of Venezuela establishes a general rate of 50% for companies involved in hydrocarbons and related activities, eliminating application of the rate of 34% to companies incorporated under the joint venture agreements executed under the superseded Organic Law Restricting 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 exports or improvement of heavy or extra-heavy crude oil are subject to a rate of 34%. The applicable income tax rate for the principal foreign subsidiaries is 35%.

Movements of deferred income tax assets (liabilities) reported in income for each year are presented below (in millions dollars):

	2006 Assets (liabilities)	Benefit (expense) recognized in the statement of income	2007 Assets (liabilities)	Benefit (expense) recognized in the statement of income	2008 Assets (liabilities)
Employee benefits and other postretirement benefits	865	32	897	1,095	1,992
Property, plant and equipment	(30)	412	382	1,201	1,583
Royalties payable	124	95	219	(36)	183
Capitalized financial costs	(273)	166	(107)	(154)	(261)
Investments in non-consolidated investees	(189)	152	(37)	(76)	(113)
Inventories	(140)	578	438	531	969
Investment tax credits and tax loss carryforwards	14	(3)	11	-	11
Payments of dividends	(250)	(250)	(500)	150	(350)
Provisions	946	446	1,392	557	1,949
Special provisions	-	-	-	102	102
Unrealized loss on financial instruments	-	-	-	(39)	(39)
Other	287	(41)	246	(249)	(3)
	1,354	1,587	2,941	3,082	6,023

(b) Production Tax

Production Tax is paid based on the crude oil produced and natural gas processed in Venezuela. A rate of 30% is applied to the volumes of hydrocarbons and natural gas produced in traditional areas (applicable to PDVSA Petróleo, PDVSA Gas and "Empresas Mixtas", including those recently created in the Orinoco Oil Belt, former Strategic Associations).

In May 2006 the Partial Amendment to the Organic Hydrocarbons Law was enacted, establishing that operators must pay production tax of 30% of the value of each barrel at the wellhead. Production tax for 2008 and 2007 was $20,294 million and $19,872 million, respectively, included in the consolidated statements of income under production, extraction and other taxes.

Pursuant to instructions issued by the National Government, within the framework of the Energy Cooperation Agreements (see note 9-e) and the Agreement for Creation of the Joint Chinese-Venezuelan Fund (see note 30); in 2008, PDVSA supplied crude oil and products for $6,462 million and $2,166 million, respectively. According to Article 45 of the Organic Hydrocarbons Law, the volumes delivered by the Republic are deemed as fulfilment of PDVSA's obligation for production taxes.

Beginning in 2008, in accordance with MENPET's resolution, PDVSA will discount from production tax the difference between the settlement price of production tax and 35$/Bl of the subsidized volumes destined to the domestic market.

"Empresas Mixtas" are subject to payment of taxes on special advantages, which are determined based on: a) an interest as additional royalty of 3.33% on volumes of hydrocarbons extracted in marked areas and delivered to Petróleos de Venezuela, S.A., 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 Petróleos de Venezuela, S.A. in each calendar year and (ii) the sum of payments made by "Empresas Mixtas" to the Bolivarian Republic of Venezuela, for the activity in the same calendar year, for taxes and production taxes on and special advantages on hydrocarbons and 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 "Empresas Mixtas". PDVSA, through its "Empresas Mixtas", incurred this tax in 2008 and 2007 of $368 million and $203 million, respectively, included in the consolidated statements of income under production tax, extraction tax and other taxes.

On November 14, 2006, a new calculation for production tax was established for companies performing primary oil activities in the country, based on the production fields being measured for contents of sulfur and API gravity of liquid hydrocarbons extracted, which must be reported together with production. All this information will be part of the settlement price of production tax and will be used to determine any special advantage. This information will give rise to adjustments for gravity and sulfur to be published by the Ministry of Popular Power for Energy and Oil.

(c) Extraction Tax

The amendment to the Organic Hydrocarbons 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 the royalty. When determining this tax, the taxpayer may deduct the amount that would have been paid as royalties, including the additional royalty paid as a special advantage. This tax is effective since 2006, and PDVSA paid $2,487 million and $1,720 million for 2008 and 2007, respectively, included in the consolidated statements of income under production tax, extraction tax and other taxes. The joint ventures in the Orinoco Oil Belt, in addition to the royalty of 16 2/3%, must pay extraction tax of 16 2/3%.

(d) Surface Tax

The Organic Hydrocarbons Law establishes the payment of a tax equivalent to 100 tax units (TU) per square kilometer or fraction of surface extension of land granted and not exploited. This tax will be increased annually by 2% during the first five years and by 5% in subsequent years. In 2008 and 2007, PDVSA Petróleo incurred surface tax in Venezuela of $146 million and $113 million, respectively, included under production tax, extraction tax and other taxes in the consolidated statements of income.

(e) Export Registration Tax

The Amendment to the Organic Hydrocarbons 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 since May 24, 2006, applicable sixty (60) uninterrupted days beginning on the date of publication of the corresponding Official Gazette. PDVSA paid in 2008 and 2007 $76 million and $54 million, respectively, included in the consolidated statements of income under production tax, extraction tax and other taxes.

(f) Value Added Tax (VAT)

Official Gazette 38,632, dated February 26, 2007, included the Partial Amendment Law of the VAT Law, which establishes a decrease in the rate from 14% to 11%, from March 1 until June 30, 2007, and to 9% after July 1, 2007.

The VAT law establishes an exemption on trading of certain fuels derived from hydrocarbons and the possibility to recover from the National Treasury authorities certain tax credits resulting from export sales. The amounts pending recovery do not bear interest. A consolidated summary of VAT credits pending recovery or offset follows (in millions of dollars):

	December 31,	
	2008	**2007**
Credits pending recovery or offset at the beginning of the year	5,576	4,236
Generated during the year	1,499	1,340
Recovered during the year (see note 29)	(682)	-
Fair value adjustment	(49)	-
Credits pending recovery or offset at the end of the year (see note 30)	6,344	5,576
Less, current portion	2,936	3,346
Long-term portion	3,408	2,230

Management believes that the agreements made with the National Treasury will enable the Company to recover a significant percentage of the tax credits in 2009.

Of the balance of recoverable tax credits as of December 31, 2008 and 2007, approximately $184 million correspond to subsidiaries involved with the Orinoco Oil Belt's joint ventures.

(g) 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, such taxes during 2008 and 2007 amounted to approximately $533 million and $665 million, respectively.

In the United States of America, this tax is paid by the consumer; therefore, it is included in the sale price of the product and collected and paid to government entities without affecting the consolidated results of the Company; in 2008 and 2007, such taxes amounted to approximately $2,389 million and $2,901 million, respectively.

(h) Other Taxes

The Special Contribution Law on Extraordinary prices of the International Hydrocarbons Market and related resolutions establish a special contribution to be paid monthly by entities exporting or transporting abroad liquid hydrocarbons and by-products (see note 33-c).

(15) Property, Plant and Equipment

Property, plant and equipment are comprised of the following (in millions of dollars):

	Wells and production facilities	Plants and refining facilities	Storage facilities and transportation of oil, crude and gas	Land, buildings and constructions	Machinery and equipment	Land, sea and air transportation units	Industrial, camp and other support services	Construction in progress	Totals
Cost:									
Balance as of December 31, 2006	45,105	11,607	6,982	3,404	9,655	1,663	6,015	9,636	94,067
Purchases and additions	693	295	14	-	10	5	181	9,461	10,659
Cost of joint-venture assets (see note 9-a)	2,072	3,072	387	-	-	-	174	191	5,896
Cost of assets from electricity sector companies (see note 10)	-	-	-	-	-	-	4,518	-	4,518
Transfers and capitalizations	2,406	375	84	52	449	71	54	(3,491)	-
Sales and disposals	(237)	(190)	(2)	(27)	(123)	(13)	-	(20)	(612)
Reclassification to assets held for sale (see note 10)	-	-	(181)	(13)	(279)	(5)	(4,626)	(29)	(5,133)
Asset retirement obligations	86	-	-	-	-	-	-	-	86
Other	(327)	23	-	-	(7)	(17)	12	(186)	(502)
Balance as of December 31, 2007	49,798	15,182	7,284	3,416	9,705	1,704	6,328	15,562	108,979
Purchases and additions	1,370	374	33	356	127	144	173	15,836	18,413
Cost of joint-venture assets (see note 9-a)	910	3,598	1,427	242	8	5	94	1,148	7,432
Transfers and capitalizations	3,502	892	824	75	126	272	128	(5,818)	-
Sales and disposals	(28)	(212)	(1)	(24)	(26)	(87)	(55)	(7)	(440)
Asset retirement obligations	908	-	-	-	-	-	-	-	908
Other	127	(50)	34	54	(219)	7	(34)	(318)	(399)
Balance as of December 31, 2008	56,587	19,784	9,601	4,119	9,721	2,045	6,634	26,403	134,893
Depreciation and amortization:									
Balance as of December 31, 2006	27,063	6,379	5,026	2,465	5,453	1,151	4,027	-	51,564
Depreciation and amortization	2,125	772	286	102	384	73	276	-	4,018
Depreciation of discontinued operation	-	-	-	-	-	-	142	-	142
Sales and disposals	(19)	(142)	-	(17)	(99)	(10)	(9)	-	(296)
Accumulated depreciation of assets from joint ventures (see note 9-a)	626	702	129	-	-	-	68	-	- 1,525
Accumulated depreciation of assets from electricity sector companies (see note 10)	-	-	-	-	-	-	2,427	-	- 2,427
Reclassification of assets held for sale (see note 10)	-	-	(95)	-	(131)	(2)	(2,584)	-	(2,812)
Asset impairment (see note 12)	6	-	-	-	4	-	-	-	10
Asset retirement obligations	(8)	-	-	-	-	-	-	-	(8)
Other	(8)	(24)	(3)	5	2	(1)	2	-	(27)
Balance as of December 31, 2007	29,785	7,687	5,343	2,555	5,613	1,211	4,349	-	56,543
Depreciation and amortization	2,589	1,547	449	145	124	98	269	-	5,220
Sales and disposals	(16)	(152)	(8)	(17)	(23)	(8)	(55)	-	(278)
Asset impairment (see note 12)	(183)	349	46	8	(4)	42	111	-	369
Asset retirement obligations	(3)	-	-	-	-	-	-	-	(3)
Other	4	41	6	19	(45)	3	4	-	32
Balance as of December 31, 2008	32,176	9,472	5,836	2,710	5,665	1,346	4,678	-	61,883
Total net cost as of December 31, 2008	24,412	10,312	3,765	1,409	4,055	699	1,956	26,403	73,010
Total net cost as of December 31, 2007	20,013	7,495	1,941	861	4,092	493	1,979	15,562	52,436

In 2008, the Company increased assets by $1,421 million corresponding to the purchase of a 22% interest in Petrocedeño, S.A. This purchase is presented as part of the additions of the year. In 2008, as a result of the migration process to "Empresas Mixtas" of the joint ventures of the Orinoco Oil Belt, as well as the Exploration and Profit Sharing Agreements, the Company increased its assets by a net amount of $7,432 million; which is stated as assets from Joint Development Activities (see note 9-a). A summary of these additions follows (in millions of dollars):

Company	Assets from Orinoco Oil Belt Operations	Assets from operations of the Exploration and Profit Sharing Agreements	Total
Petrocedeño	3,582	-	3,582
Petromonagas	175	-	175
Petropiar	2,098	-	2,098
Petrosinovensa	970	-	970
Petrosucre	-	444	444
Petrolera Güiria	-	106	106
Petrolera Paria	-	57	57
	6,825	607	7,432

In 2007 PDVSA increased its interest in Petrozuata and the Cerro Negro and Hamaca Projects principally because two of its former partners decided not to take part in the migration process of Joint Ventures of the Orinoco Oil Belt to "Empresas Mixtas". Consequently, the Company reported the following value of production assets, as part of purchases and additions of that year (in millions of dollars) (see note 9-a):

Company or Project	Cost	Accumulated depreciation	Net value
Petrozuata	3,545	907	2,638
Cerro Negro	840	341	499
Hamaca	1,511	277	1,234
	5,896	1,525	4,371

As of December 31, 2008, the item "other" includes, principally, $284 million corresponding to specific provisions for work in progress not capitalizable.

As of December 31, 2007, the item "other" includes $373 million corresponding to the following "Empresas Mixtas" of CVP to decrease the initial value of assets recorded as a result of the migration to "Empresas Mixtas": Boquerón, S.A. ($340 million); Petroguárico, S.A. ($14 million); and Petrokariña, S.A. ($19 million). These adjustments were made in 2007 and charged to additional contribution of Stockholder and minority interests in stockholder's equity (see note 22).

(Continued)

In 2008, the Company evaluated impairment and, taking into account new market conditions and business aspects, identified the need to record an impairment loss of $369 million mainly relating to certain assets for refining, production, commercialization and transportation of gas. In 2007 and as a result of these evaluations, the Company recorded an impairment loss of $10 million related mainly to certain exploration and production assets (see note 12).

As of December 31, 2008 and 2007, the Company reported expenditures for major maintenance and general repairs which are considered as a separate component of assets of $2,287 million and $1,542 million, respectively, included under property, plant and equipment, mainly in plants and refining facilities (see note 3-d).

In 2008 and 2007, interest of $254 million and $328 million, respectively, was capitalized.

As of December 31, 2008 and 2007, certain refining and gas compression plant assets and equipment have been leased for approximately $455 million and $453 million, net of accumulated depreciation of approximately $384 million and $215 million, respectively. Depreciation expense for the years 2008 and 2007, corresponding to assets under lease agreements amounts to $54 million and $39 million, respectively.

In 2008, the Company recorded $278 million under property, plant and equipment, net, for business combinations, as a component of purchases and additions of the year (see note 11).

Construction in Progress

The balance of construction in progress is mainly comprised of investment programs for drilling and refining, major maintenance, electric systems, piping, reconditioning and adaptation of wells, expansion and infrastructure, aimed at maintaining production capacity and adjusting the facilities to the production levels set forth in the business plan of the Company. As of December 31, 2008 and 2007, the balance of construction in progress is approximately $11,893 million and $7,465 million, respectively. Also, the balance of construction in progress as of December 31, 2008 and 2007, includes investments for exploration work of approximately $1,096 million and $932 million, respectively, and several projects that will be capitalized as property, plant and equipment at the date of incorporation into operations. The most significant projects follow:

(a) The strategic purpose of the Orinoco Magna Reserva Project is exploration of the Orinoco Oil Belt, which contains accumulations of heavy and extra-heavy crude oil with an average gravity of 8.6 API. The Project entails the acquisition of additional information and development of reservoir analyses using resources owned by the Company and technical support from third parties to make Venezuela the country with the largest hydrocarbon reserves in the world and foster future business developments. In 2008, through the quantification and certification process of reserves of the project a total of 74,108,505 thousands of natural barrels (TNB) of proved oil reserves was recorded. The total estimated investment for this project is $711 million. As of December 31, 2008 and 2007, the balance of this construction in progress is approximately $485 million and $166 million, respectively.

(b) The Plataforma Deltana Gas project contemplates the participation of third parties in order to complete the exploration and future development of this area. PDVSA completed the project's initial phase, including 3D seismic analysis and the perforation of four exploratory wells completed in 2003, with successful results in three of them. The total estimated investment for this project is $3,810 million including the participation of PDVSA. It has been established that blocks 1 and 5 are maintained in reserve for future business. At December 31, 2008 and 2007, the balance of this construction in process is approximately $162 million and $161 million, respectively.

(c) The purpose of the Anaco Gas project is to increase the production of gas to meet the domestic market's demand. Currently, the drilling process of exploratory wells located north of Anaco, Anzoátegui State is underway. This project includes the design and construction of facilities to increase the daily gas production to 2,400 million cubic feet per day (MMCFD) and 35 thousand barrels per day (MBPD) of light crude. The total estimated investment for this project as of December 31, 2008 and 2007 is $4,418 million and $2,433 million, respectively. The changes in the total estimated investment compared with the previous year are due mainly to the change from Phase I to Phase II in the performance of the project, which includes the development for drilling 3 additional fields, for a total of 6 fields, plus the AIT Platform. As of December 31, 2008 and 2007, the balance of this construction in progress is approximately $1,584 million and $1,032 million, respectively.

(d) The purpose of the Interconexión Oriente-Occidente (ICO) project is to connect the natural gas transmission systems of the central and eastern region of Venezuela (Anaco, Anzoátegui State, Barquisimeto, Lara State) with the transmission system located in the country's western region (Ulé, Zulia State - Amuay, Falcon State), to cover the gas demand of the country's western region, expand the gas service to other regions nationwide and to promote the industrial and commercial development in areas near the construction of this transmission system. The estimated total investment for this project, as of December 31, 2008 and 2007, is $715 million and $530 million, respectively; and it is expected to be completed by 2010. The change in the total estimated investment with respect to the previous year is due mainly to increased costs for extension of the security strip of the gas pipeline in the urban works La Ciénaga, upgrading forcompression plants to raise capacity by an additional 30 MMCFD and greater definition of the complementary work of plants. As of December 31, 2008 and 2007, the balance of this construction in progress is approximately $640 million and $436 million, respectively.

(e) The Trans-Caribbean Gas Pipeline Antonio Ricaurte Project was started in 2006 for exchange of gas between Venezuela y Colombia and will follow the route from Puerto de Ballena, Colombia to the Eastern Coast of Maracaibo Lake in Venezuela with an estimated length of 225 kilometers. The total estimated investment, as of December 31, 2008 and 2007, is $659 million and $473 million, respectively; the changes in the total estimated investment with respect to the previous year are due mainly to increased costs for completion of complementary work of the gas pipeline. In the first four years the gas pipeline will transport gas from Colombia to Venezuela and subsequently from Venezuela into Colombia. During 2008 partial capitalizations of balances invested in 2008 and 2007 were made. As of December 31, 2008 and 2007, the balance of this construction in progress is approximately $100 million and $461 million, respectively.

(f) The purpose of the Complejo Criogénico de Occidente (CCO) project is to optimize the processing of natural gas in the country's western region. The estimated total investment for this project, as of December 31, 2008 and 2007, is $1,437 million and $926 million, respectively. As of December 31, 2008 and 2007, the balance of this construction in progress is approximately $288 million and $197 million, respectively.

(g) The Gas Delta Caribe Oriental project involves building infrastructure in Güiria, Sucre State, for the development and industrialization of natural gas in the oriental offshore. The total estimated cost of the work, as of December 31, 2008 and 2007, is $8,559 million and $8,523 million, respectively, and income from the project will be derived from the sale of land lots for industrial use, fully developed and bearing all the relevant services. This complex will gather the diverse gas streams delivered by the offshore northern-eastern gas development projects, including the Plataforma Deltana, Mariscal Sucre, as well as further medium and long-term projects. These gas volumes will be primarily destined to supply the Venezuelan internal market's demand and the national industrialization plans. Excess gas volumes will be exported as Liquefied Natural Gas (LNG). As of December 31, 2008 and 2007, the balance of this construction in progress is approximately $360 million and $170 million, respectively.

(h) The Mariscal Sucre project is aimed at developing and exploring the reserves of non-associated offshore gas. At present, the scope of its first phase is development of three fields of non-associated gas (Mejillones, Patao and Dragón) and a field of condensed liquids (Río Caribe), located in the north of the Paria Peninsula for production of up to 1,200 MMCFD of gas and 18 MBPD of condensed. The total estimated investment, as of December 31, 2008 and 2007, is $7,080 million and $2,700 million, respectively; the changes in the total estimated investment with respect to the previous year are due mainly to the fact that in 2007 the development of the fields required drilling of 8 wells and, at present, the scope is 36 wells. As of December 31, 2008 and 2007, the balance of this construction in progress is approximately $731 million and $136 million, respectively.

(i) The Jose 250 project is aimed at enhancing the processing capacity of associated gas generated at San Joaquín, Jusepín and Pirital in the eastern region of the country, in order to meet the demand of the domestic market and supply of gas injected to secondary recovery processes of oil fields in the north of Monagas state. The project is focused on development of three new liquid extraction plants, a fractioning unit, expansion of the Marine Terminal at Condominio Jose; as well as development and expansion of pipelines for LNG. The total estimated investment for this project is $664 million and it is expected to be completed in 2014. As of December 31, 2008 and 2007, the balance of this construction in progress is approximately $250 million and $77 million, respectively.

(j) The main purpose of the Integral Ceuta-Tomoporo project is to maximize the recoverable crude oil reserves value of Ceuta-Tomoporo in the country's estern region, which has estimated reserves of 1,000 million barrels of 23.6° API crude oil. The total estimate ed cost of the project is $3,870 million, with an average crude oil production of 195 MBPD. It is estimated that the development project relating to these reserves will end in 2021. As of December 31, 2008 and 2007, the balance of this construction in progress is approximately $519 million and $379 million, respectively.

(k) The Replacement Project of Plant TJ1 is aimed at properly supporting the gas production levels established in the business plan for the central area of Tía Juana in the western region of the country, minimizing operating loss of gas, saving 44% in the consumption of fuel gas and lowering operating and maintenance costs. The total estimated cost of the project, as of December 31, 2008 and 2007, is $270 million and $180 million, respectively; the changes in the total estimated investment with respect to the previous year are due mainly to the inclusion of two sequence and regulation control systems for the new compression modules, a control system for the dehydration module and additional procurement of materials. As of December 31, 2008 and 2007, the balance of this construction in progress is approximately $133 million and $17 million, respectively.

(l) The Catalytic Cracking Fractioning (CCF) - Cardón project is aimed at replacing the reactor-stripper set of the CCF unit at the Cardón refinery. This project will facilitate implementation of the technology required to ensure the extension of the useful lives of critical equipment at the plant, improve product quality, and will enhance income from the increased charge to the CCF unit, which will in turn enable optimal use of the current infrastructure. The estimated total investment for this project, as of December 31, 2008 and 2007, is $637 million and $407 million, respectively, and it is expected to be completed in 2009. The changes in the total estimated investment with respect to the previous year are due mainly to the economic impact from increased procurement cost of materials resulting from changes in the specifications. As of December 31, 2008 and 2007, the balance of this construction in progress is approximately $513 million and $324 million, respectively.

(m) The Deep Conversion project in the Puerto La Cruz refinery is aimed at enhancing the capacity to process heavy and extra-heavy crude oil to meet domestic demand and export fuel. This project involves design, procurement, development, installation and implementation of service units to process 210 MBPD of crude. The estimated total investment for this project, as of December 31, 2008 and 2007, is $6,506 million and $1,600 million, respectively, and it is expected to be completed in 2012. The changes in the total estimated investment with respect to the previous year are due mainly to relocation of the plant because of lack of physical space, which will result in greater costs of new inter-connections, increased scope of general engineering and construction and higher costs of procurement and labor. As of December 31, 2008 and 2007, the balance of this construction in progress is approximately $400 million and $129 million, respectively.

(n) The El Palito Refinery Expansion Project is aimed at adapting this refinery for processing 140 MBPD of heavy and extra-heavy crude oil with minimum residual production, thus ensuring the production of light products (gasoline/distilled products) with export quality, improve the refining margin in compliance with environmental standards and social surroundings of the facility. The purpose of this project is to increase the processing of heavy and extra-heavy crude oil within the domestic market so that crude-oil refining goes from 28° API to 22° API. The total estimated investment for this project, as of December 31, 2008 and 2007, is $6,050 million and $2,000 million, respectively. The changes in the total estimated investment with respect to the previous year are due mainly to a new process structure for deep conversion. As of December 31, 2008 and 2007, the balance of this construction in progress is approximately $111 million and $33 million, respectively.

(o) The Natural Gas for Vehicles (NGV) project is aimed at reaching a socioeconomic balance in the country through the use of gas. During the period 2006 - 2012, 141 NGV service points will be reactivated at existing service stations, and 457 new points will be built. Furthermore, the program includes the conversion of 465,881 public and private transportation units and government-owned vehicles. This project will result in the saving of 29 MBPD in the internal consumption of liquid fuel, which will facilitate an increase in the export of these products. The total estimated investment for this project, as of December 31, 2008 and 2007, is $2,317 million and $921 million, respectively. The changes in the total estimated investment with respect to the previous year are due mainly to increased construction of new points and the purchase of transportation units. As of December 31, 2008 and 2007, the balance of this construction in progress is approximately $217 million and $23 million, respectively.

(p) The project for construction and purchase of vessels is aimed at design, procurement, construction and equipment of 42 tank vessels for transportation of crude oil and refined products, to ensure compliance with the market diversification policy and to strengthen the Company's own fleet in accordance with the business plan of the Company (Plan Siembra Petrolera). The first phase contemplates alliances with companies and shipyards in Argentina, Brazil and Iran, to build 16 oil tankers with a total estimated capacity of 6.8 million barrels, together with development and upgrading of the shipyard in Venezuela. The total estimated investment for this project, as of December 31, 2008 and 2007, is $1,131 million and $1,115 million, respectively, and it is expected to be completed in 2013. As of December 31, 2008 and 2007, the balance of this construction in progress is approximately $371 million and $304 million, respectively.

(q) The Sistema Nor Oriental de Gas project encompasses design, procurement, construction and operation of a new gas transportation system through the Barbacoa - Cumaná - Margarita Island in the north eastern zone of Venezuela, and was conceived as an extension of the existing Anaco - Jose / Puerto La Cruz system, which will receive gas at the Valve Barbacoa II Station (north of Anzoátegui State) and will enable transportation to the electricity sector in Nueva Esparta State and to new distributors in the regions of Cumaná and Margarita Island. The total estimated investment for this project is $2,162 million, and it is expected to be completed in 2014. As of December 31, 2008 and 2007, the balance of this construction in progress is $495 million and $247 million, respectively.

(r) The Thermoelectric Plant and Interconnection Work project is aimed at increasing the electric generation and transmission capacity in the western region of the country for large-scale projects such as the Complejo Criogénico de Occidente and Integral Ceuta - Tomoporo. The project involves design, procurement, installation and implementation of two combined-cycle electric generation plants with a capacity of generating 500 million watts (MW), in a first module, and future expansion of an additional 500 MW and interconnection work for 400,000, 230,000 and 115,000 volts. This will facilitate transportation of energy from the construction site of the plant to the Costa Oriental del Lago. The estimated total investment for this project is $1,125 million. In 2008, this project was transferred to CADAFE. As of December 31, 2007, the balance of this construction in progress is approximately $176 million.

(16) Investments in Non-Consolidated Investees and Joint Ventures

Investments in non-consolidated investees and jointly-controlled entities recorded under the equity interest method are summarized as follows (in millions of dollars):

	December 31,			
	2008	2007	2008	2007
	Percentage of capital stock %		Equity interest	
Foreign investees:				
United States of America -				
Interest of CITGO in its affiliates	(*)	(*)	82	77
Chalmette Refining, L.L.C. (Chalmette Refining) [2]	50	50	406	440
Merey Sweeny, L.P. (Merey Sweeny) [2]	50	50	55	46
US Virgin Islands - Hovensa L.L.C. (Hovensa)	50	50	846	845
			1,389	1,408
Germany -				
Ruhr Oel GmbH (ROG) [2]	50	50	191	200
Sweden -				
Nynas AB (Nynas) [2]	50	50	185	226
Other -				
Investees of PDVSA América, S.A.				
PDV Cupet, S.A. [1]	49	49	-	95
Other	(*)	(*)	32	2
Petrolera del Cono Sur, S.A. [1]	46	46	22	18
Investees of Bitúmenes Orinoco, S.A. (BITOR)	(*)	(*)	5	5
			1,824	1,954
Investees in Venezuela:				
Propilenos de Falcón, C.A. (Profalca) [1]	-	35	-	31
Quiriquire Gas, S.A. [1]	40	40	81	78
Gas Guárico, S.A. [1]	30	30	24	21
Other	(*)	(*)	6	4
			111	134
			1,935	2,088

(1) Investees.

(2) Jointly-controlled entities.

(*) Equity interest of between 20% and 50% in several investees.

(Continued)

A summary of PDVSA's investments in non-consolidated investees and jointly-controlled entities (in millions of dollars):

	December 31,	
	2008	**2007**
Investments recorded under the equity method (see note 30)	1,935	2,088
Equity interest in net income of non-consolidated investees and jointly-controlled entities (see note 30):		
Continuing operations	153	732
Discontinued operations (see note 10)	3	1
Retirement of investees (see note 10)	(31)	(115)
Incorporation of new non-consolidated investees	73	-
Dividends received from non-consolidated investees and jointly-controlled entities	(369)	(635)
Effect of consolidation of Petrozuata (see note 9-a)	-	(374)
Investments, net of foreign exchange effects	18	(24)

As a result of the sale of the shares in Proesca, during 2008, $31 million was eliminated representing the carrying amounts of the investment in Profalca (see note 10).

In 2008, new non-consolidated investees were acquired for $73 million, recorded under the equity method. The main purchase of $64 million corresponds to a 49% shares in Petrojam Limited. With this transaction, PDVSA gained decision-making powers over financial and operating policies of Petrojam Limited, without having absolute control or joint control over this company.

During 2008 and 2007, the Company received dividends of $369 million and $635 million, respectively, principally from investees of CITGO, Hovensa, Nynas and one investee of PDVSA Gas.

Between January and February 2007, CITGO sold its 6.8% and 15.8% interest in Explorer Pipeline Company and Colonial Pipeline Company, respectively. From this sale, CITGO received approximately $756 million in cash and recorded a gain from the sale of this investment of $641 million, and $115 million was eliminated from investment in non-consolidated investees.

A summary of the combined financial information of non-consolidated investees and jointly-controlled entities abroad and in Venezuela follows (in millions of dollars):

	December 31,					
	2008			2007		
	Venezuela	Abroad	Total	Venezuela	Abroad	Total
Financial position:						
Non-current assets	180	5,631	5,811	1,003	5,716	6,719
Current assets	422	4,713	5,135	580	3,842	4,422
Non-current liabilities	(3)	(2,635)	(2,638)	(940)	(2,062)	(3,002)
Current liabilities	(302)	(4,223)	(4,525)	(282)	(3,507)	(3,789)
Net stockholders' equity	297	3,486	3,783	361	3,989	4,350
Results of operations for the year:						
Sales	230	34,481	34,711	1,486	25,687	27,173
Operating income	113	1,214	1,327	680	1,943	2,623
Net income	79	275	354	132	1,284	1,416

(17) Long-Term Accounts Receivable and Other Assets

Long-term accounts receivable and other assets are summarized as follows (in millions of dollars):

	December 31,	
	2008	2007
Other	339	504
Buildings used by government entities (see note 30)	56	82
Goodwill (see note 11)	301	-
Long-term accounts receivable from related entities (see note 30)	1,489	1,697
Long-term accounts receivable from energy agreements (see notes 9-e and 30)	822	979
FONDESPA's executing entities (see notes 18 and 30)	534	836
Materials and supplies (see note 19)	16	69
	3,557	4,167

As of December 31, 2008 and 2007, the Company determined and adjusted to fair value balances receivable from each of the entities performing the programs and projects, as well as long-term accounts receivable from energy agreements, recording losses of $516 million and $446 million, respectively, included in the consolidated statements of income under other financial income (expenses), net (see note 13)

As of December 31, 2008, other assets include $116,279 corresponding to 25% of the shares of Corporación Eléctrica Nacional, S.A. (CORPOELEC) acquired by PDVSA. This investment is recorded at cost since Management believes that it does not control the financial and operating policies of this company (see note 33-f).

A summary of the adjustments to fair value as of December 31, 2008 and 2007 follows (in millions of dollars):

	Contractual value	Fair value	Adjustments to fair value	
			Accumulated	For the year
December 31, 2008:				
FONDESPA project executing entities	2,213	534	1,679	320
Long-term accounts receivable - energy agreements	1,973	822	1,151	196
	4,186	1,356	2,830	516
December 31, 2007:				
FONDESPA project executing entities	2,195	836	1,359	126
Long-term accounts receivable - energy agreements	1,934	979	955	320
	4,129	1,815	2,314	446

(18) Restricted Cash

Restricted cash is comprised of the following (in millions of dollars):

	December 31, 2008	December 31, 2007
Trust funds in the Banco de Desarrollo Económico y Social de Venezuela (BANDES), for social programs and projects (see note 30):		
Fondo para el Desarrollo Económico y Social del País (FONDESPA)	634	686
Integral Cooperation Agreement executed with the Republic of Argentina (see note 9-e)	59	12
	693	698
Fondo para la Estabilización Macroeconómica (FEM) (see note 30)	825	805
Trust fund entered into with Banfoandes, Banco Universal, C. A. (BANFOANDES), for construction and conditioning of medical assistance facilities for Misión Barrio Adentro (see note 30)	12	14
Funds for projects of extra-heavy crude oil in the Orinoco Oil Belt (see notes 9-a and 29)	342	1,728
Caracas Energy Cooperation Agreement undertaken with the Oriental Republic of Uruguay (see note 9-e)	-	1
Letters of credit (see note 29)	100	-
Liquidity account of CITGO (see note 23)	146	50
Other	2	2
	2,120	3,298
Less current portion	347	1,555
Long-term portion	1,773	1,743

(Continued)

Trust Funds in BANDES

As a result of the new social responsibilities of PDVSA, the following trusts have been established with BANDES for social programs and projects, work, goods and services aimed at the development of infrastructure, agricultural activities, roads, health and education in the country:

a) *FONDESPA* approved in Stockholder's meeting on January 23, 2004, established in US dollars and to be funded by extraordinary income from the export of crude oil and products exceeding the average price budgeted per barrel, net of production tax, taxes and other direct expenses, in 2004, 2005 and 2006. There were no contributions to this fund in 2008 and 2007.

b) *Integral Agreement of Cooperation with the Republic of Argentina*, subscribed by the Bolivarian Republic of Venezuela and the Republic of Argentina, and approved at PDVSA's Board of Directors' Meeting on July 15, 2004. This trust fund in dollars will comprise cash and securities received from Compañía Administradora del Mercado Mayorista Eléctrico Sociedad Anónima (CAMMESA), Argentina's energy company, for the sales of crude oil and products by PDVSA under the agreement (see note 9-e). The funds will be limited to making payments to companies located in the Republic of Argentina for the imports in Venezuela of products from that country. In 2008 and 2007, contributions to this trust were made of $199 million and $101 million, respectively.

Transactions relating to FONDESPA are controlled and reported in the consolidated financial statements through the subsidiary CVP. The allocations to the entities performing the projects are accounted for by CVP as long-term accounts receivable (see notes 17 and 30), or expenses, as payments are made in accordance with the terms established in the relevant contracts. A summary of the financial information of the funds in FONDESPA follows (in millions of dollars):

	December 31,	
	2008	**2007**
Assets:		
Cash	634	686
Long-term accounts receivable, net (see note 17)	534	836
Total assets	1,168	1,522

(Continued)

	December 31,	
	2008	**2007**
Contrubutions:		
Accumulated contributions made	4,229	4,229
Accumulated results at beginning of year	(2,707)	(2,423)
Results for the year	(354)	(284)
Accumulated results at year-end	(3,061)	(2,707)
Total net contributions	(1,893)	(1,185)
Results of operations:		
Interest earned	27	39
Commissions and expenses, net	(1)	(2)
Contributions for social develpment (see note 30)	(60)	(195)
Adjustments to fair value of long-term accounts receivable (see note 17)	(320)	(126)
Net results of operations	(354)	(284)

Fondo para la Estabilización Macroeconómica (FEM)

In November 2003, the Venezuelan Government established the FEM, to achieve stabilization of the expenses, at national state and municipal levels. It was created for the purpose of managing fluctuations of ordinary income. Pursuant to Law, PDVSA made contributions in dollars until 2003 based on additional income from oil-related sources, determined as 50% of the excess of the income from oil and by-products exports in dollars and the average of such income collected during the last three calendar years, after deducting the taxes related to such income. The law and its amendments have not established additional contributions since 2004.

Deposits made in the FEM may be used in the event of a decrease in the fiscal income, regardless of its origin, in relation to the average of such income collected during the last three calendar years or in the event of a national state of economic emergency declared in accordance with the Constitution of the Bolivarian Republic of Venezuela. For the withdrawal of resources from the FEM by the respective entities, the Permanent Finance Commission of the National Assembly must be notified, as well as the General Comptrollership of the Republic, and the respective process contemplated in the Law must be initiated.

In 2008 and 2007, this fund generated interest income of $20 million and $39 million respectively, included in the consolidated statements of income under finance income (see note 13).

Trust Fund with BANFOANDES, for the Construction and Conditioning of Medical Assistance Facilities for Misión Barrio Adentro

On March 24, 2005, PDVSA's Board of Directors approved the creation of a trust between Palmaven, S.A. (subsidiary of PDVSA) and BANFOANDES. Such trust was established on June 20, 2005 for the construction of 1,000 medical assistance modules for Barrio Adentro Mission. This trust was created with an initial contribution of $23 million for one year, automatically renewable for similar periods (see note 30). In 2008 and 2007, this trust fund did not receive additional contributions from PDVSA.

Funds for Extra-Heavy Crude Oil Project in the Orinoco Oil Belt

As of December 31, 2008, restricted cash includes $300 million deposited in the accounts of PDVSA Cerro Negro in the United States of America under attachment proceedings (see note 29). As of December 31, 2007, these funds correspond to amounts deposited in foreign financial institutions, restricted only for compliance with obligations for the funding received for the development of the projects relating to the production and improvement of extra-heavy crude oil of the Orinoco Oil Belt (see note 9-a).

A summary of these restricted funds as of December 31, 2008 and 2007 follows (in millions of dollars):

	December 31,	
	2008	**2007**
Petrozuata	18	656
Hamaca Project	-	260
Sincor Project	13	448
Cerro Negro Project	311	364
	342	1,728
Less long-term portion	301	230
Current portion	41	1,498

Energy Cooperation Agreement with the Oriental Republic of Uruguay

As a result of this agreement, subscribed in 2005, PDVSA is committed to supply crude oil, refined products and liquefied petroleum gas (LPG) to the Oriental Republic of Uruguay (see note 9-e). In 2005 an initial contribution of $44 million was made, which was deposited in an account of a financial institution located in the Oriental Republic of Uruguay. This account will receive deposits made by the Administradora Nacional de Combustibles, Alcohol y Portland (ANCAP), Uruguay's oil company, resulting from the sales derived from this agreement. These funds are restricted to making payments to companies located in Uruguay for the imports in Venezuela of products from that country. In 2008 and 2007, contributions were made to this fund of $5 million and $24 million, respectively (see notes 9-e and 30).

(Continued)

Letters of Credit

In August 2008, $100 million was deposited in a European bank to secure the engineering, procurement and construction project of Central Eléctrica Bachaquero – Tamare, contracted to Consorcio Man Ferrostaal – Koch. The total estimated investment in this project amounts to $420 million.

Liquidity Account of CITGO

Corresponds to the "Liquidity Account", in accordance with the agreement signed with financial institutions for the issue of bonds and loans, and which is comprised of cash and time deposits, including interest earned on such amounts.

(19) Inventories

Inventories are summarized as follows (in millions of dollars):

	December 31,	
	2008	**2007**
Materials and supplies, net	1,467	1,011
Crude oil and products	6,210	7,528
Food and other mass consumption products, net	1,017	-
	8,694	8,539
Less materials and supplies classified in other non-current assets (see note 17)	16	69
	8,678	8,470

The Company adjusted inventories of crude oil and products of $1,359 million to their net realizable amounts, and food and other mass consumption products of $52 million were included under costs and expenses in the consolidated statement of income for the year ended December 31, 2008. In the year ended December 31, 2007, no net realizable value adjustments were made.

As of December 31, 2008, the amounts of inventories of crude oil and products, and food and other mass consumption products valued at net realizable amounts is $3,887 million and $279 million, respectively.

As of December 31, 2008, inventories of materials and supplies, and food and other mass consumption products include an obsolescence allowance of $33 million and $141 million, respectively.

(Continued)

(20) Notes and Accounts Receivable

Notes and accounts receivable include the following (in millions of dollars):

	December 31,	
	2008	**2007**
Companies and related entities (see note 30)	2,797	2,824
Other accounts receivable	595	624
Accounts receivable from insurance companies	401	348
Accounts receivable from minority investors	-	124
Reimbursement of expenses	17	353
Trade	7,393	7,102
	11,203	11,375
Less, allowance for doubtful accounts	393	150
	10,810	11,225

Exposure to credit and currency risks relating to notes and accounts receivable are presented in note 27.

(21) Prepaid Expenses and Other Assets

Prepaid expenses and other assets include the following (in millions of dollars):

	December 31,	
	2008	**2007**
Other assets	286	385
Derivative assets (see notes 7 and 27)	274	39
Trading securities (see note 27)	256	317
Prepaid insurance	287	157
Advances to suppliers and contractors	2,333	723
Income tax overpayments (see note 30)	5,893	6,100
	9,329	7,721

Payment of estimated income tax returns for certain subsidiaries in 2008 and 2007 resulted in overpayment of $4,202 million and $3,860 million, respectively, when compared to the final income tax return. In 2008, $1,332 million from 2007 overpayments was used to offset current tax paid. The accumulated tax overpayments of $5,893 million will be used to offset future tax payments. In addition, income tax overpayments include $3,200 million corresponding to income tax payable as of December 31, 2008.

(Continued)

(22) Stockholder's Equity

Capital Stock

According to the bylaws of Petróleos de Venezuela, S.A., the nominal value of capital stock is Bs.F1,280 million corresponding to 51,204 shares. Pursuant to law, these shares may not be transferred or encumbered in any way (see note 1).

Reserves

The legal reserve is a requirement for Venezuelan companies. Pursuant to Venezuelan law, the legal reserve cannot be distributed as dividends.

As of December 31, 2008 and 2007, other reserves include principally the reserve for the realization of deferred income tax assets of $7,725 million and $124 million, respectively.

In a Stockholder's meeting held on December 30, 2007, based on an analysis performed by management, it was decided to transfer the total balance of the reserve for deferred income tax assets of $1,908 million to retained earnings.

Dividends

Cash dividends are declared and paid to the Stockholder in bolivars based on the statutory financial statements reflecting retained earnings.

In 2008 and 2007, cash dividends were declared and paid of $2,000 million and $2,658 million, respectively.

Additional Contribution of Stockholder

In December 2008, the Company received from FONDEN $5,000 million for financing non-oil activities performed by the Company during 2008 and 2007. Of this amount, $2,395 million was used to offset accounts receivable from related companies for loans granted by PDVSA to those companies for electricity and petrochemical projects. The remaining amount of $2,605 million was included in the consolidated Stockholder's Equity as an Additional Contribution of the Stockholder and corresponds to repayment of disbursements made previously by PDVSA for the purchase of companies and development of activities under the food security plan of the Nation and reorganization of the electricity sector.

In 2008, the additional contribution of Stockholder includes $6,361 million corresponding to net assets during the incorporation of "Empresas Mixtas" resulting from the migration process to "Empresas Mixtas" of the joint ventures of the Orinoco Oil Belt and Exploration and Profit Sharing Agreements (see note 9-a).

In 2007, the Additional Contribution of Stockholder increased by $93 million corresponding to contributions of property, plant and equipment to incorporate "Empresas Mixtas" Lagopetrol, S.A. and Petrodelta, S. A. Also, the additional contribution of the Stockholder decreased by $223 million resulting from an analysis by management, with new information obtained, relating to the value of assets originally contributed for the incorporation of "Empresas Mixtas" (see note 9-b). As a result of this analysis, the share of the minority interest was reduced by $150 million.

Minority Interests

Minority interests presented in the consolidated statements of stockholders' equity correspond to the interest of minority investors in the equity and consolidated results for the years ended December 31, 2008 and 2007. In 2008, the "Empresas Mixtas" declared and paid dividends of $1,568 million, of which $609 million corresponds to minority investors. Also, minority investors in "Empresas Mixtas" made an additional contribution of working capital of $25 million.

In 2008, the "Empresas Mixtas" paid advances to minority interests on account of dividends of $344 million.

In 2007, the "Empresas Mixtas" declared and paid dividends of $974 million, of which $379 million correspond to minority investors. Also, minority investors in the "Empresas Mixtas" made an additional contribution of working capital of $3 million.

(23) Long-Term Debt

Long-term debt of PDVSA consists of the following (in millions of dollars):

	December 31, 2008	December 31, 2007
Bonds:		
PDVSA	7,500	7,500
CITGO	648	622
Petrozuata	13	800
PDVSA Cerro Negro	4	-
	8,165	8,922
Loans:		
PDVSA	3,305	3,746
CITGO	1,123	637
Petrozuata	-	177
PDVSA Virgin Island (PDVSA VI)	15	76
Bariven	-	3
	4,443	4,639
Credit facilities:		
PDVSA	1,156	1,124
CITGO	413	1,080
Petrocedeño	309	236
	1,878	2,440
Credit facilities - CITGO	39	-
Bank promissory notes:		
Tropigas	-	5
Productos La Fina	6	-
Lácteos Los Andes	1	-
	7	5
Financial leases:		
CITGO	30	36
PDVSA Gas	355	385
Refinería Isla (Curazao)	175	183
INTEVEP	3	1
	563	605
	15,095	16,611
Less current portion of long-term debt	1,677	2,977
Long-term portion	13,418	13,634

(Continued)

Consolidated long-term debt consists of the following (in millions of dollars):

	December 31, 2008	December 31, 2007
PDVSA (Parent Company):		
Unsecured bonds, maturing in 2017, 2027 and 2037, for $3,000 million, $3,000 million and $1,500 million and with annual interest payable every six months of 5.25%, 5.375% and 5.50%, respectively	7,500	7,500
Secured loans, granted by export governmental agencies and financial institutions, with variable annual interest at LIBOR plus 1.13% and maturing in 2022	3,094	3,327
Investment certificates issued with an annual yield of 6.20% and maturing in 90 days renewable (see note 34-e)	1,156	-
Secured loans, granted by export governmental agencies and financial institutions, denominated in Yen, with variable annual interest of between 1.70% and 2.30 %, and maturing in 2012	208	213
Unsecured revolving credit line, with variable interest at LIBOR plus 1.15% and maturing in 2008 renewable	-	1,124
Secured loans, granted by export governmental agencies and financial institutions, with variable interest at LIBOR plus 0.5% and maturing in 2008	-	200
Unsecured loans, with variable annual interest at LIBOR plus 4.5% and maturing in 2010	3	6
	11,961	12,370
CITGO:		
Secured loan, with variable interest at LIBOR plus 137.5 basis points or 1.84% in 2008 and 6.45% in 2007 and maturing in 2012	612	637
Credit facilities, with interest at LIBOR plus 1.75% and maturing in 2008	-	1,000
Credit facilities, secured with accounts receivable, with variable interest based on commercial paper (A1/P1) between 1.37% and 3.40% and maturing in 2009	39	-
Secured loan with interest at LIBOR plus 2% and maturing in 2012	511	-
Bonds exempted from tax, with fixed and variable annual interest between 2% and 8% for 2008 and 2007; secured with letters of credit and maturing in 2043	588	562
Secured revolving credit line, with annual interest at 3.25% in 2008 and 7.25% in 2007 and maturing in 2010	413	80
Bonds subject to tax, secured with letters of credit, with an average interest at 3.15% in 2008 and 5.90% in 2007, and maturing in 2026	60	60
Liabilities for financial leases	30	36
	2,253	2,375
carried forward,	14,214	14,745

	Decembrer 31,	
	2008	**2007**
brought forward,	14,214	14,745
Petrozuata (see note 9-a):		
Secured loans with variable annual interest, between LIBOR plus 1.25% and 1.50%, maturing between 2009 and 2011	-	177
Secured bonds, with interest between 7.63% and 8.37% annually, and maturing between 2009, 2017 and 2022	13	800
	13	977
PDVSA Gas:		
Liabilities for financial leases, denominated in bolivars	355	385
Petrocedeño:		
Secured credit line, with variable annual interest between LIBOR plus 2.25% and 2.75% and maturing in 2012	309	-
Secured credit line, with variable annual interest between LIBOR plus 5.53% and 6.97% and maturing in 2012	-	236
	309	236
Refinería Isla:		
Liabilities for financial leases	175	183
PDVSA VI:		
Loans secured by PDVSA and equity participation in Hovensa, L.L.C., with annual interest at 8.46%, maturing in 2009	15	76
Tropigas:		
Tropigas, S.A.C.A. promissory notes, with annual interest at 17.67%, and maturing in 2008, and denominated in bolivars	-	5
PDVSA Cerro Negro:		
Secured bonds, with interest between 7.33% and 8.03%, and maturing in 2009 and 2008, respectively	4	-
Productos La Fina:		
Promissory notes with different financial institutions of the country, with annual interest between 16% and 19%, maturing during 2009 and denominated in bolivars	6	-
INTEVEP:		
Liabilities for financial leases denominated in bolivars	3	1
Bariven:		
Secured loans, granted by export governmental agencies and financial institutions, with fixed and variable annual interest between 6.13% and 7.69%, and maturing in 2008	-	3
Lácteos Los Andes:		
Promissory notes with variable annual interest between 15% and 18.85%, and maturing between 2009 and 2010, denominated in bolivars	1	-
	15,095	16,611

(Continued)

Future maturities of long-term portion of consolidated debt, as of December 31, 2008, follow (in millions of dollars):

Years -	
2010	878
2011	579
2012	1,238
2013	937
Subsequent years	9,786
	13,418

Consolidated long-term debt is denominated in dollars, except for debt in yens and bolivars, as indicated above.

PDVSA (Parent Company)

Between January and February 2007, the public tender of bonds was approved up to $7,500 million, maturing in 10, 20 and 30 years (2017, 2027 and 2037) and will be paid in dollars upon maturity. This issue was supervised and regulated by the BCV and was exempt from the scope of the Venezuelan Capital Markets Law, by virtue of PDVSA's condition as a state-owned company. The annual coupon for bonds issued is 5.25%, 5.375% and 5.50%, maturing in 10, 20 and 30 years, respectively. The bonds payable are initially recognized at fair value, adjusted for transaction costs and, subsequently are recorded at their amortized cost. Any difference between the adjusted fair value and the redemption value is recognized in the consolidated statements of income over the financing period, using the effective interest method. For the combined issue of these bonds a premium of 5.5%, of $413 million (see note 25) and, in 2008, $10 million was amortized, and included in the consolidated statement of income. The bonds will be paid in dollars upon maturity.

Between April 12 and May 10, 2007, the issue process of bonds was completed, and the $7,500 million offered was placed. Also, on April 12, 2007, Decree 5,282 was published exonerating income tax payments on returns to the holders of this placement.

In February 2007, a group of banks, lead by the Japan Bank for International Cooperation (JBIC), approved a loan to the Company of $3,500 million. This loan has a fifteen-year term, bears interest at a rate equivalent to LIBOR plus 1.13%, and includes cash payment options or delivery of crude oil and products at market prices, subject to an agreement of minimum amounts, reviewed every three years. In 2008, the Company paid $233 million. As of December 31, 2008 and 2007, the Company holds a balance of $3,094 million and $3,327 million, respectively.

In December 2008, PDVSA paid off the credit facility held with a group of banks led by BNP Paribas of $1,156 million, originally undertaken in 2007 for an amount of $1,124 million, extended for an additional year on January 25, 2008 and bearing interest at LIBOR plus 150 basis points.

In December 2008, PDVSA issued in favor of BANDES and Banco del Tesoro, C.A. Banco Universal, investment certificates for $1,156 million with an annual yield of 6.20%, maturing in 90 days and renewable for similar terms (see note 34-e).

CITGO

On November 15, 2005, CITGO entered into an agreement for a $1,850 million, senior secured credit facility, which consists of the five-year revolving credit facility in the amount of $1,150 million and a seven-year term loan of $700 million at the LIBOR rate plus 137.5 basis points. The credit facility is secured by CITGO's interest in its Lake Charles, Louisiana and Corpus Christi, Texas refineries; its trade accounts receivable and its inventories and is subject to covenants typical for secured borrowing. On December 17, 2007, CITGO modified this credit facility to incorporate payment of collateral of a six months bridge loan of $1,000 million. This short-term loan was with a group of banks led by BNP Paribas and UBS, and expired on June 17, 2008. The cost of generating this loan of $22 million was amortized over the term of the loan. CITGO may choose from (i) the higher of the premium rate or the rate of federal funds plus a margin of 0.5%; or (ii) the adjusted LIBOR rate plus the applicable margin. As of December 31, 2008 and 2007, the balance of this debt is $612 million and $637 million, respectively.

In June 2008, CITGO paid the credit facility of $1,000 million, with interest at LIBOR plus 1.75%. To settle this credit facility, CITGO undertook the following financial arrangements:

- On June 12, 2008, a group of banks led by BNP Paribas approved a credit facility of $450 million, secured by trade accounts receivable of CITGO and bearing interest at a variable rate equivalent to the return on A1/P1 commercial papers; which, as of December 31, 2008, is 1.84%. This facility matures on an annual basis, with renegotiation terms for annual periods. As of December 31, 2008, the balance of this debt is $39 million.

- On June 16, 2008, a group of banks led by Sumitomo Mitsui Bank Corporation (SMBC) granted a loan of $515 million. This loan matures on 2012, bears interest at LIBOR plus 2% and includes two special amortizations, the first of $200 million in February 2011 and the second of $100 million in February 2012. As of December 31, 2008, the outstanding balance of this debt is $511 million.

Through state organizations of the United States of America, CITGO obtained funds for indebtedness with Industrial Revenue Bonds ("IRB") for financing certain port facilities, pollution control equipment and environmental facilities in its Lake Charles, Corpus Christi and Lemont refineries. These bonds bear interest at variable and fixed rates ranging from 2% to 8%, as of December 31, 2008 and 2007 and due in 2043. Through letters of credit issued under the secured senior credit facility of CITGO, additional support is provided to variable-rate bonds. As of December 31, 2008 and 2007, the balance of this debt is $588 million and $562 million, respectively.

CITGO has a five-year revolving credit facility of $1,150 million. As of December 31, 2008 and 2007, this debt amounted to $413 million and $80 million, respectively. Interest was charged at a rate of 3.25% in 2008 and 7.25% in 2007. The unused portion of the senior revolving credit facility is subject to six-month payments of a commission ranging from 15 to 50 basis points as of December 31, 2008 and 2007. The available credit capacity of CITGO, net of letters of credit, was $36 million and $707 million, as of December 31, 2008 and 2007, respectively.

Petrozuata

In September 2008, PDVSA made a public tender for the purchase of bonds issued by Petrozuata Finance, Inc. (a subsidiary of Petrozuata), and paid $740 million for 97.96% of the outstanding bonds, comprised of the following:

- Series "A" at 7.63% annual interest and due in 2009;
- Series "B" at 8.22% annual interest and due in 2017; and
- Series "C" at 8.37% annual interest and due in 2022.

In July 2008, PDVSA settled all of the loan agreements undertaken by Petrozuata; the amount paid was $161 million, representing $158 million of principal and $3 million of interest.

From October 2007, the consolidated financial statements of PDVSA include the financial statements of Petrozuata; therefore, the loan and bonds secured by that subsidiary are recorded as part of the consolidated debt, beginning on that date (see notes 3-a and 9-a).

As of December 31, 2008 and 2007, the balance of this debt is $13 million and $800 million, respectively.

Petrocedeño

As a result of the control acquired as a result of the migration process to "Empresas Mixtas", in January 2008, the financial statements of Petrocedeño are consolidated with those of CVP (a subsidiary of PDVSA). The indebtedness of this "Empresa Mixta" was $620 million, bearing interest at a rate of LIBOR plus 2.25% and 2.75%. In 2008, payments have been made of $311 million, representing $170 million for debt restructuring in the migration to an "Empresa Mixta" and $141 million, corresponding to current amortization of debt.

PDVSA Cerro Negro

In June 1998, a non-consolidated special purpose company of the former Joint Ventures of the Orinoco Oil Belt, PDVSA Cerro Negro (wholly-owned by PDVSA Petróleo) issued secured bonds of $600 million with an annual interest rate ranging from 7.33% to 8.03%, due from 2009 to 2028. The participation of PDVSA Cerro Negro and Mobil Cerro Negro was 50% each. In December 2007, PDVSA paid $501 million, for 99% of the bonds issued by this special purpose company.

In addition, PDVSA paid $129 million to a group of banks led by ABN Amro Bank, for a total paid of $630 million, thus settling the debt of the former joint venture. With the payment of the debts of Cerro Negro Project, a new "Empresa Mixta", Petromonagas, S. A., was incorporated, in which PDVSA owns 83.33% of the shares through CVP, and BP owns 16.67%, through its subsidiary Veba Oil & Gas Cerro Negro GmbH (see note 9-a).

Productos La Fina

In August 2008 PDVSA acquired, through subsidiary PDVAL, 100% of the shares of Productos La Fina, which held bank promissory notes with six domestic financial institutions for $21 million, and as of December 31, 2008, payments of $15 million had been made on these promissory notes (see note 11).

Lácteos Los Andes

In March 2008, PDVSA acquired 100% of the shares of Lácteos Los Andes, which held bank promissory notes with six domestic financial institutions for $17 million and as of December 31, 2008, payments amounting to $16 million have been made (see note 11).

Hamaca Project

In 2007, PDVSA paid in full the debt of the former Joint Venture Hamaca, between PDVSA, ConocoPhillips and ChevronTexaco, which operated in the Orinoco Oil Belt. PDVSA paid the debt in two parts: the first through an initial prepayment of $400 million, on November 30, 2007; and the second and final payment of $340 million, on December 14, 2007, for a total payment of $740 million. Of this amount, 70% corresponds to PDVSA and 30% to ChevronTexaco. The payments were made by Corpoguanipa (a subsidiary of PDVSA) and Texaco Orinoco Resources Company (a subsidiary of Chevron Corporation, see note 9-a).

Covenants

Several credit facilities establish covenants restricting the Company from incurring additional debt, paying dividends, placing liens on property and selling certain assets. The Company was in compliance with these covenants as of December 31, 2008 and 2007.

Credit Facilities

As of December 31, 2008, PDVSA has secured credit lines available of $36 million.

For more information regarding the exposure of the Company to interest rate risk, exchange risk and liquidity risk see note 7.

Capital Lease Obligations

As of December 31, 2008 and 2007, there are certain assets of refining and gas compression plants and related equipment acquired under capital lease agreements, recorded under property, plant and equipment (see note 15).

As of December 31, 2008 and 2007, future lease payments are as follows (in millions of dollars):

Years -	
2009	68
2010	61
2011	56
2012	45
2013	63
Subsequent years	395
Future estimated lease payments	688
Less interest	(125)
Total capital leases	563

Liabilities Held for Sale

C.A. La Electricidad de Caracas and Subsidiaries (EDC)

The consolidated long-term debt of EDC, as of December 31, 2008 and 2007, is comprised of the following (in millions of dollars):

	Interest rate	**Due in**	**2008**	**2007**
Bank promissory notes	5.59% to 7.82%	2008	-	2
Bearer bonds	0.085	2018	650	-
Bearer bonds	10.25%	2014	13	260
JP Morgan Chase – OAM13	Libor + 0.20%	2011	5	7
			668	269
Less current portion of long-term debt			2	4
Long-term portion			666	265

On April 10, 2008, EDC issued bonds in the domestic public market (Bond 2018) for $650 million, due in 10 years with a return of 8.50% payable every six months. Those bonds are fully or partially redeemable at any time during their effectiveness and are secured by EDC.

EDC has two credit facilities with JP Morgan Chase Bank N.A. secured by a bond issued by the Export Import Bank of the United States (Eximbank), described as follows:

- Credit facility granted in September 1999 of $22 million due on February 25, 2011 bearing annual interest at LIBOR plus 0.20%, for the purchase of an engine component. As of December 31, 2008, the balance of this facility amounts to $5 million.

- Credit facility granted in September 1999 for $36 million due on January 10, 2008 bearing annual interest at 5.91%. On January 7, 2008, the balance of principal and interest of this facility was paid in full.

Maturities in consolidated long-term debt of EDC, as of December 31, 2008, follow (in millions of dollars):

Years -	
2010	2
2011	1
2014	13
Subsequent years	650
	666

C.A. Electricidad de Valencia (ELEVAL)

As of December 31, 2008 and 2007, ELEVAL holds bank promissory notes bearing different domestic financial institutions of $6 million and $15 million, respectively. In 2008 and 2007, those promissory notes bear interest at rates ranging from 20.22% to 26.00%, and from 12.00% to 21.44%, respectively.

According to the strategic guidelines and objectives of the National Government, in 2007, the Stockholder of PDVSA authorized the purchase of shares in several companies of the domestic electricity sector, which would be transferred in the short-term to Corporación Eléctrica Nacional, S. A. (CORPOELEC), pursuant to the Decree of the Organic Law on Reorganization of the Electricity Sector, published in Official Gazette 38,736, dated July 31, 2007. At present, PDVSA and MENPET are finalizing a series of legal procedures to transfer the electricity sector entities to CORPOELEC; the Company believes that this process will be completed in the first half of 2009. Therefore, long-term debt of the electricity sector companies is included as liabilities held for sale (see note 10).

(24) Employee Termination, Pension and Other Postretirement Benefits

An analysis of liabilities for labor obligations, pension plan and other postretirement benefit plans other than pension plans follows (in millions of dollars):

	December 31,	
	2008	**2007**
Employee termination benefits	195	136
Pension plans	1,424	1,080
Other postretirement benefits other than pension plans	4,134	1,782
	5,753	2,998
Less current portion	476	490
Long-term portion	5,277	2,508

(Continued)

PDVSA has implemented the following employee benefit plans:

(a) Savings Plans

PDVSA and its Venezuelan subsidiaries maintain savings funds for their employees and guarantee contributions to the members' accounts. As of December 31, 2008 and 2007, the guaranteed amount in the savings fund is approximately $274 million and $174 million, respectively.

(b) Pension Plans and Other Retirement Benefits

In Venezuelan and foreign subsidiaries, there are retirement plans and other benefits covering employees and eligible former employees. These plans, among other conditions, are based on seniority of service, age and salary.

Pursuant to the collective labor contract, PDVSA and its Venezuelan subsidiaries have a retirement plan that covers all eligible employees. There are pension funds with the respective organizations for the administration of the assets of such funds once the employee has retired. The financing of the pension plan for Venezuelan employees is based on a contribution system, managed on the basis of individual capitalization. This plan establishes monthly mandatory contributions based on normal salary of 3% by the employee and 9% by the Company, managed under individual capitalization accounts for each employee.

For employees joining the Company 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, the Company will make additional contributions to ensure the minimum payment of the pension benefit, according to the contractual plan.

For employees hired before September 30, 2000, the calculation of the pension benefit takes into account the greater of (a) the pension amounts 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 the Company on the cash basis.

CITGO sponsors three defined-contribution retirement and savings plans covering most of the eligible employees under either an hourly regime or earning salaries. Those plans receive contributions from the Company and voluntary contributions from the employees. CITGO recorded as an expense $25 million and $26 million in 2008 and 2007, respectively, in relation to its contribution to those plans. Also, CITGO sponsors three qualified defined benefit plans; two of them cover eligible employees under an hourly regime and one covers eligible employees earning salaries. In addition, it sponsors three defined benefit plans not qualifying for certain eligible employees.

In addition to pension plans, CITGO also provides certain postretirement life insurance and health insurance for eligible employees under hourly rates and employees earning salaries. These benefits are subject to deductions and other limitations and are recorded on the cash basis. The Company reserves the right to modify or terminate these benefits at any time.

An analysis of the accrual for pension plans and other retirement benefits follows (in millions of dollars):

	Years ended December 31,			
	2008	2007	2008	2007
	Pension plans		Other retirement benefits	
Present value of funded obligation	4,789	3,940	588	488
Present value of unfunded obligation	68	58	8,305	6,418
	4,857	3,998	8,893	6,906
Fair value of plan assets -	(2,556)	(2,677)	(1)	(1)
Present value of net obligation	2,301	1,321	8,892	6,905
Unrecognized actuarial gains (losses)	(133)	553	(2,129)	(4,218)
Unrecognized past service cost	(744)	(794)	(2,629)	(905)
Accrual in financial statements	1,424	1,080	4,134	1,782

An analysis of the expense for pension plans and other retirement benefits, recorded in the consolidated statements of income, follows (in millions dollars):

	Years ended December 31,			
	2008	2007	2008	2007
	Pension plans		Other retirement benefits	
Service cost for the year	94	140	195	77
Interest cost on obligations	342	292	610	427
Expected return on plan assets	(233)	(213)	-	(4)
Past service cost	383	96	1,539	50
Adjustment on benefits paid	-	206	-	-
Recognized actuarial gains (losses)	(13)	19	218	184
	573	540	2,562	734

(Continued)

The expense is recorded in the following items of the consolidated statements of income as follows (in millions of dollars):

	Years ended December 31,			
	2008	2007	2008	2007
	Pension plans		Other retirement benefits	
Operating expenses	127	378	2,164	564
Selling, administrative and general expenses	446	162	398	220
	573	540	2,562	784

A reconciliation of the present value of obligations based on the actuarial study follows (in millions of dollars):

	Years ended December 31,			
	2008	2007	2008	2007
	Pension plans		Other retirement benefits	
Present value at beginning of year	3,998	2,992	6,906	3,867
Service cost for the year	94	140	195	77
Interest cost	342	292	610	427
Actuarial (gains) losses	500	(52)	(1,865)	2,562
Benefits paid by employer	(188)	(227)	(229)	(143)
Past service cost	94	834	3,274	114
Employee contributions	17	19	2	2
	4,857	3,998	8,893	6,906

A reconciliation of the fair value of assets of the pension plans and other post-retirement benefits follows (in millions of dollars):

	Years ended December 31,			
	2008	2007	2008	2007
	Pension plans		Other retirement benefits	
Plan assets at beginning of year	2,677	2,375	1	1
Expected return	233	213	-	-
Actuarial gains (losses)	(413)	7	-	-
Contributions made by the Company	230	290	13	13
Contributions made by employees	17	19	2	2
Benefits paid by employer	(188)	(227)	(15)	(15)
	2,556	2,677	1	1

(Continued)

The trends of the rates for medical plans affect the amounts reported. A change in a percentage point in the rates used may give rise to the following effects (in millions of dollars):

	One percentage	
	Increase	**Decrease**
Effect on cost components of total service and interest	160	(2)
Effect on benefit obligation	863	(659)

The Company expects to pay approximately $237 million as contributions to pension plans and other postretirement benefits in 2009.

A summary of the composition of the pension plan assets portfolio follows (in millions of dollars):

	December 31,	
	2008	**2007**
Cash and cash equivalents	1	-
Fixed income instruments	1,811	917
Mixed income instruments	500	1,397
Other	244	363
	2,556	2,677

The historical information of pension plans and other postretirement benefits for the four previous years follows (in millions of dollars):

	2008	**2007**	**2006**	**2005**	**2004**
Pension plans					
Present value of the obligation	4,857	3,998	2,992	3,097	2,738
Fair value of plan assets	(2,556)	(2,677)	(2,375)	(2,632)	(2,250)
Deficit in plan	2,301	1,321	617	465	488
Other retirement benefits					
Present value of the obligation	8,893	6,906	3,867	2,904	1,646
Fair value of plan assets	(1)	(1)	(1)	(1)	(1)
Deficit in plan	8,892	6,905	3,866	2,903	1,645

(Continued)

Actuarial assumptions used follow:

	Years ended December 31,			
	2008	2007	2008	2007
	Pension plans		Other retirement benefits	
	%			
Venezuela:				
Discount rate	13.9	9	13.9	9
Rate of compensation increase	16.5	11	16.5	11
Return on seniority adjustment	12	12	-	-
Medical inflation rate	-	-	16.5	11
Inflation rate	15	10	15	10
Food inflation rate	-	-	18.6	9
Expected return on plan assets	7.9	9	-	-
Foreign:				
Discount rate	7.5	6.5	7.5	6.5
Rate of compensation increase	4.5	4.5	4.5	4.5
Expected return on plan assets	8	8	8	6

The assumptions relating to future death rates are based on published statistics and mortality indexes, which establish that the average life expectancy in Venezuela of a retired person aged 65 is 13 years for women and 11 years for men.

The long-term expected rate of return on plan assets in Venezuela for pension plans is 7.9% and abroad it is 8% for pensions and other postretirement benefits. 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.

(Continued)

(25) Accruals and Other Liabilities

Accruals and other liabilities are summarized as follows (in millions of dollars):

	December 31,	
	2008	**2007**
Withholding taxes	522	397
Value added tax (VAT)	187	297
Production tax and other taxes payable (see note 30)	1,718	3,372
Provision for litigation and other claims (see note 29)	2,125	1,810
Accounts payable to employees	860	783
Environmental accrual (see note 29)	1,640	1,126
Accrual for refining work	100	94
Accrual for asset retirement obligations (see note 15)	2,107	1,248
Premium on issues of bonds (see note 23)	383	393
Interest payable	138	183
Dividends payable	23	154
Advances received from clients	2,078	74
Accruals payable to contractors	5,015	2,539
Accounts payable to related parties (see notes 9-a and 30)	6,867	7,706
Accounts payable to minority interests (see notes 9-a and 9-b)	1,346	-
Accounts payable for the purchase of shares (see note 11)	253	-
Other	987	1,721
	26,349	21,897
Less current portion of accruals and other liabilities	20,813	20,085
Long-term portion	5,536	1,812

As of December 31, 2008 and 2007, accruals and other liabilities include $2,107 million and $1,248 million, respectively, for accrual for exploration and production asset retirement obligations. Retirement costs and obligations of assets associated with the main structures used in refining, trade and supply activities could not be estimated since these assets are considered to have indefinite use in time, as a result of maintenance and major repairs, and no information is available to reasonably determine their retirement date.

Accounts payable to related parties include $4,400 million and $6,000 million corresponding to promissory notes due to the National Treasury Office (ONT-Oficina Nacional del Tesoro) issued in December 2008 and 2007, respectively, and due between July and November 2009, and February and June 2008, at an annual interest rate between 1.80% and 1.96%, and between 4.71% and 4.86%, for 2008 and 2007, respectively. Between February and June 2008, the Company paid $6,000 million corresponding to promissory notes issued in December 2007. Between January and April 2007, the Company paid $4,700 million corresponding to promissory notes issued in December 2006.

In 2008, the Company entered into several supply agreements at sales prices equivalent to market value, under which advances of $3,400 million were received. As of December 31, 2008 supplies equivalent to $1,451 million have been made, with a balance outstanding of $1,949 million, included under advances received from customers.

Accounts payable to minority interests are comprised of $730 million corresponding to netting agreements derived from the migration process to "Empresas Mixtas" with ENI Dacion, B.V. (see note 9-b); as well as working-capital debt contributed by stockholders Statoil Sincor AS and Total Venezuela, S.A. of $146 million and $459 million, respectively, and $11 million from interest due to Total Venezuela, S. A., under the settlement agreement (see note 9-a).

As of December 31, 2008 and 2007, accruals and other liabilities include $133 million and $211 million, respectively, corresponding to taxes withheld by PDVSA for its contractors for the social fund established in the Social Production Enterprise (EPS-Empresas de Producción Social) Program. These contributions are required under PDVSA's new service and contracting plan for works and services and are aimed at developing social projects or work for the benefit of communities.

The movement of accruals and other liabilities in 2008 follows (in millions of dollars):

	Balance at December 31, 2007	Increase	Decrease	Balance at December 31, 2008	Current portion	Long - term portion
Withholding taxes	397	1,070	(945)	522	522	-
Value Added Tax (VAT)	297	958	(1,068)	187	187	-
Production tax and other taxes payable	3,372	32,442	(34,096)	1,718	1,718	-
Provision for litigation and other claims	1,810	1,200	(885)	2,125	1,754	371
Accounts payable to employees	783	473	(396)	860	826	34
Environmental accrual	1,126	636	(122)	1,640	718	922
Accrual for refinery work	94	6	-	100	100	-
Accrual for asset retirement obligations	1,248	1,090	(231)	2,107	706	1,401
Premium on issue of bonds	393	-	(10)	383	21	362
Interest payable	183	1,664	(1,709)	138	137	1
Dividends payable	154	2,000	(2,131)	23	23	-
Advances received from clients	74	3,466	(1,462)	2,078	2,025	53
Accruals payable to contractors	2,539	5,015	(2,539)	5,015	5,015	-
Accounts payable to related parties	7,706	6,916	(7,755)	6,867	5,830	1,037
Accounts payable to minority interests	-	2,359	(1,013)	1,346	35	1,311
Accounts payable for the purchase of subsidiaries	-	582	(329)	253	253	-
Other	1,721	1,312	(2,046)	987	943	44
Total accruals and other liabilities	21,897	61,189	(56,737)	26,349	20,813	5,536

(Continued)

(26) Accounts Payable to Suppliers

Accounts payable to suppliers include the following (in millions of dollars):

	December 31,	
	2008	**2007**
Related parties (see note 30)	32	278
Trade (see note 27)	7,524	2,634
Other	-	199
	7,556	3,111

Exposure to currency and liquidity risk related to accounts payable to suppliers is presented in note 27.

(27) Financial Instruments

Credit Risk

Exposure to Credit Risk

The carrying value of financial assets represents the maximum credit risk exposure as follows (in millions of dollars):

	December 31,	
	2008	**2007**
Long-term accounts receivable (see note 17)	2,845	3,512
Recoverable value-added tax (see note 14-f)	6,344	5,576
Notes and accounts receivable (see note 20)	10,810	11,225
Restricted cash (see note 18)	2,120	3,298
Cash and cash equivalents	4,483	3,325
	26,602	26,936

The maximum exposure to credit risk for notes and accounts receivable by geographic region follows (in millions of dollars):

	December 31,	
	2008	**2007**
United States and Canada	1,608	1,822
Central America and the Caribbean	3,328	2,114
Europe	889	1,249
Asia	301	883
South America	642	421
Venezuela	625	613
	7,393	7,102

(Continued)

The maximum exposure to credit risk for notes and accounts receivable by type of customer follows (in millions of dollars):

	December 31,	
	2008	**2007**
Trade	5,696	5,969
Energy agreements	1,697	1,133
	7,393	7,102

Impairment Losses

The aging of notes and trade accounts receivable follows (in millions of dollars):

	December 31,	
	2008 Gross	**2008 Impairment**
Less than 30 days	5,246	-
Between 30 days	1,125	-
Between 31 to 180 days	528	-
Between 181 days and one year	101	-
More than one year	393	393
	7,393	393

The maximum exposure to credit risk is concentrated in trade accounts receivable. PDVSA makes an allowance for doubtful accounts based on the aging of the balances and the results of the evaluations of the client portfolio.

Changes in the allowance for doubtful accounts in 2008 and 2007 follow (in millions of dollars):

	December 31,	
	2008	**2007**
Balance at January 1	150	135
Increase	244	43
Decrease	(1)	(28)
Balance at December 31	393	150

Based on historical arrears indexes, PDVSA believes that an allowance for doubtful account is not required for current trade accounts receivable nor for those aged less than one year. Trade accounts receivable are distributed throughout an extensive and reliable client portfolio at a global level (see note 7-a).

Liquidity Risk

A summary of the contractual maturities of financial liabilities, including estimated payments of interest and excluding the impact of netting agreements follows (in millions of dollars):

December 31, 2008

	Carrying value	Contractual cash flows	6 months or less	6 - 12 months	1 - 2 years	2 - 5 years	More than 5 years
Non-derivative financial liabilities							
Long-term debt (see note 23)	14,532	22,002	1,575	449	937	2,412	16,629
Financial lease obligations (see note 23)	563	688	34	34	117	108	395
Total long-term debt	15,095	22,690	1,609	483	1,054	2,520	17,024
Other liabilities (included in accruals and other liabilities) (see note 25) [(1)]	11,074	11,112	2,565	6,182	1,030	-	1,335
Accounts payable to related parties (see notes 26 and 30)	32	32	-	32	-	-	-
Trade accounts payable (see note 26)	7,524	7,524	6,828	696	-	-	-
Derivative long-term liabilities:							
Forward exchange contracts -							
Capital output	162	175	140	34	1	-	-
Capital input	(274)	(288)	(229)	(58)	(1)	-	-
	33,613	41,245	10,913	7,369	2,084	2,520	18,359

(1) Includes withholdings, VAT, production tax and other taxes payable, interest payable, dividends payable, accounts payable to related parties, accounts payable to minority interests and accounts payable for the purchase of subsidiaries.

(Continued)

December 31, 2007

	Carrying value	Contractual cash flows	6 months or less	6 - 12 months	1 - 2 years	2 - 5 years	More than 5 years
Non-derivative financial liabilities							
Long-term debt (see note 23)	16,006	25,880	3,008	758	1,162	4,018	16,934
Financial lease obligations (see note 23)	605	999	50	50	188	155	556
Total long-term debt	16,611	26,879	3,058	808	1,350	4,173	17,490
Other liabilities (included in accruals and other liabilities (see note 25) [(1)]	12,109	12,203	10,343	154	1,706	-	-
Accounts payable to related parties (see notes 26 and 30)	278	278	-	278	-	-	-
Accounts payable to suppliers (see note 26)	2,634	2,634	2,066	568	-	-	-
Derivative financial liabilities:							
Forward exchange contracts -							
Capital output	44	474	448	24	2	-	-
Capital input	(39)	(540)	(516)	(22)	(2)	-	-
	31,637	41,928	15,399	1,810	3,056	4,173	17,490

(1) Includes withholdings, VAT, production tax and other taxes payable, interest payable, dividends payable, accounts payable to related parties, accounts payable to minority interests and accounts payable for the purchase of subsidiaries.

Interest Rate Risk

An analysis by the type of interest on financial instruments of the Company follows (in millions of dollars):

	December 31, 2008	December 31, 2007
Fixed rate instruments -		
Fixed-term deposits	446	622
Long-term debt	(9,366)	(9,094)
Accounts payable to related entities (see note 25)	(4,400)	(6,000)
	(13,320)	(14,472)
Variable rate instruments -		
Long-term debt	(5,729)	(7,517)
	(19,049)	(21,989)

(Continued)

Cash Flow Sensitivity Analysis for Instruments at Variable Rates

PDVSA does not use the fair value hedge accounting model for its fixed-rate assets and liabilities nor has it designated derivatives as hedging instruments. Therefore, any change in the interest rates as of the reporting date would not affect the consolidated results of the Company.

Cash Flow Sensitivity Analysis for Long-Term Debt at Variable Rates

A change of one percent in the interest rate as of the reporting date would have increased (decreased) the consolidated results by the amounts presented below. This analysis assumes that all other variables remain constant.

The analysis performed using the same basis as for 2007 follows (in millions):

	Results	
	Increase One percent	**Decrease One percent**
December 31, 2008 -		
Long-term debt	57	(57)
December 31, 2007 -		
Long-term debt	75	(75)

(Continued)

Fair Value of Financial Instruments

The estimated amounts presented are not necessarily an indication of the amounts that PDVSA could realize in a current market exchange. The use of different market assumptions and/or methodologies to determine estimates may significantly affect the estimated fair values. Fair values determined using the bases disclosed in note 6 follow (in millions of dollars):

	December 31,			
	2008		2007	
	Carrying value	Fair value	Carrying value	Fair value
Assets:				
Long-term accounts receivable	2,845	2,845	3,512	3,512
Recoverable valued-added tax	6,344	6,344	5,576	5,576
Notes and accounts receivable	10,810	10,810	11,225	11,225
Derivative assets (included in prepaid expenses and other assets) (see note 21)	274	274	39	39
Restricted cash	2,120	2,120	3,298	3,298
Trading securities (included in prepaid expenses and other assets) (see note 21)	256	256	317	317
Cash and cash equivalents	4,483	4,483	3,325	3,325
Liabilities:				
Long-term debt	(15,095)	(9,746)	(16,611)	(13,830)
Accounts payable to suppliers	(7,556)	(7,556)	(3,111)	(3,111)
Other liabilities (included in accruals and other liabilities) (see note 25) [(1)]	(11,074)	(11,074)	(12,109)	(12,109)
Derivative liabilities (included in accruals and other liabilities) (see note 25)	(162)	(162)	(44)	(44)

(1) Includes withholdings, VAT, production tax and other taxes payable, interest payable, dividends payable, accounts payable to related parties, accounts payable to minority interests and accounts payable for the purchase of subsidiaries.

(Continued)

(28) Operating Leases

Future lease payments are as follows (in millions of dollars):

	December 31,	
	2008	**2007**
Years -		
2008	-	360
2009	414	257
2010	215	192
2011	193	179
2012	184	167
2013	183	167
Subsequent years	139	-
Future estimated lease payments	1,328	1,322

Rental expense incurred under operating leases in 2008 and 2007 was approximately $492 million and $539 million, respectively, included in operating expenses.

(29) Commitments and Contingencies

Guarantees

As of December 31, 2008, Petróleos de Venezuela, S.A. and some of its subsidiaries have construction completion guarantees related to debt and financing arrangements of joint venture projects, as well as for the purchase of food products inventories. The companies, guarantee obligations and year of termination follow (in millions of dollars):

	Guarantee obligations	
	Dollars	**Year of termination**
Companies -		
Petróleos de Venezuela, S.A. (see note 18)	100	2009
CITGO	17	2012
PDVSA Petróleo	93	2012

As of December 31, 2008 and 2007, PDVSA has not recorded liabilities for these concepts; historically, claims as a result of guarantees have not been significant.

As of December 31, 2008, CITGO has guaranteed debts of subsidiaries and investees, including letters of credit and borrowings for the acquisition of commercialization equipment.

(Continued)

PDVSA Petróleo has a global environmental guarantee undertaken with the Ministry of Popular Power for the Environment and Natural Resources (MINAMB-Ministerio del Poder Popular para el Ambiente), which guarantees the performance of environmental compliance in accordance with current legislation.

Agreements with the Organization of Petroleum Exporting Countries (OPEC)

The Bolivarian Republic of Venezuela is a member of OPEC, an organization mainly aimed at establishing 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 or variation in prices has not had a significant effect on the Company's consolidated financial position, results of operations and cash flows.

At extraordinary meetings of OPEC held in September and December 2008, a crude oil production cutback of 4.2 million barrels per day was agreed, effective as of January 1, 2009. PDVSA´s management, to comply with this decision, will cut back its production by 364 thousand barrels per day.

Arbitration before the International Chamber of Commerce (ICC)

On January 25, 2008, Mobil Cerro Negro Ltd. (subsidiary of ExxonMobil) filed an arbitration request before the International Arbitration Court of the International Chamber of Commerce in New York, United State of Amercica, against Petróleos de Venezuela, S.A. and PDVSA Cerro Negro, indicating 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 PDVSA. On July 19, 2008, before the Arbitration Court, the Terms of Reference Agreement was signed. Currently, the parties await the decision of the Arbitration Court, and it is expected that by October 2009 the main hearing of the case will take place (see note 9-a).

Parallel to the arbitration proceedings, on December 26 and 27, 2007, Mobil Cerro Negro Ltd. filed a request for seizure of assets to be ordered by the South District Court of New York, and was attached to the above arbitration. The seizure requested affected $300 million deposited in the accounts of PDVSA Cerro Negro, held in the Bank of New York Mellon and corresponded to funds released in favor of PDVSA Cerro Negro, as a result of the repurchase of debt undertaken to finance the Proyecto Cerro Negro. The order was issued without giving prior notice of the request to PDVSA Cerro Negro and was confirmed on February 13, 2008. This procedure has concluded upon confirmation. The sum in question will remain withheld until an arbitration award is produced (see note 18).

A request to freeze assets and deliver information at a global level was made by Mobil Cerro Negro Ltd. This request was approved by the Supreme Court of England and Wales on January 24, 2008. This order prohibits Petróleos de Venezuela, S. A. from freely disposing of its assets in England and Wales and compels it to keep, at a global level, unencumbered assets of no less than $12,000 million. This order establishes that PDVSA is not restricted from disposing of any of its assets in the proper course of business. PDVSA defended its position on February 14, 2008. On March 18, 2008, the Supreme Court of England and Wales made a pronouncement in favor of PDVSA, rejecting the aforementioned order.

On March 5, 2008, OPEC issued a resolution stating its support for the Bolivarian Republic of Venezuela and PDVSA, in exercising its sovereign right over its natural resources in accordance with international laws, a right upheld by the Declaration of the Summit of Heads of States and the Governments of Argel, Caracas and Riyadh.

PDVSA believes that resolution of this dispute will not have a significant effect on its operations and financial position.

Other Litigation and Claims

In January 2008, a class action was launched comprising the five claims in different courts of the United States of America, through which several U.S. companies sued PDVSA and its subsidiaries domiciled in the United States of America. This action is being heard by the South District Court of Houston, Texas, and the plaintiffs claim violation of the Anti-Monopoly Laws of the United States of America, in prejudice of consumers. As of December 31, 2008, the Court's decision relating to the claim's dismissal is pending.

On July 30, 2007, the 9th Superior Tax Contentious Court issued its ruling for an appeal filed by PDVSA Petróleo, S.A. against tax assessments issued by the Tax Administration, objecting the deductibility of a contribution made, in accordance with Article 6 of the Organic Hydrocarbons Law. This ruling concludes that only exports of "oil" and no other products or by-products of hydrocarbon are deductible. This must be construed restrictively since it involves a tax benefit (deduction). The management of PDVSA and its legal counsel have expressed that such ruling is based on legal provisions, but they uphold deductibility through an appeal before the Political-Administrative Court of the Supreme Court of Justice (TSJ-Tribunal Supremo de Justicia). As of December 31, 2008 and 2007, the provision for litigation and other claims includes $1,345 million and $338 million, respectively, which also includes a series of cases relating to the deductions established in Article 6 of that Law and on which no legal pronouncement has been made. The Company's management and its legal consultants believe that these amounts must be taken into account in the respective provision (see note 25).

On June 25, 2007, the Constitutional Chamber of TSJ declared without merit the review appeal filed by the legal counsel of PDVSA Petróleo, S.A. against the decision dated February 16, 2006 of the Political Administrative Chamber of TSJ, which declared without merit the appeal filed by PDVSA Petróleo, S. A. against resolution of the National Integrated Tax and Customs Administration (SENIAT-Servicio Nacional Integrado de Administración Aduanera y Tributaria), dated November 17, 1999, relating to tax obligations corresponding to 1994, 1995 and 1996, of $830 million. In June 2008, the Company made payments using Tax Reimbursement Certificates of $682 million to SENIAT (see note 14-f) and $13 million in cash. As of December 31, 2008, the provision for litigation and other claims includes $135 million for this concept (see note 25).

The Company is involved in other claims and legal actions in the normal course of business of $1,412 million. In the opinion of management and its legal advisors, the outcome of these claims will not have a material adverse effect on the Company's financial position, results of operations or liquidity.

As of December 31, 2008, other claims and legal actions exist relating to tax, civil and labor matters for which the management of PDVSA has estimated a provision of $645 million.

Based on an analysis of the available information, a provision, as of December 31, 2008 and 2007, of $2,125 million and $1,810 million, respectively, is included in accruals and other liabilities (see note 25). If known lawsuits and claims were to be determined in a manner adverse to the Company, and in amounts greater than the Company's accruals, then such determinations could have a material adverse effect on the Company's results of operations in a given reporting period. Although it is not possible to predict the outcome of these matters, management, based in part on advice of its legal counsel, does not believe that it is probable that losses associated with the proceedings discussed above, that exceed amounts already recognized, will be incurred in amounts that would be material to the Company's financial position or results of operations.

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 effects of waste disposal and spills of pollutants. In the United States of America and Europe, PDVSA's operations are subject to various federal, state and local environmental laws and regulations, which may require them to take action to remedy or alleviate the effects on the environment of earlier plant decommissioning or leakage of pollutants.

PDVSA is taking important steps to prevent risks to the environment, people's health, and the integrity of its facilities. In 2008, PDVSA continued implementing its Integral Risk Management System (SIR-PDVSA®) throughout the company, which is expected to be completed in 2012. This management system is based on international practices and standards, such as ISO 9000 for control of documentation; ISO 14001 for environmental compliance; ISO 18000 and British Standard BS8800 for occupational health; and the guidelines of the American Petroleum Institute (API) for safety process. PDVSA has invested approximately $42 million and plans to invest an additional $1 million, to complete implementation of SIR-PDVSA. In addition, PDVSA implemented an investment plan to meet environmental regulations in Venezuela, which required $118 million in 2008 as follows: $84 million on environmental compliance, and $34 million for other investments related to the environment and occupational health. CITGO estimates expenses of approximately $271 million for projects regulating environmental risks in 2009.

Additionally and as part of the environmental responsibility of PDVSA, there is a plan for environmental remediation and restoration of environmental liabilities generated until 2004. The plan has an expected duration of 12 years and started in 2001 and addresses remediation of pits and unspecified crude oil, hazardous materials and waste, facilities, abandoned equipment and dismantlement, areas impacted by oil-related activities and radioactive sources. As of December 31, 2008, remediation has been performed on 2,778 hydrocarbons pits of the existing 13,460 pits, thus 10,682 pits are still pending sanitation. Based on the analysis of detailed information available, PDVSA estimated liabilities relating to remediation and restoration of environmental liabilities and recorded expenses in the results of 2008 and 2007 of $583 million and $482 million, respectively. The balances of the accruals for environmental matters, as of December 31, 2008 and 2007, amount to $1,640 million and $1,126 million, respectively (see note 25).

CITGO has received various notices of violation from the Environmental Protection Agency (EPA) and other regulatory agencies, which include notices under the federal Clean Air Act, and could be designated as Potentially Responsible Parties (PRPs) jointly with other industrial companies with respect to sites under the Comprehensive Environmental Response, Compensation, and Liability Act (CERCLA). These notices are being reviewed and, in some cases, remedial action is being taken or CITGO is engaged in settlement negotiations. CITGO is committed to negotiate agreements with the previously mentioned authorities.

Conditions that require additional expenditures may exist at various sites including, but not limited to, the Company's operating complexes, service stations and crude oil and petroleum storage terminals. Management believes that these matters, in the normal course of operations, will not have a material effect on the consolidated financial position, liquidity or operations of PDVSA.

(30) Related Party Transactions

PDVSA considers its Stockholder, non-consolidated investees, jointly controlled companies, the Company's 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 follows (in millions of dollars):

	Years ended December 31,	
	2008	**2007**
Activities of the year:		
Income:		
Sales:		
Non-consolidated investees and jointly controlled entities	15,310	11,071
Companies owned by the Stockholder and other government institutions	674	473
Equity interest in earnings of non-consolidated investees and jointly-controlled companies (see note 16):		
Continuing operations	153	732
Discontinued operations	3	1
Other income	86	97
Costs and expenses:		
Purchases of crude oil and refined products	5,817	5,187
Production tax and other taxes (see note 14)	23,462	21,981
Other	73	55
Estimated income tax expense in Venezuela (see note 14-a)	6,952	4,952
Social development expenses	14,733	14,102

(Continued)

	Years ended December 31,	
	2008	**2007**
Balances at year end:		
Investments recorded under the equity method (see note 16)	1,935	2,088
Buildings used by government entities (see note 17)	56	82
Long-term accounts receivable (see note 17)	1,489	1,697
Recoverable tax credits (see note 14-f)	6,344	5,576
FONDESPA project executing entities (see notes 17 and 18)	534	836
FEM contributions (see note 18)	825	805
Trust funds with BANDES (see note 18)	693	698
Trust funds with BANFOANDES (see note 18)	12	14
Income tax overpayments (see note 21)	5,893	6,100
Income tax payable in Venezuela (see note 14)	1,900	3,427
Accruals and other liabilities (see note 25)	9,317	11,926
Accounts payable to suppliers (see note 26)	32	278
Notes and accounts receivable (see note 20):		
Non-consolidated investees and jointly controlled entities	841	1,010
Companies owned by the Stockholder and other government institutions	1,956	1,814
	2,797	2,824

Balances and Transactions with the Stockholder

During the year 2008, production taxes were paid in cash to the Nation for $22,473 million; also, during 2008 and 2007, PDVSA delivered crude oil and by-products for 168 MBPD and 86 MBPD, amounting to $6,462 million and $2,166 million, respectively, pursuant to Energy Cooperation agreements (see note 9-e) and the Chinese-Venezuelan Fund Incorporation Agreement (see note 30). According to Article 45 of the Hydrocarbons Organic Law, these products delivered by the Bolivarian Republic of Venezuela are considered part of the fulfillment of PDVSA's obligations for production tax (see notes 14-e, 17 and 20).

As of December 31, 2007, the balance of production tax payable is presented net of $500 million corresponding to a payment by the Bolivarian Republic of Venezuela in advance of production tax (see note 25).

In support of social projects carried out by the National Government (see note 1), PDVSA incurred the following expenses in 2008 and 2007 (in millions of dollars):

	Years ended December 31,	
	2008	**2007**
Expenses for social development incurred through trust funds in BANDES and other government financial institutions (see notes 17 and 18):		
Programs and Projects for Housing Development and Infrastructure	-	558
FONDESPA (see note 18)	60	195
Sowing and production plan 2005	858	837
Integral Cooperation Agreement Bolivia - Venezuela	166	66
Integral Cooperation Agreement Argentina - Venezuela	179	172
Integral Cooperation Agreement Uruguay - Venezuela	5	72
Alba Caribe fund	-	62
Hydraulic Works	47	-
Plan Vialidad 2006	-	169
	1,315	2,131
Expenses incurred for missions, contributions to communities and other:		
Misión Ribas	311	133
Misión Vuelvan Caras	-	40
Misión Barrio Adentro I, II and III	-	3,091
Misión Sucre	15	13
Misión Mercal	-	904
Misión Arbol	-	24
Misión Música	-	43
Misión Vivienda	14	-
Energy Efficiency System Development	234	-
Support to "Misiones" and communities	437	939
Other	-	23
	1,011	5,210
Special contribution to FONDEN (see note 33-c)	5,730	-
Contributions to FONDEN (see note 4)	6,677	6,761
	14,733	14,102

(Continued)

The contributions of PDVSA to trust funds, except for those corresponding to FONDESPA, are recorded directly as social development expenses, at the time the disbursements are made, thus the administrative responsibility lies with the trustee and beneficiaries of the funds. Contributions to FONDESPA are recorded as restricted cash, long-term accounts receivable from FONDESPA project executing entities (see notes 17 and 18) or as expenses for development in accordance with the conditions set forth in the respective agreements.

Until December 31, 2007, part of the products received for social projects were paid for by offsetting accounts receivable from the sale of crude oil under the Energy Cooperation Agreement of Caracas (see note 9-e).

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

Notes and accounts receivable from non-consolidated investees and jointly-controlled entities follow (in millions of dollars):

	Years ended December 31,	
	2008	**2007**
PDV Cupet	462	72
Hovensa	314	780
Nynas	49	105
Mt. Vernon	16	53
	841	1,010

During 2008 and 2007, PDVSA made the following sales to non-consolidated investees and jointly-controlled entities (in millions of dollars):

	Years ended December 31,	
	2008	**2007**
Hovensa	9,210	7,268
Nynas	1,376	1,023
Chalmette Refining	619	1,164
ROG	886	557
MC Bitor LTD	536	467
Mount Vernon Phenol Plant (Mt. Vernon)	305	333
Thyssen Citgo Petcoke Corporation	236	188
PDV Cupet	2,142	71
	15,310	11,071

PDVSA maintains the following supply agreements:

Company	Supply agreement (MBPD)	Year of termination
ROG	245	Contractual term, plus 3 additional years
Nynas	57	Contractual term, plus 3 additional years
Hovensa	270	Between 2014 and 2022
	572	

As a result of the supply agreements signed, PDVSA Petróleo sold to non-consolidated investees and jointly-controlled entities during 2008 and 2007, raw materials and other products for $12,728 million and $8,362 million, respectively. As of December 31, 2008 and 2007, the outstanding balances of these transactions of $825 million and $957 million, respectively, are included in notes and accounts receivable from related parties.

During in 2008 and 2007, CITGO sold to non-consolidated investees and jointly-controlled entities, mainly at market prices, raw materials and other products of $544 million and $521 million, respectively. The outstanding balances of these transactions, as of December 31, 2008 and 2007, of $51 million and $85 million, respectively, are included in notes and accounts receivable from related parties.

During 2008 and 2007, CITGO acquired refined products from several non-consolidated investees and jointly-controlled entities (Hovensa, Chalmette Refining and Mt. Vernon) under long-term agreements. These purchases of $5,817 million in 2008 and $5,060 million in 2007, are included in the consolidated statements of income of each year as purchases of crude oil and refined products. As of December 31, 2008 and 2007, accounts payable to suppliers include $31 million and $262 million, respectively, in connection with these transactions.

During the nine-month period ended September 30, 2007, PDVSA purchased upgraded crude oil from Petrozuata, for $127 million, included in purchases of crude oil and products in the consolidated statements of income. In addition, Petrozuata reimbursed PDVSA Petróleo for operating expenses of $24 million, corresponding to the nine-month period ended September 30, 2007 (see notes 9-a and 16).

As of December 31, 2008 and 2007 PDVSA, through its subsidiary BITOR, has supplied SINOVENSA (affiliate of BITOR) funds of $31 million and $88 million, respectively, to maintain the operating continuity of this company, included under long-term accounts receivable. As of December 31, 2008 and 2007, this item includes $182 million and $372 million, respectively (see note 9-a).

Balances and Transactions with Key Management Personnel

During 2008 and 2007, compensation paid by PDVSA to its directors for salaries and social security were approximately $1.69 million and $1.53 million, respectively (see note 24).

In addition to salaries and social security contributions, the Company also grants non-monetary benefits to its directors as well contractual benefits and postretirement benefits. Under the terms of the collective agreement of PDVSA, directors have the same rights as the rest of the employees, with respect to eligibility for retirement plan and postretirement benefits other than pension plans. As of December 31, 2008 and 2007, these liabilities amount to approximately $2.21 million and $1 million, respectively (see note 24).

Certain directors of the Company hold key positions in other related entities, and some of their powers include influencing the operating and financial policies of such companies.

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

As of December 31, 2008 and 2007, long term accounts receivable from related parties include principally accounts receivable from employees of $469 million and $226 million, respectively, corresponding to employee loans for contractual benefits and accounts receivable from PEQUIVEN of $332 million and $103 million, respectively, for funds to be used as working capital.

As of December 31, 2008 and 2007, certain assets with a net carrying amount of $56 million and $82 million, respectively, have been identified, which correspond to buildings owned by PDVSA used by entities attached to governmental organizations. In 2004, usage agreements were signed for some of these buildings. The agreements in relation to the conditions for their use and the possible transfer of such assets are in the process to being determined and legally formalized. Maintenance and other expenses for these facilities are assumed by PDVSA, which does not receive any consideration from government organizations for the use of these assets. As of December 31, 2008 and 2007, the value of such asset is presented under other assets (see note 17).

On May 5, 2008, Official Gazette 38,923 was published containing the Bylaws of Fundación Fondo Nacional para la Producción Lechera (FONAPROLE), ascribed to the subsidiary PDVSA Agrícola, the purpose of which is to manage policies and the National Funding Plan for National Government program in the milk production area. Based on guidelines issued by the National Government, PDVSA contributed $300 million as working capital.

To meet the guidelines established by MENPET and the strategic plans of PDVSA, the Company temporarily continued to support financially the activities of PEQUIVEN. This support includes loans for working capital to carry out the investment plan in 2006, discounts on methane gas prices and financing of accounts receivable up to 180 days. In 2008 and 2007, PDVSA provided PEQUIVEN funds of $240 and $15 million, respectively, to be used as working capital included under long-term accounts receivable (see note 17).

Notes and accounts receivable from the Stockholder and other government institutions comprise the following (in millions of dollars):

	December 31,	
	2008	**2007**
Enelven	319	140
National Armed Forces	-	20
Pequiven	269	164
CADAFE	951	1,090
Asociación Civil "Administradora de los Fondos de Pensiones de los Jubilados de Petróleos de Venezuela, S.A."	-	7
Accounts receivable from employees	219	154
Other	198	239
	1,956	1,814

In 2008 and 2007, PDVSA made the following sales to companies owned by the Stockholder and other government institutions (in millions of dollars):

	Years ended December 31,	
	2008	**2007**
C.A. de Administración y Fomento Eléctrico (CADAFE)	34	50
Siderúrgica del Orinoco, C.A.	40	39
C. A. Energía Eléctrica de Venezuela (Enelven)	55	47
Metanol de Oriente, S.A. (Metor)	97	49
Supermetanol, C.A.	93	74
Fertilizantes Nitrogenados de Venezuela, C.E.C. (Fertinitro)	217	83
PEQUIVEN	14	44
Other	124	87
	674	473

In 2008, accounts receivable from CADAFE include, mainly, light-diesel supply transactions undertaken by PDVSA Petróleo, which do not bear interest and have no fixed maturities, and may be offset against the energy supply service provided by CADAFE. In this connection, in 2008 and 2007, PDVSA Petróleo offset accounts receivable from CADAFE of $24 million and $25 million, respectively.

The transactions with related parties, as of December 31, 2008 and 2007, do not necessarily present the results that would have been obtained had they been undertaken with unrelated third parties.

(Continued)

(31) Information on Production, Refining and Export Activities

A summary of operating data, relating to production, refining and export of crude oil based on sub-ledgers of the Company and production reports prepared by the MENPET is presented below (expressed in MBPD):

	Years ended December 31,	
	2008	**2007**
Oil production:		
Direct management [1]	2,382	2,292
"Empresas Mixtas" - Light-medium	378	316
"Empresas Mixtas" - Orinoco Oil Belt	446	-
PDVSA's participation in the Orinoco Oil Belt Associations [2]	29	267
Extra-heavy crude oil (less than 8 degrees API) [3]	-	29
Total production of PDVSA	3,235	2,904
National production [4]	3,260	3,150
Refining capacity (unaudited):		
National sector [5]	1,303	1,303
International sector [6]	1,732	1,795
Total refining capacity	3,035	3,098
Crude oil volume processed in refineries:		
National sector	1,010	1,004
International sector (unaudited)	1,431	1,517
Total volume of crude oil processed in refineries	2,441	2,521
Own exports:		
Crude oil	2,213	1,874
By-products	663	622
Total exports of PDVSA	2,876	2,496
National exports [7, 8 and 9]	2,897	2,789

(1) Includes condensed crude oil of 8 MBPD in 2008 and 7 MBPD in 2007.

(2) Official Gazette 38,801, dated November 1, 2007, includes the approval by the National Assembly of the creation of "Empresas Mixtas" of the Orinoco Oil Belt, which began operations in 2008 (see note 9-a).

(3) The production of extra-heavy crude oil of less than 8° API for Orimulsión ended in 2007.

(4) Includes 25 MBPD in 2008 and 246 MBPD in 2007 corresponding to third party interests in the Orinoco Oil Belt Associations. The financial statements of 2007 of the Orinoco Oil Belt Associations were audited by independent public accountants other than those of PDVSA (see note 9-a).

(Continued)

(5) Includes refineries of the domestic sector: Centro de Refinación Paraguaná – CRP (Amuay, Cardón and Bajo Grande), El Palito, Puerto la Cruz and San Roque.

(6) Includes the portion corresponding to PDVSA of international sector refineries (Nynas AB, Ruhr Oel GmbH, Hovensa LLC and Chalmette Refining LLC); as well as wholly-owned refineries Isla, Lake Charles, Lemont, Corpus Christi; PDVSA's participation is 100%.

(7) Includes 21 MBPD in 2008 and 293 MBPD in 2007, corresponding to third party interests in the Orinoco Oil Belt Associations (see note 9-a).

(8) Includes sales to Petroecuador of 38 MBPD in 2008 and 25 MBPD in 2007, included in the consolidated financial statements, offset with purchases under the existing energy agreement between PDVSA and Petroecuador.

(9) Includes 131 MBPD from Energy Cooperation Agreements and 56 MBPD from "Fondo Chino" supplied under agreements between the Bolivarian Republic of Venezuela and the countries that are parties to those agreements.

(32) Financial Information for Domestic and International Sectors

A consolidated summary of financial information of PDVSA, according to sectors and activities is presented below, to comply with Article 20 of the Organic Hydrocarbons Law (in millions of dollars):

	Domestic Sector													
	Exploration and production		Gas		Refining, trade supply and other		Total domestic Sector		International Sector		Eliminations, adjustments and reclassifications (2)		Global Consolidated	
	2008	2007	2008	2007	2008	2007	2008	2007	2008	2007	2008	2007	2008	2007
Assets:														
Property, plant and equipment, net	49.228	33.503	8.818	6.977	9.898	7.046	67.944	47.526	5.066	4.910	-	-	73.010	52.436
Investments recorded under the equity method	-	-	106	100	1.357	2.215	1.463	2.315	2.076	2.269	(1.604)	(2.496)	1.935	2.088
Deferred income tax	3.453	1.639	308	235	3.381	2.612	7.142	4.486	223	-	360	857	7.725	5.343
Long-term accounts receivable and other assets	3.662	5.296	46	371	3.157	548	6.865	6.215	490	653	(3.798)	(2.701)	3.557	4.167
Recoverable value-added tax, net of current portion	4.121	3.498	-	-	1.453	520	5.574	4.018	-	-	(2.166)	(1.788)	3.408	2.230
Restricted cash, net of current portion	976	917	-	-	797	819	1.773	1.736	-	7	-	-	1.773	1.743
Total non-current assets	61.440	44.853	9.278	7.683	20.043	13.760	90.761	66.296	7.855	7.839	(7.208)	(6.128)	91.408	68.007
Inventories	1.693	1.483	359	213	4.212	2.671	6.264	4.367	3.144	5.058	(730)	(955)	8.678	8.470
Recoverable value-added tax	408	204	47	77	304	1.273	759	1.554	11	4	2.166	1.788	2.936	3.346
Notes and accounts receivable	2.856	1.714	495	994	5.315	10.582	8.666	13.290	4.523	3.362	(2.379)	(5.427)	10.810	11.225
Prepaid expenses and other assets	1.660	1.241	925	176	6.521	5.545	9.106	6.962	3.385	3.320	(3.162)	(2.561)	9.329	7.721
Restricted cash	90	1.497	-	-	201	14	291	1.511	56	44	-	-	347	1.555
Cash and cash equivalents	1.434	314	(5)	17	1.230	1.709	2.659	2.040	1.824	1.285	-	-	4.483	3.325
Assets held for sale	-	-	-	-	3.744	2.768	3.744	2.768	97	477	-	-	3.841	3.245
Total current assets	8.141	6.453	1.821	1.477	21.527	24.562	31.489	32.492	13.040	13.550	(4.105)	(7.155)	40.424	38.887
Total assets	69.581	51.306	11.099	9.160	41.570	38.322	122.250	98.788	20.895	21.389	(11.313)	(13.283)	131.832	106.894
Stockholder's Equity	47.770	25.198	8.002	4.842	9.725	20.476	65.497	50.516	7.170	9.077	(1.154)	(3.531)	71.513	56.062
Liabilities:														
Long-term debt, net of current portion	5.683	5.880	355	1.597	4.663	4.367	10.701	11.844	2.169	1.285	548	505	13.418	13.634
Employee benefits and other postretirement benefits net of current portion	1.854	808	232	665	1.773	698	3.859	2.171	609	745	809	(408)	5.277	2.508
Deferred income tax	4	16	1	1	614	863	619	880	1.083	1.208	-	314	1.702	2.402
Accruals and other liabilities, net of current portion	2.408	1.045	246	385	4.756	365	7.410	1.795	4.512	4.045	(6.386)	(4.028)	5.536	1.812
Total non-current liabilities	9.949	7.749	834	2.648	11.806	6.293	22.589	16.690	8.373	7.283	(5.029)	(3.617)	25.933	20.356
Long-term debt	717	1.237	-	350	876	216	1.593	1.803	68	1.074	16	100	1.677	2.977
Employee benefits and other postretirement benefits	125	162	-	1	1.090	321	1.215	484	69	18	(808)	(12)	476	490
Accounts payable to suppliers	878	4.354	829	649	5.306	4.512	7.013	9.515	3.491	2.390	(2.948)	(8.794)	7.556	3.111
Income tax payable	1.434	2.840	87	154	379	-	1.900	2.994	147	55	-	(1)	2.047	3.048
Accruals and other liabilities	8.708	9.766	1.347	516	10.571	5.769	20.626	16.051	1.577	1.462	(1.390)	2.572	20.813	20.085
Liabilities held for sale	-	-	-	-	1.817	735	1.817	735	-	30	-	-	1.817	765
Total current liabilities	11.862	18.359	2.263	1.670	20.039	11.553	34.164	31.582	5.352	5.029	(5.130)	(6.135)	34.386	30.476
Total liabilities	21.811	26.108	3.097	4.318	31.845	17.846	56.753	48.272	13.725	12.312	(10.159)	(9.752)	60.319	50.832
Total liabilities and stockholder's equity	69.581	51.306	11.099	9.160	41.570	38.322	122.250	98.788	20.895	21.389	(11.313)	(13.283)	131.832	106.894

(1) Represents eliminations, adjustments and reclassifications between domestic and international sectors for the consolidated financial statements.

(Continued)

	Domestic Sector															
	Exploration and production		Gas		Refining, trade supply and other		Eliminations [1]		Total domestic Sector		International Sector		Eliminations, adjustments and reclassifications (2)		Global Consolidated	
	2008	2007	2008	2007	2008	2007	2008	2007	2008	2007	2008	2007	2008	2007	2008	2007
Continuing operations -																
Sale of crude oil and products:																
Exports, net	58.316	41.163	1.464	1.497	29.277	21.186	-	(2.141)	89.057	61.705	58.669	50.238	(25.238)	(18.123)	122.488	93.820
In Venezuela	14.302	10.173	3.866	3.235	19.802	10.189	(34.417)	(21.276)	3.553	2.321	7.905	5.650	(8.654)	(5.614)	2.804	2.357
Other sales	-	-	-	-	1.072	25	-	(25)	1.072	-	-	-	-	65	1.072	65
	72.618	51.336	5.330	4.732	50.151	31.400	(34.417)	(23.442)	93.682	64.026	66.574	55.888	(33.892)	(23.672)	126.364	96.242
Cost and expenses:																
Purchases net of inventory variation																
Crude oil and products	13.928	6.798	865	538	35.292	21.042	(34.279)	(21.276)	15.806	7.102	56.823	44.640	(33.129)	(23.605)	39.500	28.137
Other purchases	-	-	-	-	693	-	-	-	693	-	-	-	-	-	693	-
Operating expenses	9.755	4.822	913	948	2.900	1.784	-	-	13.568	7.554	8.988	7.013	(171)	391	22.385	14.958
Exploration expenses	375	154	-	-	-	-	-	-	375	154	-	-	-	-	375	154
Depreciation and amortization	3.573	2.446	260	219	895	759	-	-	4.728	3.424	492	515	-	79	5.220	4.018
Selling, administrative and general expenses	1.987	723	269	179	2.269	862	-	-	4.525	1.764	457	584	-	354	4.982	2.702
Production tax, extraction tax and other taxes	22.348	21.248	655	511	459	222	-	-	23.462	21.981	-	-	-	-	23.462	21.981
Social development expenses:																
Social development contributions	-	4.803	-	125	2.326	2.410	-	-	2.326	7.338	-	3	-	-	2.326	7.341
FONDEN contributions	9.938	-	-	-	2.469	6.761	-	-	12.407	6.761	-	-	-	-	12.407	6.761
Finance (income) expenses:																
Finance income	-	-	-	-	(1.310)	(458)	-	-	(1.310)	(458)	(185)	(108)	(85)	-	(1.580)	(566)
Finance expenses	348	402	1	1	1.362	530	-	-	1.711	933	153	134	(84)	-	1.780	1.067
Other (income) expenses:																
Income from sale of group of assets and liabilities held for sale	-	-	-	-	-	-	-	-	-	-	(998)	-	-	-	(998)	-
Income from sale of investment in non-consolidated investees	-	-	-	-	-	-	-	-	-	-	-	(641)	-	-	-	(641)
Other (income) expenses, net	1.966	3.012	681	1.227	287	(3.917)	-	-	2.934	322	(896)	484	290	(933)	2.328	(127)
	64.218	44.408	3.644	3.748	47.642	29.995	(34.279)	(21.276)	81.225	56.875	64.834	52.624	(33.179)	(23.714)	112.880	85.785
Equity in net earnings of non-consolidated investees and jointly-controlled entities	-	-	32	33	(2)	61	-	-	30	94	123	630	-	8	153	732
Income before income tax	8.400	6.928	1.718	1.017	2.507	1.466	(138)	(2.166)	12.487	7.245	1.863	3.894	(713)	50	13.637	11.189
Income tax	2.338	2.600	356	402	794	1.105	-	-	3.488	4.107	1.674	1.403	(881)	(493)	4.281	5.017
Continuing operations -																
Net income from continuing operations	6.062	4.328	1.362	615	1.713	361	(138)	(2.166)	8.999	3.138	189	2.491	168	543	9.356	6.172
Discontinued operations - income, net of tax	-	-	-	-	73	71	-	-	73	71	-	30	(16)	-	57	101
Net income	6.062	4.328	1.362	615	1.786	432	(138)	(2.166)	9.072	3.209	189	2.521	152	543	9.413	6.273

(1) Represents eliminations of sales, purchases and costs between activities.
(2) Represents eliminations, adjustments and reclassifications between domestic and international sectors for the consolidated financial statements

The domestic sector is mainly comprised of the followings companies: Palmaven, S.A., Bitúmenes Orinoco, S.A., PDVSA Gas, S.A. and subsidiaries, PDVSA Petróleo S.A. and subsidiaries, Proesca, S.A., PDVSA Agrícola, S.A., Corporación Venezolana del Petróleo, S.A. and subsidiaries, and Deltaven, S.A.

(Continued)

(33) Laws, Resolutions and Legal Contributions

(a) Organic Law on Reorganization of the Domestic Liquid Fuels Market

On September 18, 2008, Official Gazette 39,019 was published containing the Organic Law on Reorganization of the Domestic Liquid Fuels Market, reserving for the state intermediation activities for the supply of liquid fuels, for national convenience, strategic character, public service and first necessity, undertaken by PDVSA and its subsidiaries and the establishments retailing those liquid fuels (see notes 11-a and 34-c).

(b) Laws Promulgated under the Enabling Law

On February 1, 2007, the National Assembly approved the Law Authorizing the President of the Republic to promulgate Decree Laws for a series of matters for a term of 18 months after publication. In accordance with this law, the eleven areas approved are related to the transformation of government institutions, popular participation, economic, financial, tax and energy matters.

On July 31, 2008, a set of 26 laws were published under the Enabling Law, relating to economic, social, legal-administrative and military matters. Among the laws approved, the most important are in the social, administrative and financial areas, as follows:

- Decree Law 6,071 the Organic Law on Food Security and Sovereignty, published in Official Gazette 5,889. This decree is aimed at providing the state with a legal and social tool to make legal, strategic, participation and territorial planning of agricultural production and develop areas for the production and distribution of goods, services and wealth in line with the social project established in the Constitution of the Bolivarian Republic of Venezuela, and securing the supply and fair distribution of food to the population.

- Decree Law 6,128, for Creation of a Social Fund for Deposit and Use of Excess Resources of the National Public Administration Entities, published in Official Gazette 5,890.

- Decree Law 6,215, for Promotion and Development of the Small and Medium Industry and Social Property Units, published in Official Gazette 5,890.

- Decree Law 6,217, the Organic Public Administration Law published in Official Gazette 5,890.

- Decree Law 6,233, the Amendment to the Organic Public-Sector Financial Administration Law published in Official Gazette 5,891.

Management, through its legal consultants, concluded that these new laws will not significantly affect the consolidated financial statements of PDVSA.

(c) Law on Special Contribution on Excess Prices in the International Hydrocarbons Market

On April 15, 2008, Official Gazette 38,910, was published containing the Law on Special Contribution on Excess Prices in the International Hydrocarbons Market. Subsequently, Official Gazettes 38,939, dated May 27, 2008, and 38,970, dated June 10, 2008, and Resolutions 151 and 195 of MENPET were published. This law and the resolutions establish a special contribution to be paid on a monthly basis for companies exporting or transporting liquid hydrocarbons and by-products abroad. The contribution will be equivalent to a) 50% of the difference between the average monthly price of crude oil of the "Venezuelan basket" and the threshold price of $70 per barrel; and b) 60% of the difference of the average monthly price of crude oil of the "Venezuelan basket" and the threshold price in excess of $100 per barrel. This contribution will be made on every oil barrel exported or transported abroad and will be paid monthly by MENPET to FONDEN to carry out projects for infrastructure, development, social production and development and strengthening Communal Power. The above law is effective upon publication. The consolidated statement of income for the year ended December 31, 2008 includes, under social development expenses, $5,730 million for this special contribution (see note 30).

(d) Organic Law on Science, Technology and Innovation

In August 2005, the Organic Law of Science, Technology and Innovation was enacted. Under this law, from January 1, 2006, large corporations of the country must pay on an annual basis a sum equivalent to 0.5% of the gross income obtained within the national territory on any investment activities relating to science, technology and innovation. According to the law, large companies are those with gross annual income greater than 100,000 tax units (TU). Also, this law establishes that large corporations carrying out activities established in the Organic Hydrocarbons Law and Hydrocarbon Gas Law must pay on an annual basis a sum equivalent to 2% of the gross income obtained in the national territory from investment activities for science, technology and innovation. For the years ended December 31, 2008 and 2007, the Company applied the principle of economic unit and determined a payment of $1,656 million and $1,287 million, respectively, on a consolidated basis with its subsidiaries domiciled in Venezuela, which was offset with disbursements relating to investment activities for science, technology and innovation during those years.

(e) Organic Law against Illegal Trafficking and Consumption of Stupefacient and Psychotropic Substances

On December 16, 2005, Official Gazette 38,287 was published containing the Organic Law against Illegal Trafficking and Consumption of Stupefacient and Psychotropic Substances, which supersedes the previous law dated September 30, 1993. The abovementioned Law establishes that all legal entities, private or public, with fifty or more employees must use 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 integral protection programs for children and adolescents. During the years ended December 31, respectively, 2008 and 2007, the Company recorded expenses of approximately $91 million and $19 million, in this connection, respectively, under other (income) expenses net in the consolidated statements of income.

On May 31, 2006, the National Antidrugs Office (ONA-Oficina Nacional Antidrogas) published a notice extending the term for payment of the contributions under that law; therefore, as of December 31, 2008, no payments have been made.

(f) Organic Law on Reorganization of the Electricity Sector

Official Gazette 38,736, dated July 31, 2007, published a Decree Law for Reorganization of the Electricity Sector, which created the company Corporación Eléctrica Nacional, S. A. attached to the MENPET, the purpose of which is the generation, transmission, distribution and marketing of power and electricity. Its capital stock will be subscribed 75% by the Republic, through the MENPET, and 25% by PDVSA. This Law orders the Bolivarian Republic of Venezuela, Corporación Venezolana de Guayana (CVG) and PDVSA, to transfer the shares they own in public electricity companies to Corporación Eléctrica Nacional, S. A. (see notes 10 and 17).

(g) Agricultural Market Law

This law encompasses planning, fostering, regulating and assessing all of the commercial phases of marketing of products and items for agricultural production and promotes joint growth of food security and domestic agricultural production. This marketing includes a series of activities, services, actions and functions facilitating the flow of goods, beginning with their production and ending with their availability to the end consumer.

(h) Law on Land and Agricultural Development

The Decree Law on Lands and Agricultural Development is aimed at reinforcing and making operative the constitutional values of social development through the agricultural sector. These actions are aimed at the fair distribution of wealth and strategic, democratic and participative planning with respect to land ownership and development of agricultural activities. In this connection, in harmony with Article N° 307 of the Constitution of the Bolivarian Republic of Venezuela, it is intended to implement the measures required to eliminate ownership of large plantations and land, considered a practice contrary to law, general interest and social peace in the countryside. Another purpose of this new law is to secure biodiversity, protect the environment and agricultural products and ensure agricultural products for present and future generations. The aspects relating to agricultural product security are highly important as alluded to in article 307 of the Constitution. This law seeks to develop agricultural production for more than economic purposes, and as a fundamental means to effectively and efficiently meet food demands of the country's population.

(i) Monetary Conversion Law

On March 6, 2007, Official Gazette 38,638 published the decree with Rank and Force of Law on Monetary Conversion, which establishes that beginning on January 1, 2008 the unit for the monetary system of the Bolivarian Republic of Venezuela is stated in the equivalent of one thousand current bolivars. Consequently, existing bolivars as of that date will be converted into the new monetary unit by dividing them by one thousand and rounding them to the nearest cent.

On June 21, 2007, the Board of Directors of BCV issued Resolution 07-06-02, publishing "Standards Governing Monetary Conversion and Rounding". Article 6 of this Resolution establishes that the preparation and presentation of financial statements corresponding to years ended before January 1, 2008, approved after that date must be prepared in current bolivars in accordance with generally accepted accounting principles. For purposes of comparison with previous years, the accounting balances of such financial statements will be converted in accordance with the provisions of Article 1 of the Decree Law on Monetary Conversion.

PDVSA, in compliance with the aforementioned law, has applied technological and administrative-financial means to ensure compliance therewith. The processes and costs involved in adjusting to this Law did not significantly affect the consolidated financial statements as of December 31, 2008.

(j) Resolution for Transferring Shares of Diques y Astilleros Nacionales, C.A. (DIANCA) to PDVSA

On June 25, 2008, Official Gazette 38,959 was published containing Resolution 006620 of the Ministry of Popular Power for Defense, whereby 60% of the non-convertible common bearer shares (724,034) of Diques y Astilleros Nacionales, C.A. (DIANCA) were transferred to PDVSA. To date, PDVSA's management is in the process of taking over control of the financial and operating policies of this company and fulfilling the legal requirements for transfer of these common shares. The addition of this company will not significantly affect the consolidated financial statements.

(34) Subsequent Events

(a) Presidential Instructions for the Elimination of Public-Sector Luxury and Superfluous Expenses

Official Gazette 38,146 published on March 25, 2009, containing Decree 6,649 of the Presidency of the Bolivarian Republic of Venezuela, included the Presidential Instructions for the Elimination of Public-Sector Luxury and Superfluous Expenses, applicable to all agencies and entities of the national public administration.

(b) Economic Measures Announced by the National Government

On March 21, 2009, the President of the Republic, at a meeting with the Ministers, announced a series of economic measures to face falling oil prices. These measures include increasing VAT from 9% to 12% and raising the minimum wage by 20%, 10% in May and the remaining 10% in September 2009.

(c) Resolution Establishing Standars for Fuel Handling, Quality and Sale

On March 16, 2009, Official Gazette 39,139 was published containing the Resolution Establishing Standards for Fuel Handling, Quality and Sale, aimed at regulating the sale of fuels, specifically gasoline for internal combustion engines and diesel engines, relating to handing, quality and storage of those fuels.

(d) Memoranda of Incorporation for "Empresas Mixtas"

On March 6, 2009, PDVSA signed two interim operation agreements as part of significant advances in the creation of "Empresas Mixtas" for transporting and liquefying natural gas from the Delta Caribe Oriental Project, with oil companies from Argentina, Portugal, United States and Japan.

Official Gazette 39,117, dated March 10, 2009, contains the resolution to choose the company Petrovietnam Exploration Production Corporation Ltd or its respective subsidiaries to take part with CVP in the incorporation of the "Empresa Mixta" Petromacareo, S. A., with an initial shareholding of 60% for CVP and 40% for Petrovietnam Exploration Production Corporation Ltd.

(e) Renewal of Investment Certificates

In March 2009, investment certificates of $156 million and $1,000 million, originally issued on December 15 and 16, 2008 in favor of BANDES and Banco del Tesoro, C.A. Banco Universal, respectively, due in three months bearing annual interest rate of 6.20% were renewed (see note 23).

(f) Cooperation Agreements with China

On February 18, 2009, the Bolivarian Republic of Venezuela and the People's Republic of China signed 12 cooperation agreements in the areas of oil, agroindutrial and telecommunications, and decided to increase the bilateral fund Fondo de Inversión China - Venezuela, in which PDVSA participates as a crude oil supplier, by selling on behalf of the Bolivarian Republic of Venezuela up to 230,000 barrels per day to the National Oil Company of China (CNPC), which are included as part of royalty payments (see note 30).

(g) Issuance of Investment Certificates on Behalf of Fondo de Garantía de Depósitos y Protección Bancaria (FOGADE)

Between February 6 and February 20, 2009, PDVSA issued investment certificates of $1,000 million, due in 18 months and renewable for similar terms, bearing annual interest of 9.50%, in favor of FOGADE.

(h) Transfer of Shares of Gravetal Bolivia, S.A.

On January 15, 2009, 99% of the shares of Gravetal Bolivia, S.A were transferred from Monomeros International, LTD (a subsidiary of PEQUIVEN) to PDVAL. These shares were initially acquired by Monomeros International, LTD on May 1, 2008 from Inversiones de Capital Inversoja, S.A. for $85 million, which owned 100% of the shares of Gravetal Bolivia, S. A. The remaining 1% of the shares were endorsed to Bolivian citizens in accordance with the Constitution of the Republic of Bolivia.

(i) Payment for Purchase of Astinave

On January 12, 2009, PDVSA paid Louvron B.V. $130 million for 97.55% of the shares of Astinave, acquired on October 20, 2008 (see note 11-b).

(j) Employee Benefits

In January 2009, the collective employment agreement expired, and the Company appointed a negotiating team to discuss the new agreement. Certain improvements were made to salaries and other social benefits for employees, to be included in the new collective agreement for the period 2009-2011.

(k) Recently Issued Accounting Standards

In January 2009, the IASB issued Interpretation N° 18 *Transfer of Assets from Customers* (IFRIC 18), effective for fiscal years ended on or after July 1, 2009. This interpretation is being assessed by the management of the Company.

In March 2009, the IASB issued amendments to IFRIC 9 and IAS 39, clarifying the accounting treatment of embedded derivatives for companies classifying financial instruments out of their fair value through profit or loss. These standards will be retrospectively applied to financial statements for years ending on or after November 30, 2009.

(35) Supplementary Information on Oil and Gas Exploration and Production Activities (unaudited)

The following tables provide supplementary information on the oil and gas exploration, development and production activities. All exploration and production activities are located in Venezuela, principally represented by PDVSA Petróleo, CVP and PDVSA Gas and the "Empresas Mixtas" of CVP, whereas exploration activities are performed in both Venezuelan and the following countries: Bolivia, Ecuador, Cuba, Argentina, Mali, Gambia and Vietnam.

Table I - Crude Oil and Natural Gas Reserves

All crude oil and natural gas reserves located in Venezuela are owned by the Bolivarian Republic of Venezuela. Crude oil and natural gas reserves are estimated by PDVSA and reviewed by MENPET, using reserve criteria which are consistent with those prescribed by the American Petroleum Institute (API) of the United States of America.

Proved reserves are the estimated quantities of oil and gas which, with reasonable certainty, are recoverable in future years from known deposits under existing economic and operating conditions. Due to the inherent uncertainties and limited nature of the data relating to deposits, estimates of underground reserves are subject to change over time, as additional information becomes available. Proved reserves do not include additional quantities 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 oil and gas are the quantities that can be expected to be recovered from existing wells with existing equipment and operating methods. Proved undeveloped reserves are those volumes which are expected to be recovered from new wells on undrilled acreage, or from existing wells.

Proved crude oil reserves have been separated between conventional crude oils (consisting of light, medium and heavy grade crude oils), and extra-heavy crude oil.

A summary of the 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,	
	2008	**2007**
Proved developed and undeveloped reserves of conventional crude oil as of January 1	41,204	41,341
Revisions	278	228
Extensions and new discoveries	127	520
Production	(897)	(885)
Proved developed and undeveloped reserves of conventional crude oil as of December 31	40,712	41,204
Proved developed and undeveloped reserves of extra-heavy crude oil as of December 31	131,611	58,173
Total proved developed and undeveloped reserves as of December 31	172,323	99,377
Total proved developed reserves, submitted to production, including extra-heavy crude oil as of December 31 (included in the previous total)	16,298	15,537

As of December 31, 2008 and 2007, the certified reserves of crude oil assigned to "Empresas Mixtas" coming from operating agreements (see note 9-b) amounted to 5,511 million barrels and 5,609 million barrels, respectively. Production for the year ended December 31, 2008 and 2007 reached 138 million barrels and 115 million barrels of crude oil, respectively.

(b) 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 "Empresas Mixtas" of the Orinoco Oil Belt (previously Operating Agreements), and through the application of new technologies for refining and improvement of the crude oil aimed at the economic viability of production (see note 9-a).

In 2008 and 2007, changes in proved developed and undeveloped extra-heavy crude oil reserves related to "Empresas Mixtas" of the Orinoco Oil Belt as well as, total proved developed and undeveloped extra-heavy crude oil reserves at those dates, reflecting the full amount of the reserves, are summarized below (in millions of barrels):

	Years ended December 31,			
	2008		2007	
	"Empresas Mixtas" (2) (3)	Total including "Empresas Mixtas"	Projects (2)	Total including projects
Proved developed and undeveloped reserves of extra-heavy crude oil as of January 1	10,085	58,173	12,670	45,983
Revisions	10,248	73,738	-	12,450
Transfers (1)	-	-	(2,395)	-
Development and new discoveries	-	-	-	-
Production	(183)	(300)	(190)	(260)
Proved developed and undeveloped reserves of extra-heavy crude oil as of December 31	20,150	131,611	10,085	58,173
Proved developed reserves submitted to production of extra-heavy crude oil as of December 31	1,898	5,669	1,608	4,355

(1) Beginning on October 1, 2007, proved reserves allocated to Petrozuata were transferred to own operations.

(2) In 2008, transfer decrees were issued, and the incorporation of the following "Empresas Mixtas" was completed: Petropiar, S.A., Petrocedeño, S.A., and Petromonagas, S.A., which formerly operated as projects Hamaca, Sincor and Cerro Negro of the Orinoco Oil Belt (see note 9-a).

(3) Includes Petropiar, S.A., Petrocedeño, S.A., Petromonagas, S.A. and Petrolera Sinovensa, S.A.

PDVSA produced 33 million and 25 million barrels of extra-heavy crude oil, of which 24 million barrels and 11 million barrels were used for production of extra-heavy crude oil with less than 8º API in 2008 and 2007, respectively (see note 9-a).

In June 2005, MENPET allocated Proyecto Orinoco Magna Reserva to CVP to quantify and certify the reserves of the Orinoco Oil Belt. The strategic guidelines established are aimed at converting such belt into a generator of economic, social, industrial, technological and sustainable development of the country, through valuation and optimal development of its hydrocarbon resources with the current legal framework and the development plan of the nation.

To quantify and certify the reserves, the Orinoco Oil Belt was divided into 4 large areas: Boyacá, Junín, Ayacucho and Carabobo and, these were in turn divided into 30 blocks (excluding the area of the "Empresas Mixtas" Petrocedeño, S. A., Petropiar, S. A., Petromonagas, S. A., Petrozuata, C. A. and Petrolera Sinovensa, S. A.), of which 19 blocks will be quantified in a joint effort between CVP and the professionals of 22 companies from 19 countries signing Memoranda of Understanding Agreements with the National Government.

In May 2007 the Ryder Scot Company certified the Original Oil on Site (OOOS) of Carabobo blocks 2, 3 and 4 of 84,069 million barrels. The MENPET, taking into account the preexisting official figures in such blocks, determined that the final figures to be incorporated as of December 31, 2007 are 12,450 million barrels of oil and 2,530 billion cubic feet of gas, proved reserves, as revised amounts of developed and undeveloped proved reserves of extra heavy crude oil and natural gas, respectively, and established as official 87,049 million barrels for OOOS and 7,212 billion cubic feet for Original Gas on Site (OGOS) (see note 9-a).

The Orinoco Oil Belt contains 1,360,000 million barrels of OOOS and it is estimated that its recoverable reserves will be 272,000 million barrels, based on the total recovery factor of 20%. Reserves to be certified at the beginning of the project are 235,600 million barrels of which: 7,610 million barrels were certified in 2006, 12,450 million barrels in 2007 and 74,108 million barrels in 2008; which has increased official reserves by 94,168 million barrels over the last three years. This project is expected to be completed in 2009.

(c) Natural Gas Reserves (in billions of cubic feet)

	Years ended December 31,	
	2008	**2007**
Proved developed and undeveloped reserves of natural gas as of January 1	152,021	149,802
Revisions	1,151	1,824
Extensions and new discoveries	101	1,800
Production	(1,297)	(1,405)
Proved developed and undeveloped reserves of natural gas as of December 31	151,976	152,021
Proved developed reserves of natural gas relating to extra-heavy crude oil as of December 31	24,039	18,899
Total proved developed and undeveloped reserves of natural gas as of December 31	176,015	170,920
Total proved developed reserves of natural gas submitted to production, including those relating to extra-heavy crude oil as of December 31 (included in the previous total) [(1)]	38,682	105,154

(1) In 2008, proved developed reserves of gas were reviewed field by field by considering the production behavior of active fields, the type of hydrocarbon (taking into account that 85% of total gas reserves are associated to petroleum and this resource currently presents only 9% of development), and the request made by MENPET to include calculation of these reserves in the studies proposed. In previous years, information on the remaining reserves that have been developed was based on estimates of approximately 70% of total proved reserves, which included inactive wells and fields.

(Continued)

Proved natural gas reserves include the recoverable portion from liquifiable hydrocarbons, which is obtained in PDVSA's processing plants. In 2008 and 2007, liquified national gas was recovered for approximately 61 million and 63 million equivalent barrels, respectively.

Production of natural gas is presented on the basis of actual volumes before the extraction of liquefiable hydrocarbons. In 2008 and 2007, natural gas utilized in reinjection operations amounted to approximately 1,128 billion and 1,060 billion cubic feet, respectively.

In 2008, MENPET, certified 6,493 billion cubic feed of associated and non-associated gas reserves, with 5,351 billion cubic feet generated most importantly, from the review of the proved reserves of associated gas in the reservoirs of Campos Cerro Negro, Uverito, Mamo, San Félix, Dobokubi, Eñepa, Farante, Iguana Zuata, Japreria, Kuripaco, Lejos, Orechicano, Piaroa, Zuata Norte and Zuata Principal, part of the Magna Reserve Orinoco Project.

Table II – Costs Incurred in Exploration and Development Activities

Exploration costs include the costs of geological and geophysical activities and drilling and equipping exploratory wells. Development costs include those of 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 both expensed and capitalized for PDVSA's conventional and extra-heavy crude oil reserves (in millions of dollars):

	2008			2007		
	Conventional crude oil	**Extra-heavy crude oil [2] [3]**	**Total**	**Conventional crude oil**	**Extra-heavy crude oil (2)**	**Total**
Exploration costs	375	-	375	154	-	154
Development costs	14,068	1,283	15,351	10,098	979	11,077
	14,443	1,283	15,726	10,252	979	11,231
Equity interest [1]	-	-	-	-	10	10
	14,443	1,283	15,726	10,252	989	11,241

(1) Represents PDVSA's equity interest in Petrozuata for the nine month period ended September 30, 2007 (see note 9-a).

(2) In 2008, the transfer decrees were issued, and the incorporation process of the "Empresas Mixtas" Petropiar, S.A., Petrocedeño, S.A. and Petromonagas, S.A. was completed; these were formerly projects Hamaca, Sincor and Cerro Negro of the Orinoco Belt. For 2008, the costs incurred in exploration and development of extra-heavy crude oil were no longer recognized under the proportional consolidation method (see note 9-a).

(3) Includes Petropiar, S.A., Petrocedeño, S.A., Petromonagas, S.A and Petrolera Sinovensa, S.A.

Table III – Costs Recorded as Assets in Oil and Gas Producing Activities

The following table summarizes costs recorded as assets in oil and gas producing activities and the related accumulated depreciation and amortization at December 31, for PDVSA's conventional and extra-heavy crude oil reserves (in millions of dollars):

	2008			2007		
	Conventional crude oil	**Extra heavy crude oil [3] [4]**	**Total**	**Conventional crude oil**	**Extra heavy crude oil [3]**	**Total**
Assets used in production [1]	47,148	3,357	50,505	39,725	3,386	43,111
Equipment and facilities	18,642	9,394	28,036	17,710	6,340	24,050
	65,790	12,751	78,541	57,435	9,726	67,161
Accumulated depreciation and amortization	(42,654)	(985)	(43,639)	(36,804)	(3,084)	(39,888)
Construction in progress	21,765	1,379	23,144	12,702	505	13,207
Net capitalized cost as assets	44,901	13,145	58,046	33,333	7,147	40,480
Equity interest [2]	-	-	-	-	1,016	1,016
Total	44,901	13,145	58,046	33,333	8,163	41,496

(1) Includes land of $137 million as of December 31, 2008 and 2007, respectively.

(2) Represents PDVSA's equity interest in Petrozuata for the nine-month period ended September 30, 2007 (see note 9-a).

(3) In 2008, the transfer decrees were issued, and the incorporation process of the "Empresas Mixtas" Petropiar, S.A., Petrocedeño, S.A. and Petromonagas, S.A. was completed, formerly projects Hamaca, Sincor and Cerro Negro of the Orinoco Belt. In 2008, costs recorded as assets for production of oil and gas were no longer recorded under the proportional consolidation method (see note 9-a).

(4) Includes Petropiar, S.A., Petrocedeño, S.A., Petromonagas, S.A. and Petrolera Sinovensa, S.A.

(Continued)

Table IV – Results of Operations for Oil and Gas Producing Activities for Each Year (in millions of dollars):

	Years ended December 31,					
	2008			2007		
	Conventional crude oil	Extra heavy crude oil [2] [3]	Total	Conventional crude oil	Extra heavy crude oil	Total
Net production income:						
Sales	49,400	12,995	62,396	57,083	5,343	62,426
Transfers	40,511	-	40,511	10,577	-	10,577
Production costs	(9,918)	(692)	(10,610)	(6,108)	(490)	(6,598)
Production and extraction taxes	(18,888)	(3,893)	(22,781)	(19,978)	(1,614)	(21,592)
Depreciation and amortization	(2,856)	(977)	(3,833)	(2,172)	(493)	(2,665)
Exploration cost	(375)	-	(375)	(154)	-	(154)
Income before income tax	57,874	7,433	65,307	39,248	2,746	41,994
Income tax	(29,157)	(3,717)	(32,874)	(19,511)	(1,373)	(20,884)
Results of production operations	28,717	3,716	32,433	19,737	1,373	21,110
Equity interest [1]	-	-	-	-	73	73
	28,717	3,716	32,433	19,737	1,446	21,183

(1) Represents PDVSA's equity interest in Petrozuata for the nine-month period ended September 30, 2007 (see note 9-a).

(2) In 2008, the transfer decrees were issued, and the incorporation process of the "Empresas Mixtas" Petropiar, S.A., Petrocedeño, S.A. and Petromonagas, S.A. was completed, formerly projects Hamaca, Sincor and Cerro Negro of the Orinoco Belt. In 2008, costs recorded as assets for production of oil and gas were no longer recorded under the proportional consolidation method (see note 9-a).

(3) Includes Petropiar, S.A., Petrocedeño, S.A., Petromonagas, S.A. and Petrolera Sinovensa, S.A.

Revenues from oil production are calculated using foreign market prices as if all production were sold.

The difference between the results before income taxes referred to above and the operating income reported for the upstream segment (see note 8) for 2008 and 2007 is mainly due to: 1) the use of production at market value versus sales to third parties and between segment; for approximately $1,434 million and $3,199 million, respectively; 2) the inclusion in the business segment of income and general and other expenses, net of approximately $26,577 million and $17,915 million, respectively.

Production costs represent extraction expenses incurred to operate and maintain productive wells and related equipment and facilities, including such costs as operating labor, materials, supplies and fuel consumed in operations and the costs of operating natural liquid gas plants incurred by PDVSA and the "Empresas Mixtas".

The costs of extra-heavy crude production include the expenses incurred to operate and maintain the productive wells, as well as transportation and handling expenses.

Exploration costs include those related to the geological and geophysical activities and drilling of non-productive exploratory wells.

Depreciation and amortization expenses relate to assets employed in production activities. Income tax expense is calculated using the statutory rate for the year. For these purposes, results of operations do not include borrowing expenses and corporate overhead no their associated tax effects.

The following table summarizes average per unit sales prices and production costs (in dollars):

	Years ended December 31,	
	2008	**2007**
Average sales prices:		
Crude oil, per barrel	85.36	62.68
Gas basket price, per barrel	26.55	22.13
Natural gas, per barrel	9.43	7.04
Average production cost, per barrel of oil equivalent	7.10	4.93
Average production cost, per barrel of oil equivalent, excluding "Empresas Mixtas"	5.70	4.88

Table V - Standardized Measure of Discounted Future Net Cash Flows Related to Proved Oil and Gas Reserves

As a result of uncertainties surrounding the timing of the ultimate development of the country's extra-heavy crude oil reserves, only the conventional proved reserves and those reserves of "Empresas Mixtas" of the Orinoco Oil Belt producing extra-heavy crude oil projects have been used in the calculation of discounted future net cash flows.

Estimated future cash inflows from production are computed by applying the 2008 average prices of export and the oil and gas year-end quantities of estimated proved reserves. Future income from extra-heavy crude oil production is determined using prices and quantities of the upgraded crude that will be produced in the upgrading facilities. Upgraded crude oil prices approximate those of conventional crude oil with similar characteristics at year-end. Future development and production costs are those estimated future expenditures necessary to develop and extract year-end estimated proved reserves, assuming continuation of year-end economic conditions. Estimated future income tax expense is calculated by applying the appropriate year-end statutory tax rates. These rates reflect allowable deductions and tax credits and are applied to estimated future pre-tax net cash flows. This calculation requires a year-by-year estimate of when future expenditures will be incurred and when the reserves will be produced.

(Continued)

The information provided below does not represent certified estimates of PDVSA's expected future cash flows or a precise value of its proved measured oil and gas reserves. Estimates of proved reserves are imprecise 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 as to the timing of future production from proved reserves and the timing and amount of future development and production costs. The calculations are made as of 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):

	2008			2007		
	Conventional crude oil	Extra heavy crude oil [1] [2]	Total	Conventional crude oil	Extra heavy crude oil [1]	Total
Future cash flows	3,945,132	1,736,004	5,681,136	3,039,998	510,660	3,550,658
Future production costs	(258,456)	(28,952)	(287,408)	(228,199)	(13,600)	(241,799)
Future production and extraction tax	(1,138,943)	(578,610)	(1,717,553)	(841,522)	(85,127)	(926,649)
Future development costs	(115,356)	(91,660)	(207,016)	(119,143)	(47,057)	(166,200)
Future income tax expense	(798,171)	(342,262)	(1,140,433)	(855,253)	(118,905)	(974,158)
Asset retirement cost	(6,223)	-	(6,223)	(3,854)	-	(3,854)
Future net cash flows	1,627,983	694,520	2,322,503	992,027	245,971	1,237,998
Effect of discounting net cash flows at 10%	(1,289,914)	(492,781)	(1,782,695)	(667,695)	(128,709)	(796,404)
Future discounted cash flows	338,069	201,739	539,808	324,332	117,262	441,594

(1) In 2008, the transfer decrees were issued, and the incorporation process of the "Empresas Mixtas" Petropiar, S.A., Petrocedeño, S.A. and Petromonagas, S.A. was completed, formerly projects Hamaca, Sincor and Cerro Negro of the Orinoco Belt. In 2008, costs recorded as assets for production of oil and gas were no longer recorded under the proportional consolidation method (see note 9-a).

(2) Includes Petropiar, S.A., Petrocedeño, S.A., Petromonagas, S.A. and Petrolera Sinovensa, S.A.

Table VI - Analysis of Changes in Standardized Measure of Discounted Future Net Cash flows Related to Proved Crude Oil and Natural Gas Reserves

The following table analyzes the changes of each year (in millions of dollars):

	2008			2007		
	Conventional crude oil	Extra heavy crude oil [1] [2]	Total	Conventional crude oil	Extra heavy crude oil [1]	Total
Present value as of 1 January:						
Sales, net of production costs and taxes	(57,874)	(5,493)	(63,367)	(37,174)	(2,817)	(39,991)
Value of additional reserves during the year, due to extensions and discoveries	949	-	949	5,130	-	5,130
	(56,925)	(5,493)	(62,418)	(32,044)	(2,817)	(34,861)
Changes in the value of reserves of the previous year resulting from:						
Development costs incurred in the year	14,068	1,284	15,352	10,098	979	11,077
Changes in future development costs	2,135	12,495	14,630	16,968	4,780	21,748
Net changes in production prices and costs	348,696	75,759	424,455	340,781	31,185	371,966
Reviews of prior estimates of reserves	7,988	211,502	219,490	15,246	-	15,246
Net changes in income tax expense	11,854	5,642	17,496	(17,789)	909	(16,880)
Net changes in production tax and other	(314,079)	(216,712)	(530,791)	(224,985)	44,501	(180,484)
Total changes in the year	13,737	84,477	98,214	108,275	79,537	187,812

(1) In 2008, the transfer decrees were issued, and the incorporation process of the "Empresas Mixtas" Petropiar, S.A., Petrocedeño, S.A. and Petromonagas, S.A. was completed, formerly projects Hamaca, Sincor and Cerro Negro of the Orinoco Belt. In 2008, costs recorded as assets for production of oil and gas were no longer recorded under the proportional consolidation method (see note 9-a).

(2) Includes Petropiar, S.A., Petrocedeño, S.A., Petromonagas, S.A. and Petrolera Sinovensa, S.A.

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12.75% Notes due 2022

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April 5, 2011

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