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

Consolidated Financial Statements

December 31, 2015

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 subsidiaries (PDVSA) (owned by the Bolivarian Republic of Venezuela), which comprise the consolidated statements of comprehensive income, changes in equity and cash flows for the year ended December 31, 2015, the consolidated statement of financial position as at that date, and notes, comprising a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with International Financial Reporting Standards, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on our judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, we consider internal control relevant to the entity's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

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

Opinion

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial performance and consolidated cash flows of Petróleos de Venezuela, S.A. and subsidiaries (PDVSA) for the year ended December 31, 2015 and its consolidated financial position as at that date in accordance with International Financial Reporting Standards.

(Continued)

Emphasis of Matter

Without modifying our opinion, we draw attention to the following matters:

- As described in note 32 to the consolidated financial statements, at the date of our report, PDVSA is conducting an independent investigation on certain events to which the Company was subject in connection with the international procurement process for goods and services through one of its subsidiaries. The external specialists have estimated that it will be extended for a while, and that it might require changes in its scope as the investigation progresses. As a result thereof, such investigation is subject to a series of uncertainties which possible effects on the results of operations and the consolidated financial position of PDVSA cannot be currently determined with sufficient accuracy.
- As further explained in note 33 to the consolidated financial statements; PDVSA as the national oil company owned by the Bolivarian Republic of Venezuela and according to its social purposes and specific responsibilities, performs significant transactions with its Stockholder, government institutions and other related entities, resulting in significant effects on the consolidated financial statements.

Rodríguez Velázquez & Asociados

Mauro J. Velázquez G.
Public Accountant
C.P.C. Nº 22.237

June 30, 2016
Caracas, Venezuela

(in millions of dollars)

	Notes	2015	2014	2013
		For the year ended December 31,		
			(Restated) (1)	
Continuing operations:				
Revenue:				
Sales of crude oil, products and other	5 - 9 - 35	55,339	101,552	110,719
Finance income	8	16,830	20,343	9,316
		72,169	**121,895**	**120,035**
Costs and expenses:				
Purchases of crude oil and products, net	5 - 35	22,965	37,266	36,754
Operating, selling, administrative and general expenses		16,828	27,400	23,733
Exploration expenses		50	76	140
Depreciation and amortization	5 - 14	8,995	8,038	8,096
Production, extraction and other taxes	13 - 33	6,294	13,466	19,262
Finance costs	8	2,393	4,065	2,880
Other expenses, net	11	3,986	9,946	4,239
		61,511	100,257	95,104
Profit before contributions for social development and income tax		**10,658**	**21,638**	**24,931**
Contributions for social development	12	9,189	5,321	13,023
Profit before income tax		**1,469**	**16,317**	**11,908**
Income tax:				
Current tax expense	13	3,172	9,715	12,280
Deferred tax benefit	13	(6,889)	(4,609)	(5,094)
		(3,717)	5,106	7,186
Profit from continuing operations		**5,186**	**11,211**	**4,722**
Discontinued operations:				
Profit (loss) from discontinued operations, net of tax	6	2,159	(2,137)	11,113
Profit		**7,345**	**9,074**	**15,835**
Other comprehensive income:				
Items that will not be reclassified to profit or loss -				
Remeasurements of benefit liability, net of tax	23	(4,998)	1,390	(3,824)
Items that are or may be reclassified subsequently to profit or loss -				
Foreing operations - foreign currency translation differences		241	2,001	896
Other comprehensive income, net of tax		**(4,757)**	**3,391**	**(2,928)**
Total comprehensive income		**2,588**	**12,465**	**12,907**
Profit attributable to:				
Company's stockholder		6,504	7,386	14,254
Non-controlling interests	28	841	1,688	1,581
Profit		**7,345**	**9,074**	**15,835**
Total comprehensive income attributable to:				
Company's stockholder		1,747	10,777	11,326
Non-controlling interests	28	841	1,688	1,581
Total comprehensive income		**2,588**	**12,465**	**12,907**

(1) See notes 6 and 39-c.

Notes 1 to 40 are an integral part of these consolidated financial statements.

(in millions of dollars)

	Notes	2015	2014	2013
		December 31,		
			(Restated) [1]	
Assets				
Property, plant and equipment	14	127,033	141,248	129,831
Deferred tax assets	13	13,483	19,351	17,494
Accounts receivable and other assets	15	6,398	9,673	10,813
Recoverable value-added tax	13	490	996	5,023
Restricted cash	16	604	284	227
Non-current assets		**148,008**	**171,552**	**163,388**
Inventories	17	9,676	11,764	12,963
Recoverable value-added tax	13	-	1,907	2,884
Notes and accounts receivable	18	18,206	24,357	36,020
Prepaid expenses and other assets	19	7,083	7,977	5,405
Restricted cash	16	326	1,292	1,327
Cash and cash equivalents		5,821	7,911	9,133
Assets held for disposal	20	12,823	-	-
Current assets		**53,935**	**55,208**	**67,732**
Total assets		**201,943**	**226,760**	**231,120**
Equity				
Share capital	21	39,094	39,094	39,094
Retained earnings	21	30,317	28,657	23,169
Total equity attributable to the Company's stockholder		69,411	67,751	62,263
Non-controlling interests	21 - 28	21,468	22,006	22,223
Total equity		**90,879**	**89,757**	**84,486**
Liabilities				
Financial debt	22	36,916	39,871	36,353
Employee and other post-employment benefits	23	7,856	12,979	16,624
Deferred tax liabilities	13	4,850	10,689	5,403
Provisions	24	2,073	2,858	5,557
Accrued and other liabilities	25	6,677	14,880	17,471
Non-current liabilities		**58,372**	**81,277**	**81,408**
Financial debt	22	6,800	5,865	7,031
Employee and other post-employment benefits	23	367	1,813	1,048
Trade payable		19,052	20,855	21,404
Income tax payable		3,444	9,554	10,116
Provisions	24	225	606	788
Accrued and other liabilities	25	18,414	17,033	24,839
Liabilities related to assets held for disposal	20	4,390	-	-
Current liabilities		**52,692**	**55,726**	**65,226**
Total liabilities		**111,064**	**137,003**	**146,634**
Total equity and liabilities		**201,943**	**226,760**	**231,120**

Notes 1 to 40 are an integral part of these consolidated financial statements.

PETRÓLEOS DE VENEZUELA, S.A. AND SUBSIDIARIES (PDVSA)
Consolidated Statement of Changes in Equity
For the year ended December 31, 2015
(in millions of dollars)

		Equity attributable to Company's Stockholder						
			Retained earnings					
	Notes	Share capital	Legal reserves and other	Accumulated income	Stockholder's additional contribution	Total	Non-controlling interests	Total equity
Balances at December 31, 2012		**39,094**	**15,617**	**3,953**	**3,243**	**61,907**	**10,579**	**72,486**
Comprehensive income (restated) [1]								
Profit		-	-	14,254	-	14,254	1,581	15,835
Other comprehensive income		-	-	(2,928)	-	(2,928)	-	(2,928)
Total comprehensive income (restated) [1]	6 - 39-c	**-**	**-**	**11,326**	**-**	**11,326**	**1,581**	**12,907**
Transactions with Stockholder and non-controlling interests, directly recognized in equity -								
Transfer to reserves	21	-	5,867	(5,867)	-	-	-	-
Transfer to accumulated income	21	-	-	3,225	(3,225)	-	-	-
Interest in subsidiary received from the Stockholder		-	-	-	(18)	(18)	(8)	(26)
Dividends distributed	21	-	-	(10,952)	-	(10,952)	-	(10,952)
Sale of interest in subsidiary		-	-	-	-	-	12,000	12,000
Dividend in advance to non-controlling interests	21	-	-	-	-	-	(552)	(552)
Portion of non-controlling interests in dividends distributed	21	-	-	-	-	-	(1,377)	(1,377)
Total transactions directly recognized in equity		**-**	**5,867**	**(13,594)**	**(3,243)**	**(10,970)**	**10,063**	**(907)**
Balances at December 31, 2013		**39,094**	**21,484**	**1,685**	**-**	**62,263**	**22,223**	**84,486**
Comprehensive income (restated) [1]								
Profit		-	-	7,386	-	7,386	1,688	9,074
Other comprehensive income		-	-	3,391	-	3,391	-	3,391
Total comprehensive income (restated) [1]	6 - 39-c	**-**	**-**	**10,777**	**-**	**10,777**	**1,688**	**12,465**
Transactions with Stockholder and non-controlling interests, directly recognized in equity -								
Transfer to reserves	21	-	1,857	(1,857)	-	-	-	-
Dividends distributed	21	-	-	(5,289)	-	(5,289)	-	(5,289)
Additional contribution from non-controlling interests	21	-	-	-	-	-	408	408
Dividend in advance to non-controlling interests	21	-	-	-	-	-	(436)	(436)
Portion of non-controlling interests in dividends distributed	21	-	-	-	-	-	(1,517)	(1,517)
Other movements		-	-	-	-	-	(360)	(360)
Total transactions directly recognized in equity		**-**	**1,857**	**(7,146)**	**-**	**(5,289)**	**(1,905)**	**(7,194)**
Balances at December 31, 2014		**39,094**	**23,341**	**5,316**	**-**	**67,751**	**22,006**	**89,757**
Comprehensive income (restated) [1]								
Profit		-	-	6,504	-	6,504	841	7,345
Other comprehensive income	20	-	(179) [2]	(4,578)	-	(4,757)	-	(4,757)
Total comprehensive income		**-**	**(179)**	**1,926**	**-**	**1,747**	**841**	**2,588**
Transactions with Stockholder and non-controlling interests, directly recognized in equity -								
Transfer to reserves		-	(2,275)	2,275	-	-	-	-
Additional contribution from non-controlling interests	21	-	-	-	-	-	843	843
Dividends distributed	21	-	-	(87)	-	(87)	-	(87)
Dividend in advance to non-controlling interests	21	-	-	-	-	-	(411)	(411)
Portion of non-controlling interests in dividends distributed	21	-	-	-	-	-	(1,811)	(1,811)
Total transactions directly recognized in equity		**-**	**(2,275)**	**2,188**	**-**	**(87)**	**(1,379)**	**(1,466)**
Balances at December 31, 2015		**39,094**	**20,887**	**9,430**	**-**	**69,411**	**21,468**	**90,879**

(1) See notes 6 and 39-c.

(2) It corresponds to other comprehensive income related to assets held for disposal (see note 20).

Notes 1 to 40 are an integral part of these consolidated financial statements.

(in millions of dollars)

	Notes	For the year ended December 31, 2015	2014	2013
Cash flows from operating activities:				
Profit		7,345	9,074	15,835
Adjustments to reconcile profit with net cash from operating activities -				
Depreciation and amortization	5 - 14	8,995	8,441	8,335
Constructions in progress cancelled	11 - 14	1,956	1,432	1,101
Impairment loss, net of reversals	11 - 14 - 15	2,649	6,844	439
Impairment loss on recoverable value-added tax	13-l	1,247	-	-
Net foreign exchange gain	8	(15,039)	(19,127)	(7,817)
Gain from sale of interest in subsidiary	8 - 25	-	-	(9,524)
Deferred tax benefit	13	(6,889)	(4,610)	(5,094)
Contributions for social development paid through bonds issued	22	-	-	116
Portion of profit of equity-accounted investees, net of tax		86	67	33
Excess of fair value of net assets over the acquisition cost		-	-	(30)
Changes in the fair value of non-current accounts receivable and recoverable value-added tax	8 - 13 - 15	169	(146)	625
Net realizable value of inventories	17	572	439	962
Increase in the allowance for doubtful accounts	18 - 26	(4)	2	30
Changes in operating assets -				
Notes and accounts receivable	18	(9,257)	(17,975)	(21,588)
Inventories	17	1,516	760	(2,319)
Prepaid expenses and other assets	19	2,743	(7,502)	(435)
Recoverable value-added tax	13	(1,555)	(964)	(2,155)
Changes in operating liabilities -				
Trade payable		2,542	6,598	7,924
Employee and other post-employment benefits	23	(559)	8,732	3,210
Provisions	24	(19)	569	138
Income tax payable, accrued and other liabilities	13 - 25	20,254	46,727	56,930
Payments of interests, net of the capitalized amount as assets		(400)	(429)	(2,060)
Payments of income tax, production and other taxes	13	(1,169)	(24,640)	(22,753)
Net cash from operating activities		**15,183**	**14,292**	**21,903**
Cash flows from investing activities:				
Acquisitions of property, plant and equipment	14	(18,106)	(24,634)	(23,306)
Disposal of equity-accounted investees, net of cash acquired		322	160	(21)
Decrease (increase) in restricted cash	16	646	(146)	708
Additional contributions to equity-accounted investees		-	7	(15)
Dividends received from equity-accounted investees		-	48	89
Other variations in assets		(217)	117	164
Net cash used in investing activities		**(17,355)**	**(24,448)**	**(22,381)**
Cash flows from financing activities:				
Proceeds from issue of financial debt	22	8,123	18,197	6,923
Payments of financial debt	22	(8,088)	(7,068)	(2,892)
Dividends paid to Stockholder	21	-	(289)	(952)
Additional contribution from non-controlling interests	21	843	408	-
Dividends paid in advance to non-controlling interests	21	(411)	(436)	(552)
Dividends paid to non-controlling interests	21	-	-	(994)
Net cash from financing activities		**467**	**10,812**	**1,533**
Effect of exchange rate on cash and cash equivalents		(385)	(1,878)	(155)
Net (decrease) increase in cash and cash equivalents		**(2,090)**	**(1,222)**	**900**
Cash and cash equivalents at January 1		7,911	9,133	8,233
Cash and cash equivalents at December 31		**5,821**	**7,911**	**9,133**

Notes 1 to 40 are an integral part of these consolidated financial statements.

(1) Reporting Entity

Petróleos de Venezuela, S.A. is a company incorporated and domiciled in the Bolivarian Republic of Venezuela (the Republic) and its headquarter is located at Edificio Petróleos de Venezuela, Torre Este, avenida Libertador, La Campiña, Apartado N° 169, Caracas 1050-A.

Petróleos de Venezuela, S.A. (the Parent Company or the Company) and subsidiaries (collectively referred to as PDVSA) is owned by the Republic, which controls PDVSA as stockholder, through the Ministry of People's Power for Petroleum and Mining (Ministry). PDVSA is mainly engaged in planning, coordinating, supervising and controlling the activities of exploration, exploitation, transportation, manufacture, refining, storage, marketing of crude oil and products or any other oil and hydrocarbons activities within the scope of its subsidiaries, both in Venezuela and abroad. PDVSA is also engaged in promoting or participating in activities aimed at fostering the comprehensive, organic and sustainable development of the country, as well as agricultural, industrial and mining activities, preparation or processing of goods and their marketing, and rendering services to achieve the adequate alignment of hydrocarbon resources and the Venezuelan economy (see notes 6 and 20). Most of its foreign subsidiaries are mainly involved in refining and marketing activities in the United States of America, Europe, the Caribbean and Latin America. The consolidated financial statements of PDVSA include the Company and subsidiaries, and PDVSA's interest in equity-accounted investees.

The main activities of PDVSA in Venezuela are regulated by the Organic Hydrocarbons Law, in effect since 2002 and partially amended in May 2006; as well as the Organic Gaseous Hydrocarbons Law of September 1999 and its Regulation dated June 2000, its Bylaws – Memorandum of Incorporation, and provisions enacted by the National Government through the Ministry and any applicable common law provisions. PDVSA's activities abroad are regulated by the legal framework of the countries where those activities are conducted.

(2) Statement of Compliance

The consolidated financial statements have been prepared in accordance with International Financial Reporting Standards (IFRS) issued by the International Accounting Standards Board (IASB).

On June 29, 2016, PDVSA's Board of Directors approved to submit for consideration at the Stockholder's Meeting the consolidated financial statements as of and for the year ended December 31, 2015, which will be presented at the Stockholder's Meeting and it is expected to be approved without changes.

Consolidated Financial Statements - Subsidiaries Audited by Other Independent Public Accountants, Different to the Corporate Independent Public Accountants

The consolidated financial statements of PDVSA as of December 31, 2015 and for the year then ended, include subsidiaries which have been audited by other independent public accountants other than the corporate independent public accountants. Below is presented a detail of those entities not audited by the corporate independent public accountants, Rodríguez Velázquez & Asociados (a Venezuelan member firm of KPMG International), indicating their respective proportion of net profit or loss and total assets with respect to the corresponding consolidated totals:

	Proportion (%) with respect to the consolidated totals	
	Loss (Profit) Net	**Total Assets**
Subsidiaries audited by Mendoza, Delgado, Labrador & Asociados, a member firm of Ernst & Young Global (EY) -		
Petrosucre, S.A.	3.83%	0.90%
Petrolera Sinovensa, S.A.	(14.78)%	2.27%
Petrolera Indovenezolana, S.A.	0.36%	1.79%
Petrozumano, S.A.	2.62%	0.40%
Petrolera Bielovenezolana, S.A.	2.44%	1.43%
Petrolera Paria, S.A.	0.24%	0.05%
Petrolera Güiria, S.A.	0.01%	0.05%
Lagopetrol, S.A.	(0,10)%	0.33%
Boquerón, S.A.	1.71%	0.44%
Petroperijá, S.A.	1.24%	0.62%

	Proportion (%) with respect to the consolidated totals	
	Loss (Profit) Net	Total Assets
Subsidiaries audited by León Delgado & Asociados, a member firm of RSM International (RSM) -		
Petrowarao, S.A.	1.49%	0.48%
Petrocabimas, S.A.	(6.52)%	0.88%
Petrolera Sino-Venezolana, S.A.	1.44%	0.60%
Petrozamora, S.A.	(11.52)%	1.99%
Petrocumarebo, S.A.	1.06%	0.07%
Subsidiaries audited by PGFA Perales, Pistone & Associados, a member firm of HLB International (HLB) -		
Petrodelta, S.A.	(5.40)%	0.70%
Petronado, S.A.	1.17%	0.11%
Petrocuragua, S.A.	0.70%	0.05%
Petrolera Kaki, S.A.	2.62%	0.08%
Petrourdaneta, S.A.	0.25%	0.32%
Petroguárico, S.A.	0.74%	0.11%

(3) Functional Currency

The consolidated financial statements are presented in U.S. dollars. The Company's functional currency is the U.S. dollar.

All financial information presented in dollars has been rounded to the nearest million, except where otherwise indicated.

(4) Use of Judgments and Estimates

In preparing the consolidated financial statements in conformity with IFRS, management has made estimates, judgments and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses. Actual results may differ from these estimates.

Estimates and underlying assumptions are reviewed on an ongoing basis. The effects to revisions to accounting estimates, if any, are recognized prospectively.

Judgments

Information about judgments conducted in the application of accounting policies that have the most significant effects on the amounts recognized in the consolidated financial statements is included in the following notes:

- Note 27 – Consolidation: whether PDVSA has de facto control over an investee.
- Notes 22 and 29 – Leases: classification and determining whether an arrangement contains a lease.

Assumptions and Estimation Uncertainties

Information about assumptions and estimation uncertainties that have a significant risk of resulting in a material adjustment in future periods is included in the following notes:

- Note 13 – Deferred tax assets and tax loss carry-forwards: future taxable profits to be used for the recovery of deferred tax assets and the offsetting of tax losses from previous years tax returns.
- Note 14 – Impairment test of property, plant and equipment: key assumptions for determining the recoverable amounts and accounting for oil and gas operations.
- Note 23 – Measurement of obligations related to retirement benefits, defined by contract, and other post-employment benefits: key actuarial assumptions.
- Note 24 – Provisions for litigation and other claims, for environmental issues and asset retirement obligations: key assumptions concerning the probability and magnitude of an outflow of economic resources.
- Note 39-k and Annex I (Supplementary information unaudited) – Reserves: estimation of oil and gas reserves.

Measurement of Fair Values

Some of the Company's accounting policies and disclosures require the measurement of fair values, for both financial and non-financial assets and liabilities.

PDVSA has an established control framework with respect to the measurement of fair values which includes the supervision of all of the significant measurements of fair value. Management regularly reviews significant unobservable inputs and valuation adjustments. If third party information, such as broker quotes or pricing services, is used to measure fair values, then the valuation team assesses the evidence obtained from the third parties to support the conclusion that such valuations meet the requirements established by IFRS, including the level in the fair value hierarchy in which such valuations should be classified.

When measuring the fair value of an asset or a liability, PDVSA uses as much observable market data as possible. Fair values are categorized into different levels in a fair value hierarchy based on the inputs used in the valuation techniques as follows:

- *Level 1*: quoted prices (unadjusted) in active markets for identical assets or liabilities.
- *Level 2*: inputs other than quoted prices included in Level 1 that are observable for the asset or liability, either directly (i.e. prices) or indirectly (i.e. derived from prices).
- *Level 3*: inputs for the asset or liability that are not based on observable market data (unobservable inputs).

If the entry data used to measure the fair value of an asset or liability is classified in levels other than the fair value hierarchy, then the fair value measurement is entirely classified in the same fair value hierarchy level as the lowest variable that is significant for the total measurement.

PDVSA recognizes transfers between levels of the fair value hierarchy at the end of the reporting period during which the change has occurred.

Note 26 – Financial instruments include additional information about the assumptions made upon measuring fair values.

(5) Operating Segments

PDVSA determines and discloses, at least on a quarterly basis, 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 (revenue less cost and expenses, except for financial income and cost, share of profit or loss of equity-accounted investees), and acquisitions of property, plant and equipment.

Inter-segment sales, which primarily consist of sales of crude oil and natural gas, are generally measured according to the destination of refined products.

Refined products for the domestic market are sold at a regulated price; therefore, PDVSA's management deems it appropriate that inter-segment sales of crude oil and natural gas for local supply be measured at cost less the production tax discount granted by the Ministry for those sales at the regulated price. Additionally, inter-segment sales of crude oil and natural gas for the international market are measured at the approximate market prices.

PDVSA's main business segments are:

- Exploration and production activities, which include the search for crude oil and associated gas reserves, extraction and upgrading of extra-heavy crude oil, and transportation of crude oil and natural gas to refineries and fractionation plants.
- Refining, trade and supply activities in Venezuela include the administration of refineries, marketing and transportation of crude oil and refined products under the brand of PDV®. Refining, trade and supply activities in the United States of America comprise the administration of refineries and gasoline and products marketing, mainly in the East and Midwest region of that country, under the brand of CITGO®. Refining, trade and supply activities in other countries, are related to the handling of refined products within the energy agreements entered into with countries in Latin America and the Caribbean.
- Gas related activities include the management of gas processing plants, marketing and upgrading of natural and liquid gas as well as its transportation, distribution, placement and sale.
- The other segment includes operations by subsidiaries conducting activities other than those listed above, related mainly to freight and leasing services, as well as the Parent Company's operating activities.

Main Customer

During 2015, revenues from sales of crude oil and products from the main customer of the exploration and production and refining, trade and supply segments amounted to $6,967 million [$17,506 million in 2014 and $17,236 million in 2013].

The financial information related to each reportable segment is in the following tables (in millions of dollars):

		Year ended December 31, 2015							
	Notes	**Exploration and production**	**Refining, trade and supply**	**Gas**	**Other**	**Eliminations**	**Continuing operations**	**Discontinued operations [4]**	**Total**
Acquisition of property, plan and equipment:									
In Venezuela		13,132	1,764	959	549	-	16,404	787	17,191
In the United States of America		-	501	-	-	-	501	-	501
In other countries		-	106	-	-	-	106	308	414
Total acquisition of property, plan and equipment	**14**	**13,132**	**2,371**	**959**	**549**	**-**	**17,011**	**1,095**	**18,106**
Depreciation and amortization	**14**	**6,328**	**1,574**	**779**	**314**	**-**	**8,995**	**223**	**9,218**
Impairment of property, plan and equipment	**14**	**2,463**	**186**	**-**	**-**	**-**	**2,649**	**-**	**2,649**
Revenue:									
Sales to external customers -									
In Venezuela		23,253	10,860	66	20	-	34,199	772	34,971
In the United States of America		-	19,780	-	-	-	19,780	-	19,780
In other countries		-	1,091	-	269	-	1,360	963	2,323
Total sales to external customers		23,253	31,731	66	289	-	55,339	1,735	57,074
Inter-segment sales [3] -									
In Venezuela		22,324	1,845	140	72	(24,381) [1]	-	-	-
In the United States of America		-	331	-	-	(331) [1]	-	-	-
In other countries		-	7,880	-	-	(7,880) [1]	-	-	-
Total inter-segment sales		22,324	10,056	140	72	(32,592)	-	-	-
Total sales	**9**	**45,577**	**41,787**	**206**	**361**	**(32,592)**	**55,339**	**1,735**	**57,074**
Total operating segment profit (loss):									
In Venezuela		4,737	(11,593)	(2,330)	(942)	490 [2]	(9,638)	28	(9,610)
In the United States of America		-	2,392	-	-	-	2,392	-	2,392
In other countries		-	3,454	-	99	-	3,553	419	3,972
Total operating segment profit (loss)		**4,737**	**(5,747)**	**(2,330)**	**(843)**	**490**	**(3,693)**	**447**	**(3,246)**
Finance income	**8**						16,830	2,110	18,940
Finance cost	**8**						(2,393)	(44)	(2,437)
Loss portion or equity-accounted investees, net of tax	**11**						(86)	25	(61)
Contributions for social development	**12**						(9,189)	-	(9,189)
Income tax	**13**						3,717	(379)	3,338
Profit							**5,186**	**2,159**	**7,345**

(1) Represents eliminations of inter-segment sales.

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

(3) Mainly crude oil and products.

(4) See notes 6 and 39-c.

		Year ended December 31, 2014								
	Notes	**Exploration and production**	**Refining, trade and supply**	**Gas**	**Other**	**Eliminations**		**Continuing operations**	**Discontinued operations (4)**	**Total**
Acquisition of property, plan and equipment:										
In Venezuela		13,854	2,088	4,295	671	-		20,908	3,510	24,418
In the United States of America		-	336	-	-	-		336	-	336
In other countries		-	90	-	-	-		90	207	297
Total acquisition of property, plan and equipment	**14**	**13,854**	**2,514**	**4,295**	**671**	**-**		**21,334**	**3,717**	**25,051**
Depreciation and amortization	**14**	**5,732**	**1,491**	**641**	**174**	**-**		**8,038**	**403**	**8,441**
Impairment of property, plan and equipment	**14**	**3,723**	**2,453**	**-**	**-**	**-**		**6,176**	**343**	**6,519**
Revenue:										
Sales to external customers -										
In Venezuela		40,669	17,319	1,704	(125)	-		59,567	1,002	60,569
In the United States of America		-	37,620	-	-	-		37,620	-	37,620
In other countries		-	4,291	-	74	-		4,365	2,717	7,082
Total sales to external customers		40,669	59,230	1,704	(51)	-		101,552	3,719	105,271
Inter-segment sales (3) -										
In Venezuela		52,133	4,422	1,555	339	(58,449)	(1)	-	-	-
In the United States of America		-	1,447	-	-	(1,447)	(1)	-	-	-
In other countries		-	9,318	-	-	(9,318)	(1)	-	-	-
Total inter-segment sales		52,133	15,187	1,555	339	(69,214)		-	-	-
Total sales	**9**	**92,802**	**74,417**	**3,259**	**288**	**(69,214)**		**101,552**	**3,719**	**105,271**
Total operating segment profit (loss):										
In Venezuela		11,230	(5,209)	(1,038)	656	(23)	(2)	5,616	(3,778)	1,838
In the United States of America		-	1,580	-	-	-		1,580	-	1,580
In other countries		-	(2,054)	-	312	-		(1,742)	(409)	(2,151)
Total operating segment profit (loss)		**11,230**	**(5,683)**	**(1,038)**	**968**	**(23)**		**5,454**	**(4,187)**	**1,267**
Finance income	**8**							20,343	2,825	23,168
Finance cost	**8**							(4,065)	(17)	(4,082)
Loss portion or equity-accounted investees, net of tax	**11**							(94)	27	(67)
Contributions for social development	**12**							(5,321)	-	(5,321)
Income tax	**13**							(5,106)	(785)	(5,891)
Profit								**11,211**	**(2,137)**	**9,074**

(1) Represents eliminations of inter-segment sales.

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

(3) Mainly crude oil and products.

(4) See notes 6 and 39-c.

	Notes	Year ended December 31, 2013							
		Exploration and production	Refining, trade and supply	Gas	Other	Eliminations	Continuing operations	Discontinued operations [4]	Total
Acquisition of property, plan and equipment:									
In Venezuela		12,750	4,342	2,868	1,171	-	21,131	1,767	22,898
In the United States of America		-	296	-	-	-	296	-	296
In other countries		-	104	-	5	-	109	227	336
Total acquisition of property, plan and equipment	**14**	**12,750**	**4,742**	**2,868**	**1,176**	**-**	**21,536**	**1,994**	**23,530**
Depreciation and amortization	**14**	**4,301**	**2,746**	**545**	**504**	**-**	**8,096**	**239**	**8,335**
Impairment of property, plan and equipment	**14**	**233**	**141**	**-**	**-**	**-**	**374**	**-**	**374**
Revenue:									
Sales to external customers -									
In Venezuela		46,833	21,295	1,146	(500)	-	68,774	756	69,530
In the United States of America		-	40,554	-	-	-	40,554	-	40,554
In other countries		-	1,275	-	116	-	1,391	2,504	3,895
Total sales to external customers		46,833	63,124	1,146	(384)	-	110,719	3,260	113,979
Inter-segment sales [3] -									
In Venezuela		62,106	4,264	1,657	327	(68,354) [1]	-	-	-
In the United States of America		-	1,640	-	-	(1,640) [1]	-	-	-
In other countries		-	14,892	-	-	(14,892) [1]	-	-	-
Total inter-segment sales		62,106	20,796	1,657	327	(84,886)	-	-	-
Total sales	**9**	**108,939**	**83,920**	**2,803**	**(57)**	**(84,886)**	**110,719**	**3,260**	**113,979**
Total operating segment profit (loss):									
In Venezuela		30,685	(13,032)	(1,155)	4,293	15 [2]	20,806	(1,657)	19,149
In the United States of America		-	1,174	-	-	-	1,174	-	1,174
In other countries		-	(3,457)	-	95	-	(3,362)	2,362	(1,000)
Total operating segment profit (loss)		**30,685**	**(15,315)**	**(1,155)**	**4,388**	**15**	**18,618**	**705**	**19,323**
Finance income	**8**						9,316	11,031	20,347
Finance cost	**8**						(2,880)	(54)	(2,934)
Loss portion or equity-accounted investees, net of tax	**11**						(123)	90	(33)
Contributions for social development	**12**						(13,023)	-	(13,023)
Income tax	**13**						(7,186)	(659)	(7,845)
Profit							**4,722**	**11,113**	**15,835**

(1) Represents eliminations of inter-segment sales.

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

(3) Mainly crude oil and products.

(4) See notes 6 and 39-c.

		December 31, 2015				
	Notes	**Exploration and production**	**Refining, trade and supply**	**Gas**	**Other**	**Total**
Segment assets -						
Property, plant and equipment, net:						
In Venezuela		87,300	8,038	20,484	6,102	121,924
In the United States of America		-	4,715	-	-	4,715
In other countries		-	394	-	-	394
Total property, plant and equipment, net	14	87,300	13,147	20,484	6,102	127,033
Unallocated non-current assets						20,975
Unallocated current assets						**53,935**
Total assets						**201,943**
Segment liabilities -						
In Venezuela		25,800	7,084	3,909	43,930	80,723
In the United States of America		-	4,836	-	-	4,836
In other countries		-	974	-	-	974
Total segment liabilities		25,800	12,894	3,909	43,930	86,533
Unallocated liabilities						20,141
Liabilities related to assets held for disposal	20					4,390
Total liabilities						**111,064**

(1) Include assets held for disposal (see note 20).

	Notes	Exploration and production	Refining, trade and supply	Gas	Other	Total
		December 31, 2014				
Segment assets -						
Property, plant and equipment, net:						
In Venezuela		84,979	10,252	20,382	19,193	134,806
In the United States of America		-	4,699	-	-	4,699
In other countries		-	1,743	-	-	1,743
Total property, plant and equipment, net	14	84,979	16,694	20,382	19,193	141,248
Unallocated non-current assets						30,304
Unallocated current assets						**55,208**
Total assets						**226,760**
Segment liabilities -						
In Venezuela		26,075	11,139	4,218	21,245	62,677
In the United States of America		-	2,746	-	-	2,746
In other countries		-	2,406	-	564	2,970
Total segment liabilities		26,075	16,291	4,218	21,809	68,393
Unallocated liabilities						68,610
Liabilities associated to assets held for disposal						**137,003**

		December 31, 2013				
	Notes	**Exploration and production**	**Refining, trade and supply**	**Gas**	**Other**	**Total**
Segment assets -						
Property, plant and equipment, net:						
In Venezuela		76,769	15,454	16,922	14,078	123,223
In the United States of America		-	4,735	-	-	4,735
In other countries		-	1,873	-	-	1,873
Total property, plant and equipment, net	14	76,769	22,062	16,922	14,078	129,831
Unallocated non-current assets						33,557
Unallocated current assets						**67,732**
Total assets						**231,120**
Segment liabilities -						
In Venezuela		31,964	16,037	4,487	27,391	79,879
In the United States of America		-	3,105	-	-	3,105
In other countries		-	2,526	-	2,221	4,747
Total segment liabilities		31,964	21,668	4,487	29,612	87,731
Unallocated liabilities						58,903
Liabilities associated to assets held for disposal						**146,634**

(6) Discontinued Operations

See accounting policy in note 39-c

In December 2015, as part of the processes and structure review plan onto which the Company intends to concentrate efforts, particularly regarding its oil subsidiaries, the Stockholder's Meeting approved the segregation of a large part of the non-oil subsidiaries and their transfer to the stockholder, at carrying value. This will be completed within a period not longer than one year.

The segregated subsidiaries correspond to PDVSA América, S.A.; PDVSA Industrial, S.A.; PDVSA Naval, S.A.; PDVSA Salud, S.A.; PDVSA Agrícola, S.A.; PDVSA Gas Comunal, S.A.; PDVSA Desarrollos Urbanos, S.A. and Empresa Nacional de Transporte, S.A. (see note 20).

A summary of the profit (loss) from discontinued operations follows (in millions of dollars):

		Year ended December 31,		
	Notes	**2015**	**2014**	**2013**
Revenue		3,845	6,544	14,291
Costs and expenses		1,307	7,896	2,519
Operating results		**2,538**	**(1,352)**	**11,772**
Income tax	13	379	785	659
Profit (loss) from discontinued operations, net of tax		**2,159**	**(2,137)**	**11,113**
Net cash provided by (used in) operating activities		1,971	3,703	(412)
Net cash used in investing activities		(1,370)	(3,312)	(756)
Net cash (used in) provided by financing activities		(146)	(51)	137
Cash flows provided by (used in) discontinued operations		**455**	**340**	**(1,031)**

Profit (loss) from discontinued operations is a combination of profit and loss results among segregated subsidiaries. Accordingly, the portion of income is mainly attributable to the Stockholder while the portion of loss corresponds to non-controlling interests.

(7) Agreements

PDVSA has signed agreements with other investors and supports the compliance with energy cooperation agreements entered into with governments from other countries.

A detail of the most important associations for the years ended December 31, 2015, 2014 and 2013 follows:

(a) Incorporations of Mixed Companies

According to the approval of the National Assembly and the authorization of the National Executive, Corporación Venezolana de Petróleo, S.A. (CVP) established in 2013 the mixed company PetroVictoria, S.A., in association with OJSC Oil Company Rosneft (40%), in the area of Carabobo 2 Norte, with the purpose of conducting activities of exploration, extraction, recovery, production, upgrading, transportation, storage and trading of crude oil and natural gas in the Hugo Chávez Frías Orinoco Oil Belt.

(b) Energy and Supply Agreements

The main crude oil and products supply agreements entered into by PDVSA are:

		2015	**2014**	**2013**
	Notes		**TBPD** (3)	
Energy agreements with Latin America and the Caribbean Countries(1)	13-g - 15 - 33-a	357	357	377
Supply Agreement with the People's Republic of China	33-a	630	630	550
Supply Agreement with Other Countries (2)		99	99	99

(1) Mainly subscribed with countries from Latin America and the Caribbean countries, Caracas Energy Cooperation Agreement (CECA), Integral Agreement of Cooperation (IAC) and the Petrocaribe Energy Cooperation Agreement (PETROCARIBE).

(2) Subscribed with the Portuguese Republic, the Islamic Republic of Iran and the Republic of Belarus.

(3) TBPD: thousand barrel per day.

Energy and supply agreements establish, among other matters, the supply of crude oil and products by PDVSA to the national oil companies of these countries and/or mixed companies incorporated for this purpose, at selling prices equivalent to the market price.

Energy agreements with Latin America and the Caribbean establish, among other conditions, payment terms between 30 and 90 days for a significant portion of each shipment and a longer-term for the remaining portion, between 15 and 25 years. The agreements will be effective for a one-year period and may be renewed by mutual consent between the parties involved.

(8) Finance Income and Finance Costs

See accounting policy, note 39-i

A summary of finance income presented as revenues in the consolidated statement of comprehensive income, follows (in millions of dollars):

	Notes	Year ended December 31, 2015	2014 (restated) (1)	2013 (restated) (1)
Finance income -				
Net foreign exchange gain	26-a - 36-a	15,039	17,656	6,310
Income from the effect of inflation on net monetary position		-	-	1,473
Reverse cost on asset retirement obligations	24	213	1,852	-
Gain from credit pre-payment		-	477	1,100
Interest earned		64	271	344
Interest on items recognized at amortized cost	15	1,514	87	89
Total finance income		**16,830**	**20,343**	**9,316**

(1) See accounting policy in notes 6 and 39-c.

Net Foreign Exchange Income

During years 2015 and 2014, the Venezuelan Official Gazettes published different foreign exchange agreements and reforms, modifying the official exchange rates for the purchase and sale of dollars. Also, the exchange rates applicable to PDVSA for the sale of dollars within the framework of current exchange agreements in the Republic were established (see note 36-a).

As at the date of the modification in the exchange rate, according to the abovementioned exchange agreements and reforms, PDVSA maintained a net monetary liability position in bolivars, which generated a net foreign exchange income during the years 2015 and 2014 (see notes 26-a and 39-b).

Net monetary liability position in bolivars, as at the date of the modification in the exchange rate, mainly comprise of accounts payable to related entities, including accounts payable to the BCV; accrued liabilities to domestic contractors, included as accruals and other liabilities; accounts payable to domestic suppliers; financial debt in bolivars and liabilities for employee benefits and other post-employment benefits for local employees. Monetary assets in bolivars mainly consist of accounts receivable from companies owned by the Company’s stockholder and other government institutions; recoverable value-added tax and advances to domestic suppliers.

A summary of finance costs follows (in millions of dollars):

	Notes	Year ended December 31, 2015	2014 (restated) (1)	2013 (restated) (1)
Finance costs	22	2,074	3,160	1,967
Change in fair value of financial assets, net	13-l - 15	169	179	625
Bank commissions and other finance costs		150	297	264
Unwinding of the discount on asset retirement obligation	39-s	-	429	24
Total finance costs		**2,393**	**4,065**	**2,880**

(1) See accounting policy in note 6 and 39-c.

(9) Revenue

See accounting policy in note 39-d

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

	Notes	Year ended December 31, 2015	2014 (restated) (1)	2013
Sales of crude oil, products and others -				
Exports and overseas sales, net		54,716	98,745	109,491
Products in Venezuela		435	2,690	1,064
Food, services and others		188	117	164
Total revenue from sales of crude oil, products and others	**5 - 35**	**55,339**	**101,552**	**110,719**

(1) See notes 6 and 39-c.

(10) Unrecovered Costs and Expenses for Sales of Products in Venezuela

The consolidated statement of comprehensive income for the year ended December 31, 2015, includes unrecovered costs and expenses net for $7,680 million [$16,068 million in 2014 and $15,193 million in 2013], primarily due to:

- Fuels are sold in the domestic market at regulated prices as established by the National Government, which are significantly lower as compared to production and selling costs. During 2015, PDVSA sold in the domestic market 580 TBPD of fuel [647 TBPD in 2014 and 686 TBPD in 2013], incurring in unrecovered production and selling costs net for this year for $7,494 million [$9,960 million in 2014 and $14,958 million in 2013]. Revenues and production and selling costs of fuels to the domestic market are included in the corresponding captions in the consolidated statements of comprehensive income for the year.
- During the year ended December 31, 2015, PDVSA recognized losses as other expenses in the consolidated statements of comprehensive income for $1,318 million [$6,108 million in 2014 and $235 million in 2013], which are mainly due to the identified excess resulting from the comparison between the carrying amount and the recoverable amounts of certain productive assets of the refining and supply segment, including constructions in progress, which are mainly used to produce fuels and refined products to be sold in the local market at regulated prices (see notes 11, 14 and 37-d).

(11) Other Expenses, Net

A summary of other expenses, net follows (in millions of dollars):

	Notes	Year ended December 31, 2015	2014 (restated) (1)	2013
Cancelled constructions in progress	14	1,956	1,432	1,101
Legal contributions	33 - 36	395	1,882	840
Cost for unrecoverable value-added tax (VAT)	13-l	428	682	297
Impairment losses	14	2,649	6,176	374
Impairment of recoverable value-added tax	13-l	1,247	-	-
Provision for litigations and other claims	24	130	769	183
Income from sale of promissory notes	15	(2,633)	-	-
Other non-operating expenses (income), net		(272)	(1,089)	1,321
Loss portion of equity - accounted investees, net of tax	15 - 39-a	86	94	123
Total other expenses, net		**3,986**	**9,946**	**4,239**

(1) See accounting policy in note 6 and 39-c.

(12) Contributions for Social Development

See accounting policy in note 39-g

A summary of contributions for social development follows (in millions of dollars):

	Notes	Year ended December 31, 2015	2014	2013
Contributions for social development	33	8,215	2,015	7,829
Special contribution, net of exemption	33 - 36-i	974	8,507	10,435
Government grant received through FONDEN	30 - 33 - 36-i	-	(5,201)	(5,241)
Total		**9,189**	**5,321**	**13,023**

Contributions for Social Development

Based on the social responsibility of PDVSA, as established by the Constitution of the Republic, the Hydrocarbons Organic Law and in its Bylaws-Memorandum of Incorporation, related to its participation in the social and comprehensive development of the country, during 2015, 2014 and 2013, PDVSA made contributions for social development mainly supporting missions and communities as well as social programs, social investment plans and contributions to the Housing Mission (Gran Misión Vivienda Venezuela - GMVV for its Spanish acronym) (see note 33). Those contributions for social development were mainly comprised of funds for the execution of social development projects maintained with BCV (see note 16).

Contributions to the National Development Fund FONDEN, S.A. (FONDEN for its Spanish acronym)

During 2015 and 2014, there were no benefits generated by exemption of special contribution established by law [$1,583 million in 2013].

(13) Taxes

See accounting policy in note 39-j

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

	Notes	Year ended December 31, 2015	2014	2013
			(restated) [1]	
Income tax:				
Continuing operations -				
Current tax expense:				
Venezuela	33	2,539	9,250	11,997
Foreign		633	465	283
Total current tax expense		**3,172**	**9,715**	**12,280**
Deferred tax (benefit) expense:				
Venezuela	33	(6,719)	(4,563)	(5,157)
Foreign		(170)	(46)	63
Total deferred tax benefit		**(6,889)**	**(4,609)**	**(5,094)**
Total income tax		**(3,717)**	**5,106**	**7,186**
Production extraction and other taxes:				
Production tax		5,624	11,902	16,633
Extraction tax		482	937	1,946
Special advantages tax		148	295	313
Surface tax		37	268	228
Export registration tax		2	40	35
Other taxes		1	24	107
Total production, extraction and other taxes	**33**	**6,294**	**13,466**	**19,262**

Tax income from discontinued operations of $379 million [$785 million in 2014 and $659 million in 2013]; are included in Income (loss) from discontinued operations.

(a) Income Tax

A reconciliation between the statutory income tax rate and the effective tax rate for each year is as follows:

	Year ended December 31,					
	2015		2014		2013	
	%	Millions of Dollars	%	Millions of Dollars (restated) [(1)]	%	Millions of Dollars (restated) [(1)]
Profit from continuing operations		**5,186**		**11,211**		**4,722**
Income tax from continuing operations		(3,717)		5,106		7,186
Profit before income tax		**1,469**		**16,317**		**11,908**
Nominal statutory income tax rate of the oil sector	50.0	735	50.0	8,159	50.0	5,954
Tax inflation adjustment and effect of translation into dollar	(2,086.6)	(30,653)	(55.8)	(9,112)	15.7	1,870
Unrealized losses on financial instruments	-	-	-	-	1.4	169
Tax losses	1,194.8	17,551	3.3	537	12.7	1,517
Non-temporary items	(59.0)	(867)	6.9	1,126	(16.9)	(2,015)
Effect of subsidiaries subject to lower income tax rate	59.1	868	(3.3)	(539)	(2.6)	(314)
Dividend tax	29.2	429	2.6	430	1.7	203
Basis differences applied to property, plant and equipment, net	-	-	2.1	344	(4.2)	(500)
Unrealized foreign exchange loss	529.1	7,772	32.5	5,311	9.6	1,145
Other finance costs	23.7	349	(13.4)	(2,193)	(12.8)	(1,523)
Fines	6	84	-	-	-	-
Other differences, net	1	15	3.8	624	2.8	334
Effective tax rate in Venezuela	(253.0)	(3,717)	28.8	4,687	57.5	6,840
Effect of foreign subsidiaries	-	-	2.6	419	2.9	346
Effective tax rate	**(253.0)**	**(3,717)**	**31.3**	**5,106**	**60.4**	**7,186**

(1) See notes 6 and 39-c.

(b) Tax Loss Carry-Forward

The Venezuelan Income Tax Law allows tax losses to be carried forward for up to three years to offset future taxable outcome to be compensated up to 25% of future taxable income obtained for each period of imposition, except losses resulting from the application of the tax inflation adjustment, which can not be carried forward.

At December 31, 2015, territorial and extraterritorial tax loss carry-forwards amount to approximately $19,048 million and $54 million, respectively. Territorial tax losses for $5 million, $195 million and $54 million will expire in 2016, 2017 and 2018, respectively. Extraterritorial tax losses for $54 million will expire in 2018. The Venezuelan tax legislation includes a determination of taxable income or loss by every single taxpayer. Therefore, the main entities declared these tax losses seize expected over the next years, by assuming that will not cause taxable enrichments before prescribing the right to transfer.

Net operating tax losses from previous years, available to offset taxable income for the year ended December 31, 2015 amounted to $597 million [$101 million in 2014 and $441 million in 2013].

(c) Tax Inflation Adjustment

The Venezuelan Income Tax Law establishes an initial tax inflation adjustment for income tax calculation. The amount initially adjusted under property, plant and equipment is depreciated and amortized over their remaining useful lives for tax purposes. The Tax Law also includes a calculation of a regular inflation adjustment to be included in the reconciliation of taxable income as a taxable or deductible item (see note 36-e).

(d) Transfer Pricing

In accordance with the Venezuelan Income Tax Law, taxpayers subject to income tax that conduct import, export and loan transactions with related parties domiciled outside Venezuela must determine their income, costs and deductions by applying the established transfer pricing methodology. PDVSA has obtained technical analyses developed according to the methodology established by the Income Tax Law. The resulting effects, if any, for each subsidiary are included in the determination of income tax for each year.

(e) Tax Rate

The current Venezuelan Income Tax Law establishes a general tax rate of 50% for companies involved in the exploitation of hydrocarbons and related activities. A rate of 34% applies to companies that perform integrated activities or non-integrated activities, of exploration and exploitation of non-associated gas, processing, transportation, distribution, storage, marketing and export of gas and its components, or exclusively performing hydrocarbon refining or upgrading of heavy or extra-heavy crude oil. The applicable tax rate for most of the foreign subsidiaries is 35%. Additionally, PDVSA subsidiaries domiciled outside of Venezuela are subject to tax regulations of the countries where they operate.

(f) Deferred Tax

A summary of the deferred tax assets (liabilities) follows (in millions of dollars):

	December 31,								
	2015			2014			2013		
	Assets	Liabilities	Net	Assets	Liabilities	Net	Assets	Liabilities	Net
Employee and other post-employment benefits	3,283	-	3,283	4,211	-	4,211	7,725	-	7,725
Property, plant and equipment	(84)	(615)	(699)	3,350	(645)	2,705	2,230	(1,460)	770
Production tax payable	374	-	374	561	-	561	457	-	457
Capitalized borrowing costs	14	(6)	8	4	(242)	(238)	4	(1,030)	(1,026)
Equity-accounted investess	-	(71)	(71)	-	(146)	(146)	-	(146)	(146)
Inventories	709	(1,948)	(1,239)	724	(1,814)	(1,090)	717	(1,722)	(1,005)
Dividend payments	-	(381)	(381)	-	(221)	(221)	-	(128)	(128)
Provisions	4,189	(224)	3,965	2,546	-	2,546	2,290	-	2,290
Legal contributions	988	(58)	930	1,388	(58)	1,330	1,207	(58)	1,149
Unrealized foreign exchange loss	4,144	(1,699)	2,445	5,675	(7,016)	(1,341)	1,015	-	1,015
Other	(134)	152	18	892	(547)	345	1,849	(859)	990
Total	**13,483**	**(4,850)**	**8,633**	**19,351**	**(10,689)**	**8,662**	**17,494**	**(5,403)**	**12,091**

At December 31, 2015, the cumulative unrecognized deferred tax assets balance, which includes temporary differences in property, plant and equipment, inventories and employee benefits and other post-retirement unrealized exchange loss and loss carryforwards amounts to $41,182 million [$47,915 million in 2014 and $37,804 million in 2013].

Changes in deferred assets (liabilities) in profit of each year are as follows (in millions of dollars):

	2014 Assets (liabilities)	Benefit (expense) recognized in profit	Foreign exchange currency effect	2015 Assets (liabilities)
December 31, 2015:				
Employee and other post-employment benefits	4,211	(580)	(348)	3,283
Property, plant and equipment	2,705	1,235	(4,639)	(699)
Production tax payable	561	44	(231)	374
Capitalized borrowing costs	(238)	110	135	8
Equity-accounted investees	(146)	75	-	(71)
Inventories	(1,090)	66	(215)	(1,239)
Dividend payments	(221)	(160)	-	(381)
Provisions	2,546	78	-	3,965
Legal contributions	1,330	359	(759)	930
Unrealized foreign exchange loss	(1,341)	4,288	(502)	2,445
Other	345	1,374	(359)	18
Total deferred tax, net	**8,662**	**6,889**	**(6,918)**	**8,633**

	2013 Assets (liabilities)	Benefit (expense) recognized in profit	Foreign exchange currency effect	2014 Assets (liabilities)
December 31, 2014:				
Employee benefits and other post-employment benefits	7,725	943	(4,457)	4,211
Property, plant and equipment	770	3,273	(1,338)	2,705
Production tax payable	457	104	-	561
Capitalized borrowing costs	(1,026)	81	707	(238)
Equity-accounted investees	(146)	-	-	(146)
Inventories	(1,005)	51	(136)	(1,090)
Dividend payments	(128)	(134)	41	(221)
Provisions	2,290	965	(709)	2,546
Legal contributions	1,149	595	(414)	1,330
Unrealized foreing exchange loss	1,015	(1,417)	(939)	(1,341)
Other	990	150	(795)	345
Total deferred tax, net	**12,091**	**4,611** (1)	**(8,040)**	**8,662**

(1) Includes $ 2 million from discontinued operations (see note 6).

	2012 Assets (liabilities)	Benefit (expense) recognized in profit	Foreign exchange currency effect	Recognized OCI	2013 Assets (liabilities)
December 31, 2013:					
Employee benefits and other post-employment benefits	3,228	3,002	(962)	2,457	7,725
Property, plant and equipment	1,838	(178)	(890)	-	770
Production tax payable	607	43	(193)	-	457
Capitalized borrowing costs	(578)	(631)	183	-	(1,026)
Equity-accounted investees	(125)	(21)	-	-	(146)
Inventories	(918)	57	(144)	-	(1,005)
Dividend payments	(358)	116	114	-	(128)
Provisions	1,580	1,212	(502)	-	2,290
Legal contributions	1,279	276	(406)	-	1,149
Unrealized foreign exchange loss	-	1,015	-	-	1,015
Other	1,347	203	(560)	-	990
Total deferred tax, net	**7,900**	**5,094**	**(3,360)**	**2,457**	**12,091**

At December 31, 2015, the Company did not recognize as part of deferred tax liability the portion corresponding to the difference between the inflation rate and devaluation of Property, Plant and Equipment located in Venezuela, because it is deemed a very volatile distortion from the specific situations of the local economy, it is impractical to estimate with sufficient reliability and also can create significant distortions in the financial information presented.

(g) Production Tax

In accordance with the Hydrocarbons Organic Law of May 2006, production tax is paid based on the crude oil produced and natural gas processed in Venezuela. A tax rate of 30% is applied to the volumes of hydrocarbons and natural gas produced in traditional areas (applicable to PDVSA Petróleo, SA PDVSA Gas, SA and Mixed Companies). Pursuant to instructions issued by the National Government, a conversion rate of Bs.4,30 [Bs.4,30 2014 and 2013] per U.S. dollar was used in 2015 to determine and settle this tax.

Based on the Ministry's instructions pursuant to Article 45 of the Organic Law on Hydrocarbons, 50% of the long-term financed portion of volumes supplied by PDVSA on behalf of the Republic related to the Energy Cooperation Agreement are deemed compliance with part of PDVSA's obligation regarding production tax (see notes 33-a).

In February 2013, the Decree Law amending the Law for Special Contribution for Extraordinary Prices and Exorbitant Prices in the International Hydrocarbons Market was published, establishing a top for the determination and settlement of production tax, extraction tax, and export registration tax, as stipulated in the Hydrocarbons Organic Law of up to $80 per barrel (see note 36-i).

In April 2011, the Decree in Full Force and Effect of the Law Creating the Special Contribution for Extraordinary Prices and Exorbitant Prices in the International Hydrocarbons Market was published, establishing a top in the determination and settlement of production tax, extraction tax, and export registration tax, as established in the Hydrocarbons Organic Law of up to $70 per barrel, except for those subjects exempt from the payment of the special tax (see note 36-i).

By resolution of the Ministry, PDVSA deducts the production tax expense differential resulting from the settlement price of production tax and the price per barrel established in the Budget Law from the volumes sold at regulated price in the Republic, which for the years 2014 and 2013 were $60 and $55 per barrel, respectively. For the year ended December 31, 2015, PDVSA did not recognize a decrease for this concept in the production tax expense [$731 million in 2014, and $1,001,000 in 2013].

(h) Extraction Tax

The amendment to the Hydrocarbons Organic Law establishes a rate of 33.33% of the value of all liquid hydrocarbons extracted from any reservoir, determined on the same basis established for determining production tax. In determining this tax, the taxpayer may deduct the amount paid for production tax, including the additional production tax paid as special advantages, applicable to Mixed Companies.

(i) Special Advantages Tax

Mixed Companies are subject to the payment of special advantages, which are determined based on: (a) additional production tax of 3.33% on the volumes of hydrocarbons extracted in marked areas and delivered to PDVSA, and (b) an amount equivalent to the difference, if any, between (i) 50% of the value of hydrocarbons extracted in specified areas and delivered to PDVSA during each calendar year, and (ii) the sum of the payments made to the Republic, for the activity conducted in the same calendar year, for taxes, production tax and special advantages tax on hydrocarbons, including investments in endogenous development projects equivalent to 1% of income before taxes. The special advantages under (b) must be paid before April 20 of each year, according to the provisions set forth in Appendix F of the Contract for Conversion to Mixed Companies.

(j) Surface Tax

The Hydrocarbons Organic Law establishes the payment of a tax equivalent to 100 tax units (TU) per square kilometer or fraction of surface extension of unexploited land. This tax will be annually increased by 2% during the first five years and by 5% in subsequent years.

(k) Export Registration Tax

The Hydrocarbons Organic Law establishes a rate of 0.1% of the value of all hydrocarbons exported from any port in the national territory, calculated on the sales price of such hydrocarbons.

(l) Value-added Tax (VAT)

Official Gazette N° 39.147, dated March 26, 2009, published the Partial Amendment Law of the Budget Law for the 2009 fiscal year, establishing an increase of VAT from 9% to 12%, beginning on April 1, 2009.

The VAT Law establishes an exemption on the trading of certain fuels derived from hydrocarbons and the power to recover certain tax credits resulting from export sales from the tax authorities. The amounts pending recovery do not bear interest.

A summary of pending recovery or off-setting follows (in millions of dollars):

		December 31,		
	Notes	**2015**	**2014**	**2013**
Balance pending recovery or off-setting at beginning of the year		2,903	7,907	9,272
Generated during the year		769	964	2,155
Changes in fair value	8	(169)	146	(578)
Reversals (transfer) of accounts receivable from stockholder	21 - 33-b	786	(2,595)	-
Impairment of recoverable value-added tax		(1,247)	-	-
Reclassification of assets held for disposal		63	-	-
Effects in profit due to foreign rate fluctuation in the reporting currency		(2,615)	(3,519)	(2,942)
Recoverable value-added tax	**26 - 33**	**490**	**2,903**	**7,907**
Less, current portion		-	1,907	2,884
Non-current portion		**490**	**996**	**5,023**

During 2015, the Company has taken steps and arrangements for recovering tax credits between 2016 and 2020. However, even though efforts have been made relating to the Integrated National Customs and Tax Administration (SENIAT), there has been no answer regarding the issue of the Tax Refund Certificate (CERT) of approved tax credits; therefore, the company decided, for accounting purposes, to establish an amount as an estimate of impairment on the basis of previous credits.

(m) Other Taxes

Own Consumption Tax

The Hydrocarbons Organic Law establishes a tax of 10% of the value of each cubic meter of oil products produced and consumed as fuel in its own operations, calculated on the selling price offered to the consumer. In case case the product is not sold on the domestic market, the price will be fixed by the Ministry.

General Consumption Tax

The sale of gasoline and other fuels in Venezuela and in the United States of America is subject to consumption tax.

In Venezuela and in the United States of America, this tax is paid by the consumer; therefore, it is included in the selling price of the product, collected and paid to government entities without affecting the consolidated profit of PDVSA. In 2015, such taxes amounted to approximately $504 million, [$591 million in 2014 and $588 million in 2013], in Venezuela; and $1,991 million, [$1,844 million in 2014 and $2,066 million in 2013], in the United States of America.

(14) Property, Plant and Equipment

See accounting policy in note 39-k

Property, plant and equipment comprise the following (in millions of dollars):

	Notes	Wells and production facilities	Plants and refining facilities	Storage facilities and transportation of crude oil, gas and products	Lands, buildings and constructions	Machinery and equipment	Land, maritime and air transportation units	Industrial and camp support services and others	Construction in progress	Total
Cost:										
Balances at December 31, 2012		**80,146**	**27,767**	**12,723**	**5,885**	**13,833**	**3,939**	**10,062**	**51,223**	**205,578**
Acquisitions and additions		29	197	10	280	182	4	9	22,819	23,530
Transfers and capitalizations		5,959	1,635	1,696	298	626	397	226	(10,837)	-
Sales and disposals		(4)	(159)	(6)	(14)	(12)	(23)	-	-	(218)
Asset retirement obligations	24	(496)	(2)	-	-	-	-	-	-	(498)
Other		(236)	33	29	(4)	8	(42)	4	(986)	(1,194)
Effects of inflation and change in exchange rate on conversion into dollars		-	-	10	17	(14)	(9)	(29)	1,017	992
Balances at December 31, 2013		**85,398**	**29,471**	**14,462**	**6,462**	**14,623**	**4,266**	**10,272**	**63,236**	**228,190**
Acquisitions and additions		32	395	178	237	101	2	368	23,738	25,051
Transfers and capitalizations		6,490	457	3,276	408	763	113	445	(11,952)	-
Sales and disposals		(282)	(13)	(8)	(23)	(117)	(212)	(25)	-	(680)
Asset retirement obligations	24	(1,272)	1	-	-	-	-	-	-	(1,271)
Other		70	22	138	376	443	(213)	287	(1,360)	(237)
Effects of inflation and change in exchange rate on conversion into dollars		-	-	-	242	91	120	258	3,000	3,711
Balances at December 31, 2014		**90,436**	**30,333**	**18,046**	**7,702**	**15,904**	**4,076**	**11,605**	**76,662**	**254,764**
Acquisitions and additions		47	223	-	51	71	72	74	17,568	18,106
Transfers and capitalizations		4,727	1,444	2,730	844	3,677	442	376	(14,240)	-
Sales and disposals		(473)	(32)	(8)	(1)	(8)	(54)	-	(29)	(605)
Reclassification of assets held for disposal	20	-	(977)	(786)	(196)	(1,282)	(418)	(1,191)	(4,457)	(9,307)
Asset retirement obligations	24	(50)	(1)	-	-	-	-	-	-	(51)
Other		130	(300)	184	15	(162)	220	(20)	(2,585)	(2,518)
Effects of inflation and change in exchange rate on conversion into dollars		-	-	42	(1,561)	(1,728)	(335)	(381)	(10,090)	(14,053)
Balances at December 31, 2015		**94,817**	**30,690**	**20,208**	**6,854**	**16,472**	**4,003**	**10,463**	**62,829**	**246,336**
Accumulated depreciation and amortization:										
Balances at December 31, 2012		**44,297**	**17,557**	**7,839**	**3,675**	**7,383**	**2,560**	**6,362**	**-**	**89,673**
Depreciation and amortization	5	4,025	1,869	590	226	855	254	277	-	8,096
Sales and disposals		(5)	(88)	(4)	(12)	(22)	(35)	-	-	(166)
Impairment loss	11	139	158	7	25	12	4	29	-	374
Reclassification of assets held for disposal		-	95	15	4	48	96	47	-	305
Asset retirement obligations	24	(69)	-	-	-	-	-	-	-	(69)
Other		34	(159)	54	(7)	11	27	(2)	-	(42)
Effects of inflation and change in exchange rate on conversion into dollars		-	-	6	50	31	64	37	-	188
Balances at December 31, 2013		**48,421**	**19,432**	**8,506**	**3,962**	**8,318**	**2,970**	**6,750**	**-**	**98,359**
Depreciation and amortization	5	4,203	1,816	693	230	484	274	338	-	8,038
Sales and disposals		(240)	-	(6)	(9)	(106)	(176)	-	-	(537)
Impairment loss	11	58	10	-	-	-	-	-	6,108	6,176
Reclassification of assets held for disposal		-	375	75	26	112	47	112		747
Asset retirement obligations	24	(345)	-	-	-	-	-	-	-	(345)
Other		312	(639)	99	221	157	167	252	-	568
Effects of inflation and change in exchange rate on conversion into dollars		-	-	-	61	91	120	238	-	510
Balances at December 31, 2014		**52,409**	**20,994**	**9,367**	**4,491**	**9,056**	**3,401**	**7,691**	**6,108**	**113,516**
Depreciation and amortization	5	4,374	2,148	902	234	677	307	353	-	8,995
Sales and disposals		(437)	-	(1)	-	(8)	(53)	-	-	(499)
Impairment loss	11	1,547	122	100	120	5	(7)	154	608	2,649
Reclassification of assets held for disposal	20	-	(1,298)	(356)	(172)	(465)	(473)	(592)	-	(3,356)
Asset retirement obligations	24	(37)	-	-	-	-	-	-	-	(37)
Other		203	(201)	13	366	82	198	141	-	802
Effects of inflation and change in exchange rate on conversion into dollars		-	-	-	(765)	(1,013)	(419)	(570)	-	(2,767)
Balances at December 31, 2015		**58,059**	**21,765**	**10,025**	**4,274**	**8,334**	**2,954**	**7,177**	**6,716**	**119,303**
Total net cost at December 31, 2015		**36,758**	**8,925**	**10,183**	**2,580**	**8,138**	**1,049**	**3,286**	**56,113**	**127,033**
Total net cost at December 31, 2014		**38,027**	**9,339**	**8,679**	**3,211**	**6,848**	**675**	**3,914**	**70,554**	**141,248**
Total net cost at December 31, 2013		**36,977**	**10,039**	**5,956**	**2,500**	**6,305**	**1,296**	**3,522**	**63,236**	**129,831**

Impairment Loss

During the year ended December 31, 2015, PDVSA assessed impairment and, considering the market conditions and related business, it recognized the amount of $2,649 million [$6,176 million in 2014 and $374 million in 2013], of impairment loss mainly relating to plants and refining facilities, as well as construction in progress (see note 11).

The recoverable amounts from the impaired assets are the following (in millions of dollars):

	Measurement of the recoverable amount	December 31, 2015	2014	2013
Plants and refining facilities (1)	Value in use	-	-	-
Other asset classes (2)	Fair value level 2 (3)	1,824	4,133	4,180

(1) Corresponds to the El Palito Refinery and Puerto La Cruz Refinery.

(2) It includes the amounts related to wells assets, production facilities and construction in progress of certain mixed company.

(3) The fair values presented were determined as Level 2. The Company does not determine fair values of recoverable amounts in levels 1 and 3 (see note 4).

During the year ended December 31, 2015, the value in use and fair value were estimated using a discount rate before taxes of 26.86% (20.28% in 2014 and 16.87% in 2013).

Determining the recoverable amount measured at value in use, PDVSA considered that impairment indicators submitted in previous years were held for 2015. The recoverable amount measured at fair value was determined through the valuation technique of the expected revenues discounted at present value, assuming the maximum and better use of the assets, using the risk adjusted discount rates indicated.

During the year ended December 31, 2015, the Company recognized an impairment reverse of $1,112 for construction in progress that were cancelled. This reverse is presented net of impairment assets.

Major Maintenance

During the year ended December 31, 2015, PDVSA recognized disbursements for major maintenance for $2,951 million [$3,315 million in 2014 and $2,984 million in 2013], which are considered as a separate component of assets and included in property, plant and equipment, mainly in plants and refining facilities and construction in progress.

Assets under Lease Agreement

At December 31, 2015, there are certain refining assets and related equipment acquired under lease agreements net of accumulated depreciation for approximately $485 million [$522 million in 2014 and $359 million in 2013] (see note 22).

Construction in Progress

The balance of construction in progress mainly comprises investment programs aimed at maintaining the production capacity and adjusting the facilities to the production levels set forth by PDVSA's business plan, tangible assets for exploration works and various projects in progress that will be capitalized as property, plant and equipment at the date of incorporation into operations. The main constructions in progress currently developed by PDVSA are Costa Afuera project, construction and expansion of refineries and development of the Hugo Chávez Frías Orinoco Oil Belt.

During the year ended December 31, 2015, as a result of the continuous management evaluation of status operations of the continuity of investment projects started in previous years, PDVSA cancelled construction in progress (see note 11).

During the year ended December 31, 2015, borrowing costs amounting to $2,548 million, [$1,337 million in 2014 and $1,856 million in 2013], were capitalized to construction in progress.

(15) Accounts Receivable and Other Assets

See accounting policy in note 39-n

Accounts receivable and other assets are as follows (in millions of dollars):

	Notes	December 31, 2015	2014	2013
Non-current accounts receivable:				
Energy agreements	7-b	4,085	6,251	6,087
Related entities	33	457	298	925
Employees		277	452	798
Other:				
Equity-accounted Investees	11 - 39-a	500	1,265	1,712
Pension plan assets	23	-	467	-
Materials and supplies	17	209	276	285
Buidings used by government entities	33	56	56	119
Goodwill		15	49	-
Other		799	559	887
Total		**6,398**	**9,673**	**10,813**

Accounts Receivable related to Energy Agreements

- On February 18, 2015, the subsidiary PDVSA Petróleo, S.A. entered into a Debt Acknowledgment and Assignment Contract with the National Administration of Fuels, Alcohol and Portland Cement (ANCAP) of the Oriental Republic of Uruguay, as the result of a cooperation agreement for the production of hydrocarbons between PDVSA Petróleo, S.A. and ANCAP, with an estimated carrying value of $351 million. Through this contract, the payment of $267 million by ANCAP was agreed upon.
- On July 21, 2015, PDVSA Petróleo, S.A. entered into a Debt Acknowledgment and Assignment Contract with the Government of Jamaica, through the Ministry of Finances and Planning. Such debt results from the supply of crude oil, within the framework of the PETROCARIBE Energy Cooperation Agreement, by PDVSA Petróleo, S.A. to the Petroleum Corporation of Jamaica (PCJ), with an estimated carrying value of $3,256 million. Through this contract, the payment of $1,500 million by the Government of Jamaica was agreed upon.
- On 27 January 2015, the subsidiary PDVSA Petróleo, S.A. entered into a contract of Debt Recognition and Transfer with the Public Finance Ministry of Dominican Republic, the Refinery Dominicana de Petróleo, S.A. and the Secretary of the Public Finance Ministry of the country, until 31 August 2014. Such debt is provided by the supply of crude within the frame of the Energy Cooperation Agreement of PETROCARIBE, which carrying value is $4,038 billion. Regarding this contract, agreement was reached as to the payment of $1,933 billion by the abovementioned clients.

The result remaining from those transactions of accounts receivable associated to accounts receivable related to energy cooperation agreements entered into during 2015 is included in the notes and accounts receivable from the Stockholder (see note 18).

During the year ended December 31, 2015, PDVSA recognized income of $1,514 million, which includes $1,375 million in such transactions of accounts receivable from energy cooperation agreements [$87 million in 2014 and $89 million in 2013], related to the amortization, through the effective interest rate method, of the amortized cost of non-current accounts receivable associated with energy agreements (see note 8).

Accounts Receivable from Related Entities

During the year ended December 31, 2015, PDVSA did not generate expenses from adjustments to fair value over non-current accounts receivable from related entities [$325 million in 2014 and $47 million in 2013, presented as part of financial expenses] (see note 8).

Between June and December 2015, promissory notes issued in favor of PDVSA Petróleos were transferred to the BCV for the sale of crude and by-products to Nicaragua, El Salvador, Belize, Guyana, Dominican Republic, San Cristobal, and Nieves within the frame of the Energy Cooperation Agreement of PETROCARIBE and other Cooperation Agreements. These correspond to long-term accounts receivable from these countries totaling $4,295 billion. These transactions generated income for $8,033 billion which are included forming part of the financial income (see note 8).

Equity-accounted Investees

During 2015, the equity-accounted investee Chalmette Refining LLC was sold. This transaction generated income from sales for $30 million, recognized as other income, net (see note 11).

PDVSA's exposure to credit and market risks, and impairment losses relating to accounts receivable and energy agreements is featured in note 26-a.

(16) Restricted Cash

Restricted cash comprises the following (in millions of dollars):

		December 31		
	Notes	**2015**	**2014**	**2013**
Funds for the execution of social development projects:				
Fund for Social and Economic Development of the Country (FONDESPA, for its Spanish acronym)		27	2	35
Integral Cooperation Agreement with the Republic of Argentina	7-b	2	2	159
Simon Bolivar Fund for Reconstruction, S.A.		-	-	34
Funds at BCV		47	444	56
Integral Cooperation Agreement with the Portuguese Republic	7-b	-	-	242
Bilateral Fund Suriname - Venezuela		166	166	-
Total funds for execution of social development projects	**33**	**242**	**614**	**526**
Funds for extra-heavy crude projects in the Orinoco Oil Belt Hugo Chavez Frias		11	-	-
Letters of credit		-	161	208
Liquidity accounts	22	677	750	697
Other		-	51	123
		930	1,576	1,554
Less current portion		326	1,292	1,327
Non-current portion		**604**	**284**	**227**

Based on PDVSA's social responsibility project, which includes supporting or participating in activities aimed at promoting integral and sustainable development of the country (see note 1), trusts have been incorporated to support social programs and projects, constructions, goods and services for the development of infrastructure, agricultural activities, roads, health and education in the country, as following:

Trusts for the Conduction of Social Development Projects

a) *Funds at BCV:* Constituted in bolivars to support social development projects, with resources mainly acquired from the difference in the calculation of production tax contributions using a conversion factor of Bs. 2 per U.S. dollar, during 2015, 2014 and 2013, according to instructions of the National Government (see notes 12 and 13). During 2015, contributions made in cash to the funds amounted to $8,094 million [$2,198 million in 2014 and $7,249 million in 2013].

b) *Bilateral Fund Suriname - Venezuela*: On May 28, 2012, PDVSA's Board of Directors approved bilateral funds as an alternative to finance Petrocaribe. The Bilateral Fund Venezuela – Suriname is one of those approved funds. PDVSA manages the administration and accounting of the Fund and will be supported by the Surinamese Bank for settlement of credit and collection of capital and interest of reimbursable projects.

Letters of Credit

At December 31, 2015, no credit letters are maintained with various international oil companies [$ 158 million in 2014]. During 2013, European bank placements were made for $167 million to ensure the implementation of projects in the electric sector.

Liquidity Account

The liquidity account includes restricted funds under agreements with financial institutions to secure several credit facilities, loan extensions and bonds issued. These accounts consist of cash and time deposits, including interest earned on those amounts (see note 22).

(17) Inventories

See accounting policy in note 39-p

Inventories are summarized as follows (in millions of dollars):

		December 31,		
	Notes	**2015**	**2014**	**2013**
Crude oil and products		5,564	7,660	8,609
Materials and supplies		4,321	4,375	4,623
Other		-	5	16
		9,885	12,040	13,248
Less materials and supplies classified in other non-current assets	15	209	276	285
Total		**9,676**	**11,764**	**12,963**

A summary of the inventories of crude oil and products measured at their net realizable value and the adjustment recognized in this measurement is presented as follows (in millions of dollars):

	December 31,		
	2015	**2014**	**2013**
Amount at year-end	2,796	3,554	1,835
Net realizable value adjustment (*)	455	357	849

(*) Adjustment is included in purchases of crude oil and products in the consolidated statements of comprehensive income.

(18) Notes and Accounts Receivable

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

		December 31,		
	Notes	**2015**	**2014**	**2013**
Stockholder and related entities	33	10,327	11,571	26,760
Trade	26-a	7,212	9,623	9,015
Accounts receivable from employees		21	95	145
Other accounts receivable		1,181	3,607	637
		18,741	24,896	36,557
Less allowance for doubtful accounts	26-a	535	539	537
Total		**18,206**	**24,357**	**36,020**

Exposure to credit risk and impairment losses of notes and accounts receivable is included in note 26.

(19) Prepaid Expenses and Other Assets

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

	Notes	December 31, 2015	2014	2013
Advances to suppliers and contractors		3,394	4,498	3,622
Income tax paid in excess and prepaid income tax	33	749	347	101
Advances for special contributions	33 - 36-i	1,903	1,904	565
Investments at cost		-	10	10
Tradeable assets	26-b	44	50	70
Prepaid insurance policies		512	878	742
Prepaid services		125	132	86
Derivative assets	26-b	21	62	3
Other assets		335	96	206
Total		**7,083**	**7,977**	**5,405**

(20) Assets Held for Disposal

See accounting policy in note 39-r

As a result of the segregation and transfer of a large part of non-oil subsidiaries (see note 6), at December 31, 2015, the assets held for disposal and the effects on the Company's financial situation comprise the following assets, liabilities and other comprehensive income (in millions of dollars):

Financial position:	
Property, plant and equipment	5,951
Deferred tax assets	6
Equity-accounted investees	1,018
Accounts receivable and other assets	1,823
Recoverable value-added tax	63
Restricted cash	964
Inventories	351
Notes and accounts receivable	932
Prepaid expenses and other assets	817
Cash and cash equivalents	898
Assets held for disposal	**12,823**
Financial debt	97
Employee and other post-employment benefits	23
Deferred tax liabilities	27
Trade payable	917
Income tax payable	382
Accrued and other liabilities	2,944
Liabilities related to assets held for disposal	**4,390**
Other comprehensive income year ended December 31, 2015	
Remeasurements of benefic liabilities, net of tax	86
Foreign operations - foreign currency translations differences	93
Other comprehensive income related to assets held for disposal, net of tax	**179**

The Company estimates to receive the value of the assets held for disposal, net of related liabilities, as a compensation for such transaction.

Other comprehensive income related to the assets held for disposal is presented in the legal reserves and other in the consolidated statement of changes in equity (see note 21).

(21) Equity

Share Capital

According to PDVSA's bylaws and Articles of Incorporation, the nominal value of share capital is Bs.1,280 million, corresponding to 51,204 shares. Pursuant to Article 303 of the Venezuelan Constitution, these shares may not be transferred or encumbered.

Legal Reserve and Other

The legal reserve is a requirement for Venezuelan companies to maintain a percentage of profit each year to reach a percentage of the capital stock. Pursuant to the Venezuelan law, the legal reserve cannot be distributed as dividends.

At December, 31, 2015, other reserves mainly include the reserve for the realization of deferred tax assets amounting to $13,483 million [$21,258 million in 2014 and $20,378 million in 2013]. As well as the other comprehensive income associated with assets held for disposal (see note 20).

Dividends

In March 2015, dividends were declared for $87 million (Bs.6,000 million) [$5,000 million in 2014 (Bs.104,000 million) and $10,000 million (Bs.63,000 million) in 2013], paid by offsetting with account receivables from the Republic (see notes 33).

In September 2014, dividends were declared and paid in cash to the Republic for $289 million (Bs.6,000 million) recognized as a reduction of accumulate income [$952 million (Bs.6,000 million) in April 2013]. Cash dividends are declared and paid to the Stockholder in bolivars based on the statutory consolidated financial statements.

Additional Contribution from Stockholder

At the Extraordinary Stockholder's Meetings held in December 2013, the Stockholder decided to transfer $3,225 million from the Stockholder additional contribution to accumulated income, corresponding to assets contributed as a result of the migration from mixed company and exploitation and profit sharing agreements carried out by the Stockholder during 2008 and 2007.

Non-Controlling Interests

During the year ended December 31, 2015, non-controlling interests made additional capital contributions for $843 million [$408 million in 2014 and no additional capital contributions were made in 2013].

During the year ended December 31, 2015, Mixed Companies paid dividend advances to non-controlling interests amounting to $411 million [$436 million in 2014 and $552 million in 2013].

During the year ended December 31, 2015, certain Mixed Companies declared dividends. In 2015, the corresponding portion of those dividends declared to non-controlling interests amounted to $1,811 million [$1,517 million in 2014 and $1,377 million in 2013].

(22) Financial Debt

See accounting policie in note 39-n

PDVSA's consolidated debt follows (in millions of dollars):

	Literal	Currency	Interest rate	Maturity date	Nominal value (2)	December 31, 2015	2014	2013
PDVSA (Parent Company):								
Unsecured bond		Dollars	4,90%	2014	3,000	-	-	2,860
Unsecured bond	a-1	Dollars	5.00%	2015	-	-	1,413	1,413
Unsecured bond	a-1	Dollars	5.125%	2016	1,000	958	915	878
Unsecured bond	a-2	Bolivars	9.10%	2015	-	-	29	96
Unsecured bond	a-2	Bolivars	9.10%	2016	18	18	58	193
Unsecured bond	a-2	Bolivars	9.10%	2017	18	18	58	193
Unsecured bond	a-3	Dollars	8.50%	2017	4,100	3,898	5,736	5,543
Unsecured bond	a-4	Dollars	5.25%	2017	3,000	3,083	3,094	3,105
Unsecured bond	a-4	Dollars	5.375%	2027	3,000	3,083	3,095	3,105
Unsecured bond	a-4	Dollars	5.50%	2037	1,500	1,543	1,547	1,552
Unsecured bond	a-5	Dollars	9.00%	2021	2,394	1,751	1,688	1,634
Unsecured bond	a-6	Dollars	6.00%	2022	3,000	3,000	3,000	3,000
Unsecured bond	a-6	Dollars	12.75%	2022	3,000	3,000	3,000	-
Unsecured bond	a-7	Dollars	6.00%	2024	5,000	3,356	3,229	-
Unsecured bond	a-8	Dollars	6.00%	2026	4,500	3,584	3,545	1,816
Unsecured bond	a-9	Dollars	9.75%	2035	3,000	2,858	2,856	2,853
Total bonds						30,150	33,263	28,241
Investment certificates	b-1	Bolivars	14.00%	2018 - 2019 -2020	152	145	-	-
Investment certificates	b-2	Dollars	6.00%	2016	150	150	-	-
Investment certificates	b-3	Bolivars	8.00%	2016	30	29	96	317
Investment certificates	b-4	Bolivars	8.00%	2016	70	67	221	730
Investment certificates	b-5	Bolivars	9.50%	2016	32	31	103	342
Total Investment certificates						422	420	1,389
Credit rating	c	Dollars	6.50%	2018	171	171	-	-
Credit facility	d-1	Bolivars	12.50%	2016 - 2017 - 2018	47	45	262	1,309
Credit facility	d-2	Bolivars	9.50%	2016 - 2017 - 2018	27	27	132	582
Credit facility	d-3	Dollars	LIBOR + 5,00%	2016	96	96	63	109
Credit facility	d-4	Dollars	LIBOR + 4,55%	2018	318	318	463	460
Credit facility	d-5	Dollars	LIBOR + 2,20%	2024	240	240	227	191
Credit facility	d-6	Euro	2.12%	2016	9	9	30	54
Total credit facilities						735	1,177	2,705
Unsecured loan	e-1a	Dollars	LIBOR + 5,00%	2019	30	30	-	79
Unsecured loan	e-1b	Dollars	LIBOR + 7,20%	2017	312	312	-	307
Unsecured loan	e-1c	Bolivars	9.66%	2015	-	-	53	79
Unsecured loan	e-1c	Bolivars	12.00%	2015	-	-	29	62
Unsecured loan	e-1c	Bolivars	9.66%	2015	-	-	29	79
Unsecured loan	e-1c	Bolivars	12.50%	2016	42	40	183	476
Unsecured loan	e-1c	Bolivars	12.50%	2016	11	10	58	629
Unsecured loan	e-1c	Bolivars	9.50%	2016	2	2	13	167
Unsecured loan	e-1c	Bolivars	12.50%	2017	18	17	82	222
Unsecured loan	e-1c	Bolivars	12.50%	2017	22	22	95	317
Unsecured loan	e-1c	Bolivars	9.50%	2017	4	4	19	270
Unsecured loan	e-1c	Bolivars	9.66%	2015	-	-	14	317
Carried forward, Unsecured loans						437	575	3,004

	Literal	Currency	Interest rate	Maturity date	Nominal value (2)	December 31, 2015	2014	2013
Brought forward, Unsecured loans						437	575	3,004
Unsecured loan	e-1c	Bolivars	9.50%	2018	5	5	21	629
Unsecured loan	e-1c	Bolivars	12.00%	2019 - 2022	73	70	248	-
Unsecured loan	e-1c	Bolivars	12.50%	2018	51	49	181	-
Unsecured loan	e-1c	Bolivars	12.50%	2018	45	44	144	-
Unsecured loan	e-1c	Bolivars	12.00%	2018	19	19	78	-
Unsecured loan	e-1c	Bolivars	9.50%	2018	5	5	21	-
Unsecured loan	e-1c	Bolivars	12.50%	2019	44	41	144	-
Unsecured loan	e-1c	Bolivars	12.00%	2019 - 2022	58	55	195	-
Unsecured loan	e-1c	Bolivars	12.50%	2022	52	49	186	-
Unsecured loan	e-1d	Dollars	LIBOR + 6,25%	2017	1,200	1,200	1,500	600
Secured loan	e-2	Dollars	LIBOR + 0,50% - 6,50%	2022	1,460	1,460	1,692	1,250
Secured loan	e-2	Dollars	LIBOR + 1,50% - 8,75%	2018 - 2026	1,050	1,050	1,150	1,926
Total loans						4,484	6,135	7,409
Financial leases		Dollars	-	2015	1	1	1	1
						35,963	40,996	39,745
CITGO:								
Secured bonds		Dollars	10.75%	2020	1,500	1,417	-	-
Secured bonds		Dollars	6.25%	2022	650	637	636	294
Tax-exempted industrial bond		Dollars	6.00%	2023	3	3	3	3
Tax-exempted industrial bond		Dollars	4.88%	2025	50	49	49	49
Tax-exempted industrial bond		Dollars	8.00%	2028	25	25	25	25
Tax-exempted industrial bond		Dollars	8.00%	2032	30	30	29	29
Total bonds						2,161	742	400
Credit facility type B		Dollars	LIBOR 1,00% base + 8,50%	2018	762	718	-	-
Credit facility type B		Dollars	LIBOR 1,00% base + 3,50%	2021	642	630	634	87
Revolving credit facility		Dollars	Tasa Base 3,5% + 1,75%	2019	180	168	34	579
Secured facility with accounts receivable		Dollars	PC + 1,50%	2016	165	165	250	220
Total credit facilities						1,681	918	886
Financial leases		Dollars	-	2030	241	241	247	257
						4,083	**1,907**	**1,543**
PDVSA América, S.A. and subsidiaries:								
Trocana World Inc. - Secured loan		Dollars	LIBOR + 1,00%	2023	-	-	37	41
Tovase Development Corp. - Secured loan		Dollars	LIBOR + 1,00%	2024	-	-	39	42
Naviera Conosur-Unsecured loan		Dollars	7.75%	2015	-	-	-	-
Fluvialba - Unsecured loan		Argentinean pesos	26.00%	2020	-	-	-	-
Total loans					-	-	76	83
Financial leases		Dollars	-	2015	-	-	1	1
						-	**77**	**84**

	Literal	Currency	Interest rate	Maturity date	Nominal value [2]	December 31, 2015	2014	2013
PDVSA Petróleo, S.A. and subsidiaries:								
PDVSA Cerro Negro, S.A. - Secured bonds		Dollars	7.90%	2020	2	2	2	3
Credit facility		Dollars	8.70%	2019	-	-	-	966
Credit facility		Dollars	LIBOR + 7,90%	2024	1,950	1,950	1,477	-
						1,952	1,479	969
Corporación Venezolana de Petróleo, S.A. (CVP) and subsidiaries:								
PetroAnzoátegui, S.A. - Secured bonds		Dollars	8,22% - 8,37%	2017 - 2022	4	4	5	6
Petropiar, S.A. - Credit facility		Dollars	LIBOR + 4,50%	2017	5	5	-	-
Petrowarao, S.A. - Credit facility		Dollars	LIBOR + 4,50%	2021	17	17	-	-
Petrocedeño, S.A. - Credit facility		Dollars	1.32%	2016	56	56	40	-
Petrozamora, S.A. - Prepaid facility		Dollars	LIBOR + 6,90%	2019	73	73	8	-
Petrolera Sinovensa, S.A. - Credit facility		Dollars	LIBOR + 5,80%	2023	699	699	291	291
Petroboscán, S.A. - Credit facility		Dollars	LIBOR + 4,5%	2025	461	461	297	120
Petroquiriquire, S.A. - Credit facility		Dollars	LIBOR + 4,50%	2015	-	-	45	-
Petrodelta, S.A. - Unsecured loan		Bolivars	12%	2018	19	20	-	-
						1,335	686	417
PDV Marina, S.A. and subsidiaries:								
Panavenflot Corp. - Credit facility		Yens	CIRR 1,77% + 3,12%	2023 - 2024	110	110	124	158
PDV Marina, S.A. - Secured loan		Dollars	7.00%	2019	39	39	83	-
Financial leases		Dollars	-	2019	148	148	173	197
						297	380	355
PDVSA Industrial, S.A. and subsidiaries:								
VHICOA - Unsecured loan		Bolivars	13.50%	2015	1	-	1	5
VHICOA - Unsecured loan		Bolivars	12.50%	2018	89	-	89	113
VHICOA - Unsecured loan		Bolivars	13.50%	2014	3	-	-	3
Carbones del Guasare, S.A.- Unsecured loan		Bolivars	15.00%	2018	1	-	1	8
Carbones de la Guajira, S.A.- Unsecured loan		Bolivars	15.00%	2019	1	-	1	4
Total loans						-	92	133
Carbones de la Guajira, S.A. - Financial lease		Bolivars		2014	1	-	-	1
						-	**92**	**134**
PDVSA Naval, S.A and subsidiaries:								
Credit facility		Euro	Euribor + 3,8%	2020	-	-	16	19
Refinería Isla (Curacao), B.V. and subsidiaries:								
Financial leases		Dollars	-	2019	86	86	103	118
Total financial debt [1]						43,716	45,736	43,384
Less current portion						6,800	5,865	7,031
Non-current portion						36,916	39,871	36,353

	Literal	Currency	Interest rate	Maturity date	Nominal value (2)	December 31, 2015	2014	2013
Financial debt held for disposal (3) **:**								
PDVSA América, S.A. and subsidiaries:								
Trocana World Inc. - Secured loan		Dollars	LIBOR + 1,00%	2023	33	33	-	-
Tovase Development Corp. - Secured loan		Dollars	LIBOR + 1,00%	2024	35	35	-	-
Naviera Conosur-Unsecured loan		Dollars	7.75%	2015	-	-	-	-
Fluvialba - Unsecured loan		Argentine pesos	26.00%	2020	7	7	-	-
Total loans						75	-	-
Financial leases		Dollars	-	2015	1	1	-	-
						76	-	-
PDVSA Industrial, S.A. and subsidiaries:								
VHICOA - Unsecured loan		Bolivars	12.50%	2018	6	6	-	-
Carbones del Guasare, S.A.- Unsecured loan		Bolivars	15.00%	2018	1	1	-	-
Carbones de la Guajira, S.A.- Unsecured loan		Bolivars	15.00%	2019	1	1	-	-
Total loans						8	-	-
PDVSA Naval, S.A and subsidiaries:								
Credit facility		Euro	Euribor + 3,8%	2020	13	13	-	-
Total Financial debt held for disposal						97	-	-

(1) No includes financial debt held for disposal.
(2) Corresponds to nominal value as of December 31, 2015 , in dollars, before discount, premiums and others origin cost
(3) See note 20.

Future maturities of the non-current portion of consolidated financial debt at December 31, 2015 are as follows (in million of dollars):

Years -	
2017	7,204
2018	1,001
2019	1,391
2020	4,856
2021	3,863
Remaining years	18,601
	36,916

Petróleos de Venezuela, S.A.

(a) Unsecured Bonds

1. Petrobonos 2014, 2015 and 2016

   On October 28, 2009, the Company completed the issue of public bond offerings for $1,413 million, $1,413 million and $435 million, payable upon maturity in 2014, 2015 and 2016, respectively. This issue was conducted in cordination with the BCV and the Ministry of People's Power for Economy, Finance and Public Banking and was excluded from the scope of application of the Venezuelan Securities Market Law and exempted from the payment of income tax on the interest that these bonds will earn. In this issue, the Company received $4,501 million from domestic buyers on the date of the transaction.

   In November 2013, the Company reopened Petrobonos 2016 for the amount of $565 million, which were fully swapped by 2013 PDVSA Bonds maintained by PDVSA's Fund of Active Employees and Pensioners, thus generating a discount of $126 million in this transaction.

   In October 2015, upon the maturity of the Petrobonos 2015 with a nominal value of $1,413 million, PDVSA paid $515 million in cash, and the rest of those instruments held by PDVSA's related companies was swapped to promissory notes for a value of $898 million.

2. PDVSA Agrícola 2015, 2016 and 2017 Bonds

   In July 2012, the Company completed the issue of bonds for $140 million, $279 million and $279 million, maturing in 2015, 2016 and 2017, respectively, with an interest rate resulting from applying a fixed benchmark percentage of 70% of the interest rate applicable to the loans referred to Article 7 of the Decree with the Right, Value and Force of Law of Credit for the Agricultural Sector ("Agricultural Rate"). This issue was realized in coordination with the BCV and the Ministry of People's Power for Economy, Finances and Public Banking. It was fully-awarded to national banks by an auction, and a bond issue premium of $11 million was generated in this transaction. The issue of the new bonds was authorized by the National Securities Superintendence (SNV, for its Spanish acronym) pursuant to Article 2 of the Securities Market Law, and was exempted from paying income tax.

   In July 2015, the PDVSA Agrícola 2015 bonds were paid out to their holders.

3. PDVSA 2017 Bonds

   On October 29, 2010, the Company completed the public offering of these bonds for $3,000 million, with a principal amortization of $1,000 million for 2015, 2016 and 2017. These bonds were issued at its face value. The issue was authorized by the SNV and was exempted from the payment of income tax on the interest that these bonds will earn.

   On January 17, 2011, the Company reopened the PDVSA 2017 Bonds for $3,150 million, issuing bonds with a nominal value of $2,844 million and generating a discount of $954 million and a gain of $99 million. These bonds were awarded to the BCV and related non-financial institutions for the settlement of promissory notes. The remaining reopened bonds were awarded to the BCV and other non-financial institutions on September 19, 2011, generating a discount of $92 million and a gain of $37 million.

   In November 2015, the first amortization of the PDVSA 2017 bonds took place, with a total of $2,050 million being paid out to their holders.

4. PDVSA 2017, 2027 and 2037 Bonds

   Between April 12 and May 10, 2007, the Company completed the issue of a public offering of bonds for $7.500 million, maturing in 10, 20 and 30 years (2017, 2027 and 2037), generating in turn a bond issue premium of $413 million, payable upon maturity. This issue was directed and regulated by the BCV, and was excepted from this scope of application of the Securities Market Law and exempted from the payment of income tax on the interest earned by such bonds.

5. PDVSA 2021 Bonds

   On November 17, 2011, the Company completed the private issuance process of these bonds for $2,394 million, with annual amortization of principal for $798 million for 2019, 2020 and 2021. This issue was fully-awarded to the BCV, receiving $435 million in cash and swapping the difference for bonds previously issued maturing in 2013, generating a discount of $867 million and again for $96 million. This issue was excluded from this scope of application of the Securities Market Law and the payment of income tax on the interest earned.

6. PDVSA 2022 Bonds

   On February 17, 2011, the Company completed the issue of a public offering of PDVSA 2022 Bonds for $3,000 million, payable upon maturity. These bonds were issued at face value. This issue was authorized by the SNV.

   On October 16, 2014, the Company issued to Banco de Venezuela, S.A., Banco Universal (Banco de Venezuela) an investment certificate denominated in U.S. dollars for $2,400 million, maturing on December 30, 2014, with interest payable upon maturity. On October 28, 2014, an early redemption of the investment certificate was carried out, which had been assigned by Banco de Venezuela to the BCV as part of the payment for the private placement of PDVSA 2022 in October 28, 2014 bonds for $3,000 million, fully-awarded to the BCV at their face value. At December 31, 2015, after having submitted, by way of payment, promissory notes issued by the Republic of Jamaica, within the PETROCARIBE Energy Cooperation Agreement and other cooperation agreements, the BCV owes PDVSA the amount of $121 million [$600 million in 2014].

7. PDVSA 2024 Bonds

   In May 2014, the Company issued, by a direct award to Banco de Venezuela, the PDVSA 2024 Bonds with a face value of $5,000 million, with annual amortization of principal for $1,667 million for 2022, 2023 and 2024. The agreed market value, based on the bonds quotation at the date of sale, was $3,161 million.

8. PDVSA 2026 Bonds

   On November 15, 2013, the issue of a public offering of bonds for $4,500 million was approved, with annual amortization of principal for $1,500 million for 2024, 2025 and 2026, out of which $900 million were awarded at face value to the BCV and $800 million were awarded to suppliers and contractors of PDVSA to settle accounts payable. In addition, $116 million were awarded to suppliers of Corporación de Abastecimiento y Servicios Agrícolas, S.A. (CASA, for its Spanish acronym) as part of the contributions that PDVSA grants to the social and overall development of the country.

   Between January and March of 2014, the Company awarded the remainning PDVSA 2026 Bonds with a face value of $2,684 million. The agreed market value, based on the bonds quotation at date of sale, was $1,260 million. The Company awarded $2,156 million to Banco de Venezuela, which were paid in bolivars at SICAD and SICAD II rates, while $414 million were awarded to suppliers of CASA and the rest to other suppliers and contractors.

9. PDVSA 2035 Bonds

   On May 11, 2012, the Company completed the issue of bonds for $3,000 million, with annual amortization of principal for $1,000 million maturing in 2033, 2034 and 2035, thus generating with this transaction a discount of $150 million in the issue of bonds. This issue was made in coordination with the BVC and the Ministry of People's Power for Economy and Finances. The issue was mainly awarded to the BCV and the domestic public banks. This issue was authorized by the SNV.

The bonds issued by Petróleos de Venezuela, S.A. do not include security rights over assets belonging to the Company, and its subsidiary (PDVSA Petróleo, S.A.) act as unconditionally and irrevocably as a guarantor.

(b) Investment Certificates

1. In December 2015, the Company issued renewable investment certificates to Banco de Venezuela for a total of $145 million, maturing in 2018, 2019 and 2020, and quarterly payment of interest.

2. In October 2015, the Company issued a renewable investment certificate to Banco de Desarrollo Económico y Social de Venezuela (BANDES by its Spanish acronym) maturing in 30 days, and interest payable upon maturity. In November and December 2015, the investment certificate was renewed under the same conditions.

3. During 2012, the Company issued two quarterly-renewable investment certificates to Banco de Venezuela, with monthly payment of interest. In 2014 and 2015, the investment certificates were renewed under the same conditions.

4. During 2010 and 2011, the Company issued renewable investment certificates denominated in bolivars to Banco del Tesoro, C.A. Banco Universal (Banco del Tesoro), with monthly payments of interests. During 2012, the Company settled one of the investment certificates for $116 million. In 2015, the investment certificates were renewed under the same conditions, maturing in 2016.

5. In February 2009, the Company issued investment certificates to the Social Protection Fund for Bank Deposits (formerly, Fondo de Garantía de Depósitos y Protección Bancaria – FOGADE by its Spanish acronym), renewable for 18 months. In August 2015, investment certificates were renewed for one year, at the same interest rate and maturing in 2016.

(c) Credit Note

In March 2015, PDVSA suscribed a credit note with General Electric Capital Corporation for $257 million, with quarterly payment of principal amortizations and interest.

(d) Credit Facilities

1. In March 2013, the Company entered into a credit facility with Banco de Venezuela denominated in bolivars for $1,587 million, with a variable interest rate, to be used in the agroindustrial sector. During 2013, the Company used $1,475 million from this facility. At December 31, 2015, the outstanding balance for this facility was $45 million [$262 million in 2014].

2. In March 2013, the Company entered into a credit facility with Banco del Tesoro denominated in bolivars for $635 million at a variable interest rate, to be used in the agroindustrial sector. During 2013, the total amount agreed to for this facility was used. At December 31, 2015, the outstanding balance was $27 million [$132 million in 2014].

3. In November 2012, ENI Investments PLC approved a credit facility of $1,742 million for Petróleos de Venezuela, S.A. which would be used to finance new developments in the Orinoco Oil Belt of the Mixed Companies PetroJunín, S.A. and Petrobicentenario, S.A., in which PDVSA has a controlling interest. This financing bears interest payable upon maturity. At December 31, 2015, the Company had used $268 million of the agreed amount of this facility, with an outstanding balance of $96 million [$63 million in 2014].

4. On February 27, 2012, the Company entered into a loan agreement with China Development Bank Corporation (CDBC) for the purchase of oil goods and services for $500 million. This facility includes payment options in cash from the delivery of crude oil and products at market prices. At December 31, 2015, the Company has used $495 million of the agreed amount of this credit facility, with an outstanding balance of $318 million [$463 million in 2014] (see note 37-a).

5. In September 2011, the National Economic and Social Development Bank (BNDES) approved a credit facility with a nominal value of up to $638 million for Petróleos de Venezuela, S.A., to finance the construction of the Alba Shipyard, a project managed by PDVSA Naval, S.A. At December 31, 2015, the Company has an outstanding balance of $240 million of the agreed amount for this facility [$227 million in 2014].

6. On June 8, 2010, the Company entered into a credit facility with Deutsche Bank, S.A.E. for €59 million, equivalent to $78 million, earmarked to finance investments in the domestic refining sector. At December 31, 2015, the agreed amount of this credit facility has been entirely used, and the outstanding balance amounts to €8 million, equivalent to $9 million [€25 million, equivalent to $30 million in 2014].

(e) Loans

1. Unsecured loans

   1.a In December 2015, the Company received a loan from BANDES, at a variable interest rate and with long term maturity.

   1.b In March 2015, the Company received a loan from Deutsche Bank Trust Company Americas, at a variable interest rate and with long term maturity.

   1.c The Company has received loans from financial institutions belonging to the national public banking system, primarily from Banco Bicentenario, Banco del Tesoro and Banco de Venezuela. The loans bear interest at variable rates and maturity varies from short to medium terms. As of May 2015, Banco de Venezuela set a variable interest rate for its loans granted to PDVSA, specifically for those at rate of 12% per annum, which was revised to 12.50% annually.

   1.d In December 2014, the Company entered into a loan agreement with the CDBC at a variable interest rate. This loan agreement includes options for payment in cash from the delivery of crude oil and products at market prices (see note 37-a).

2. Secured loans

   In August 2011 and February 2007, a group of banks led by Japan Bank for International Cooperation (JBIC) provided secured loans in dollars to the Company at a variable interest rate. The payment options include the payment in cash from the delivery of crude oil and products at market prices.

CITGO

Secured Bonds

On February 12, 2015, CITGO Holding issued a private placement of secured bonds for $1,500 million that bear interest at an annual fixed rate of 10.75% and mature in February 2020. Interest is paid biannually in March and September, until maturity, starting in September 2015. CITGO Holding may amortize the bonds upon maturity at a redemption price equal to 100% of the bonds' initial value, plus any interest generated and unpaid to the date of transaction, with the premium being determined on that date.

Additionally, before February 15, 2017, the issuer may amortize up to 40% of the bonds by using the cash from the offering of shares at their nominal value, plus the value of the corresponding coupon and premium. If CITGO Holding experiences certain specific control changes, it will have to buy the entirety of the outstanding bonds at 101% of the bonds' initial value, plus any interest generated and unpaid until the date of transaction.

In July 2014, CITGO Petroleum Corporation, a subsidiary of CITGO Holding, issued a private placement of secured bonds for $650 million. Interest is paid biannually in February and August each year, until maturity, starting in February 2015. CITGO Petroleum Corporation may amortize the bonds before they are due at a redemption price equal to 100% of the bonds' initial value, plus interest accrued until the date of transaction, with the premium being determined on that date.

Precisely like CITGO Holding, before August 15, 2017, CITGO Petroleum Corporation may amortize up to 40% of the bonds by using the cash from the offering of shares at their nominal value, plus the value of the corresponding coupon and premium. If CITGO Petroleum Corporation experiences certain specific control changes, it will have to buy the entirety of the outstanding bonds at 101% of the bonds' initial value, plus any interest generated and unpaid until the date of transaction.

Tax-exempt Bonds

CITGO Petroleum Corporation received funds from government agencies in the United States of America for a nominal value of $108 million in the way of indebtedness with tax-free industry bonds to finance projects of environmental nature. These bonds generate interest at fixed rates.

Secured Credit Facilities

On February 12, 2015, CITGO Holding entered into the secured Type B credit facility for $1,300 million, with maturity in July 2018, and amortizable in quarterly installments equal to 1%, with the outstanding balance being payable upon maturity. The facility requires obligatory prepaid offerings varying between 50% and 100% of excessive cash flow, and certain income from the sale of assets, depending on the leverage ratio at which the lender has the option to reject such proposal. The interest options for this credit facility are: (i) LIBOR rate, with a minimum of 1% plus an applicable margin of 8.50%; or (ii) the base rate, with a minimum of 2% plus an applicable margin of 7.50%.

In July 2014, CITGO Petroleum Corporation replaced its secured credit facilities for $1,550 million, which are made up as follows:

- A Type B credit facility for $650 million maturing in July 2021, payable in equal quarterly installments of 1% with a balance payable upon maturity. The interest options for this facility are (i) LIBOR rate, with a minimum of 1% plus an applicable margin of 3.5% or (ii) the base rate, with a minimum of 2% plus an applicable margin of 2.5%. At December 31, 2015, a LIBOR rate of 1% plus a margin of 3.5%, equivalent to 4.5%, was applied.
- A secured revolving credit facility of $900 million maturing in July 2019. The interest options for this facility are (i) LIBOR rate, plus an applicable margin of 2.75% or (ii) the base rate, plus an applicable margin of 1.75%, at CITGO's discretion. At December 31, 2015, the amount of the debt was $168 million [$34 million in 2014] and a base rate of 3.5% plus applicable margin of 1.75%, equivalent to 5%, were applied. The unused portion of this credit facility, less the letters of credit issued thereunder, is subject to a commitment fee, paid quarterly, and an annual rate varying between 0.375% and 0.50%, depending on debt rating. At December 31, 2015, the commitment fee is 0.50%.

Credit Facility Secured by Accounts Receivable

In September 2008, a group of banks led by BNP Paribas approved a revolving credit facility for a face amount of $450 million, secured by certain trade accounts receivable of CITGO Petroleum Corporation. This financing matures annually, with a renegotiation option for equal terms with a variable interest rate of Commercial Paper (CP) plus 1.4%. During 2015, CITGO Petroleum Corporation extended the facility's maturity up to 2016.

Guarantees

The secured Type B credit facility and the bonds of CITGO Holding are guaranteed for the total share capital of CITGO Petroleum Corporation, and the interest in limited liability companies of CITGO Holding and other direct and indirect subsidiaries. These facilities are subject to typical covenants for that type of financing.

The secured credit facility, the secured bonds and the tax-exempt industrial bonds are guaranteed by CITGO's interest in its refineries in Lake Charles, Louisiana, Corpus Christi, Texas, and Lemont, Illinois, trade accounts receivable that have not been used as guarantee for other credit facilities and its inventories.

PDVSA Petróleo, S.A. and subsidiaries

PDVSA Cerro Negro, S.A. (PDVSA Cerro Negro)

In June 1998, Cerro Negro Finance, Ltd., a special-purpose company, non-affiliated, of the former Association Agreement of the Orinoco Oil Belt, issued secured bonds in the amount of $600 million. PDVSA Cerro Negro's share (a partner to this agreement) was 50% interest. In December 2007, PDVSA paid $501 million for 99% of the bonds issued by this special purpose company. At December 31, 2015, the outstanding balance of these bonds $2 million [$2 million in 2014].

PDVSA Petróleo, S.A.

On June 27, 2012, PDVSA Petróleo, S.A. entered into a credit facility with Credit Suisse AG (Credit Suisse) for $1,000 million, with semi-annual payments of principal and a grace period of 16 months, earmarked for the modification and expansion of the Puerto La Cruz Refinery.

On September 3, 2014, PDVSA Petróleo, S.A. entered into an extension of the credit facility agreement with Credit Suisse in June 2012 for $1,289 million, with some of the terms and conditions of the initial agreement being modified. The new amount of the credit facility is $2,206 million, with quarterly payments and a grace period of 14 months, earmarked for the modification and expansion of the Puerto La Cruz Refinery. At December 31, 2015, the outstanding balance for this item was $1,950 million [$1,477 million in 2014].

Corporación Venezolana del Petróleo, S.A. (CVP) and subsidiaries

PetroAnzoátegui, S.A. (PetroAnzoátegui) (formerly Petrolera Zuata, Petrozuata, C.A.) (currently, Petrosanfelix, S.A.)

In September 2008, PDVSA made a public offering for the acquisition of bonds issued by Petrozuata Finance, Inc. (a subsidiary of PetroAnzoátegui), paying $740 million for 97.96% of the bonds in circulation as of that date, with a face value of $1,000 million. At December 31, 2015, the outstanding balance of these bonds was $4 million [$5 million in 2014].

Petropiar, S.A. (Petropiar)

In January 2015, Chevron Boscan Finance B.V. granted a revolving credit facility for up to $10 million to the Mixed Company Petropiar. This credit facility will bear interests at a variable annual LIBOR rate plus 4.5% and will be used to cover the needs for working capital of this company.

Petrowarao, S.A. (Petrowarao)

In August 2014, Perenco Holdings granted a credit facility for a nominal value of $420 million to the Mixed Company Petrowarao. This credit facility will bear interests at a variable annual LIBOR rate plus 4.5% and will be used to finance the business plan of Petrowarao. At December 31, 2015, the outstanding balance of this facility is $17 million [with no balance in 2014].

Petrocedeño, S.A. (Petrocedeño)

In October 2014, Novo Banco (formerly Banco Espírito Santo) granted a credit facility for $60 million to the Mixed Company Petrocedeño. This credit facility will bear interests at an annual fixed rate of 1.32% and will be used to cover the company's working capital needs. At December 31, the outstanding balance of this facility was $56 million [$40 million in 2014].

Petrozamora, S.A. (Petrozamora)

In December 2013, PDVSA Petróleo S.A. and the Mixed Company Petrozamora in which CVP holds a controlling interest, entered into a prepaid facility agreement with GPB Energy Services B.V. for $1,000 million. The prepayment funds will be used by Petrozamora to finance projects for the purpose of increasing its hydrocarbons production. The agreed-upon prepaid facility is divided into two components, an initial prepayment of $250 million and a subsequent one up to $750 million. At December 31, 2015, the outstanding balance of this prepaid facility was $73 million [$8 million in 2014].

Petrolera Sinovensa, S.A. (Petrolera Sinovensa)

In June 2013, CDBC approved a credit facility for $4,015 million for the Mixed Company Petrolera Sinovensa. This credit facility will bear interests at an initial variable annual LIBOR rate plus 5.8% and will be used for projects to increase Petrolera Sinovensa's production of hydrocarbons. At December 31, 2015, the outstanding balance of this facility is $699 million [$291 million in 2014].

Petroboscán, S.A. (Petroboscán)

In July 2015, Chevron Boscan Finance B.V. approved a revolving credit facility for a nominal value of up to $10 million to the Mixed Company Petroboscán. This credit facility will bear interest at LIBOR plus annual 4.5%. During the year ended December 31, 2015, no funds were received from this financing.

In May 2013, Chevron Boscan Finance B.V. approved a credit facility for a nominal value of $2,000 million to the Mixed Company Petroboscán. This credit facility will bear interest at LIBOR plus annual 4.5% and will be used for projects to increase Petroboscán's production of hydrocarbons. At December 31, 2015, the outstanding balance of this facility is $461 million [$297 million in 2014].

Petrodelta, S.A. (Petrodelta)

In December 2015, CT Energía Holding Ltd. granted a loan in bolivars to Mixed Company Petrodelta, for $20 million. This financing generates interest at an annual fixed rate of 12% and will be used to cover the needs for working capital of this company.

At December 31, 2015 and 2014, Petróleos de Venezuela, S.A., through its subsidiaries (CVP and PDVSA Social, S.A.), has an interest in the abovementioned Mixed Companies, as follows:

	% Share		
	CVP	**PDVSA Social, S.A.**	**Total**
Mixed Company:			
Petrosanfélix, S.A.	96.0%	4.0%	100.0%
Petropiar, S.A.	66.0%	4.0%	70.0%
Petrowarao, S.A.	56.0%	4.0%	60.0%
Petrocedeño, S.A.	56.0%	4.0%	60.0%
Petrozamora, S.A.	60.0%	0.0%	60.0%
Petrolera Sinovensa, S.A.	56.0%	4.0%	60.0%
Petroboscán, S.A.	56.0%	4.0%	60.0%
Petroquiriquire, S.A.	56.0%	4.0%	60.0%
Petrodelta, S.A.	56.0%	4.0%	60.0%

PDV Marina, S.A. and subsidiaries

In February 2011, Panavenflot Corp, a subsidiary of PDV Marina, S.A., entered into a credit facility agreement with the JBIC for ¥20 billion, equivalent to $257 million, to finance the constructions of Aframax vessels.

During 2014, PDV Marina, S.A. acquired tugboats through a five-year financing with Deutsche Bank Trust Company Americas for $111 million, with quarterly payments of principal and interest.

Contractual Covenants

Several loan facilities contain contractual covenants that restrict PDVSA’s ability to incur into additional debts, pay dividends, encumber properties and dispose of certain assets. As at December 31, 2015, PDVSA was in compliance with these covenants (see note 37-a).

Obligations under Financial Leases

As at December 31, 2015, obligations were maintained for the acquisition of certain assets, primarily for refining, acquired under financial leases, and accounted for as property, plant and equipment.

Future lease payments are as follows (in millions of dollars):

	December 31, 2015		
	2015	**2014**	**2013**
Years -			
2014	-	-	91
2015	-	90	88
2016	89	88	88
2017	90	88	88
2018	89	88	88
2019	110	109	365
2020	26	26	-
Subsequent years	229	228	-
Estimated future lease payments	**633**	**717**	**808**
Less interest	157	192	234
Total finance lease	**476**	**525**	**574**

Financial Debt held for Disposal

In 2015, the Company agreed to the transfer of some of its subsidiaries to the Ministry, which is expected to occur during 2016. The subsidiaries that will be transferred include:

PDVSA América, S.A. and subsidiaries

During 2015, Fluvialba, S.A. (an indirect subsidiary of PDVSA América, S.A.) received loans from Banco Credicoop at a fixed interest rate.

During 2009, Trocana World Inc. and Tovase Development Corp. (indirect subsidiaries of PDVSA América, S.A.) purchased Panamax vessels, through financing provided by BANDES with variable interest rates and biannual payments of principal and interest amortizations.

PDVSA Industrial, S.A. and subsidiaries

In May and January of 2013, Venezuelan Heavy Industries, C.A. (VHICOA), a subsidiary of PDVSA Industrial, S.A., received from Banco de Venezuela two commercial loans denominated in bolivars for $127 million and $8 million, at an initial annual variable interest rate of 9.5% and 13.5%, respectively. During 2015, the first loan was entirely paid off. At December 31, 2015, the outstanding balance of the second loan amounted to $6 million.

During 2011, Carbones del Guasare, S.A. and Carbones de la Guajira, S.A. (indirect subsidiaries of PDVSA Industrial, S.A.), entered into loan agreements with Banco del Tesoro for $8 million and $4 million, with an initial variable annual interest rate of 15%. At December 31, 2014, the outstanding balance of each of those loans was $1 million.

PDVSA Naval, S.A.

In February 2011, PDVSA Naval, S.A. entered into a credit facility agreement with Novo Banco (formerly, Banco Espírito Santo - BES) for €136 million, equivalent to $176 million, used to finance the constructions of asphalt tankers. At December 31, 2014, €14 million, equivalent to $16 million, of the agreed amount of this facility has been used.

(23) Employee and Other Post-employment Benefits

See the accounting policy in note 39-e

A detailed review of liabilities (assets) for employee termination benefits, pension and other post-employment benefits follows (in millions of dollars):

		December 31,		
	Note	**2015**	**2014**	**2013**
Assets -				
Pension plans [1]	15	-	(467)	-
Liabilities -				
Employee termination benefits		465	2,072	1,890
Pension plans		576	-	3,354
Other post-employment benefits other than pension plans		7,182	12,720	12,428
		8,223	14,792	17,672
Less current portion		367	1,813	1,048
Non-current portion		**7,856**	**12,979**	**16,624**

(1) See letter c.

PDVSA has the following employees' benefit plans:

(a) Savings Plans

PDVSA's employees maintain savings funds and PDVSA guarantees the capital credited into members' accounts. At December 31, 2015, the amount secured by PDVSA and its subsidiaries in the savings funds amounted to $47 million [$101 million in 2014 and $219 million in 2013].

Costs associated to this plan are recognized in profit or loss as services are provided by the employee.

(b) Employee Termination Benefits

PDVSA's labor force is classified into employee belonging to contractual payroll, who are covered by PDVSA's Employment Collective Contract in force since 2013 through 2015, while the remainder of employees are included in the non-contractual payroll and covered by the relevant laws (see note 37-h).

According to the employment benefits system established by LOTTT on May 7, 2012, PDVSA assessed the financial impact of the new Law on the employees' termination benefit system of all its employees in Venezuela, concluding that the retrospective effect of the employees' termination benefit represents a defined benefit in accordance with IAS 19 *Employee Benefits*; therefore, an actuarial analysis was conducted to determine net liabilities and the corresponding expense, which was based on determining the difference between the projected cumulative termination payment balance at the age the employee might be at the actual retirement date, and the balance obtained from making the retrospective calculation of employees' termination benefits based on the last projected wage at the age the employee might have by the actual retirement date.

A summary of the net liability rollforward related to employee termination benefits follows (in millions of dollars):

	Year ended December 31,								
	2015	2014	2013	2015	2014	2013	2015	2014	2013
	Present value of the obligation			Fair value of plan assets			Present value of the obligation, net		
Balance at January 1	**2,072**	**1,890**	**2,208**	**-**	**-**	**-**	**2,072**	**1,890**	**2,208**
Included in comprehensive income for the period:									
Current service cost	106	882	127	-	-	-	106	882	127
Past service cost	-	58	1	-	-	-	-	58	1
Finance costs	53	191	217	-	-	-	53	191	217
Effect of exchange rate variation	(1,834)	(820)	(697)	-	-	-	(1,834)	(820)	(697)
	(1,675)	311	(352)	-	-	-	(1,675)	311	(352)
Included in other comprehensive income:									
Actuarial (gain) loss:									
Financial hypothesis	(209)	(39)	491	-	-	-	(209)	(39)	491
Experience adjustment (1)	316	-	-	-	-	-	316	-	-
	107	(39)	491	-	-	-	107	(39)	491
Other:									
Benefits paid by the Company	(16)	(90)	(457)	16	90	457	-	-	-
Contributions made by the Company	-	-	-	(16)	(90)	(457)	(16)	(90)	(457)
Reclassification to liabilities associated to assets held for disposal	(23)	-	-	-	-	-	(23)	-	-
	(39)	(90)	(457)	-	-	-	(39)	(90)	(457)
Balance at December 31	**465**	**2,072**	**1,890**	**-**	**-**	**-**	**465**	**2,072**	**1,890**

(1) Disaggregated data in the actuarial analysis for 2015. Data was not disaggregated in 2014 and 2013 due to impracticability.

The actuarial assumptions used are as follows:

	Year ended December 31,		
	2015	2014	2013
		%	
Venezuela:	(1)	(2)	(2)
Discount rate	4.00	34.53	32.05
Salary increase rate	-	30.00	28.00
Inflation rate	N/A	30.00	28.00

(1) Inflation assumptions (real).

(2) Inflation assumptions (nominal).

During the fiscal year ended December 31, 2015, the Company prospectively modified its actuarial assumptions from nominal terms to real terms in order to realize the actuarial valuation, considering the recommendations of IAS 19 for economies like the Venezuelan economy where cumulative inflation for three consecutive years exceeds 100% (hyperinflation), as these are more reliable data, since they reduce the risk of distensions in the present value of the obligation due to the effects of inflation (see note 23-c).

(c) Pension Plans and Other Post-employment Benefits

Most Venezuelan and foreign subsidiaries have pension plans and other benefits in place, covering employees and eligible former employees (retirees). These plans, among other conditions, are based on time of service, age and salary.

According to the collective labor contract, PDVSA and most of its Venezuelan subsidiaries have a retirement plan that covers both employees and retired employees. There are pension funds with their respective independent organizations that manage financial assets. The legal framework requires the Board of Director of each pension fund to pursue the best interest of the employees covered by the plan; therefore, they are responsible for establishing certain policies for the fund, including investment, contribution and indexation.

The financing of the pension plan for Venezuelan employees is based on a contribution system, with monthly mandatory contributions based on 3% of the normal salary by the employee and 9% by PDVSA, managed under individual capitalization accounts for each employee.

For employees joining PDVSA after October 1, 2000, a pension benefit is granted equivalent to the accumulated balance in the individual capitalization account at the time of retirement. If required, PDVSA will make additional contributions to assure the minimum payment of the pension benefit, according to the contractual plan.

For employees that joined PDVSA before September 30, 2000, the calculation of the pension benefit takes into account the greater of (a) the pension amount obtained based on the cumulative 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 (see note 37-h).

In relation to these retirement plans, the Company does not maintain any financing agreement affecting future contributions to the plan.

In addition to retirement pension plans, PDVSA grants health and dental care plans, funeral insurance and electronic cards for food. These benefits are funded by PDVSA on the cash method basis.

On June 27, 2012, a collective labor contract effective until September 2013 was entered into; this Contract introduces wage and social benefit improvements for employees included in the contractual payroll in Venezuela. In February 2014, the collective labor contract was renewed with retroactive effect since October 1, 2013 (see note 37-h).

Until April 2, 2013, CITGO sponsored three qualified defined contribution retirement and savings plans covering substantially all eligible salaried and hourly employees. From April 2013, one retirement and defined contribution savings plan was merged into the two remaining qualified plans. As of April 2, 2013, one retirement and defined contribution savings plan was merged into the two remaining qualified plans. During the year ended on December 31, 2015, CITGO recognized expenses for $26 million [$25 million in 2014 and $24 million in 2013], as expense for its contribution to those plans.

Regarding the retirement plan, CITGO grants three qualified noncontributory defined benefits retirement plans, two of those to cover eligible workers hours' regime and one covering salaried eligible employees. Likewise, CITGO sponsors two unskilled plans with defined benefit retirement for certain eligible employees.

In addition to pension plans, CITGO also provides certain postretirement life insurance and health insurance benefits for eligible salaried and hourly employees at retirement. These benefits are subject to deductibles, copayment and other limitations and are funded on a pay-as-you-go basis. CITGO reserves the right to modify or terminate these benefits at any time. CITGO changed the postretirement benefit plan, for retirees older than 65 years of age, effective January 1, 2013. As a result of the change, eligible retired employees older than 65 years of age and their eligible spouses will receive a subsidy, which will be deposited in a retired employee reimbursement account intended to purchase an individual coverage of a selected health insurance provider. Individuals under 65 years of age depending on eligible retired employees older than 65 years of age will continue to receive the corresponding benefits through the benefit plans for salaried and hourly employees.

The pension plans and other retirement post-employment plans are summarized below (in millions of dollars):

	December 31,					
	2015	**2014**	**2013**	**2015**	**2014**	**2013**
	Pension plans			**Other post-employment benefits**		
Present value of the obligation	3,909	3,464	6,782	7,183	12,721	12,429
Fair value of plan assets	(3,333)	(3,931)	(3,428)	(1)	(1)	(1)
Present value of (assets) obligation, net	**576**	**(467)**	**3,354**	**7,182**	**12,720**	**12,428**

A summary of changes in net liabilities (assets) for pension plans follows (in millions of dollars):

	Year ended December 31,								
	2015	2014	2013	2015	2014	2013	2015	2014	2013
	Present value of the obligation			Fair value of plan assets			Present value of the obligation, net		
Balance at January 1	**3,464**	**6,782**	**5,967**	**(3,931)**	**(3,428)**	**(3,564)**	**(467)**	**3,354**	**2,403**
Included in comprehensive income for the period:									
Current service costs	48	83	120	-	-	-	48	83	120
Finance costs	207	768	738	(37)	(42)	-	170	726	738
Expected return on plan assets	-	-	-	(214)	(321)	(521)	(214)	(321)	(521)
Effect of exchange rate variation in the currency of presentation	(2,485)	(3,536)	(1,378)	2,792	1,620	909	307	(1,916)	(469)
	(2,230)	(2,685)	(520)	2,541	1,257	388	311	(1,428)	(132)
Included in other comprehensive income:									
Actuarial (gain) loss:									
Financial hypotheses	667	(479)	1,622	(384)	(1,443)	257	283	(1,922)	1,879
Experience adjustment (1)	2,147	-	-	(1,238)	-	-	909	-	-
	2,814	(479)	1,622	(1,622)	(1,443)	257	1,192	(1,922)	1,879
Others:									
Benefits paid by the Company	(141)	(154)	(287)	135	154	287	(6)	-	-
Contributions paid by the Company	-	-	-	(369)	(365)	(693)	(369)	(365)	(693)
Contributions paid by employees	-	-	-	(87)	(106)	(103)	(87)	(106)	(103)
	(141)	(154)	(287)	(321)	(317)	(509)	(462)	(471)	(796)
Balance at December 31	**3,909**	**3,464**	**6,782**	**(3,333)**	**(3,931)**	**(3,428)**	**576**	**(467)**	**3,354**

Disaggregated data in the actuarial analysis for 2015. Data was not disaggregated in 2014 and 2013 due to impracticability.

A summary of the pension plan assets portfolio follows (in million of dollars):

	December 31,		
	2015	**2014**	**2013**
Fixed rate interest instruments	(3,219)	(3,755)	(2,881)
Mixed rate interest instruments	(81)	(80)	(212)
Cash and cash equivalents	(13)	(2)	(22)
Other	(20)	(94)	(313)
Total	**(3,333)**	**(3,931)**	**(3,428)**

A detail of the instrument composition of the portfolio of pension plan assets specified for the year ended December 31, 2015 follows (in million of dollars):

Fixed rate interest instruments:	
Promissory notes	(2,990)
Bonds and other investments	(229)
	(3,219)
Mixed rate interest instruments:	
Managed portfolios	(79)
Bonds	(2)
	(81)
Cash and cash equivalents	(13)
Other	(20)
Total	**(3,333)**

The Administrative Board of PDVSA’s pension funds led a conservative investment strategy for 2015, which mainly regarded the acquisition of fixed-income financial instruments, allowing to obtain favorable returns based on a technical rate increased to 10%.

At December 31, 2015, in the portfolio of pension plan assets, promissory notes issued by PDVSA and maintained are measured at their fair value and do not represent financial risk of the administration of the pension funds because the interest generated by such instruments has been paid periodically and accounts for short-term investments.

The instruments comprised in the portfolio of pension plan assets are listed on active markets, except for the promissory notes and elements included under others, with the latter corresponding mainly to real state.

A summary of changes in net liabilities for other post-employment benefits follows (in millions of dollars):

	Year ended December 31,								
	2015	2014	2013	2015	2014	2013	2015	2014	2013
	Present value of the obligation			Fair value of plan assets			Present value of the obligation, net		
Balance at January 1	**12,721**	**12,429**	**10,197**	**(1)**	**(1)**	**(1)**	**12,720**	**12,428**	**10,196**
Included in comprehensive income for the period:									
Current service costs	159	131	221	-	-	-	159	131	221
Finance costs	9	5,765	183	-	-	-	9	5,765	183
Expected return on plan assets	1,098	1,521	1,394	-	-	-	1,098	1,521	1,394
Effect of exchange rate variation in the currency of presentation	(10,414)	(7,486)	(3,135)	-	-	-	(10,414)	(7,486)	(3,135)
	(9,148)	(69)	(1,337)		-	-	(9,148)	(69)	(1,337)
Included in other comprehensive income:									
Actuarial (gain) loss:									
Financial hypotheses	(180)	571	3,911	-	-	-	(180)	571	3,911
Experience adjustment (1)	3,879	-	-	-	-	-	3,879	-	-
	3,699	571	3,911	-	-	-	3,699	571	3,911
Others:									
Benefits paid by the Company	(89)	(210)	(342)	89	(210)	(342)	-	(420)	(684)
Contributions paid by the Company	-	-	-	(89)	210	342	(89)	210	342
	(89)	(210)	(342)	-	-	-	(89)	(210)	(342)
Balance at December 31	**7,183**	**12,721**	**12,429**	**(1)**	**(1)**	**(1)**	**7,182**	**12,720**	**12,428**

(1) Disaggregated data in the actuarial analysis for 2015. Data was not disaggregated in 2014 and 2013 due to impracticability.

During the year ended December 31, 2015, actuarial losses for employees' benefits, pension plans and other post-employment benefits amounted to $4,998 million [gains for $1,390 million in 2014 and losses for $3,824 million in 2013]. They are recorded under other consolidated income, net of deferred income tax.

Actuarial Assumptions and Trends

The actuarial assumptions used are comprised as follows:

	Year ended on December 31,					
	2015	2014	2013	2015	2014	2013
	Pension plans			Other post-employment benefits		
	Percentage					
Venezuela:	(1)	(2)	(2)	(1)	(2)	(2)
Discount rate	4.00	34.53	32.05	4.00	34.53	32.05
Wage increase rate	-	30.00	28.00	-	30.00	28.00
Minimum pension increase rate	-	30.00	28.00	-	-	-
Medical inflation rate	-	-	-	2.00	34.50	32.20
Inflation rate	N/A	30.00	28.00	-	30.00	28.00
Food inflation rate	N/A	-	-	3.00	38.69	35.48
Estimated return rate on plan assets	4.00	22.27	25.30	-	-	-
Abroad:						
Discount rate	4.37	4.33	5.31	4.19	4.22	5.18
Wage increase rate	3.97	3.96	3.93	3.89	3.89	3.89
Estimated return rate on plan assets	5.27	5.27	5.23	-	-	-

(1) Inflation assumptions (real). Applicable only in Venezuela.

(2) Inflation assumptions (nominal).

An update of the assumptions at December 31, 2015 is referred to in note 23-b.

The assumptions relating to future mortality rate, from year 2013, are based on statistics and mortality charts elaborated by the Society of Actuaries in conformity with market experiences, which presents distinctions by gender, according to which the average life expectancy in Venezuela of a retired person aged 60 is 21 years for men and 25 years for women. Until 2012, for these premises, PDVSA's own statistics and mortality charts were used, according to which this expectation is 23 years for both. Overseas, each country use mortality rate indexes pursuant to their current laws according to the type of post-employment benefits granted in each country.

The long-term expected rate of return on plan assets for pension plans and other post-employment benefits is 4% in Venezuela and 5.27% abroad. The return is based exclusively on the expected return on investments made by PDVSA in external funds to finance future pensions according to the post-employment plan. This rate is determined based on the entire investment portfolio.

PDVSA expects to pay its retirees about $234 million as benefits pension plans and other benefits during 2016.

Trends in the discount rate have an effect on the amounts reported. A changed in the assumed percentage of this rate at December 31, 2015, considering that other actuarial assumptions are being held constant, would have the following effects (in millions of dollars):

	One percentage point of	
	increase	**decrease**
Discount rate:		
Service costs during the period plus financial expense	4,359	6,728
Present value of the obligation	7,847	11,917
Future salaries and pension plans:		
Service costs during the period plus financial expense	155	39
Present value of the obligation	3,103	2,159
Future medical expenses:		
Service costs during the period plus financial expense	1,600	1,025
Present value of the obligation	2,115	1,386
Future dental expenses:		
Service costs during the period plus financial expense	0.07	0.04
Present value of the obligation	0.09	0.06
Future funerary expenses:		
Service costs during the period plus financial expense	71	46
Present value of the obligation	98	64
Future food expenses:		
Service costs during the period plus financial expense	5,070	3,136
Present value of the obligation	6,624	4,195

The methodology used to prepare this sensitivity analysis was that set forth by IAS 19 for the determination of the current value of the defined benefit obligation, on the basis of the projected credit unit method using a variation criterion of 1% by excess and by default on the premises considered for the 2015 actuarial valuation.

(24) Provisions

See the accounting policy in note 39-s

Provisions are summarized below (in millions of dollars):

	Notes	December 31, 2015	2014	2013
Assets retirement obligations		1,470	1,846	4,438
Litigation and other claims	11 - 31-c	334	916	983
Environmental issues	31-d	494	702	924
		2,298	3,464	6,345
Less current portion		225	606	788
Non-current portion		**2,073**	**2,858**	**5,557**

A summary of changes in provisions during 2015 follows (in millions of dollars):

	Assets retirement obligation	Litigations and other claims	Environmental issues	Total
Balances at December 31, 2014	**1,846**	**916**	**702**	**3,464**
Increases	197	130	264	591
Payments and reversals	(573) (1)	(24)	(27)	(624)
Effect on income by the change in the exchange rate	-	(688)	(445)	(1,133)
Balances at December 31, 2015	**1,470**	**334**	**494**	**2,298**
Less current portion	-	147	78	225
Non-current portion	**1,470**	**187**	**416**	**2,073**

(1) During the year ended December 31, 2015, reversals are included for $706 million [$2,694 million in 2014 and $580 million in 2013].

(25) Accrued and Other Liabilities

Accrued and other liabilities are summarized below (in millions of dollars):

	Notes	December 31, 2015	2014	2013
Payable to related parties	33	8,454	7,438	14,937
Payable to contractors		3,322	8,006	10,749
Withholdings and contributions payable	33	1,395	2,827	2,579
Production tax and other taxes payable	33	1,194	1,933	3,386
Withholdings for the Fund Negra Matea		258	850	1,442
Payable to employees		432	890	1,356
Advances received from customers		5,516	5,533	1,066
Payable from legal matters		-	-	644
Payable from asset acquisitions	14	77	252	362
Interest payable	22	385	184	605
VAT	33	277	264	450
Payable to non-controlling interests		4	4	4
Payable from purchase of subsidiaries		-	-	133
Dividends payable on non-controlling interests	21	2,520	1,484	2,544
Deferred income from China - Venezuela Joint Fund	30	1,232	-	-
Other		25	2,248	2,053
		25,091	31,913	42,310
Less current portion		18,414	17,033	24,839
Non-current portion		**6,677**	**14,880**	**17,471**

At December 31, 2014, the Company reclassified $4,688 million from non-current portion to current portion of accruals and other liabilities, to maintain consistency with judgments and estimates considered at 31 December 2015.

Accounts Payable to Related Entities

Promissory notes with the BCV

At December 31, 2015, accounts payable to related entities include $6,650 million [$6,251 million in 2014 and $13,483 million in 2013], corresponding to promissory notes issued in favor of the BCV.

During year 2014, PDVSA issued promissory notes for $4,186 million with expiration dates between 2016 and 2022 and annual interest rates of 0.51%, payable upon maturity.

Bolivarian Republic of Venezuela

In 2007, PDVSA has received from the stockholder, the net assets of the previous association conventions of the Orinoco Oil Belt Hugo Chávez Frías and the conventions of exploration, to risk and profit sharing which were decided not to migrate to mixed company, recognizing in this transaction a net liability with the stockholder at 31 December 2015, for $391 million [$391 million in 2014 and $466 million in 2013], which is included under accounts payable to related entities; this obligation has no due date set and lor does not generate interest.

Other Transactions with Related Entities

At 31 December 2015, accounts payable relating to promissory notes with the Administering Civil Association of Pension Funds of Retirees of Petróleos de Venezuela, S.A. amounted to $1,052 million [$437 million in 2014 and $618 million in 2013] in the short term and with a 9.50% performance.

Advances Received from Customers

During 2015, PDVSA does not received advances from customers. During 2014, the subsidiary PDVSA Petróleo entered into agreements with TNK Trading International S.A., subsidiary of Rosneft Oil Company, for the implementation of operations for the sale of crude oil and products, which establishes an advance payment of $4,000 million, in accordance with the following terms:

- Delivery time of crude oil and products for the cancellation of the prepayment: five years.
- Initial deliveries to amortize the first payment: two years from the date the advance was received.
- Rate of interest: LIBOR plus 6% annual (first year); LIBOR plus 4% annual (following years).
- PDVSA Petróleo will be forced to pay certain dividends pending on behalf of the mixed company, Petroperijá, S.A., PetroMonagas S.A., and Boquerón, S.A. to DZO HOLDINGS B.V. (subsidiary of Rosneft Oil Company), which will be subject to the laws of the Republic.

(26) Financial Instruments

(a) Financial Risks Management

PDVSA is exposed to the following risks arising from financial instruments:

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

This note presents information about PDVSA's exposure to each of the above risks, PDVSA's objectives, policies and procedures for measuring and managing risks and PDVSA's management of capital.

PDVSA's Board of Directors is responsible for establishing and overseeing PDVSA's risk management process. In the strategic planning and budget processes, the impact of business risks are estimated to obtain a comprehensive understanding of their impact on PDVSA.

Risk management policies are established to identify and analyze the risks faced by PDVSA, to set appropriate risk limits and controls, and to monitor risks and adherence to limits. Risk management policies and systems are reviewed regularly to reflect changes in market conditions and PDVSA's activities.

i) Credit Risk

The risk of financial loss PDVSA faces if a customer or counterparty to a financial instrument fails to meet its contractual obligations. It arises mainly from sales of crude oil and products, recoverable value-added tax, restricted cash, as well as cash and cash equivalents. For the purpose of mitigating credit risk:

- Accounts receivable from transactions with the stockholder are considered risk-free instruments (see notes 15 and 18).
- Notes and accounts receivable are distributed throughout a broad and reliable global customer portfolio and their financial position is assessed periodically. As a result of this assessment, an allowance for impairment is recognized in the consolidated financial statements (see note 18).
- Recoverable value-added tax constitutes a vested right of PDVSA, based on the Venezuelan legislation and recovery is deemed highly likely because these are risk-free instruments (see notes 13-1 and 33).
- Restricted cash corresponds to trusts, letters of credit, liquidity accounts placed on various financial institutions and oil companies selected by PDVSA, in order to diversify credit risk related to them (see note 16).
- Cash and cash equivalents comprised instruments placed on various financial institutions selected by PDVSA, with a view to diversify the associated credit risk (see note 39-p).

Exposure to Credit Risk

The carrying amounts of financial assets represent the maximum credit risk exposure, and a summary follows (in millions of dollars):

		December 31,		
	Notes	**2015**	**2014**	**2013**
Non-current accounts receivable	15	4,819	7,001	7,810
Recoverable value-added tax	13-1	490	2,903	7,907
Restricted cash	16	930	1,576	1,554
Notes and accounts receivable	18	18,206	24,357	36,020
Cash and cash equivalents		5,821	7,911	9,133
Total		**30,266**	**43,748**	**62,424**

The maximum credit risk exposure for notes and accounts receivable by geographic region follows (in millions of dollars):

		December 31,		
	Notes	**2015**	**2014**	**2013**
Central America and the Caribbean		2,113	3,909	3,260
South America		397	767	1,346
Europe		1,575	1,575	1,481
Total non-current portion	**15**	**4,085**	**6,251**	**6,087**
Venezuela		11,559	14,457	28,024
United States of America and Canada		2,081	3,100	4,078
Central America and the Caribbean		2,919	4,348	1,057
Asia		414	616	830
South America		201	299	401
Europe		1,032	1,537	1,630
Total current portion	**18**	**18,206**	**24,357**	**36,020**

The maximum exposure to credit risk for accounts receivable per type of customer follows (in millions of dollars):

		December 31,		
	Notes	**2015**	**2014**	**2013**
Energy agreements		4,085	6,251	6,087
Total non-current portion	**15**	**4,085**	**6,251**	**6,087**
Trade		7,069	9,518	8,874
Energy agreements		143	105	141
Total current portion	**18**	**7,212**	**9,623**	**9,015**

Impairment

The aging of current notes and accounts receivable follows (in millions of dollars):

		December 31,		
	Notes	**2015**	**2014**	**2013**
Less than 30 days		3,904	4,840	4,817
From 31 to 180 days		1,519	2,238	2,001
From 181 days to one year		804	2,006	1,660
More than one year		985	539	537
		7,212	**9,623**	**9,015**
Less allowance for doubtful accounts	18	535	539	537
Total		**6,677**	**9,084**	**8,478**

The maximum exposure to credit risk is concentrated on trade accounts receivable. PDVSA estimates the allowance for doubtful accounts receivable based on the aging of the balances and on the results of the assessments of the customer portfolio.

The changes in the allowance for doubtful accounts follow (in millions of dollars):

		Year ended December 31,		
	Notes	**2015**	**2014**	**2013**
Balances at January 1		539	537	507
Impairment loss recognised		-	2	30
Reclassification of assets held for disposal		(4)	-	-
Balances at December 31	**18**	**535**	**539**	**537**

Based on historical delay interest index, PDVSA's management believes that an allowance for doubtful accounts is not required for current notes and ccounts receivable or for those aged less than one year. Notes and accounts receivable are distributed throughout an extensive and reliable customer portfolio worldwide.

ii) Liquidity Risk

The risk that PDVSA will encounter difficulties in meeting its financial obligations as these become due. PDVSA's approach to managing liquidity is to assure, to the greatest extent possible, that it will always have sufficient liquidity to meet its obligations when due, both under normal and stressed conditions, without incurring unacceptable losses or risking damage to PDVSA's reputation.

As a fundamental policy, PDVSA assures it has enough cash available to meet its obligations, including payment of its financial obligations; this excludes the possible impact of extreme circumstances that cannot reasonably be predicted, such as natural disasters. Furthermore, PDVSA maintains credit facilities that are also available to meet cash requirements. At December 31, 2015, PDVSA has funds available for $1,871 million of unused credit facilities (see note 22).

The contractual maturities of financial liabilities, including estimated interest payments and excluding the impact of netting agreements are presented below (in millions of dollars):

		December 31, 2015						
	Notes	**Carrying amount**	**Contractual cash flows**	**6 months or less**	**6 to 12 months**	**1 to 2 years**	**2 to 5 years**	**More than 5 years**
Non-derivative financial liabilities:								
Financial debt	22	43,240	65,735	4,014	6,023	13,287	16,078	26,333
Financial leases liabilities	22	476	633	45	44	179	162	203
Total debt		43,716	66,368	4,059	6,067	13,466	16,240	26,536
Other liabilities (included in accrued and other liabilities) (1)	25	17,628	17,628	11,604	984	1,120	3,569	351
Payable to related parties	33	10	10	10	-	-	-	-
Trade payable		19,042	19,042	19,042	-	-	-	-
Derivative financial liabilities:								
Future exchange contracts:								
Capital outflows		15	15	14	1	-	-	-
Capital inflows		(14)	(14)	(13)	(1)	-	-	-
Total financial liabilities		**80,397**	**103,049**	**34,716**	**7,051**	**14,586**	**19,809**	**26,887**

(1) Includes accounts payable to related parties, accruals payable to contractors, production tax and other taxes payable, withholding and contributions payable, accounts payable to non-controlling interest, accounts payable for purchase of subsidiaries, accounts payable from assets acquisition, interest payable, VAT and dividends payable on non-controlling interest.

		December 31, 2014						
	Notes	**Carrying amount**	**Contractual cash flows**	**6 months or less**	**6 to 12 months**	**1 to 2 years**	**2 to 5 years**	**More than 5 years**
Non-derivative financial liabilities:								
Financial debt	22	45,211	69,583	2,862	6,376	18,167	11,456	30,722
Financial leases liabilities	22	525	717	45	45	176	197	254
Total debt		45,736	70,300	2,907	6,421	18,343	11,653	30,976
Other liabilities (included in accrued and other liabilities) (1)	25	22,392	22,392	16,385	2,444	-	3,269	294
Payable to related parties	33	18	18	18	-	-	-	-
Trade payable		20,837	20,837	20,837	-	-	-	-
Derivative financial liabilities:								
Future exchange contracts:								
Capital outflows		42	165	123	38	4	-	-
Capital inflows		(42)	(78)	(78)	-	-	-	-
Total financial liabilities		**88,983**	**113,634**	**40,192**	**8,903**	**18,347**	**14,922**	**31,270**

(1) Includes accounts payable to related parties, accruals payable to contractors, production tax and other taxes payable, withholding and contributions payable, accounts payable to non-controlling interest, accounts payable for purchase of subsidiaries, accounts payable from assets acquisition, interest payable, VAT and dividends payable on non-controlling interest.

		December 31, 2013						
	Notes	**Carrying amount**	**Contractual cash flows**	**6 months or less**	**6 to 12 months**	**1 to 2 years**	**2 to 5 years**	**More than 5 years**
Non-derivative financial liabilities:								
Financial debt	22	42,810	65,000	4,128	6,165	15,896	15,313	23,498
Financial leases liabilities	22	574	808	45	46	176	176	365
Total debt		43,384	65,808	4,173	6,211	16,072	15,489	23,863
Other liabilities (included in accrued and other liabilities) (1)	25	36,393	36,393	20,592	6,267	-	9,534	-
Payable to related parties	33	15	15	15	-	-	-	-
Trade payable		21,389	21,389	21,389	-	-	-	-
Derivative financial liabilities:								
Future exchange contracts:								
Capital outflows		4	186	176	7	3	-	-
Capital inflows		(3)	(202)	(202)	-	-	-	-
Total financial liabilities		**101,182**	**123,589**	**46,143**	**12,485**	**16,075**	**25,023**	**23,863**

(1) Includes accounts payable to related parties, accruals payable to contractors, production tax and other taxes payable, withholding and contributions payable, accounts payable to non-controlling interest, accounts payable for purchase of subsidiaries, accounts payable from assets acquisition, interest payable, VAT and dividends payable on non-controlling interest.

iii) Market Risk

The risk that changes in market conditions, such as foreign exchange rates, interest rates will affect PDVSA's income or the value of the financial instruments. The objective of market risk management is to manage and control exposures to this risk within fair parameters and, at the same time optimizing return.

The subsidiary CITGO uses derivative financial instruments to manage market risks. At December 31, 2015, 2014 and 2013, and for the years then ended, PDVSA has not classified derivatives as hedging instruments for operations in Venezuela (see note 39-n).

PDVSA is exposed to exchange risk on sales, purchases, assets and liabilities in currency other than the functional currencies of PDVSA's entities. Foreign currency transactions are primarily denominated in bolivars, and PDVSA's policy is to manage the net monetary assets and liabilities position in such currency, in order to reduce the possible impact on PDVSA due to exchange rate variations in respect of the functional currency (see notes 39-b and 36-a).

Foreign Currency Risk

The monetary assets and liabilities denominated in currencies other than the functional currency, which are translated to U.S. dollars at the exchange rate in effect at the date of the consolidated statement of financial position follow (in millions of dollars):

	December 31,		
	2015	**2014**	**2013**
Monetary assets:			
Bolivars	26,894	31,234	65,423
Euros	2,754	3,967	3,028
Other currencies	-	154	154
	29,648	**35,355**	**68,605**
Monetary liabilities:			
Bolivars	40,062	54,687	87,041
Yens	110	124	158
Other currencies	29	46	73
	40,201	**54,857**	**87,272**
Net monetary liability position	**(10,553)**	**(19,502)**	**(18,667)**

The exchange rates with respect to U.S. dollar at the reporting date and the average annual exchange rates are detailed in note 39-b.

Foreign Exchange Sensitivity Analysis

A possible strengthening (weakening) of the bolivar in respect to the dollar, at the date of the consolidated financial statements, might have affected proportionally the measurement of financial instruments in foreign currency, as well as the equity and profit or loss before income tax, in the amounts presented below. This analysis assumes that all the other variables are kept constant, and does not consider the impact of the sales and the forecasted purchases (in millions of dollars):

	December 31,	
	Strengthening (5%)	**Weakening (5%)**
Net monetary liability position in foreign currency (bolivars)	12,510	13,826
Net monetary asset position in foreign currency (euros)	(2,623)	(2,899)
Net monetary liability position in foreign currency (yen)	105	116

Interest Rate Risk

An analysis per type of interest rate on financial instruments of PDVSA is as follows (in millions of dollars):

		December 31,		
	Notes	**2015**	**2014**	**2013**
Fixed rate instruments -				
Time deposit		647	734	1,267
Financial debt	22	(33,927)	(37,384)	(37,282)
Accounts payable to related parties	25	(8,454)	(7,438)	(14,937)
		(41,734)	(44,088)	(50,952)
Variable rate instruments -				
Financial debt	22	(9,789)	(8,352)	(6,102)
Total		**(51,523)**	**(52,440)**	**(57,054)**

Fair Value Sensitivity Analysis for Fixed Rate Instruments

A change in fixed interest rates would not affect PDVSA's consolidated statement of comprehensive income, since the Company does not account for fixed rate financial assets and liabilities using the fair value hedge accounting model, and it has not designated derivatives as hedging instruments.

Cash Flow Sensitivity Analysis for Long-Term Debt at Variable Rates

A change in one percent in the interest rate at the reporting date of the consolidated financial statements would have increased (decreased) in profit or loss before income tax by the amounts shown below. This analysis assumes that all other variables remain constant and is performed using the same bases as in 2014 and 2013 (in millions of dollars):

	Results	
	Increase by one percent	**Decrease by one percent**
December 31, 2015 -		
Financial debt	68	(54)
December 31, 2014 -		
Financial debt	64	(63)
December 31, 2013 -		
Financial debt	73	(76)

iv) Capital Management

As the Venezuelan national oil and gas company, PDVSA's approach to maintaining its equity consists of safeguarding the Company's ability to continue as a going concern, for it to continue to drive the country's development and comprehensive transformation. Equity consists of share capital, accumulated income, stockholders additional contribution, and non-controlling interest.

PDVSA's has progressively strengthened its equity position, through management decisions that are based on changes in economic conditions and operating risks characteristics. To strengthen its capital structure, PDVSA considers strategies for dividend payments, the creation or transfer of reserves and the sale of assets.

(b) Classification and Fair Value of Financial Instruments

Fair values of financial assets and liabilities, together with carrying values presented in consolidated statements of financial position are as follows (in millions of dollars):

		Carrying value				Fair value [2]		
	Notes	**Designated at fair value**	**Loans and accounts receivable**	**Other financial liabilities**	**Total**	**Level 1 [2]**	**Level 2 [2]**	**Total**
December 31, 2015 -								
Non-current accounts receivable	15	-	4,819	-	4,819	-	-	-
Recoverable value-added tax	13	490	-	-	490	-	490	490
Notes and accounts receivable	18	-	18,206	-	18,206	-	-	-
Derivative assets (included in prepaid expenses and						-		
other assets)	19	21	-	-	21	-	21	21
Restricted cash	16	-	930	-	930	-	-	-
Trading securities (included in prepaid expenses and						-		
other assets)	19	44	-	-	44	-	44	44
Cash and cash equivalents		-	5,821	-	5,821	-	-	-
Financial debt	22	-	-	(43,716)	(43,716)	(11,893)	(13,312)	(25,205)
Trade payable		-	-	(19,052)	(19,052)	-	-	-
Other liabilities (included in accrued and other liabilities)[1]	25	-	-	(17,628)	(17,628)	-	-	-
Derivative liabilities (included in accrued and other liabilities)	25	(15)	-	-	(15)	(6)	(9)	(15)
December 31, 2014 -								
Non-current accounts receivable	15	-	7,001	-	7,001	-	-	-
Recoverable value-added tax	13	2,903	-	-	2,903	-	2,903	2,903
Notes and accounts receivable	18	-	24,357	-	24,357	-	-	-
Derivative assets (included in prepaid expenses and								
other assets)	19	62	-	-	62	-	62	62
Restricted cash	16	-	1,576	-	1,576	-	-	-
Trading securities (included in prepaid expenses and								
other assets)	19	50	-	-	50	-	50	50
Investments at cost	15	-	10	-	10	-	-	-
Cash and cash equivalents		-	7,911	-	7,911	-	-	-
Financial debt	22	-	-	(45,736)	(45,736)	(2,973)	(24,506)	(27,479)
Trade payable		-	-	(20,855)	(20,855)	-	-	-
Other liabilities (included in accrued and other liabilities)[1]	25	-	-	(22,392)	(22,392)	-	-	-
Derivative liabilities (included in accrued and other liabilities)	25	(41)	-	-	(41)	(26)	(15)	(41)
December 31, 2013 -								
Non-current accounts receivable	15	698	7,112	-	7,810	-	698	698
Recoverable value-added tax	13	7,907	-	-	7,907	-	7,907	7,907
Notes and accounts receivable	18	-	36,020	-	36,020	-	-	-
Derivative assets (included in prepaid expenses								
and other assets)	19	3	-	-	3	-	3	3
Restricted cash	16	-	1,554	-	1,554	-	-	-
Trading securities (included in prepaid expenses								
and other assets)	19	70	-	-	70	-	70	70
Investments at cost	15	-	10	-	10	-	-	-
Cash and cash equivalents		-	9,133	-	9,133	-	-	-
Financial debt	22	-	-	(43,384)	(43,384)	-	(37,931)	(37,931)
Trade payable		-	-	(21,404)	(21,404)	-	-	-
Other liabilities (included in accrued and other liabilities) [1]	25	-	-	(32,843)	(32,843)	-	-	-
Derivative liabilities (included in accrued and other liabilities)	25	(15)	-	-	(15)	-	(15)	(15)

(1) Includes accounts payable to related parties, accruals payable to contractors, production tax and other taxes payable, withholding and contributions payable, accounts payable to non - controlling interests, accounts payable from assets acquisition, accounts payable from purchase of subsidiaries, interest payable and VAT and Share of non-controlling interests in declared dividends.

(2) PDVSA has no Level 3 financial instruments. (see note 4)

(c) Measurement of Fair Values

The valuation techniques used in measuring level 1 and 2 of fair value, as well as the significant unobservable inputs used are summarized as follows:

Financial instrument measured at fair value -

Type	**Valuation Techniques**	**Significant unobservable inputs**	**Inter-relationship between significant unobservable inputs and fair value measurement**
Recoverable value - added tax	The valuation model considers the present value of expected payments, discounted using a risk-adjusted discount rate for similar instruments payable in the original currency of the transaction. The expected payment is determined considering an expected settlement date of tax credits authorized by the tax administration.	Risk-adjusted discount rate (6,37% in 2015, 9,436% in 2014 and 8,777% in 2013). Based on estimates of discount rates.	The estimated fair value would increase (decrease) if: ▪ New information about approvals or rejections of applications for tax credits by the Venezuelan tax authorities. ▪ Estimates of the settlement date of future tax credits may change the effects on the discounted cash flows. ▪ The discount rate adjusted for risk is lower (higher). Usually, a change in the annual discount rate impacts on the discounted cash flows.
Derivative assets (included in prepaid expenses and other assets)	Fair value at acquisition date.	Not applicable	Not applicable
Trading assets (included in prepaid expenses and other assets)	Market comparison techniques: The fair values are based on quoted prices. Similar contracts are traded in an active market and the prices reflect actual transactions with similar instruments.	Not applicable	Not applicable
Derivative liabilities (included in accruals and other liabilities)	Market comparison techniques: The fair values are based on quoted prices. Similar contracts are traded in an active market and the prices reflect actual transactions with similar instruments.	Not applicable	Not applicable

Financial instrument not measured at fair value -

Type	**Valuation technique**	**Significant unobservable inputs**
Non-current accounts receivable	Amortized cost	Not applicable
Financial debt	Discounted cash flow	Not applicable
Accounts payable to suppliers	Cost	Not applicable
Other liabilities (included in accruals and other liabilities) (1)	Cost	Not applicable

(1) Includes accounts payable to related parties, accruals payable to contractors, production tax and other taxes payable, withholding and contributions payable, accounts payable to non - controlling interests, accounts payable from assets acquisition, accounts payable from purchase of subsidiaries, interest payable and VAT and dividends payable on non-controlling interests.

(27) PDVSA's Entities

The most significant PDVSA's entities include the following:

	Country	Porcentage interest (%)	Main activities
PDVSA Petróleo, S.A.	Venezuela	100	PDVSA Petróleo concentrates most of the country's exploration, production and refining activities for crude oil and products, as well as the trading and supply to the domestic and international markets.
Corporación Venezolana del Petróleo, S.A. (CVP)	Venezuela	100	Manages and administrates the businesses related to PDVSA's oil activities within the national territory in association with domestic or foreign-capital oil companies, which conduct crude oil exploration, production, upgrading and trading activities at the Orinoco Oil Belt "Hugo Chávez Frías" and the exploration and production of crude oil in traditional areas.
PDVSA Gas, S.A.	Venezuela	100	Exploration and exploitation of non-associated gas and extraction and fractionation of Natural Gas Liquids (NGL) transportation, distribution and sale of methane. Because of its importance, this subsidiary is present in almost all the country.
Bariven, S.A.	Venezuela	100	In charge of the procurement of materials and equipment required for PDVSA's operations, and is also responsible for administrating inventories, warehouses and sale of unused assets.
PDV Marina, S.A. (PDV Marina)	Venezuela	100	In charge of distributing and shipping hydrocarbons and derivatives. This subsidiary was incorporated with a view to becoming PDVSA's shipping company and managing the transportation business of the Venezuelan oil industry.
CITGO Holding, Inc.	Unites States of America	100	PDVSA's main refining and marketing operation in the United States of America is represented by CITGO, which is wholly-owned by CITGO Holding Inc.

On January 9, 2015, in the Official Gazette No. 40,577, the Republic ascribed the subsidiary Bariven to the Corporacion Venezolana de Comercio Exterior, S.A. (CORPOVEX by its Spanish acronym), entering into force as of the above date of publication.

(28) Non-controlling Interests

In December 2013, the Empresa Nacional Aurífera, S.A was incorporated. Subsequent to its incorporation, PDVSA sold 40% of this subsidiary to the BCV for Bs.135,600 million equivalents to $12,000 million (see note 33).

A summary of the information on non-controlling interests prior to the elimination of intercompany transactions follow (in millions of dollars):

	Percentage of participation	December 31, 2015	2014	2013
Non-controlling interests in CVP -	20.67% - 40%			
Financial position:				
Non-current assets		36,558	37,616	34,455
Current assets		73,237	66,035	64,811
Non-current liabilities		(3,179)	(2,231)	(3,093)
Current liabilities		(75,675)	(66,188)	(58,132)
Net assets		**30,941**	**35,232**	**38,041**
Non-controlling interests in CVP		9,876	12,003	10,614
Other non-controlling interests (*)	15%-51%	11,592	10,003	11,609
Total non-controlling interests		**21,468**	**22,006**	**22,223**

(*) Includes the non-controlling interest of PDVSA América, S.A. and PDVSA Industrial, S.A.

	Year ended December 31, 2015	2014	2013
Non-controlling interests in CVP-			
Comprehensive income for the year:			
Revenue	18,149	36,999	41,842
Profit	171	4,650	5,563
Comprehensive income	**171**	**4,650**	**5,563**
Net (loss) profit attributable to non-controlling interests	(1,088)	1,910	1,803
Other non-controlling interests			
Profit (loss) attributable to other non-controlling interests	1,929	(222)	(222)
Total net profit attributable to non-controlling interests	**841**	**1,688**	**1,581**
Net cash provided from operating activities	7,310	8,868	9,880
Net cash used in investing activities	(7,580)	(7,203)	(4,352)
Net cash used in financing activities	(1,480)	(1,277)	(5,111)
Net (decrease) increase in cash and cash equivalents in CVP	**(1,750)**	**388**	**417**

(29) Operating Leases

See the accounting policy in note 39-t

Future payments for operating leases follow (in millions of dollars):

	December 31, 2015	2014	2013
Maturity -			
Less than one year	344	351	232
From one to five years	1,148	1,536	342
More than five years	668	442	142
Estimated future lease payments	**2,160**	**2,329**	**716**

Operating leases expense incurred in 2015 was approximately $175 million [$220 million in 2014 and $189 million in 2013], corresponding mainly to terminals, buildings and heavy-load vehicles. This cost is included in operating expenses in the consolidated statement of comprehensive income.

(30) Government Grants

See the accounting policy in note 39-h

PDVSA received government grants, through FONDEN, for expenses already incurred into amounting to $5,201 million in 2014 and $5,241 million in 2013, which were recognized as a reduction of the special contribution expenses in the consolidated statements of comprehensive income (see note 12). During the year ended December 31, 2015, PDVSA did not receive government grants for such items.

In 2015, PDVSA received $1,232 million as a grant of the Chinese-Venezuelan Joint Fund Incorporated Fund through BANDES for the acquisition of goods and services under execution regarding oil projects. Such amounts were recognized as deferred income, as part of accruals and other liabilities in the consolidated statement of financial position (see note 25).

(31) Commitments and Contingencies

(a) Guarantees

At December 31, 2015, CITGO maintains a guarantees commitment for $6 million to secure debts of affiliates. The company has not accounted liabilities under this heading.

At December 31, 2015, 2014 and 2013, PDVSA has not recognized liabilities for guarantees due to; historically, claims resulting from guarantees have not been significant.

(b) Agreements with the Organization of the Petroleum Exporting Countries (OPEC)

The Republic is a member of OPEC, an organization whose main purpose is to establish agreements to maintain stable crude oil prices through production quotas (see note 1).

(c) Litigation and Claims

Based on the analysis of the available information, at December 31, 2015, an estimate of $334 million has been included under provisions (see note 24). Although it is not possible to anticipate the outcome of these matters, management, based in part on advice of its legal attorneys, does not believe that it is probable that losses associated with the legal proceedings indicated above, that exceed amounts already recognized, will generate significant amounts that would be material to PDVSA's financial position or the results of its operations.

At December 31, 2015, PDVSA is involved in other claims and legal actions in the normal course of its operations for $127 million. The companies Conoco Phillips Petrozuata B.A. and Phillips Petroleum Company Venezuela Limited filed a lawsuit against PDVSA, corresponding to the Petrozuata and Hamaca projects. It was submitted to the International Court of Arbitration of the International Chamber of Commerce of Paris, France, and the trial is in initial phase. In the opinion of management and theirs attorneys, the outcome of these claims will not have a materially adverse effect on PDVSA's financial position, operational results or liquidity.

(d) Compliance with Environmental Regulations

The majority of PDVSA's subsidiaries, both in Venezuela and abroad, are subject to various environmental laws and regulations which may require significant expenditures to modify facilities and prevent or remedy the environmental impact of waste disposal and spills of pollutants. In the United States of America and Europe, operations are subject to various federal, state and local laws and regulations, which may require companies to take action to remedy or relieve the impact on the environment of early plant decommissioning or spills of pollutants.

PDVSA has invested approximately $3 million to complete the implementation of its Integral Management of Risks (SIR-PDVSA®) system, in compliance with the provisions set forth in the Organic Law on Prevention, Working Conditions and the Work Environment 2005, and the Organic Law on the Office of the Republic's Comptroller General and the National System of Fiscal Control. Additionally, PDVSA has an investment plan to comply with environmental regulations in Venezuela, whereby a total of $230 million was executed in environmental soundness projects, as well as $175 million to manage investments related to occupational hygiene in 2015. CITGO estimates investments of approximately $247 million for projects regulating environmental risks from 2015 and 2019. In addition, as at 31 December 2015, 2014 and 2013, provisions are held to cover costs to remediate environmental issues (see note 24).

In addition and as part of its environmental responsibility, PDVSA has designed a plan for environmental remediation and restoration in relation to obligations generated until 2004. This plan consider the remediation of pits and out-of-specification mud and crude oil, hazardous materials and waste, facilities, abandoned equipment and equipment to be dismantled, areas impacted by oil-related activities and radioactive sources. Based on the analysis of detailed information available, PDVSA estimated and recognized its obligation relating to remediation and restoration of the environment, as operating expenses in the consolidated statement of comprehensive income during the year ended 2015 of $494 million (see note 24).

CITGO has received various notices of violation from the Environmental Protection Agency (EPA) in United State of America and other regulatory agencies, which include notices under the United States of America's Federal Clean Air Act, and could be designated as a potentially responsible parties (PRP) jointly with other companies with respect to sites under the Comprehensive Environmental Response, Compensation, and Liability Act (CERCLA). These notices are being reviewed and, in some cases, remediation action is being taken. CITGO is committed to negotiate agreements with the previously mentioned authorities.

Conditions that require additional expenditures at various sites may exist, including, but not limited to, PDVSA's operating complexes, service stations and crude oil and petroleum storage terminals. Management believes that these matters, in the normal course of business, will not have a material effect on the consolidated financial position, liquidity or operations of PDVSA.

(32) Research Case

In December 2015, the Office for the Southern District of Texas, Division of Houston, in the United States of America, submitted an indictment against representatives of certain contractors and suppliers of PDVSA for certain violations of the laws against corruption and against money laundering, among other charges, in connection with international contracts for the procurement of goods and related services entered into with a subsidiary of PDVSA during the period between 2009 and 2014. Additionally, certain former workers of a foreign subsidiary of PDVSA were accused of the same offenses. All the accused parties pleaded guilty to the charges on different procedural occasions between the end of 2015 and June 2016.

PDVSA's Audit Committee discussed this matter and instructed its Committee of Inquiry and Control to initiate a thorough investigation into these facts. This Committee is a component of support to the Audit Committee whose purpose is to intervene in situations where there is evidence of infringement or weakening of the internal control over the business processes that could result in errors, omissions or fraud, as well as to act and promote actions aimed at detecting, investigating, preventing and mitigating irregular practices and behavior; and any circumstances resulting in inefficiencies and other adverse effects to the equity of PDVSA. This Committee of Inquiry and Control comprises the following PDVSA officials: the Executive Director of Internal Audit, the Executive Director of Budget and Control, the Legal Consultant and the Corporate Manager for Prevention and Loss Control.

The Committee of Inquiry and Control initiated a review of these events through the venues of control of the Company and, additionally, contracted external internationally-renowned fraud, accounting and law specialists to conduct an independent investigation for the period between 2009 and 2015, considering, among other matters, the following:

- Identifying the internal controls that were violated and the manner in which that happened.
- Identifying the modalities and behavioral patterns associated with the foregoing violation of internal controls, including those described in the indictment of December 2015.
- Evaluating whether these breaches of internal controls were widespread or were just limited to certain transactions or individuals.
- Identifying possible irregular acts that could have been carried out by officials or suppliers of the Company, as well as the possible perpetrators of such irregular acts.
- Determining the effect of such irregular acts on the PDVSA's consolidated financial statements.
- Identifying mechanisms for the redressing of possible damages to property.

PDVSA does not tolerate acts of corruption and will continue to investigate and acting with the purpose of determining responsibility for the facts identified.

To prevent situations like these from re-occurring, the Company has implemented, among others, the following actions:

- Strengthening the design and implementation of certain internal controls related to compliance with the Venezuelan and international laws applicable to the activities of the Company.
- Establishing new procedures and controls in the internal process of payment to suppliers.
- Proactively blocking certain entities that are in PDVSA's auxiliary log of contractors and that exhibit certain evidence that may relate them to the entities and individuals under investigation.
- Creating an entity for the verification and driving of the processes of inquiry and review of all providers of goods and related services.
- Updating and improving the code of ethics, including the development and implementation of a section referring to commercial conduct.

The investigation is under way, and it has allowed so far to identify issues such as:

- Confirming that the Company has been a victim of fraud in international processes for the procurement of goods and related services.
- Identifying the modalities through which the fraud was carried out, as well as the violations of internal controls that allowed for this situation to occur.
- Identifying certain persons of interest who might have some liability regarding the facts or who could contribute to achieving the objectives of enquiries.
- Determining signs that have allowed for isolate transactions to be affected by fraud from the rest of the transactions related to the international procurement of goods and related services. This has provided basis to consider that, to this date and in the current stage of the inquiry, these irregular facts are not widespread in all transactions related to the international procurement of goods and related services that is carried out through one of the Company's subsidiaries.

Due to the impracticality to determine the periods and additional amounts for possible surcharges incurred into by the Company as the result of fraud, PDVSA developed a methodology to estimate the potential impact on its consolidated financial statements as at December 31, 2015, and for the year then ended. Based on this methodology, and in consideration of the progress of the investigation and the issues identified to date, there is no material effect on these consolidated financial statements. This methodology comprised the following:

- Identifying PDVSA's contractors and suppliers allegedly involved in the irregularities under investigation, as well as any other entity or individual related to these companies.
- Taking into account the information of December 2015 accusation and the progress of this inquiry, the period between 2009 and 2014 was identified to be the affected period. Likewise, 2015 was also included, as it is the year corresponding to the most recent consolidated financial statements.
- Identifying the contracts signed with the aforementioned entities, including during the aforesaid period.
- Identifying payments related to the aforementioned entities.
- Determining an average percentage of surcharge on the total value of the constracts affected, based on information from December 2015 accusation and matters identified through enquiries to date. This percentage was used to estimate the potential impacts on the total amount of contracts identified.

The investigation will continue in order to identify all those parties responsible for these acts, to clarify the possible effects on Company´s equity and to exercise future legal actions. As the inquiry progresses and establishes liabilities, the Company will take the necessary legal actions under the Venezuelan law and other applicable laws, including the submission of complaints and accusations to punish the responsible parties and filing civil claims and seizing property as a way of compensation for the damage suffered.

PDVSA and its external specialists have estimated that the investigation will be extended for a while, and that it might require changes in its scope as the investigation progresses. As a result thereof, such investigation is subject to a series of uncertainties which possible effects on the results of operations and the consolidated financial position of PDVSA cannot be currently determined with sufficient accuracy.

(33) Related Parties

PDVSA considers as related parties its Stockholder, its equity-accounted investees, the Company´s directors and executives and their relatives, employee retirement fund, companies owned by the Stockholder and other government institutions. PDVSA as the national oil company owned by the Bolivarian Republic of Venezuela, and according to its social purposes and specific responsibilities, performs significant transactions with its Stockholder, government institutions and other related entities, resulting in significant effects on the consolidated financial statements. These transactions mainly relate to:

- Management support in agreements and contracts signed by the Republic and the compliance with the obligations deriving thereof by supplying crude oil and products (see notes 7 and 33-b).
- Contributions for social development and to FONDEN (see note 12).
- Fiscal obligations, including production tax and taxes (see note 13).
- Financial and investment operations with the BCV and financial institutions of the Republic (see note 25).
- Government grants (see note 30).

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

		Year ended December 31,		
	Notes	**2015**	**2014**	**2013**
Activities of the year:				
Sales:				
Companies owned by the Stockholder and other government institutions		(47)	(1,186)	(314)
Equity-accounted investees		(901)	(1,919)	(1,686)
Costs and expenses:				
Purchases of crude oil and products, net		88	189	169
Other operating, selling, administrative and general expenses:		112	306	224
Production, extraction and other taxes	13	6,294	13,466	19,262
Other expenses, net:				
Legal contributions and others	11 - 36	395	1,882	840
Contributions for social development:				
Contributions for social development	12	8,215	2,015	7,829
Contributions to FONDEN	12	974	8,507	10,435
Goverment grant received through FONDEN	12	-	(5,201)	(5,241)
Estimated income tax expense in Venezuela	13	2,539	9,250	11,997
Deferred tax benefit in Venezuela	13	(6,719)	(4,563)	(5,157)

	Notes	December 31, 2015	2014	2013
Year-end balances:				
Buildlings used by government entities	15	56	56	119
Recoverable valued - added tax	13 - l	490	2,903	7,907
Funds for execution of social development projects	16	242	614	526
Income tax paid in excess	19	732	347	101
Special contributions advances	19	1,903	1,904	565
Income tax payable in Venezuela	13	3,085	9,114	9,668
Accrued and other liabilities -				
Payable to related parties	25	8,454	7,438	14,937
Withholdings and contributions payable	25	1,395	2,827	2,579
Production and other taxes payable	25	1,194	1,933	3,386
VAT	25	277	264	450
Accounts payable		10	18	15
Notes and accounts receivable:				
Equity-accounted investees		707	714	1,642
Stockholder, companies owned by the Stockholder and other government and other government institutions	15 - 18	10,077	11,155	26,043
		10,784	11,869	27,685
Less current portion	18	10,327	11,571	26,760
Non-current portion	**15**	**457**	**298**	**925**

(a) Balances and Transactions with the Stockholder

During the year ended December 31, 2015, production tax was paid in cash to the Republic amounting to $1,037 million [$9,250 million in 2014 and $11,637 million in 2013].

During the year ended December 31, 2015, PDVSA delivered crude oil and products totaling 185 TBPD [255 TBPD in 2014 and 302 TBPD in 2013], within the framework of the Energy Cooperation Agreements (see note 7-b), of this oil and products delivered 61 TBPD, with a value of $108 million, [86 TBPD with a value of $2,251 million in 2013 and 116 TBPD with a value of $3,214 million in 2013], represent 50% of the long-term financed portion subject to offsetting and deposited in a trust funds of these agreements (see notes 13-g, 15 and 18).

During the year ended December 31, 2015, PDVSA delivered crude oil and products of 579 TBPD with a value of $8,371 million [472 TBPD with a value of $14,371 million in 2014 and 485 TBPD, with a value of $16,559 million in 2013], under the Supply Agreement entered into with the People's Republic of China (see note 7-b). Collections on the volumes delivered by PDVSA are received by BANDES to guarantee compliance with the commitments accorded by the Bolivarian Republic of Venezuela with respect to such agreement and any remaining amounts are transferred to PDVSA as collection of accounts receivable from the stockholder. During the year ended December 31, 2015, BANDES transferred to PDVSA $2,950 million [$8,123 million in 2014 and $9,640 million in 2013] corresponding to collections received.

(b) Stockholder, Companies Owned by the Stockholder and Other Government Institutions

During the years ended December 31, 2015, 2014 and 2013, PDVSA made sales to companies owned by the Stockholder and other government institutions, as summarized below (in millions of dollars):

	Year ended December 31, 2015	2014	2013
Corporación Eléctrica Nacional, S.A. (CORPOELEC by its Spanish acronym)	8	83	76
Petroquímica de Venezuela, S.A. (PEQUIVEN by its Spanish acronym)	22	733	133
Corporación Venezolana de Guayana	3	35	34
Fertilizantes Nitrogenados de Venezuela, C.E.C. (Fertinitro by its Spanish acronym)	10	300	41
Others	4	35	30
Total	**47**	**1,186**	**314**

Notes and accounts receivable from the Stockholder, companies owned by the Stockholder and other government institutions include (in millions of dollars):

	December 31,		
	2015	**2014**	**2013**
Bolivarian Republic of Venezuela	7,691	7,978	18,991
CORPOELEC	304	1,032	2,857
Fondo Simón Bolívar para la Reconstrucción, S.A.	64	47	-
PEQUIVEN	777	801	2,055
Corporación Venezolana de Guayana	102	291	901
BANDES	90	90	90
Civil Associacion Administradora de los Fondos de Pensiones de los Jubilados de Petróleos de Venezuela, S.A.	7	225	913
Others	1,042	691	236
Total	**10,077**	**11,155**	**26,043**

Accounts receivable from the Republic are mainly originated from sales of crude oil and products on behalf of the Republic under contracts and agreements signed with governments of other countries (see note 7-b).

In November 2014, PDVSA sold to BCV investment certificates for $2,400 million, recognizing gains for $2,102 million, due to the difference between the carrying amount and the selling value of those instruments.

(c) Balances and Transactions with Equity-accounted Investees

During the years ended December 31, 2015, 2014 and 2013, PDVSA made sales to equity-accounted investees which are summarized below (in millions of dollars):

	Year ended December 31,		
	2015	**2014**	**2013**
Nynas AB	405	1,263	7,326
Chalmette Refining	272	223	323
Mount Vernon Phenol Plant Partnership (Mt Vernon)	224	433	
Total	**901**	**1,919**	**7,649**

Notes and accounts receivable from equity-accounted investees comprise the following (in millions of dollars):

	December 31,		
	2015	**2014**	**2013**
Hovensa L.L.C.	-	-	4,398
Chalmette Refining	565	549	4,102
CV Shipping Ltd.	105	102	636
TCP Petcoke Corporation	9	28	151
Mount Vernon Phenol Plant Partnership (Mt. Vernon)	28	35	378
Petrojam Limited	-	-	680
Total	**707**	**714**	**10,345**

(d) Balances and Transactions with Key Management Personnel

During 2015, compensation paid by PDVSA to its directors for salaries and social security were approximately $0.21 million [$0.74 million in 2014 and $1.63 million in 2013].

In addition to salaries and social security contributions, PDVSA grants non-monetary benefits to its directors, as well as employee benefits and post-employment benefits. Under the terms of internal regulations of PDVSA, directors have the same rights as all other employees, with respect to eligibility for retirement plan and post-employment benefits other than pension plans. At December 31, 2015, liabilities recognized in this regard are approximately $1.62 million [$1.37 million in 2014 and $1,93 million in 2013] (see note 23-c).

Certain directors of PDVSA hold key positions in other related parties, and some of their powers include influencing the operating and financial policies of those companies.

Transactions with related parties during the years ended December 31, 2015, 2014 and 2013, do not necessarily indicate the results that would have been obtained from these transactions it has been made with third parties.

(34) Information on Crude Oil and Natural Gas Liquids (NGL) Production, Refining and Exports

The following tables show information on crude oil and natural gas liquids (NGL), production, refining and exports based on sub - ledgers of PDVSA and production reports verified by the Ministry (in TBPD):

	Year ended December 31,		
	2015	**2014**	**2013**
Oil and NGL production (per geographic area):			
Eastern division	837	903	965
Western division	707	750	776
Orinoco Oil Belt Hugo Chávez Frías	1,319	1,246	1,274
Total production (1)	**2,863**	**2,899**	**3,015**
Refining capacity (unaudited):			
Domestic sector (2)	1,303	1,303	1,303
International sector (3)	1,427	1,519	1,519
Total refining capacity	**2,730**	**2,822**	**2,822**
Crude oil volume processed in refineries (unaudited):			
Domestic sector	863	920	952
International sector	956	1,018	991
Total crude oil volume processed in refineries	**1,819**	**1,938**	**1,943**
Own exports:			
Crude oil	1,950	1,897	1,935
Products	475	460	490
Total exports (4)	**2,425**	**2,357**	**2,425**

(1) Includes crude oil condensate from plant for 4 TBPD [6 TBPD in 2014 to 5 TBPD in 2013] and includes LGN for 117 TBPD [114 TBPD in 2014 and 117TBPD in 2013].

(2) Includes domestic sector refineries Paraguana Refining Complex - CRP (Amuay, Cardon and Bajo Grande), El Palito, Puerto La Cruz and San Roque.

(3) Includes the aliquot corresponding to PDVSA refineries on the international sector, as well as its 100% interest in Isla, Lake Charles, Lemont and Corpus Christi refineries.

(4) For 2015, it includes sales made within the brammework of Energy Corporation Agreements and Foint Agreement Chinese/Venezuelan Incorporation Fund, delivered as the agreements between the Republic and the countries of these agreements (see note 7-b).

(34) Financial Information of Domestic and International Sectors

A consolidated summary of PDVSA's financial information by sectors and activities is presented below, in compliance with Article 20 of the Hydrocarbons Organic Law (in millions of dollars):

	Year ended December 31, 2015							
	Domestic Sector							
	Exploration and production	Gas	Refining trade, supply and others	Eliminations [1]	Total Domestic Sector [2]	International Sector	Eliminations and reclassifications [3]	Consolidated
Revenue:								
Sales of crude oil, products and other	39,917	207	2,563	(215)	42,472	28,209	(15,342)	55,339
Finance income	12,226	12,674	(7,802)	-	17,098	(268)	-	16,830
	52,143	**12,881**	**(5,239)**	**(215)**	**59,570**	**27,941**	**(15,342)**	**72,169**
Costs and expenses:								
Purchases of crude oil and products, net	11,123	529	2,656	(215)	14,093	24,214	(15,342)	22,965
Operating, selling, administrative and general expenses	13,348	854	366		14,568	2,318	(58)	16,828
Exploration expenses	50	-	-		50	-		50
Depreciation and amortization	6,192	778	1,381		8,351	644		8,995
Production, extraction and other taxes	5,665	13	616		6,294	-		6,294
Finance cost	960	-	990		1,950	443		2,393
Other expenses, net	3,246	340	323		3,909	19	58	3,986
	40,584	2,514	6,332	(215)	49,215	27,638	(15,342)	61,511
Profit (loss) before contributions for social development and income tax	**11,559**	**10,367**	**(11,571)**	**-**	**10,355**	**303**	**-**	**10,658**
Contributions for social development	974	-	8,162	-	9,136	53	-	9,189
Profit (loss) before income tax	**10,585**	**10,367**	**(19,733)**	**-**	**1,219**	**250**	**-**	**1,469**
Income tax:								
Current tax expense	1,603	204	732	-	2,539	633	-	3,172
Deferred tax benefit	(1,634)	(102)	(4,983)	-	(6,719)	(170)	-	(6,889)
	(31)	102	(4,251)	-	(4,180)	463	-	(3,717)
Discontinued operations [4]								
Profit from discontinued operations, net of tax	-	-	1,825	-	1,825	334		2,159
Profit (loss) net	**10,616**	**10,265**	**(13,657)**	**-**	**7,224**	**121**	**-**	**7,345**
Other comprehensive income:								
Items that will not be reclassified to profit or loss -								
Remeasurements of benefit liability, net of tax	(4,067)	-	(874)	-	(4,941)	(57)	-	(4,998)
Items that are or may be reclassified subsequently to profit or loss -								
Foreign operations - foreing currency translation differences	-	-	241	-	241	-	-	241
Other comprehensive income, net of tax	**(4,067)**	**-**	**(633)**	**-**	**(4,700)**	**(57)**	**-**	**(4,757)**
Total comprehensive income (loss)	**6,549**	**10,265**	**(14,290)**	**-**	**2,524**	**64**	**-**	**2,588**

(1) Represents eliminations of sales, purchases and costs among activities.

(2) The domestic sector mainly consists of the following subsidiaries: PDVSA Gas, PDVSA Petróleo, CVP and PDV Marina., S.A.

(3) Represents eliminations and reclassifications of sales, purchases and other between domestic and international sectors for consolidation purposes.

(4) See notes 6 and 39-c.

	Year ended December 31, 2014 (Restated) (4)							
	Domestic Sector							
	Exploration and production	Gas	Refining trade, supply and others	Eliminations (1)	Total Domestic Sector (2)	International Sector	Eliminations and reclassifications (3)	Consolidated
Revenue:								
Sales of crude oil, products and other	94,566	3,259	11,406	(27,489)	81,742	45,693	(25,883)	101,552
Finance income	5,508	-	14,823	-	20,331	12	-	20,343
	100,074	**3,259**	**26,229**	**(27,489)**	**102,073**	**45,705**	**(25,883)**	**121,895**
Costs and expenses:								
Purchases of crude oil and products, net	30,771	1,451	16,134	(27,489)	20,867	42,236	(25,837)	37,266
Operating, selling, administrative and general expenses	19,097	3,237	2,387		24,721	2,725	(46)	27,400
Exploration expenses	69	-	7		76	-		76
Depreciation and amortization	5,807	641	970		7,418	620		8,038
Production, extraction and other taxes	13,171	255	40		13,466	-		13,466
Finance cost	1,999	-	1,885		3,884	181		4,065
Other expenses, net	1,923	170	8,222		10,315	(369)		9,946
	72,837	5,754	29,645	(27,489)	80,747	45,393	(25,883)	100,257
Profit (loss) before contributions for social development and income tax	**27,237**	**(2,495)**	**(3,416)**	**-**	**21,326**	**312**	**-**	**21,638**
Contributions for social development	3,303	3	1,970	-	5,276	45	-	5,321
Profit (loss) before income tax	**23,934**	**(2,498)**	**(5,386)**	**-**	**16,050**	**267**	**-**	**16,317**
Income tax:								
Current tax expense	2,151	502	6,598		9,251	464		9,715
Deferred tax (benefit) expense	10,085	(106)	(14,545)		(4,566)	(43)		(4,609)
	12,236	396	(7,947)	-	4,685	421	-	5,106
Discontinued operations (4)								
Profit (loss) from discontinued operations, net of tax			(1,530)		(1,530)	(607)		(2,137)
Profit (loss) net	**11,698**	**(2,894)**	**1,031**	**-**	**9,835**	**(761)**	**-**	**9,074**
Other comprehensive income:								
Items that will not be reclassified to profit or loss -								
Remeasurements of benefit liability, net of tax	1,060		330		1,390		-	1,390
Items that are or may be reclassified subsequently to profit or loss -								
Foreign operations - foreign currency translation differences			2,001		2,001	-	-	2,001
Other comprehensive (loss) income, net of tax	**1,060**	**-**	**2,331**	**-**	**3,391**	**-**	**-**	**3,391**
Total comprehensive income (loss)	**12,758**	**(2,894)**	**3,362**	**-**	**13,226**	**(761)**	**-**	**12,465**

(1) Represents eliminations of sales, purchases and costs among activities.

(2) The domestic sector mainly consists of the following subsidiaries: PDVSA Gas, PDVSA Petróleo, CVP and PDV Marina, S.A.

(3) Represents eliminations and reclassifications of sales, purchases and other between domestic and international sectors for consolidation purposes.

(4) See notes 6 and 39-c.

	December 31, 2015						
	Domestic Sector						
	Exploration and production	Gas	Refining, trade, supply and others	Total Domestic sector [(1)]	International Sector	Eliminations and reclassifications [(2)]	Consolidated
Assets							
Property, plant and equipment	87,300	20,484	14,140	121,924	5,109	-	127,033
Deferred tax assets	5,691	650	7,161	13,502	(19)	-	13,483
Accounts receivable and other assets	2,439	118	3,446	6,003	7,760	(7,365)	6,398
Recoverable value-added tax	472	92	(74)	490	-	-	490
Restricted cash	37	-	219	256	348	-	604
Non-current assets	**95,939**	**21,344**	**24,892**	**142,175**	**13,198**	**(7,365)**	**148,008**
Inventories	2,786	943	3,673	7,402	2,274	-	9,676
Notes and accounts receivable	4,441	649	11,888	16,978	1,228	-	18,206
Prepaid expenses and other assets	4,100	604	21,688	26,392	19,333	(38,642)	7,083
Restricted cash	126	-	190	316	10	-	326
Cash and cash equivalents	2,771	10	2,474	5,255	565	-	5,821
Assets held for disposal	-	-	7,012	7,012	5,811	-	12,823
Current assets	**14,224**	**2,206**	**46,925**	**63,355**	**29,221**	**(38,642)**	**53,935**
Total assets	**110,163**	**23,550**	**71,817**	**205,530**	**42,419**	**(46,007)**	**201,943**
Equity	**74,537**	**17,940**	**23,161**	**115,638**	**1,203**	**(25,962)**	**90,879**
Liabilities							
Financial debt	3,286	-	30,489	33,775	3,141	-	36,916
Employee and other post-employment benefits	3,306	(25)	3,805	7,086	770	-	7,856
Deferred tax liabilities	952	574	2,297	3,823	1,027	-	4,850
Provisions	1,651	107	31	1,789	284	-	2,073
Accrued and other liabilities	4,576	886	(18,556)	(13,094)	498	19,273	6,677
Non-current liabilities	**13,771**	**1,542**	**18,066**	**33,379**	**5,720**	**19,273**	**58,372**
Financial debt	-	-	5,771	5,771	1,029	-	6,800
Employee and other post-employment benefits	257	71	39	367	-	-	367
Trade payable	9,259	1,152	6,811	17,222	2,138	(308)	19,052
Income tax payable	1,454	324	1,306	3,084	360	-	3,444
Provisions	123	60	36	219	6	-	225
Accrued and other liabilities	10,762	2,462	15,076	28,300	29,124	(39,010)	18,414
Liabilities related to assets held for disposal	-	-	1,551	1,551	2,839	-	4,390
Current liabilities	**21,855**	**4,069**	**30,590**	**56,514**	**35,496**	**(39,318)**	**52,692**
Total liabilities	**35,626**	**5,610**	**48,656**	**89,892**	**41,216**	**(20,045)**	**111,064**
Total equity and liabilities	**110,163**	**23,550**	**71,817**	**205,530**	**42,419**	**(46,007)**	**201,943**

(1) The domestic sector mainly consists of the following subsidiaries: PDVSA Gas, PDVSA Petróleo, CVP and PDV Marina.

(2) Represents eliminations and reclassifications between domestic and international sectors for consolidation purposes.

	Year ended December 31, 2013 (Restated) [4]							
	Domestic Sector							
	Exploration and production	Gas	Refining trade, supply and others	Eliminations [1]	Total Domestic Sector [2]	International Sector	Eliminations and reclassifications [3]	Consolidated
Revenue:								
Sales of crude oil, products and other	104,715	2,804	18,200	(31,457)	94,262	51,297	(34,840)	110,719
Finance income	5,145	1,620	1,956	-	8,721	595	-	9,316
	109,860	**4,424**	**20,156**	**(31,457)**	**102,983**	**51,892**	**(34,840)**	**120,035**
Costs and expenses:								
Purchases of crude oil and products, net	28,743	1,592	23,719	(31,457)	22,597	48,808	(34,651)	36,754
Operating, selling, administrative and general expenses	17,340	1,688	1,754		20,782	3,099	(148)	23,733
Exploration expenses	140	-	-		140	-		140
Depreciation and amortization	5,518	544	1,437		7,499	597		8,096
Production, extraction and other taxes	18,936	259	67		19,262	-		19,262
Finance cost	796	335	1,582		2,713	167		2,880
Other expenses (income), net	1,363	(131)	2,035		3,267	953	19	4,239
	72,836	4,287	30,594	(31,457)	76,260	53,624	(34,780)	95,104
Profit (loss) before contributions for social development and income tax	**37,024**	**137**	**(10,438)**	**-**	**26,723**	**(1,732)**	**(60)**	**24,931**
Contributions for social development	5,194	51	7,761	-	13,006	17	-	13,023
Profit (loss) before income tax	**31,830**	**86**	**(18,199)**	**-**	**13,717**	**(1,749)**	**(60)**	**11,908**
Income tax:								
Current tax expense	10,656	280	1,070		12,006	295	(21)	12,280
Deferred tax (benefit) expense	(3,447)	(68)	(1,634)		(5,149)	55		(5,094)
	7,209	212	(564)	-	6,857	350	(21)	7,186
Discontinued operations [4]								
Profit (loss) from discontinued operations, net of income tax	-		9,159		9,159	1,954		11,113
Profit (loss) net	**24,621**	**(126)**	**(8,476)**	**-**	**16,019**	**(145)**	**(39)**	**15,835**
Other comprehensive income:								
Items that will not be reclassified to profit or loss -								
Remeasurements of benefits liability, net of tax	(1,717)	(344)	(1,932)	-	(3,993)	169	-	(3,824)
Items that are or may be reclassified subsequently to profit or loss -								
Foreign operations - foreing currency translation differences	-	-	896	-	896	-	-	896
Other comprehensive (loss) income, net of tax	**(1,717)**	**(344)**	**(1,036)**	**-**	**(3,097)**	**169**	**-**	**(2,928)**
Total comprehensive income (loss)	**22,904**	**(470)**	**(9,512)**	**-**	**12,922**	**24**	**(39)**	**12,907**

(1) Represents eliminations of sales, purchases and costs among activities.

(2) The domestic sector mainly consists of the following subsidiaries: PDVSA Gas, PDVSA Petróleo, CVP and PDV Marina, S.A.

(3) Represents eliminations and reclassifications of sales, purchases and others between domestic and international sectors for consolidation purposes.

(4) See notes 6 and 39-c.

	December 31, 2014						
	Domestic Sector						
	Exploration and production	Gas	Refining, trade, supply and others	Total Domestic Sector (1)	International Sector	Eliminations and reclassifications (2)	Consolidated
Assets							
Property, plant and equipment	84,979	20,382	29,445	134,806	6,442		141,248
Deferred tax assets	4,163	957	14,253	19,373	(22)		19,351
Accounts receivable and other assets	3,598	196	6,629	10,423	7,450	(8,200)	9,673
Recoverable value-added tax	-	-	974	974	22		996
Restricted cash	38	-	176	214	70		284
Non-current assets	**92,778**	**21,535**	**51,477**	**165,790**	**13,962**	**(8,200)**	**171,552**
Inventories	1,938	860	5,890	8,688	3,076	-	11,764
Recoverable value-added tax	1,244	628	35	1,907	-	-	1,907
Notes and accounts receivable	6,263	2,874	12,897	22,034	2,408	(85)	24,357
Prepaid expenses and other assets	3,357	1,426	16,099	20,882	10,316	(23,221)	7,977
Restricted cash	847	-	435	1,282	10	-	1,292
Cash and cash equivalents	2,367	27	4,226	6,620	1,291	-	7,911
Current assets	**16,016**	**5,815**	**39,582**	**61,413**	**17,101**	**(23,306)**	**55,208**
Total assets	**108,794**	**27,350**	**91,059**	**227,203**	**31,063**	**(31,506)**	**226,760**
Equity	**50,026**	**20,493**	**14,565**	**85,084**	**3,385**	**1,288**	**89,757**
Liabilities							
Financial debt	20,204	-	17,916	38,120	1,751	-	39,871
Employee and other post-employment benefits	3,816	355	8,453	12,624	355	-	12,979
Deferred tax liabilities	834	-	8,388	9,222	1,467	-	10,689
Provisions	2,518	134	-	2,652	206	-	2,858
Accrued and other liabilities	3,393	139	14,886	18,418	2,486	(6,024)	14,880
Non-current liabilities	**30,765**	**628**	**49,643**	**81,036**	**6,265**	**(6,024)**	**81,277**
Financial debt	2,930	-	2,599	5,529	336	-	5,865
Employee and other post-employment benefits	44	1,527	225	1,796	17	-	1,813
Trade payable	9,521	1,610	7,641	18,772	2,391	(308)	20,855
Income tax payable	4,403	827	3,884	9,114	440	-	9,554
Provisions	295	237	74	606	-	-	606
Accrued and other liabilities	10,810	2,028	12,428	25,266	18,229	(26,462)	17,033
Current liabilities	**28,003**	**6,229**	**26,851**	**61,083**	**21,413**	**(26,770)**	**55,726**
Total liabilities	**58,768**	**6,857**	**76,494**	**142,119**	**27,678**	**(32,794)**	**137,003**
Total equity and liabilities	**108,794**	**27,350**	**91,059**	**227,203**	**31,063**	**(31,506)**	**226,760**

(1) The domestic sector mainly consists of the following subsidiaries: PDVSA Gas, PDVSA Petróleo, CVP and PDV Marina, S.A.

(2) Represents eliminations and reclassifications between domestic and international sectors for consolidation purposes.

	December 31, 2013						
	Domestic Sector						
	Exploration and production	Gas	Refining, trade, supply and others	Total Domestic Sector (1)	International Sector	Eliminations and reclassifications (2)	Consolidated
Assets							
Property, plant and equipment	76,769	16,922	29,533	123,224	6,607	-	129,831
Deferred tax assets	12,177	776	4,269	17,222	-	272	17,494
Accounts receivable and other assets	6,405	179	3,257	9,841	7,731	(6,759)	10,813
Recoverable value-added tax	3,524	-	1,476	5,000	23	-	5,023
Restricted cash	148	-	10	158	69	-	227
Non-current assets	**99,023**	**17,877**	**38,545**	**155,445**	**14,430**	**(6,487)**	**163,388**
Inventories	2,179	802	6,047	9,028	4,726	(791)	12,963
Recoverable value-added tax	2,438	311	135	2,884	-	-	2,884
Notes and accounts receivable	6,854	1,459	25,087	33,400	2,620	-	36,020
Prepaid expenses and other assets	2,708	1,828	12,274	16,810	5,881	(17,286)	5,405
Restricted cash	854	-	473	1,327	-	-	1,327
Cash and cash equivalents	1,503	101	6,144	7,748	1,385	-	9,133
Current assets	**16,536**	**4,501**	**50,160**	**71,197**	**14,612**	**(18,077)**	**67,732**
Total assets	**115,559**	**22,378**	**88,705**	**226,642**	**29,042**	**(24,564)**	**231,120**
Equity	**55,865**	**17,540**	**2,704**	**76,109**	**7,302**	**1,075**	**84,486**
Liabilities							
Financial debt	18,487	-	16,394	34,881	1,472	-	36,353
Employee and other post-employment benefits	10,846	203	5,058	16,107	517	-	16,624
Deferred tax liabilities	1,988	-	1,531	3,519	1,151	733	5,403
Provisions	4,942	302	105	5,349	208	-	5,557
Accrued and other liabilities	2,528	-	22,553	25,081	1,474	(9,084)	17,471
Non-current liabilities	**38,791**	**505**	**45,641**	**84,937**	**4,822**	**(8,351)**	**81,408**
Financial debt	3,043	-	3,720	6,763	268	-	7,031
Employee and other post-employment benefits	23	470	544	1,037	11	-	1,048
Trade payable	6,094	1,871	9,154	17,119	4,593	(308)	21,404
Income tax payable	5,854	351	3,463	9,668	434	14	10,116
Provisions	485	179	124	788	-	-	788
Accrued and other liabilities	5,404	1,462	23,355	30,221	11,612	(16,994)	24,839
Current liabilities	**20,903**	**4,333**	**40,360**	**65,596**	**16,918**	**(17,288)**	**65,226**
Total liabilities	**59,694**	**4,838**	**86,001**	**150,533**	**21,740**	**(25,639)**	**146,634**
Total equity and liabilities	**115,559**	**22,378**	**88,705**	**226,642**	**29,042**	**(24,564)**	**231,120**

(1) The domestic sector mainly consists of the following subsidiaries: PDVSA Gas, PDVSA Petróleo, CVP and PDV Marina, S.A.

(2) Represents eliminations and reclassifications between domestic and international sectors for consolidation purposes.

(36) Laws, Resolutions and Legal Regulations

Laws and Resolutions

(a) Exchange Agreements

The following summarizes the most important foreign exchange agreements for PDVSA:

Exchange Agreement N° 9, Official Gazette N° 39,239, effective date August 11, 2009 -

- The foreign currencies received from the exports of hydrocarbons including the gaseous hydrocarbons and other shall be of obligatory sale to the Central Bank of Venezuela (BCV), except for foreign currencies resulting from the activities carried out by Petróleos de Venezuela, S.A., which will sell the Central Bank of Venezuela only those amounts necessary to attend to the operating and functioning expenses in the country of such company, as well as the tax contributions to which the company is bound in accordance with the Republic's Budget Law. The BCV shall purchase such foreign currencies at the exchange rate set in accordance with the provisions of Article 6 of Foreign Exchange Agreement N° 1 of February 5, 2003.
- PDVSA and subsidiaries cannot keep funds in a currency other than the local currency within the National Territory for more than 48 hours, except for those amounts corresponding to funds placed abroad, for up to a maximum limit to be determined.
- PDVSA and subsidiaries may use the funds referred to in the foregoing article to attend to contracts setting forth obligations of payment in foreign currency only to the extent of the portion of such payment corresponding to its external component.
- PDVSA and subsidiaries shall forward to the BCV detailed information on a monthly basis regarding the flows of foreign currency generated from their activities, as well as their foreign currency asset and liability positions.
- The companies created under the association agreements signed by PDVSA within the framework of the repealed Organic Law Reserving the Hydrocarbon Industry and Trade to the State, the mixed companies referred to in the Hydrocarbons Organic Law and the Gaseous Hydrocarbons Organic Law, as well as the mixed companies formed under the provisions of the Law for the Development of Petrochemical Activities, may maintain foreign exchange accounts in banking or similar institutions, including revenues received, with the purpose of making the payments and disbursements that must be made outside the Bolivarian Republic of Venezuela. This must be monitored by the BCV, which will enact a corresponding regulation. The rest of the foreign currencies shall be of obligatory sale to the BCV at the exchanged rate set in accordance with Article 6 of Exchange Agreement N° 1 of February 5, 2003.

Exchange Agreement N° 14, Official Gazette N° 40,108, effective date February 9, 2013:

- Bs.6.2842 for purchases and Bs.6.30 for sales.

Exchange Agreement N° 24, Official Gazette N° 40,324, effective date December 30, 2013:

- Establishes that the purchases exchange rate applicable to PDVSA for the sale of foreign currency obtained from activities or operations other than export and/or sales of hydrocarbons shall be the same as the exchange rate resulting from the last foreign currency allocation through the Supplementary Foreign Exchange System (SICAD), reduced in 0.25%. The same exchange rate shall be applicable to the sale of foreign currency of service companies belonging to the National Petroleum Industrial Conglomerate, companies selling foreign currency from mining exports and foreign currency managed or received by the People's Savings Fund.
- Companies mentioned above must transfer foreign currencies to PDVSA to be sold to BCV on their behalf. The selling exchange rate applicable to the transactions described above shall be equal to the exchange rate resulting from the last foreign currency allocation through SICAD.
- This exchange rate will also be applicable to gold purchase transactions by the BCV and will be applicable to the recognition of the assets and foreign currency represented by exploration rights transferred to PDVSA, as well as other intangible assets and liabilities in foreign currency of the gold sector companies.

Exchange Agreement N° 27, Official Gazette N° 40,368, effective date March 14, 2014:

- With this agreement, an Alternative Currency Exchange System (SICAD II), administered by the BCV and the People's Ministry of Economy, Finance and Public Banking was set forth, which was then repealed by Exchange Agreement N° 34. However, an Official Notice of the BCV set forth as follows: "The general public is reassured that, for the purposes of operations involving the purchase and sale of foreign currency, as well as for compliance with those obligations that, in accordance with foreign exchange regulations, may be applicable to the official exchange rate set forth in Article 14 of Exchange Agreement N° 27 of March 10, 2014, the exchange rate corresponding to the last session held in the Alternative Currency Exchange System (SICAD II), published on the BCV website will continue to be used as a benchmark until another rate is determined, with this being informed through the mechanisms that are deemed appropriate. An equal exchange rate shall apply to the obligations set forth in Exchange Agreement N° 33 of February 10, 2015, which exchange rate benchmark is that set forth in Article 24 of the aforesaid instrument, until any of the foreign currency market thereby governed, which allows for the disclosure of a new exchange rate that will be applied to such obligations, is put into force".

Exchange Agreement N° 28, Official Gazette N° 40,378, effective date April 4, 2014 (partially repealed):

- Establishes that the purchase exchange rate applicable to PDVSA for the sale of foreign currencies received from financing, financial instruments, capital contributions in cash, asset sales, dividends received, debt collection, provision of services and any other sources, coming from activities or transactions other than from the export and/or sale of hydrocarbons, will be equal to the exchange rate resulting from the last foreign exchange allocation made through the Alternative Currency Exchange System (SICAD II) that applies to the date of the relevant transaction, reduced in 0.25%.

- Foreign currencies generated by service companies that are part of the National Petroleum Industrial Conglomerate and currencies managed or received by the People's Savings Fund referred in the Decree with Rank, Value and Force of Law of the National Savings Fund of the Working Class and People's Savings Fund and those that are intended for private investments by companies in the oil, gas and petrochemical sectors, may be sold through SICAD II.

Exchange Agreement N° 30, Official Gazette N° 40,504, effective date September 24, 2014:

- Establishes that the settlement of foreign currency sales transactions made by PDVSA to the BCV to be delivered in bolivars to the FONDEN for the special contributions referred to in the Law on Partial Reform of the Decree N° 8,807 with the Decree-Law Creating the Special Contribution for Extraordinary Prices and Exorbitant Prices in the International Hydrocarbons Market, published in Official Gazette N° 40,114 of February 20, 2013 shall be made at any of the official exchange rates agreed to under the exchange agreements in effect at the time of payment of this contribution.

Exchange Agreement N° 32, Official Gazette N° 6,167, effective date December 30, 2014:

- Establishes that the settlement of foreign currency sales transactions made by PDVSA to the BCV from financing, financial instruments and the collection of debts, export and/or hydrocarbons sales activities or transactions conducted within the framework of Energy Cooperation Agreements shall be made at any of the official exchange rates agreed to under the exchange agreements in effect.

Exchange Agreement N° 33, Official Gazette N° 6,171 of February 10, 2015:

Defines the regulations governing foreign exchange transactions in the national financial system, denominated the "Marginal Foreign Exchange System" (SIMADI for its Spanish acronym), through which banking institutions, foreign exchange agents, securities dealers and the "Bolsa de Valores Bicentenaria" (Bicentenary Public Stock Exchange) act as exchange intermediaries in any of the markets for foreign currencies and securities in foreign currency, whether currently existing or to be developed in the future. With respect to this agreement:

- Universal banks may manage, among the various buyers, the flows of foreign currency provided by sellers, on the terms established in Chapter II of the aforementioned exchange agreement.

- Universal banks and foreign exchange agents may execute transactions as intermediaries specialized in retail foreign currency transactions only with individuals.

- Authorized securities dealers and universal banks, as well as the "Bolsa de Valores Bicentenaria" (Bicentenary Public Stock Exchange) are authorized as operators to trade in local currency, securities in foreign currencies issued or to be issued by the Republic, its decentralized entities or any other entity, public or private, domestic or foreign, that are traded in regulated international markets.

On February 10, 2015 the National Executive and the BCV informed, by official notices:

- Operator institutions authorized to act through SICAD II, as well as the general public, that starting February 12, 2015, foreign currency purchase and sale transactions in cash or instruments in foreign currency would not be processed through the aforementioned system.
- Operator institutions would have to continue with the appropriate processes for the settlement of negociated balances, in accordance with customers' instructions and pursuant to SICAD II up to and including February 11, 2015.
- The general public is reassured that, for the purposes of operations involving the purchase and sale of foreign currency, as well as for compliance with those obligations that, in accordance with foreign exchange regulations, may be applicable to the official exchange rate set forth in Article 14 of Exchange Agreement N° 27 of March 10, 2014, the exchange rate corresponding to the last session held in the Alternative Currency Exchange System (SICAD II), published on the BCV website, will continue to be used as a benchmark until another rate is determined, and informed through the mechanisms deemed appropriate.
- The amounts that apply to the transactions contemplated in Exchange Agreement N° 33 to foreign exchange operators and the public in general: a) minimum of US$3,000 or transactions involving exchanging foreign currencies for local currency, b) maximum amounts of the foreign currency sales transactions that foreign exchange companies can execute for individuals and c) a minimum of US$300 per person for retail foreign exchange transactions.

Consequently, as of February 12, 2015, three legal mechanisms for the purchase-sale of foreign currencies are in effect in Venezuela, each one with its own definitions and restrictions, which may be summarized as follows:

- Through the National Foreign Trade Center (CENCOEX, for its Spanish acronym), which is expected to be used for imports for the food and health sector, which exchange rate will be Bs.6.30 per US$1.
- SICAD, based on which the BCV invites some sectors to participate in auctions. The exchange rate for the last auction, which took place on September 24, 2014, was Bs.12 per US$1.
- SIMADI through which banking institutions, foreign exchange agent, securities dealers and the "Bolsa de Valores Bicentenaria" (Bicentenary Public Stock Exchange) act as exchange intermediaries in any of the markets for foreign exchange and securities in foreign currency, whether currently existing or to be developed in the future. On February 12, 2015, the first day of activity of this mechanism, the exchange rates were Bs.169.62 per US$1 for purchase and Bs.170.04 per US$1 for sale.

(b) Decree with Rank, Value and Force of Law of the Partial Amendment of the Central Bank of Venezuela Law

On November 19, 2014, Presidential Decree N° 1,419 was published in Extraordinary Official Gazette N° 6,155, containing the the Decree-Law for the Partial Amendment on the Central Bank of Venezuela Law, as reformed by Decree N° 2,179, whereby the Decree with Rank, Value and Force of Organic Reform Law of the Law of the Central Bank of Venezuela, published in the Extraordinary Official Gazette N° 6,211 of December 30, 2015, was enacted.

The aforementioned law sets forth that the foreign currencies obtained by PDVSA from the export of hydrocarbons must be sold at the exchange rate in force at the transaction date. However, foreign currencies necessary to meet foreign currency tax contributions, and to which the subjects authorized to perform these activities are bound are exempted.

Likewise, it sets forth that the BCV, considering the estimates on an adequate level of operating international reserves that may have been set by its Directors, their average during the period, as well as their projected performance for the following term shall transfer to the FONDEN, if applicable, the corresponding surplus, so that it can be used for the financing of investments projects in the economy, education and health sectors, improving the profile and the balance of public debt as well as for attending to special and strategic situations.

(c) Decree with Rank, Value and Force of Organic Law Reserving the State the Exploration and Exploitation Activities of Gold and of other Strategic Minerals

On December 30, 2015, the Decree with Rank, Value and Force on the Organic Law Reserving the State the Exploration and Exploitation Activities of Gold and other Strategic Minerals was published in Extraordinary Official Gazette N° 6.210. This Decree-Law amends the previous Decree-Law Reserving the State the Exploration and Exploitation Activities of Gold dated November 18, 2014, and is intended to govern gold and other strategic minerals exploration and exploitation activities by the Venezuelan State, the promotion and development of such activities, the regime of royalties and special advantages, and the related penalties regime. It also establishes that the activities referred to in this Decree shall only be exercised.

- By the Republic, through the People’s Ministry with jurisdiction in mining matters, public entities, corporations or companies of the Republic’s exclusive property or their subsidiaries, provided that their share capital is entirely owned by them and that these entities have been incorporated for such purpose.
- Mixed company in which the Republic has an interest of no less than 55% of the share capital, provided that they have been incorporated in accordance with the law and duly registered with the Master Mining Register.
- Strategic alliances comprising the Republic and units of production, socio-productive organizations, partnerships and other forms of association permitted by the law and working in small-scale mining activities, provided that they are duly registered on the Master Mining Register and following the authorization of the People’s Ministry with jurisdiction in mining matters.

(d) Decree with Rank, Value and Force of Law Governing the Foreign Exchange System and Crimes

On November 18, 2014, Presidential Decree N° 1,403 was published in the Extraordinary Official Gazette N° 6,150, containing the Decree with Rank, Value and Force of Law Governing the Foreign Exchange System and crimes (Decree Law) with the objective of regulate the terms and conditions on which agencies and entities having jurisdiction over the system for managing foreign currencies exercise the powers that have been conferred on them by the laws and regulations, in accordance with the exchange agreements issued to such effect and the guidelines for the execution of such policy and, in addition, the fundamental parameters for the participation of individuals and legal entities, public and private, in the acquisition of foreign currencies and the situations of fact that constitute crimes in this field and corresponding penalties.

The Decree Law designates PDVSA and other public and private entities as offers of foreign currencies through foreign currency transactions in a new alternative foreign currency exchange market, regulated by the exchange agreements issued for such purpose, without prejudice of access to mechanisms managed by competent authorities for the foreign exchange administration system.

This law was repealed by Decree N° 2,167, whereby the Decree with Rank, Value and Force of Law governing the Foreign Exchange System and crimes, as published in Extraordinary Official Gazette N° 6,210 of December 30, 2015, was enacted. This amendment increases the penalties set forth.

(e) Decree with Rank, Value and Force of Law Amending the Income Tax Law

On November 18, 2014, Presidential Decree N° 1,435 was published in Extraordinary Official Gazette N° 6,152, containing the Decree with Rank, Value and Force of Law Amending the Tax Law, which included several changes. Among the most important changes, it establishes that losses provided by the tax inflation adjustment cannot be carried forward to future fiscal years. In the case of operating losses, they can be carried forward for three subsequent tax periods, only up to 25% of the net enrichment obtained during the current fiscal year. In addition, the recognition of losses relating to property, plant and equipment is established, but only losses resulting from fortuitous deeds or force majeure.

This law was reformed via Decree N° 2.163, whereby the Decree with Rank, Value and Force of Partial Reform Law of the Decree with Rank, Value and Force of Income Tax Law, as published in Extraordinary Official Gazette N° 6,210 of December 30, 2015, was enacted, with the following changes:

- Income shall be deemed to be available from the moment when the transactions generating them are effected, except in credit assignments and discount transactions whose product may be recoverable in several annuities. Therefore, any income resulting from the assignment of real estate or personal property, including those deriving from royalties and similar holdings and from dividends, those produced by the independent exercise of non-commercial professions and the disposal of real estate, shall no longer be considered to be valiant at the moment when theseare paid.

- Liable subjects classified as special subjects by the customs and tax administration shall be excluded from the inflation adjusted system set forth by the Income Tax Law.
- Anything related to rebates shall be suppressed in what pertains to activities and investments.

(f) Certification of Gaseous Hydrocarbon Reserves

Resolution N° 82 of the Ministry was published in Official Gazette N° 40,529 of October 29, 2014, which adds 2,295 million cubic feet of new proved gaseous hydrocarbon reserves, resulting in nation's total proved reserves of gaseous hydrocarbons as of December 31, 2013 of 197,089 million regular cubic feet.

(g) Certification of Hydrocarbon Reserves

Resolution N° 030 of the Ministry was published in Official Gazette N° 40,392 of April 11, 2014, which adds 1.6 million barrels of proved oil reserves, resulting in nation's total proved oil reserves as of December 31, 2013 of 298,353 million barrels.

(h) Presidential Decree Reserving the National Executive Branch, through the Ministry, the Exercise of Nickel Exploration and Exploitation Activities

On October 4, 2013, Presidential Decree N° 455 was published in Official Gazette N° 40,265, which reserves the National Executive Branch, through the Ministry, direct exercise of nickel exploration and exploitation activities, as well as other nickel-related minerals, which are located in the area comprising the former concessions, in the Municipalities of Santos Michelena and Guaicaipuro of Aragua and Miranda States, respectively.

(i) Decree with Rank, Value and Force of Law Creating a Special Tax for Extraordinary Prices and Exorbitant Prices in the International Hydrocarbons Market

On February 20, 2013, the Law Creating a Special Tax for Extraordinary Prices and Exorbitant Prices in the International Hydrocarbons Market was published in Official Gazette N° 40,114. The aforementioned law repeals Decree N° 8,807.

This reform establishes that extraordinary prices are those whose monthly average of international quotations of the basket price of Venezuelan liquid hydrocarbons is higher than the price established in the Budget Law for the particular fiscal year, but less than or equal to $80 per barrel. Exorbitant prices are those prices whose monthly average of international quotations of the Venezuelan liquid hydrocarbons basket exceeds $80 per barrel. With regards to the percentage for extraordinary prices, it was provided that if the monthly average of the international quotations for the basket price of Venezuela's liquid hydrocarbons is greater than the price established in the Budget Law for that particular fiscal year, but less than or equal to $80 per barrel, an aliquot of 20% of the difference between the two prices shall be applied.

The exorbitant price percentage aliquot is created, which is determined according to the following segment:

- When exorbitant prices are higher than $80 per barrel, but lower than $100 per barrel, an aliquot of 80% of the total amount of the difference between the two prices will be applied.
- When exorbitant prices are equal to or higher than $100 per barrel, but lower than $110 per barrel, an aliquot of 90% of the total amount of the difference between the two prices will be applied.
- When exorbitant prices are equal to or higher than $110 per barrel, an aliquot of 95% of the total amount of the difference between the two prices will apply.

Furthermore, the exemptions are ratified in the case of:

- Companies performing activities referred to in Articles 6 and 8 of the Law, related to the implementation of projects involving the new development of reservoirs, as well as the volumes associated with enhanced recovery projects or production remediation projects, declared as such by the Ministry of People's Power for Petroleum and Mining, which agency shall, by resolution, establish the parameters that it will take into account to declare the volumes exempt from this tax to be such.
- Export of volumes in compliance with international agreements for cooperation or financing.

Likewise, a ceiling of $80 per barrel was established as the maximum price for the calculation and payment of royalties, extraction tax and export registration tax as provided for in the Hydrocarbons Organic Law.

This law repeals provisions of the BCV Law, enacted on April 8, 2012 and published in Official Gazette N° 39,419 of May 7, 2010, regulating PDVSA's contribution to FONDEN, as well as any other provision of equal or lower rank that may be inconsistent with the aforementioned law.

(j) Decree of Transfer to PDVSA or a Designated Subsidiary of the Right to Conduct the Contemplated Gold Exploration and Exploitation Activities

In Official Gazette N° 40.109 of February 13, 2013 Presidential Decree N° 9,368 was published, transferring to PDVSA or a designated subsidiary the power to conduct, directly or through a State entity the gold exploration and exploitation activities, as well as any required ancillary activities; the required activities will be carried out in accordance with the principles of sustainable development, conservation of the environment and land use planning, on the technical and economic terms most appropriate for the rational exploitation of the deposits (see note 36-c).

(k) Resolution N° 177 of the Ministry regarding the Delimitation of the Geographical Area Where the Gold Exploration and Exploitation Activities that the State Reserves will be conducted

In Extraordinary Official Gazette N° 6,094, dated December 28, 2012, the Ministry published Resolution N° 177 delimiting the geographical area in which PDVSA or a designated subsidiary will conduct activities contemplated in Article 1 of the Decree with the Rank, Value and Force of Organic Law Reserving the State the Activities of Gold Exploration and Exploitation, as well as those Connected or Auxiliary thereto (see notes 36-c and 36-j).

(l) Decree with Rank, Value and Force of Organic Law on the National Working Class Savings Fund and the People's Savings Fund

In Official Gazette N° 39,915 of May 4, 2012, Presidential Decree No. 8,896 was published, dictating Decree with Rank, Value and Force of Organic Law on the National Working Class Savings Fund and the People's Savings Fund. The objective of the National Working Class Savings Fund is to generate and manage financial and investment instruments, as well as to administer and manage other funding sources necessary to aid with the payment of the State's social benefit debts to employees, as well as promoting national savings through investment mechanisms. To this end, savings banks and funds, workers, companies and the general public will participate, with a view to developing national production sectors. Based on the foregoing, it was decided to incorporate the subsidiary PDVSA Social, S.A., which will have shares in the Mixed Companies transferred from CVP. The dividends generated by these assets will be transferred to the National Savings Fund. Amounts representing 3.33% of the value of liquid hydrocarbons extracted from any reservoir payable by mixed companies as an extraction tax will be transferred to this Fund.

Legal Contributions

(m) Organic Law on Sports, Physical Activities and Physical Education

On August 23, 2011, Official Gazette N° 39,741 was published, containing the Organic Law on Sports, Physical Activities and Physical Education. This law establishes that companies or other private or public organizations performing for-profit economic activities in the country must make a contribution of 1% of their net profits or annual accounting income if is greater than 20,000 Tax Units. This contribution will be made in accordance with the parameters defined in the Regulations to the Law or with those issued by the People's Ministry of Sports. During the year ended December 31, 2015, PDVSA contributed $18 million [$98 million in 2014 and $156 million en 2013], wich include in other expenses, net, in the consolidated statement of comprehensive income (see note 11).

On February 28, 2012, Official Gazette N° 39,872 was published, containing Partial Regulation N° 1 under the Organic Law on Sports, Physical Activities and Physical Education, which establishes the rules for the payment of contributions to the National Fund for the Development of Sports. Payment can be made in legal tender or in a combined manner, with projects charged addressed to the bank of projects of the National Sports Institute. Payment for projects may not exceed 50% of the corresponding contributions. Returns for these contributions must be filed within 120 calendar days subsequent to the fiscal year closing (see note 11).

The rules establish that filing estimated returns is mandatory for taxpayers bound to make this contribution, 190 days subsequent to the fiscal year closing.

(n) Law Amending the Organic Law on Science, Technology and Innovation (LOCTI, for its Spanish acronym)

On November 18, 2014, Extraordinary Official Gazette N° 6,151 was published, containing the Law that Partially Amends the Organic Law on Science, Technology and Innovation (LOCTI for its Spanish acronym). This reform establishes that private or public legal entities, whether domiciled in the Republic or abroad, performing business activities within the national territory will pay, on an annual basis an established percentage of the gross revenues obtained during the previous period, in accordance with the business activity they perform, as follows:

- 2% when the business area is listed under the Law on the Control of Casinos, Bingo Facilities and Slot Machines, as well as any area relating to the industry and trade of ethyl alcohol, alcoholic beverages and tobacco.
- 1% for private companies operating in business areas subject to the Gaseous and Liquid Hydrocarbons Organic Law including mining, its processing and distribution activities.
- 0.5% for state-owned companies if the business activity is listed in the Gaseous and Liquid Hydrocarbons Organic Law and includes mining, processing and distribution.
- 0.5% for any other business activity.

Among the most significant changes in the recent amendment of the law, the following stand out:

- The National Science, Technology and Innovation Fund (FONACIT for its Spanish acronym) will be responsible for the administration, collection, control, monitoring and verification and quantitative and qualitative determination of the contributions for science, technology and innovation and their applications.
- The same aliquots established in the previous law remain in effect, pursuant to the taxpayer's activity, but it specifies that the applicable percentage will be determined on the gross income actually earned in the immediately previous fiscal year, for any activity conducted by the entity.
- "Gross revenues" are defined as revenues, income and flows that tax payers ordinarily, occasionally, or extraordinarily taxpayers earn as a result of any economic activity, provided that they are not obligated to reimburse or return them, without any costs or deductions of any sort.
- In derogative provisions, Number 4 of Article 2 and Article 8 of the Partial Regulations under the Organic Law on Science, Technology and Innovation pertaining to contributions, financing and the results thereof, and ethics in research, technology and innovation, published in Official Gazette N° 39,795 of November 8, 2011, remain without effect.

During the year ended December 31, 2015, PDVSA contributed $352 million [$908 million in 2014 and $546 million in 2013], reported as part of other expenses, net, in the consolidated statement of comprehensive income (see note 11).

(o) Organic Law on Drugs (LOD, for its Spanish acronym)

On November 5, 2010, the Official Gazette N° 39,546 was published (reprinting due to material errors) containing the LOD, which repealed Organic Law against Illicit Trafficking and Consumption of Stupefacient and Psychotropic Substances (LOCTICSEP for its Spanish acronym) effective as of its publication date. This Law establishes that all private legal entities, consortia and public entities with 50 or more employees are subject to pay the equivalent of 1% of their earnings or profit for the pertinent fiscal year to the National Antidrug Fund (FONA for its Spanish acronym) within 60 calendar days after the end of the fiscal year. For purposes of this obligation, legal entities that are part of business groups will be consolidated, while the resources obtained by the FONA for this concept will be earmarked for the financing of plans, projects and programs for the comprehensive prevention of illegal drugs trafficking.

During the year ended December 31, 2015, PDVSA contributed $25 million [$350 million in 2014 and $138 million in 2013], reported as part of other expenses, net, in the consolidated statement of comprehensive income (see note 11).

(37) Subsequent Events

(a) Financial Waiver

As a result of the reduction in the Company's income due to the decrease in the average selling prices, PDVSA exhibited a variation in certain financial ratios associated with the conditions required by the CDBC on financial debt instruments. Before this variation, on June 18, 2016, the CDBC granted a waiver to the Company, whereby it was agreed that this financial institution would continue to review the financial ratios periodically during 2016 (see notes 22-d, 22-e and Annex I - Additional Information unaudited).

(b) Creation of the People's Ministry of Ecological Mining Development

On June 9, 2016, Decree N° 2,350 was published in Official Gazette N° 40,922, whereby the Ministry of People´s Power for Ecological Mining Development is created. This Ministry is responsible for all matters pertaining to the mining activity, as well as to the development, utilization and control of non-renewable natural resources over which the entity has control. In addition, the Decree also sets for the abolition of the Vice Ministry of People's Power for Petroleum and Mining, whose material responsibilities will be taken on by the Ministry of People´s Power for Ecological Mining Development, as of the publication of this Decree in Official Gazette of the Republic. Pursuant to this Decree, the Ministry of People's Power for Petroleum and Mining is renamed as the Ministry of People's for Oil.

In this same decree, CVG Minerven, C.A. (MINERVEN for its Spanish acronym), the Corporación Venezolana de Minería (CVM for its Spanish acronym), and the Instituto Nacional de Geología y Minería (INGEOMIN for its Spanish acronym) are ascribed to the Ministry of People´s Power for Ecological Mining Development.

(c) Exchange Agreement N° 35

On March 9, 2016, Exchange Agreement N° 35 was published in Official Gazette N° 40,865. It sets forth the rules that will govern the operations of the administrative regime of foreign currency, and that set the protected exchange rate (DIPRO for its Spanish acronym) at Bs.9,975 per dollar for purchases and Bs.10 for sales, as well as the Supplementary Foreign Exchange System (DICOM), and indicates the activities to which each type of exchange rate corresponds.

As of the entry into force of this exchange agreement, the acquisition of foreign currencies required by the agencies and entities of the public sector in accordance with Exchange Agreement N° 11 of November 20, 2014 will be settled at the exchange rate for sales provided for in Article 1 of this Agreement.

The transactions for the sale of foreign currencies generated by export and/or sale operations and activities of hydrocarbons of PDVSA and its subsidiaries, as well as the mixed company referred to in the Organic Hydrocarbons Law, the Organic Law of Gaseous Hydrocarbons and the Organic Law for the Development of Petrochemical Activities will be effected at any of the exchange rates provided for in this exchange agreement, reduced in 0.25%, taking into account the programming, coordination and evaluation between the Sectoral Vice Presidency of the Economy, the Ministry of People´s Power for Banking and Finance, and the BCV, on the basis of the policies established and the availability of foreign currencies to meet the needs of the economy, governed by the exchange rate referred to in this chapter.

The transactions for the purchase of foreign currencies by the subjects referred to in this article shall be effected at any of the exchange rates provided for in this exchange agreement, taking into account the aforementioned programming, coordination and evaluation between the Sectoral Vice President of Economy, the Ministry of People´s Power for the Banking and Finances and the Central Bank of Venezuela, on the basis of the policies established and the availability of foreign currencies to meet the needs of the economy.

Assets denominated in foreign currency, represented by the exploitation rights referred to in Decree N° 9,368 of January 30, 2013, published in Official Gazette of the Republic N° 40,109 of January 13, 2013, whereby the National Executive transferred Petróleos de Venezuela, S. A. (PDVSA), or the subsidiary designated by it, the right to develop directly or through a State entity the the activities provided for in the Decree with Rank, Value and Force of Organic Law that Reserves the State the Activities of Exploration and Exploitation of Gold, as well as Ancillary Activities Related thereto and, in the areas defined by Resolution N° 177 of the Ministry of People's Power for Petroleum and Mining of December 28, 2012, published in Extraordinary Official Gazette of the Republic N° 6,094 of December 28, 2012, and by other intangible assets in foreign currency from the operators referred to in this article for these activities. Also, the liabilities denominated in foreign currency of such operators in the gold sector shall be recorded and valued for accounting purposes at the supplementary floating market exchange rate.

This exchange agreement shall enter into force on March 10, 2016.

(d) Resolution on the Setting of Prices and Type of Products that will be Sold in Establishments for the Sale of Liquid Fuels

On February 18, 2016, Ministerial Resolution N° 15 was published in Official Gazette N° 40,851. It fixes the prices for the types of products that will be sold in establishments for the sale of liquid fuels. These are duly authorized by the Ministry of People's Power for Petroleum and Mining, as indicated below: 95 Research Octane Number (RON) gasoline in Bs.6 per liter and 91 RON gasoline in Bs.1 per liter. The prices fixed in this Resolution shall apply only to engine gasolines that are sold at the retail level. The prices of engine gasolines that are sold at the wholesale level and are delivered to the selling establishments shall be fixed via an order or a circular letter issued by the General Director for the Internal Market of the Ministry of People's Power for Petroleum and Mining.

(e) Creation of the Military Company for the Mining, Oil and Gas Industries (CAMIMPEG for its Spanish acronym)

On February 10, 2016, Presidential Decree N° 2,231 was published in Official Gazette N° 40,845. It authorized the incorporation of a State-run enterprise called Compañía Anónima Militar de Industrias Mineras, Petrolíferas y de Gas (Military Company of the Mining, Oil and Gas Industries – CAMIMPEG), which will be attached to the People's Ministry of Defense. CAMIMPEG will have its headquarters in Caracas, and its corporate purpose will be to attend to all matters pertaining to the lawful activities of oilfield, gas and mining services in general.

(f) Economic Emergency Decree throughout the National Territory

On January 14, 2016, Decree N° 2,184 was published in Extraordinary Official Gazette N° 6,214. It declared a state of economic emergency throughout the national territory, meaning that the Executive Power is entitled to take appropriate measures to address effectively such exceptional, extraordinary and cyclical situation that the Venezuelan economy is going through.

The measures that the National Executive deems advisable to take will be particularly related to the following aspects:

- To dispose of resources from the budgetary savings of the 2015 financial and economic period.
- To allocate extraordinary resources to projects, whether set forth or not in the Budget Law, to the agencies and entities of the public administration.
- To design and implement special measures of immediate application aimed at reducing tax evasion and tax avoidance.
- To exempt the contracting agencies and entities in certain sectors from the modalities and requirements of the public procurement regime.
- To waive the formalities, procedures and requirements for the import and nationalization of goods.
- To implement special measures to expedite the transit of goods in ports and airports throughout the country.
- To exempt agencies and entities of the public or private sector from the exchange procedures established by CENCOEX and the BCV.
- To require enterprises in the public sector and the private sector to increase their levels of production, as well as the supply of certain inputs to the production centers of food or of essential goods.
- To take all the necessary measures to ensure timely access by the population to food, medicines and other basic goods.
- To take the necessary measures to stimulate foreign investment for the benefit of the development of the national production infrastructure.
- To develop, strengthen and protect the System of Socialist Programs ("Misiones").

This decree will remain in force for 60 days, starting as of the date of its publication in Official Gazette of the Bolivarian Republic of Venezuela, and may be extended for another 60 days in accordance with constitutional procedure.

(g) New Accounting Standard

The IASB issued on January 13, 2016, IFRS 16 – Leases. The purpose of this standard is to improve the comparability of the financial information pertaining to entities that maintain operating and financial leases. This standard shall be effective for the periods beginning on January 1, 2019 or at a later date. Its early adoption is permitted for entities that apply IFRS 15 – Revenues from Contracts with Customers.

The Company is in the process to evaluate the impact that this standard could have on its consolidated financial statements.

(h) Proposal of Improvements for Employee Benefits

The Executive Committee of PDVSA, during the meeting held on January 6, 2016, agreed to improve the existing formula of the retirement plan. This amendment includes that the initial pension be increased on the basis of the wage increases granted to active workers, thus ensuring the equality of the benefits to all workers. This amendment will be applied as of January 1, 2016. The Company is in the process to evaluate the impact that this amendment could generate or have on its consolidated financial statements.

A collective bargaining agreement for the oil sector (CCP) for the 2015-2017 period was also entered into. This agreement provides for salary improvements and other benefits for employees, which were considered in the calculation of the benefits to employees with retroactive effect from October 2015 onwards (see note 23). The effects of these changes were recognized in the consolidated statement of comprehensive income.

(i) Financial Debt

During 2016, the Company has made amortizations for $1,619 million and the payment of interest for $1,655 million of its various financial debt instruments (see note 22).

During 2016, PDVSA has underwritten credit notes with suppliers for a total of $831 million, with maturity in 2019, at interest rate of 6.50%, with the amortization and interest payable quarterly.

(38) Basis of Measurement

The consolidated financial statements have been prepared on the historical cost basis, except for certain assets and liabilities that have been measured at fair value:

- Accounts receivable from energy cooperation agreements.
- Derivative financial instruments.
- Recoverable value-added tax.
- Non-current accounts receivable from related entities.
- Employee benefits and other post-employment benefits (present value of the defined benefit obligation less fair value of the plan assets).

The methods used to measure fair values are discussed in notes 4 and 26-c.

(39) Significant Accounting Policies

The Company, subsidiaries and equity-accounted investees, have consistently applied the following accounting policies to all years presented in these consolidated financial statements.

(a) Basis of Consolidation

Business Combinations

Business combinations are accounted for using the acquisition method at the date on which control is transferred to PDVSA. The consideration transferred in the acquisition is generally measured at fair value, as are the identifiable net assets acquired. Any arising goodwill is tested annually for impairment. Any gain on a bargain purchase is recognized immediately in profit on loss. Transaction costs are expensed as incurred, except for those related to the issuance of debt or equity, which are accounted for in accordance with IAS 32 *Financial Instruments: Presentation* and IFRS 9 *Financial Instruments.*

The consideration transferred does not include the amounts related to the settlement of pre-existing realtionships for transactions executed before the acquisition date. Such amounts are recognized in profit or loss.

Any contingent consideration is recognized at fair value at the acquisition date. If the contingent consideration is recognized as equity, it is not remeasured, and the final result is accounted for directly in equity. Otherwise, subsequent changes in the fair value of the contingent consideration are recognized in profit or loss.

Investments in Subsidiaries

A subsidiary is an entity controlled by PDVSA. The financial statements of subsidiaries are included in the consolidated financial statements from the date when control commences until the date control ceases. PDVSA controls an entity if it is exposed to, or has rights to variable returns from its involvement with the subsidiary and has the ability to affect those returns through its control over the entity.

Non-controlling Interests

PDVSA measures any non-controlling interest as the proportional share in the identifiable net assets of the acquiree on the acquisition date.

Adjustments to non-controlling interests resulting from transactions that do not result in a loss of control are accounted for as equity transactions.

Loss of Control

When the control over a subsidiary ceases, PDVSA derecognizes the assets and liabilities of the subsidiary, any non-controlling interest and other components of equity. Any resulting gain or loss is recognized in profit or loss. Any remaining interest is measured at fair value on the date that control is lost.

Interest in Equity-accounted Investees

Interest in Equity-accounted Investees includes investments in associates and jointly-controlled entities.

Associates are companies on which PDVSA has significant influence but not control or joint control over their operating and financial policies. A mixed company is an agreement by which PDVSA has joint control, through which it has rights to the net assets under the agreement, instead of having rights on the assets and obligations provided by its liabilities.

Investments in associates and in jointly-controlled entities are initially recognized at cost, including transaction costs; subsequently, these are measured using the equity method until the date when the significant influence or joint control ceases.

PDVSA’s consolidated financial statements include the share of gain or losses and other comprehensive income, from the date when the significant influence and joint control commence and until the date these cease.

Transactions eliminated on Consolidation

Balances and transactions between the Parent Company and its subsidiaries (intercompany transactions) as well as any other unrealized income or expense from intercompany transactions are eliminated in consolidation. Unrealized gains from transactions with equity-accounted investees are eliminated against the investment to the extent of the equity amount in such entities. Unrealized losses are eliminated in the same manner as unrealized gains, but only to the extent that there has been no evidence of impairment.

(b) Foreign Currency

Foreign Currency Transactions

Transactions in foreign currency (any currency other than the functional currency) are translated into the respective functional currency of the subsidiary, using the exchange rates applicable at the dates of the transactions.

Monetary assets and liabilities denominated in foreign currency at the date of the consolidated statement of financial position are translated into the functional currency using the exchange rates applicable on such date. Non-monetary assets and liabilities denominated in foreign currencies that are presented at fair value are translated into the functional currency using the exchange rate on the date on which the fair value was determined. Other non-monetary items in foreign currency measured at historical cost are translated at the exchange rate onin effect at the transaction date (historical exchange rate).

Foreign exchange gains or losses generated as a result of the foregoing are recognized on a net basis in the consolidated statement of Comprehensive Income and are presented as part of financial income or expenses.

Translation to the Presentation Currency

The translation of PDVSA's consolidated financial statements from dollars to bolivars, a presentation currency different from the functional currency, was made in accordance with International Accounting Standard N° 21 (IAS 21) as follows: assets and liabilities at the exchange rates in force on the date of the consolidated statement of financial position, and income and expenses at the average exchange rates in force during each year. All the exchange differences that may be generated as a result of the foregoing are reported as part of other comprehensive income.

Within the framework of the foreign exchange agreements in force (see note 36-a), during the year ended December 31, 2015, Petróleos de Venezuela, S.A. and some of its domestic subsidiaries conducted sales transactions of of dollars, bonds and other financial instruments stated in dollars, using the exchange rates in force for the bolivar with respect to the dollar. As a result of such transactions, and in accordance with the provisions of IAS 21, PDVSA determined the exchange rate to translate the balances in dollars of the consolidated financial statements to bolivars (presentation currency).

Exchange Rates and Inflation Indexes

The following chart shows the exchange rates with respect to the dollar at the closing date and the inter-annual increases in the NCPI, as published by the Central Bank of Venezuela (BCV, for its Spanish acronym) (see note 36-a):

	December 31,		
	2015	**2014**	**2013**
Exchange rates of other currencies with respect to the dollar:			
Exchange rate of the euro (€) with respect to the dollar at closing date (€/$1)	0.91	0.82	0.72
Exchange rate of the yen (¥) with respect to the dollar at closing date (¥/$1)	120.38	120.39	105.10
Exchange rate of the Argentinean peso with respect to the dollar at closing date (ARS/$1)	12.97	8.55	-
Exchange rates of the bolivar with respect to the dollar:			
Exchange rate of the bolivar (Bs.) with respect to the dollar at closing date (Bs./$1) according to Exchange Agreement N° 9	6.30	6.30	6.30
Exchange rate of the bolivar with respect to the dollar in the Supplementary Foreign Exchange System (SICAD) (Bs./$1)	13.50	12.00	11.30
Exchange rate of the bolivar with respect to the dollar in the Alternative Foreign Exchange System (SICAD II) (Bs./$1)	52.10	49.99	-
Exchange rate of the bolivar with respect to the dollar at closing date (Bs./$1) in the Exchange Agreement N° 33 - Marginal Foreign Exchange System (SIMADI)	198.69	-	-
Inflation rates in Venezuela:			
Year-over-year increases in the NCPI (%)	180.90	68.54	56.20

(c) Discontinued Operations

A discontinued operation is a component of the Company's business whose transactions and cash flow may be clearly distinguished from the rest of the Company and:

- Represents a business line or a geographic area that is significant and can be considered to be separate from the rest.
- Is part of a single coordinated plan to dispose of on a business line or a geographic area that is significant and can be considered to be separate from the rest.
- Is a subsidiary exclusively purchased to be resold.

The classification as a discontinued operation occurs upon disposal or when the operation meets the criteria to be classified as maintained for disposal, whichever occurs first.

When an operation is classified as a discontinued operation, the comparative consolidated statements of comprehensive income are presented as if the operation had been discontinued at inception of the comparative years.

(d) Revenue Recognition

Revenues from the sale of crude oil, natural gas, refined products and other items are measured at fair value of the consideration received or to be received, net of commercial discounts and royalties on the volumes shipped on behalf of the Republic and are recognized in the consolidated statements of comprehensive income when the significant risks and rights deriving from ownership have been transferred to the buyer, the recovery of the particular account receivable is probable, there is sufficient evidence of a sales agreement, the prices have been set or are determinable, and PDVSA has no future involvement with the assets sold. Mostly, the transfer of significant risks and rights deriving from ownership is governed by the terms of delivery stipulated in the contracts with the customers.

In the case of revenues from activities other than PDVSA's principal business, they are recognized when the revenues have been realized through the transfer of risks and benefits associated with the sale of assets, when the service has been provided or in proportion to the stage of completion of the transaction or contract, at the end of the period being reported, for services provided and construction contracts.

(e) Employee Benefits and Other Post-retirement Benefits

Short-term Benefits

Obligations for short-term benefits, such as employee bonuses, vacations and other benefits are accounted for in profit and loss to the extent that the services are provided by the employees.

Defined Contribution Plans

PDVSA offers its employees a defined contribution plan, in the form of a savings plan. The expenses associated with this plan are accounted for in profit and loss as the services are provided by the employees.

Defined Benefit Plans

PDVSA's net obligations for defined benefit plans are calculated separately for each plan, estimating the amount of the future benefit that the employees have earned in prior periods and the current period, discounting such amount and deducting the fair value of the plan assets.

The calculation of the obligations is performed annually by qualified actuaries using the projected unit credit method. If the calculation results in a potential asset for PDVSA, the asset recognized is limited to the present value of the economic benefits available in the form of any future refunds from the plan or reduction in future contributions to the plan. To calculate the present value of economic benefits, any existing minimum financing requirement is taken into consideration.

Remeasurement of the net defined benefit liability, which includes actuarial gains and losses, the return on plan assets (excluding interest) and the effect of the asset limit that might result are immediately recognized in other comprehensive income. PDVSA determines the net interest expense (income) on liabilities (assets) in applying a discount rate used for measuring the obligation of the defined benefit at the commencement of the annual period, taking into consideration any net change in the defined benefit liabilities (assets) during the period, resulting from the contributions and payments of benefits. The net interest expense and other expenses related to defined benefits plans are recognized in operating expenses and selling, administrative and general expenses in the consolidated statement of comprehensive income.

The discount rate used reflects the market yield, as of the date of the consolidated financial statements of top-tier debt instruments issued by PDVSA with maturity dates similar to those where such obligations must be paid.

If the benefits of the plan are modified or if a plan is reduced, the resulting change in benefits related to past services or to the gain or loss in the reduction of the plan is recognized immediately in profit or loss. PDVSA recognizes the gains or losses in the liquidation of a defined plan when it occurs.

Post-employment Benefits Other Than Pensions

These benefits include health and dental plans, funeral insurance, and electronic food cards.

Employee Termination Benefits

The employee termination benefits for employees in Venezuela are established by the labor law and the collective labor contract in effect. A significant portion of employee benefits has been deposited in a trust account for the benefit of each employee. PDVSA does not have a specific portfolio of assets to guarantee compliance with this defined employee termination benefits resulting in no calculations of fair value of assets (see notes 23-b and 37-h).

The Company's net obligation with respect to benefits from the guarantee of employee benefits is defined in the collective bargaining agreement in effect and the Organic Labor and Workers Law (LOTTT, for its Spanish acronym), which came into effect in May 2012 retroactively and with characteristics of a defined benefit plan under IAS 19, *Employee Benefits*.

Under the LOTTT, payment of the right to employee benefits is established in proportion to the length of service, calculated based on the salary earned by the employee upon termination of the employment relationship.

(f) Research and Development

Research and Development expenses for activities conducted in order to obtain new scientific or technological knowledge are recognized in profit or loss when incurred and are presented as part of operating expenses in the consolidated statements of comprehensive income. During the year ended December 31, 2015, the expenses recognized by way of research and development amounted to $74 million [$191 million in 2014 and 123 million in 2013].

(g) Contributions for Social Development

PDVSA participates in the social and comprehensive development of the country through contributions for social programs and projects (see notes 1, 12 and 16). These contributions are recognized directly in profit or loss when the obligation is acquired, except for contributions made through various funds, which include trust and restricted cash funds, which are recognized in profit or loss when disbursements are made, with the administrative responsibility for the funds with the trustees and beneficiaries.

Contributions to the National Development Fund, FONDEN, S.A. (FONDEN, for its Spanish acronym) are disbursements in accordance with the Decree with the Rank, Value and Force of Law Creating the Special Contribution for Extraordinary Prices and Exorbitant Prices in the International Hydrocarbons Market (see note 36-i).

(h) Government Grants

Government grants are initially recognized at fair value when these are received, and if there is reasonable assurance that PDVSA will comply with the conditions associated with them. Grants of non-monetary assets are recognized at fair value, or, if there is no reasonable certainty of their value, at their face value.

Government grants received as compensation for expenses already incurred, without subsequent related costs are recognized in the profit or loss of the period when the grants becomes payable, reducing the expenses related to such grants.

Grants of assets are recognized by PDVSA in the consolidated statement of financial position as deductions of the carrying amount of the assets to which such grants relate and are recognized in profit or loss on a systematic basis over the course of the periods where the Company recognizes the cost related to the compliance with the grant as expenses.

(i) Finance Income and Finance Costs

Finance income presented in the consolidated statements of comprehensive income consists primarily of foreign exchange gains (see notes 36-a and 39-b), results obtained from transactions involving the sale of financial instruments, transactions executed with debt instruments issued by PDVSA, interest on noncurrent accounts receivable accounted for at amortized cost, results of the effects of inflation on the net monetary position of subsidiaries whose functional currency is the bolivar (see note 39-b) and the yield on invested funds (see note 8).

Finance costs that are not directly attributable to the acquisition, construction or production of qualifying asset are recognized in profit or loss using the effective interest method. An asset is considered suitable when it requires a substantial period of time before being ready for use.

Foreign exchange gains and losses are recognized on a net basis, either as finance income or finance cost, depending on whether the effect of foreign currency exchange rate fluctuations result in a net asset or liability position (see note 8).

(j) Income Tax

Income tax expense consists of current tax and deferred tax. The income tax expense is recognized in profit or loss each year, unless it involves items related to a business combination or items recognized directly in equity or other comprehensive income.

The current tax is the expected tax payable calculated on the taxable income for the year, using the methodology established by the law in effect and the tax rate in effect at the end of the reporting period. Deferred assets and liabilities are recognized for future tax consequences attributable to temporary differences existing between the values of the assets and liabilities presented in the consolidated statement of financial position and their corresponding tax basis, as well as for unused operating losses and unused tax credits that can be carried forward to future periods. The value of deferred assets and liabilities is determined using the tax rates that are expected to be applicable to taxable income in the year when temporary differences are recovered or settled, according to the applicable law. The effect on deferred assets and liabilities of changes in tax rates is recognized in income for the year when these become effective.

In the determination of the amount of current and deferred tax, PDVSA takes into consideration the impact of uncertain tax positions and the possibility that a tax obligation or additional interest may arise. PDVSA considers that its tax payable is adequate for all fiscal years, based on its assessment of various factors, including interpretations of law provisions and previous experiences. These evaluations are based on estimates and assumptions, and might also include a series of judgments regarding future events.

A deferred tax is recognized only to the extent that it is probable that future taxable income will be available against which it can be offset. Deferred tax assets are reviewed as of the date of the financial statements and are reduced to the extent that the probability that the related tax benefit to be realized is reduced. Deferred tax assets and liabilities are only offset if certain criteria are met.

Income tax related to the distribution of dividends, determined based on the laws and regulations of each tax jurisdiction is recognized as a liability when the obligation to pay such dividends is generated.

(k) Property, Plant and Equipment

Recognition and Measurement

Property, plant and equipment are measured at cost, net of accumulated depreciation and impairment losses (see note 39-q). The successful efforts method is used for oil and gas exploration and producing activities, taking into consideration the IFRS 6, *Exploration for and Evaluation of Mineral Resources*. The costs of development wells and related property, plant and equipment engaged in the exploitation of crude oil and gas are accounted for as part of the cost of the assets. The costs of exploratory wells are recognized as assets until it is determined whether they are commercially feasible and, otherwise are recognized in exploration expenses. Other exploration expenses are recognized in exploration expenses, when incurred.

The initial cost of property, plant and equipment includes disbursements directly attributable to the acquisition of such assets, as well as the amounts associated with asset retirement obligations (see note 39-l). These assets are recognized when it is likely that they will generate future economic benefits.

The financing cost of projects that require major investments and that is incurred for specific financing of projects is recognized as part of property, plant and equipment when it is directly attributable to the construction or acquisition of a qualifying asset. The capitalization of these costs is suspended during the periods when the performance of construction activities is interrupted and their capitalization concludes when the activities necessary for the use of a suitable asset have been substantially completed.

The initial cost of assets constructed by the Company includes financing interest, the costs of materials and direct labor, as well as any other direct costs attributable to the placement into service; it also includes the costs of dismantlement and removal at the location where assets are constructed.

All disbursements related to the construction or acquisition of property, plant and equipment during the phase prior to the start-up are initially presented at cost as constructions in progress. Once the assets are ready for use, they are transferred to the relevant component of property, plant and equipment and depreciation commences.

The gain or loss arising from disposal of an asset of property, plant and equipment is determined by the difference between the amount received on the sale or disposal, if any, and the net carrying amount of the asset, and it is recognized as other net expenses on the consolidated statements of comprehensive income.

Subsequent Costs

The costs of major maintenance, as well as those for the replacement of significant parts of property, plant and equipment are capitalized in the cases when it is possible that the future economic benefits incorporated to PDVSA and their cost can be reliably measured; they are depreciated in the estimated periods covered, between the date of the maintenance and replacement of such parts and the next time these will be performed. Disbursements for minor maintenance, repairs and renovations made to keep the facilities in normal operating condition are charged to operating expenses.

Depreciation and Amortization

Depreciation and amortization of costs capitalized for wells and crude oil and gas production facilities is determined according to the units of production method by field, using as a basis the proved developed reserves, which consists of the amounts of crude oil and gas that can be recovered from existing wells, with equipment and methods currently in use. The rates used are revised annually based on a reserves analysis and are applied retroactively at the beginning of the year.

Capitalized costs of other property, plant and equipment are depreciated over their estimated useful life, using the straight-line method, whose average useful life in years range from:

	Useful life in years
Refining plants and facilities	17 - 25
Crude oil, gas and products storage and transportation facilities	12 - 25
Buildings and constructions	20
Machinery and equipment	5 - 10
Land, maritime and air transportation units	3 - 20
Industrial and camp support services	10 - 17
Remaining assets	3 - 10

When items of property, plant and equipment have different useful lives, they are accounted for separately as a significant component of the asset.

The methods of depreciation, the average useful life and the residual value of property, plant and equipment are reviewed annually and adjusted prospectively when necessary. Land is not depreciated.

Property, plant and equipment are depreciated from the dates when these are installed and ready for use or, in the case of assets constructed by PDVSA, from the date when these have been completed and ready for use.

Estimation of Reserves

Estimates for oil and gas reserves made by PDVSA and certified by the Ministry are an integral part of the Company's decision-making. The volume of oil and gas reserves is used to calculate the depreciation expense per production unit by field and the asset retirement obligation, allowing PDVSA to evaluate the recoverability of the investments made in the exploration and production processes. Any change in the volumes of reserves might have a significant impact on PDVSA's comprehensive income (see Annex I – Unaudited Supplementary Information).

(l) Costs Associated with Asset Retirement Obligations

PDVSA capitalizes the estimated costs associated with the retirement obligations of those assets used for crude oil and gas exploration and production activities and other industrial facilities based on the plan for the future disposal of these assets. These estimated costs are measured and presented at their present value at closing of each period. The cost is capitalized as part of the related asset and amortization is recognized in profit or loss over the asset's useful life (see notes 39-s y 24).

(m) Goodwill

Goodwill resulting from the acquisition of subsidiaries is presented as part of accounts receivable and other assets (see notes 39-a, and 15).

Goodwill resulting from the acquisition of non-controlling interests is included as part of the carrying amount of the investment.

Goodwill is measured at cost less accumulated impairment losses. Regarding non-controlling interests, impairment losses of these investments are allocated to the carrying amount of the investment.

(n) Financial Instruments

Non-derivative Financial Assets and Liabilities – Recognition and Disposal

Loans and receivables are recognized on the date when these are originated. All other financial assets and liabilities (including those designated at fair value with changes through profit or loss) are initially recognized on the transaction date, which is the date when PDVSA obliges or commits itself to the contractual clauses of the instrument. Any interest originating from the transfer of the financial assets is recognized as a separate asset or liability.

PDVSA derecognizes a financial asset when the contractual rights to cash flows deriving from the asset expire or when it transfers the rights to receive contractual cash flows from the financial assets in the transaction in which substantially all of the risks and benefits related to the ownership of the potential asset are transferred. Any interest in the transfer of financial assets created or retained by PDVSA is recognized as a separate asset or liability.

PDVSA derecognizes a financial liability when its contractual obligations are discharged or canceled or have expired.

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

Non-derivative Financial Assets – Measurement

Financial Assets at Fair Value through Profit or Loss

Financial assets are classified at fair value through profit or loss or as available for sale in the initial recognition. Costs directly attributable to the transaction are recognized as income as incurred. Subsequent to the initial recognition, financial assets are accounted for at fair value and prospective changes are recognized in income. Financial assets recorded at fair value are presented as trading assets in prepaid expenses and other assets (see note 19). Recoverable tax credits and a portion of accounts receivable are measured at fair value after their initial recognition (see note 13-l).

Loans and Receivable and Financial Assets Held to Maturity

These assets are initially recognized at fair value plus any directly attributable transaction costs. Subsequent to initial recognition, these assets are measured at amortized cost using the effective interest method.

Financial Assets Available for Sale

These are initially recognized at fair value plus any attributable transaction costs. Subsequent to their initial recognition, such assets are measured at fair value and changes other than losses due to impairment and the effects of changes in the exchange rate are recognized in other comprehensive income. When the asset is disposed, the gains or losses accumulated in equity are reclassified to profit or losses.

Non-Derivative Financial Liabilities – Measurement

These are classified in the category of other financial liabilities, which are initially recognized at fair value less any cost directly attributable to the transaction. Subsequent to initial recognition, such liabilities are measured at amortized cost using the effective interest method. Other non-derivative financial liabilities consist primarily of financial debt (see notes 22 and 26).

See note 39-i for the accounting policy to account for financial income and expenses.

Derivative Financial Instruments

These are recognized initially at cost and are included as part of prepaid expenses and other assets or accruals and other liabilities. Attributable transaction costs are recognized in income when they occur. After the initial recognition, derivative instruments are measured at fair value, and any change in such fair value is recognized in the statement of income. The effects of changes in the fair values of derivatives are not significant and are recognized in the financial results of the year.

CITGO Petroleum Corporation (CITGO), a PDVSA subsidiary, uses futures, financial swaps and options agreements to reduce its exposure to market risk. To manage these risks, management has defined certain references according to their proper risk profiles for the economic environment where CITGO conducts its activities and finances its assets. CITGO reduces the risk of price volatility for a portion of its inventories of crude oil and related products. In such years, CITGO has not used hedge accounting.

CITGO is exposed to changes in the variable interest rates of its financial debt resulting from fluctuations in the London InterBank Offered Rate (LIBOR). CITGO manages its exposure to interest rates fluctuations through interest rate swap agreements, in order to balance its fixed-rate and variable debt.

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

(o) Inventories

Inventories of crude oil and products are measured at the lower of cost or net realization value. The cost of such inventories includes primarily production, refining and transportation costs, production tax and other costs necessary for their sale and distribution. The cost of such inventories is calculated using the average cost method. Net realizable value is the estimated selling price in the ordinary course of business, less completion costs and the estimated selling costs.

Materials and supplies are measured at the lower of the average cost and net realizable value, and are classified in two groups: non-current assets and current assets (see notes 15 and 17).

(p) Cash and Cash Equivalents

Cash and cash equivalents are subject to non-significant risks of changes in their fair value and are used by PDVSA primarily to manage its short-term commitments. PDVSA considers cash equivalents placements and time deposits with original maturities of less than three months and available on a current basis. At December 31, 2015, cash and cash equivalents amounted to $647 million [$734 million in 2014 and $1,267 million in 2013].

(q) Impairment of Asset Value

Non-derivative Financial Instruments

Financial assets not accounted for at fair value through profit or loss, including interest in equity-accounted investees are evaluated by PDVSA on each date of the consolidated statement of financial position to determine whether there is any objective evidence of impairment. A financial asset is impaired if there is objective evidence of impairment as the result of one or more events of loss occurring after the initial recognition of the asset, and this event or events have had a negative impact on the estimated future cash flows of the asset that can be reliably estimated.

Objective evidence that the financial assets are impaired may include default or delinquency by a debtor, restructuring of an amount owed to PDVSA on terms that would not be considered otherwise, indications that a debtor or issuer will be declared bankrupt, disappearance of an active market for a security and observable data indicating a decrease in the determination of the cash flow expected from a group of financial assets, among other aspects. In assessing impairment, PDVSA uses historical trends of the likelihood of default, the timing of recoveries and the amount of loss incurred, adjusted for management's judgment as to whether current economic and credit conditions are such that the actual losses are likely to be greater or less than suggested by historical trends.

Significant financial assets are evaluated individually to determine impairment. Remaining financial assets that have similar credit risk characteristics are evaluated as a group (see note 26).

An impairment loss related to a financial asset measured at amortized cost is calculated as the difference between its carrying amount and the present value of the estimated future cash flows, discounted at the original effective interest rate of the financial asset. Impairment losses are recognized in the consolidated statement of comprehensive income. If the impairment loss decreases subsequently and this can be objectively related to an event occurring after the impairment loss was recognized, the previously recognized impairment loss is reversed in profit or loss.

Impairment losses in financial assets available for sale are recognized in reclassifying these accumulated losses accumulated in equity to profit or loss. The reclassified amount will be the difference between the acquisition cost (net of any reimbursement or amortization of the principal) and the current fair value, less any loss from impairment of value of this financial asset previously recognized in profit or loss. If, in a subsequent period, fair value increases and this increase can be objectively related to an event occurring after the impairment loss was recognized in profit on loss, this loss will be reversed in profit or loss; otherwise, it is reversed through other comprehensive income.

A loss from impairment related to an investment recognized under the equity method is measured in comparing the recoverable amount of the investment with its carrying amount. Impairment losses are recognized in profit or loss and are reversed if there has been a favorable change in the estimates used for determining the recoverable amount.

Non-financial Assets

The value of non-financial assets, excluding inventories, biological assets, and deferred tax is reviewed on each date on the consolidated statements of financial position to determine whether there is any indication of impairment. If indications exist, the recoverable value of the asset is estimated. In the case of goodwill, the useful life ofwhich is undefined, the values to be recovered are determined on an annual basis. A loss from impairment is recognized when the carrying amount of an asset or its cash-generating unit exceeds its recoverable value.

Impairment is determined by PDVSA based on the cash-generating units, geographical locations, and the end-use of the production generated by each unit. A cash-generating unit is the smallest identifiable group of assets that generates cash inflows that are largely independent of the cash inflows from other assets or groups of assets. To assess impairment, the goodwill resulting from a business combination is allocated to the cash-generating units expected to benefit from synergies of the combination.

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 sale. To determine value in use, the net future cash flows expected to be generated by the assets 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.

In the determination of fair value less cost to sale, the amount that can be obtained from the sale of a cash-generating unit is based on a transaction conducted in conditions of mutual independence between the duly-informed interested parties, less the costs to sale or disposal.

Impairment losses are recognized in profit or loss. Impairment losses recognized with respect to cash-generating units are first reduced from the carrying amount of any goodwill associated with those units and then from the carrying amount of other assets of the unit on a pro rata basis.

Impairment losses are reversed only if the reversal realtes to a change in the estimates used, after which the impairment loss was recognized; these reversals will not exceed the carrying amount net of depreciation and amortization that would have been determined had the impairment never been recognized. Impairment losses associated with goodwill are not reversed.

(r) Assets Held for Disposal

Non-current assets or groups of assets to be disposed of and comprising both assets and liabilities are classified as held for sale or as held for distribution among holders if it is highly probable that they may be recovered fundamentally through sale and not through continued used.

These assets or groups of assets held for disposal, in general, are measured at the least value between the carrying amount and their fair value less the costs of sale. Any impairment loss is allocated first to the goodwill, an them allocated on a pro-rata basis to the remaining assets and liabilities, but such loss is not allocated to inventories, financial assets, deferred tax assets, biological assets or assets for employee benefits, which will continue to be measured in accordance with the Company’s other accounting policies. Impairment losses in the initial classification as held for disposal or held for distribution among holders, as well as the subsequent gains and losses resulting from remeasurement are reported in the consolidated statements of comprehensive income.

As these have been classified as held for disposal, property, plant and equipment do not continue to depreciate, and equity-accounted investees continue to be accounted for using that method.

(s) Provisions

A provision is recognized if, as the result of a past event, PDVSA has incurred in a current, legal, or implicit obligation that can be reliably estimated, and it is probable that a future outflow of economic benefits will be required to settle the obligation. Provisions are determined in discounting the expected future cash flow at a pretax rate over the estimated payment terms, if the term as well as the risk associated to those obligations can be reliably estimated. The unwinding of the discount is recognized as financial cost (see note 24).

Environmental Issues

In accordance with the environmental policy established by PDVSA and applicable laws and regulations, a liability is recognized when costs are probable and can be reasonably estimated. Disbursements related to environment remediation, linked to revenues from current or future transactions are accounted for as expenses or assets, as applicable. Disbursements related to operations in the past that do not contribute to the obtaining of current or future revenues are accounted for in profit or loss. The creation of these provisions coincides with the identification of an obligation related to environmental remediation, for which PDVSA has adequate information to make a reasonable estimate of the cost involved. Subsequent adjustments to estimates are made, if necessary, upon obtaining of additional information (see note 31-d).

Assets Disposals

The provision for the disposal of assets is recognized when the Company has obligations related to the abandonment of the wells, which consist of dismantling and removing their facilities and restoring the site. This is recognized at fair value on the date when such obligation is incurred, based on discounted future cash flows. The determination of fair value is based on existing regulations and technologies. The carrying amount of the provision is reviewed and adjusted annually taking into account changes in such variables. The applied discount rate is reviewed annually.

Changes in the fair values of the obligation are added to or deducted from the cost of the related asset. The adjusted value of the asset is depreciated over its remaining useful life. Therefore, once the asset has reached the end of its useful life, all subsequent changes in the fair value of the obligation are recognized in profit or loss. The increase or decrease in the obligation for each year elapsed is recognized in income as financial expenses or income (see note 8).

Costs and obligations associated with the disposal of assets related to the main structures used in refining, trade and supply activities are not estimated, due to the fact that those assets are deemed to have an indefinite life as the result of major maintenance.

Litigation and Other Claims

Provisions for litigation and claims are recognized in the event that there are legal actions, government investigations, proceedings or other legal actions that are pending or subject to being filed in the future against PDVSA, as the result of past events, in respect to which it is likely that there will be an outflow of resources that include economic benefits to pay for that obligation and based on which it is possible to make a reliable estimate (see note 31-c).

(t) Leases

Determination of Whether an Agreement Contains a Lease

When an agreement is entered into, PDVSA's management determines whether such agreement is or contains a lease.

At the time of the execution or reevaluation of an agreement, PDVSA separates payments and other consideration required by the agreement into those for the lease and those for other elements, based on their relative fair values. If PDVSA concludes that for a financial lease it is impracticable to separate payments reliably, then an asset and a liability are recognized at an amount equal to the fair value of the underlying asset identified. Subsequently, the liability is reduced as payments are made and an imputed financial cost is recognized on the liability using PDVSA's incremental borrowing rate.

Leased Assets

Leases under which PDVSA substantially assumes all ownership risks and rewards are classified as financial leases. When initially recognized, the leased asset is measured at the lower amount between its fair value and the present value of minimum future payments under the lease (see note 22).). After the initial recognition, the asset is accounted for in accordance with the accounting policies applicable to such asset (see note 39-k). Other leases are deemed operating leases; accordingly, these assets under operating leases are not recognized in the consolidated statement of financial position (see note 29).

Lease Payments

Payments made under operating leases are recognized in profit or loss on a straight-line basis over the term of the lease. Lease incentives received are recognized as an integral part of the total lease expenses over the term of the lease.

Minimum payments made under financial leases are distributed between financial expenses and the reduction of the outstanding liabilities. Financial expenses are allocated to each year during the lease term, so as to produce a constant periodic rate of interest on the remaining balance of the liability.

(40) Standards Issued but not yet Applied

A set of new standards, amendments and interpretations to standards are effective for annual periods beginning after January 1, 2015 and have not early applied in preparing these consolidated financial statements.

In addition, management is also assessing the following standards and amendments, in order to determine their potential impact on the consolidated financial statements:

- IFRS 9 *Financial Instruments (2014)*

  IFRS 9 (2014) replaces the guidance in IAS 39 *Financial Instruments: Recognition and Measurement*. IFRS 9 includes revised guidance on the classification and measurement of financial instruments, a new expected credit loss model for calculating impairment on financial assets and new general hedge accounting requirements. It also maintains the guidelines related to the recognition and derecognition of financial instruments under IAS 39.

  IFRS 9 (2014) is effective for annual periods beginning on or after January 1, 2018 with early adoption permitted.

- IFRS 14 *Regulatory Deferral Accounts*

  The objective of this standard is to improve the comparability of the financial reporting of entities engaged in activities at regulated rates. This standard will be effective for the periods beginning on or after January 1, 2016, with early adoption permitted.

- IFRS 15 *Revenue from Contracts with Customers*

  IFRS 15 establishes a comprehensive framework for determining whether how much and when revenue is recognized. It replaces the current guidance for the recognition of revenues, including IAS 18 *Revenue*, IAS 11 *Construction Contracts and* IFRIC 13 *Customer Loyalty Programmes*.

  IFRS 15 is effective for annual periods beginning on or after January 1, 2018, with early adoption permitted.

- Accounting for Acquisitions of Interests in Joint Operations (Amendments to IFRS 11 *Joint Agreements*)

  This amendments to IFRS 11 establishes how a joint operator must account for the acquisition of an interest in a joint operation, where the activity of the joint operation constitutes a business. It requires that such transactions are accounted for using the standards related to business combinations accounting contained in IFRS 3 *Business Combinations* and other standards. The amendment is effective for annual periods beginning on January 1, 2016 or at a later date, with early adoption permitted.

- Clarification of Acceptable Methods of Depreciation and Amortization (Amendments to IAS 16 *Property, Plant and Equipment* and IAS 38 *Intangible Assets*).

  These amendments offer an additional orientation regarding how the depreciation or amortization of property, plant and equipment and intangible assets should be calculated, indicating that depreciation or amortization methods based on revenues are not permitted (subject to some very specific exceptions) because these do not reflect the expected consumption pattern of the future economic benefits of an asset. The modifications are effective for annual periods beginning on or after January 1, 2016 with early adoption permitted.

- Disclosures (Amendments to IAS 1 *Presentation of Financial Statements*)

  The objective of these amendments is to encourage preparers of financial statements focus on a global approach and avoid a checklist focus, applying more judgment in making disclosures. The modifications are effective for annual periods beginning on or after January 1, 2016 with early adoption permitted.

The following tables provide supplementary information about oil and gas exploration, development and production activities. This supplementary information is not covered by in the audit opinion issued by the independent auditors. Production activities are carried out primarily on Venezuelan territory by PDVSA Petróleo, PDVSA Gas and CVP'S mixed companies, while exploration activities are carried out in Venezuela, Bolivia, Ecuador and Cuba (see notes 6 and 20).

Table I - Crude Oil and Natural Gas Reserves

All crude oil and natural gas reserves are located on Venezuelan territory and are owned by the Republic. Crude oil and natural gas reserves are estimated by PDVSA and certified by the Ministry based on the reserve definitions established by the American Petroleum Institute (API) of the United States of America.

Proved reserves are the estimated quantities of oil and gas present in known deposits which, with reasonable certainty, are expected to be recovered in the future under existing economic and operating conditions. Due to the inherent uncertainties and limited nature of the data relating to deposits, reserve estimates are subject to change in time, as additional information becomes available. Proved reserves do not include additional volumes which may result from the extension of areas currently explored or from the application of secondary recovery processes not yet tested as yet and determined to be economically feasible.

Proved developed reserves of crude oil and gas include the quantities that can be expected to be recovered from existing wells with equipment and operating methods currently in use. Proved undeveloped reserves are volumes expected to be recovered through investments in the drilling of new wells in undeveloped areas or in the completion of existing wells.

Proved crude oil reserves have been grouped into conventional crude oils (condensed, light, medium and heavy crude oil), extra-heavy crude oil (in millions of barrels) and natural gas (in millions of equivalent barrels):

	December 31, 2015			2014			2013		
	Conventional Crude Oil	Extra-Heavy Crude Oil (Including mixed companies	Natural Gas	Conventional Crude Oil	Extra-Heavy Crude Oil (Including mixed companies	Natural Gas	Conventional Crude Oil	Extra-Heavy Crude Oil (Including mixed companies	Natural Gas
Proved developed reserves	9,099	4,257	6,784	8,404	4,574	6,522	8,595	4,364	6,747
Proved undeveloped reserves	32,258	255,264	27,931	32,811	254,164	27,679	31,460	253,935	27,233
Proved developed and undeveloped oil reserves	**41,357**	**259,521**	**34,715**	**41,215**	**258,738**	**34,201**	**40,054**	**258,299**	**33,980**
Equity-accounted investees (1) Proved developed and undeveloped oil reserves	**550**	**-**	**-**	**567**	**-**	**-**	**596**	**-**	**-**

(1) Corresponds to 30% share of reserves in operations by Rio Napo Compañía de Economia Mixta (subsidiary of PDVSA America, S.A.) (see notes 6 and 20).

A summary of annual changes in the proved reserves of crude oil and natural gas follows:

a) Conventional and Extra-Heavy Crude Oil (in million of barrels)

	Year ended December 31, 2015		2014		2013	
	Mixed companies (1)	Total (including Mixed companies	Mixed companies (1)	Total (including Mixed companies (1)	Mixed companies (1)	Total (including Mixed companies (1)
Proved developed and undeveloped reserves of conventional crude oil at January 1	10,669	41,215	9,217	40,054	9,098	40,598
Revisions	573	755	397	1,625	49	9
Extensions and new discoveries	14	20	67	201	-	162
Production	(184)	(627)	(166)	(668)	(168)	(715)
Transfers (2)	3,229	(6)	1,154	3	238	-
Proved developed and undeveloped reserves of conventional crude oil at December 31	14,301	41,357	10,669	41,215	9,217	40,054
Proved developed and undeveloped reserves of extra-heavy crude oil at December 31	112,376	259,521	111,986	258,738	108,261	258,299
Total proved developed and undeveloped reserves at December 31 (1)	**126,677**	**300,878**	**122,655**	**299,953**	**117,478**	**298,353**
Total proved developed reserves subject to production, including extra-heavy crude oil at December 31 (included in the previous total)	**4,988**	**12,931**	**4,123**	**12,978**	**4,020**	**12,960**

(1) Includes in 2015 condensed crude oil reserves for 2,342 million barrels [2,357 million barrels in 2014 and 2,384 million barrels in 2013].

(2) The 2015 transfer of conventional crude oil to heavy crude.

Extra-Heavy Crude Oil

Venezuela has significant reserves of extra-heavy crude oil (less than 8 API degrees), which are being developed by PDVSA Petróleo jointly with foreign companies through Mixed Companies with operations at the "Hugo Chávez Frías" Orinoco Oil Belt and in applying of new technologies for crude oil refining and upgrading.

The changes in proved developed and undeveloped reserves of extra-heavy crude oil associated to the Mixed Companies operating at the "Hugo Chávez Frías" Orinoco Oil Belt, as well as the total proved developed and undeveloped reserves of extra-heavy crude oil follow (in millions of barrels):

	Year ended December 31,					
	2015		2014		2013	
	Mixed companies (1)	Total (including mixed companies	Mixed companies (1)	Total (including mixed companies	Mixed companies (1)	Total (including mixed companies
Proved developed and undeveloped reserves of extra-heavy crude oil at January 1	92,583	258,738	92,664	258,299	92,624	257,137
Revisions	657	1,109	181	789	225	1,503
Transfers	19,403	6	-	-	21	-
Development and new discoveries	-	42	-	-	-	-
Others	-	-	(3)	(3)	-	-
Production	(267)	(374)	(259)	(347)	(206)	(341)
Proved developed and undeveloped reserves of extra-heavy crude oil at December 31	**112,376**	**259,521**	**92,583**	**258,738**	**92,664**	**258,299**
Proved developed reserves subject to production of extra-heavy crude oil at December 31	**1,791**	**4,257**	**1,546**	**4,574**	**1,370**	**4,364**

(1) Includes PetroPiar, S.A., PetroCedeño, S.A., and PetroMonagas, S.A., which are aimed at the production of synthetic crude. It also includes mixed companies that produce diluted crude oil 16 °API (Merey Segregation).

In June 2005, the Ministry assigned the Orinoco Magna Reserva Project to CVP in order to quantify and certify the reserves of the "Hugo Chávez Frías" Orinoco Oil Belt. The established strategic guidelines aimed at transforming the area into an engine for economic, social, industrial, technological and sustainable development for the country through the valuation and optimal development of hydrocarbon resources, within the current legal framework and the development plan of the nation.

In order to quantify and certify the reserves, the Orinoco Oil Belt was divided into four main large areas: Boyacá, Junín, Ayacucho and Carabobo, and these were subsequently subdivided into 45 blocks (including the areas assigned to the mixed companies). These were quantified as a result of a joint effort between the Corporación Venezolana de Petróleo (CVP) and the professionals of 24 companies of 19 countries that signed understanding agreements with the national government.

During 2015, the total proved crude oil reserves increased by 1,926 million barrels [2,615 million barrels in 2014 and 1,674 million barrels in 2013], as summarized below (in millions of barrels):

	Year ended December 31,		
	2015	2014	2013
Ayacucho	683	784	56
Junín	14	-	758
Carabobo	543	635	212
Traditional areas	649	-	469
Proven reserves of heavy crude incorporated	1,889	1,419	1,495
Traditional areas	-	1,137	179
Offshore	37	59	-
Total incorporation of reserves	**1,926**	**2,615**	**1,674**

The “Hugo Chávez Frías” Orinoco Oil Belt contains is home to 1,469 million barrels of Original Oil in Place (OOIP), and it is estimated that its recoverable reserves will be 287,096 barrels, based on the total recovery factor of 20%. Until 2007, a total of 57,060 million barrels had been certified, with 73,738 million barrels in 2008, 38,920 million barrels in 2009, 86,282 million barrels in 2010, 949 million barrels in 2011, 400 million barrels in 2012, 1,495 million barrels in 2013, 1,419 million barrels in 2014, and 1,240 million barrels in 2015, thus raising official reserves to 261,775 million barrels over the past eight years.

b) Natural Gas Reserves (in billion cubic feet)

	Year ended December 31,		
	2015	**2014**	**2013**
Proved developed and undeveloped reserves of natural gas at January 1	161,845	160,702	160,449
Revisions	3,419	2,425	1,052
Extensions and new discoveries	1,344	459	676
Production	(2,608)	(2,651)	(2,488)
Injection	895	910	1,013
Proved developed and undeveloped reserves of natural gas at December 31	164,895	161,845	160,702
Proved development and undevelopment reserves of natural gas related to reserves of extra-heavy crude oil at December 31	36,454	36,523	36,387
Total proved developed and undeveloped reserves of natural gas at December 31	**201,349**	**198,368**	**197,089**
Total proved developed reserves of natural gas submitted to production, including those related to extra-heavy crude oil at December 31 (included in the previous total)	**39,350**	**37,731**	**39,135**

Table II - Costs Incurred in Exploration and Development Activities

Exploration costs include the costs incurred in connection with geological, geophysical, drilling activities and equipping activities regarding exploratory wells. Development costs include those related to drilling and equipping development wells, enhanced recovery projects and facilities to extract, treat and store crude oil and natural gas. Annual costs, as summarized below, include amounts recorded in both expenses and assets accounts related to PDVSA’s conventional and extra-heavy crude oil reserves (in millions of dollars):

	Year ended December 31,								
	2015			2014			2013		
	Conventional Crude	Extra-heavy Crude	Total	Conventional Crude	Extra-heavy Crude	Total	Conventional Crude	Extra-heavy Crude	Total
Exploration costs	50	-	50	84	-	84	176	-	176
Development costs	18,048	3,803	21,851	17,031	5,885	22,916	10,171	3,883	14,054
Total	**18,098**	**3,803**	**21,901**	**17,115**	**5,885**	**23,000**	**10,347**	**3,883**	**14,230**

Table III - Costs Recognized as Assets in Oil and Gas Production Activities

The following table summarizes costs recognized as assets in oil and gas production activities and the corresponding accumulated depreciation and amortization at December 31 related to PDVSA's conventional and extra-heavy crude oil reserves (in millions of dollars):

	December 31,								
	2015			2014			2013		
	Conventional Crude Oil	Extra-heavy Crude Oil	Total	Conventional Crude Oil	Extra-heavy Crude Oil	Total	Conventional Crude Oil	Extra-heavy Crude Oil	Total
Assets used in production	42,266	12,388	54,654	45,581	10,053	55,634	47,912	14,334	62,246
Equipment and facilities	61,194	16,135	77,329	31,350	14,661	46,011	20,277	8,179	28,456
Total assets in production activities	103,460	28,523	131,983	76,931	24,714	101,645	68,189	22,513	90,702
Accumulated depreciation	(46,017)	(9,735)	(55,752)	(44,867)	(11,735)	(56,602)	(41,109)	(9,723)	(50,832)
Construction in progress	38,936	8,071	47,007	44,731	8,471	53,202	34,037	9,472	43,509
Net costs recognized as assets	**96,379**	**26,859**	**123,238**	**76,795**	**21,450**	**98,245**	**61,117**	**22,262**	**83,379**

Table IV - Results of Operations Corresponding to Oil and Gas Production Activities for Each Year (in million dollars)

	Year ended December 31,								
	2015			2014			2013		
	Conventional Crude Oil	Extra-heavy Crude Oil	Total	Conventional Crude Oil	Extra-heavy Crude Oil	Total	Conventional Crude Oil	Extra-heavy Crude Oil	Total
Net profit from production									
Sales	7,621	12,149	19,770	16,879	22,983	39,862	26,901	22,268	49,169
Transfers	25,321	-	25,321	37,094	-	37,094	55,094	-	55,094
Production costs	(12,968)	(2,767)	(15,735)	(14,188)	(4,913)	(19,101)	(7,588)	(4,705)	(12,293)
Production and extraction tax	(2,989)	(3,306)	(6,295)	(2,326)	(10,686)	(13,012)	(7,924)	(10,607)	(18,531)
Depreciation	(4,741)	(2,749)	(7,490)	(3,650)	(3,250)	(6,900)	(1,870)	(2,993)	(4,863)
Exploration expenses	(50)	-	(50)	(84)	-	(84)	(176)	-	(176)
Profit before income tax	12,194	3,327	15,521	33,725	4,134	37,859	64,437	3,963	68,400
Income tax	(6,748)	232	(6,516)	(16,862)	(2,067)	(18,929)	(32,219)	(1,982)	(34,201)
Profit from production operations	**5,446**	**3,559**	**9,005**	**16,863**	**2,067**	**18,930**	**32,218**	**1,981**	**34,199**

Sales of oil production are calculated using international market prices as if the entire production were sold.

Production costs include extraction expenses incurred to operate and maintain productive wells and related equipment and facilities, including costs of operating labor, materials and supplies, fuel consumed in operations and the costs of operating liquid natural gas plants incurred by PDVSA and Mixed Companies.

Production costs of extra-heavy crude oil include the expenses incurred to operate and maintain productive wells in Venezuela, as well as transportation and handling expenses.

Exploration costs include the costs of geological and geophysical activities, as well as costs incurred in non-productive exploratory well drilling.

Depreciation expenses correspond to assets used in production activities. Income tax expense is calculated using the statutory rate for the year. To this purposes, results in production operations do not include finance expenses overhead expenses, or their associated tax effects.

The following table summarizes the average selling prices per unit and production costs (in dollars):

	Year ended December 31,		
	2015	2014	2013
Average sale prices:			
Crude oil, per barrel	44.65	88.42	98.08
Basket price of gas, per barrel	2.33	26.53	28.71
Natural gas, per barrel	0.43	11.17	3.97
Average production costs, per equivalent oil barrel	10.68	18.05	11.40
Average production costs, per equivalent oil barrel, excluding Mixed Companies	3.93	15.10	10.63

Table V - Standardized Measure of Discounted Future Cash Flows Related to Proven Oil and Gas Reserves

As a result of the uncertainties related to the time required to develop the country's extra-heavy crude oil reserves, only proved conventional crude oil and the extra-heavy crude oil reserves produced by the subsidiaries of CVP at the "Hugo Chávez Frías" Orinoco Oil Belt have been considered in the calculation of discounted future cash flows.

Estimated future cash inflows from production are determined in applying the 2015, 2014 and 2013 average export prices and the oil and gas year-end quantities of estimated proved reserves. Future cash flows from extra-heavy crude oil production are determined using average export prices and quantities of the upgraded crude oil that will be produced in plants (including PetroPiar, S.A., PetroCedeño, S.A., PetroMonagas, S.A., and Petrolera Sinovensa, S.A.) and in the case of the new businesses (Mixed Companies in preoperating stage located at the "Hugo Chavez Frias"Orinoco Oil Belt), extra-heavy crude oil produced is not upgraded. Upgraded crude oil prices at year-end approximate to conventional crude oil prices with similar characteristics. Future development and production costs are those considered necessary to add and develop estimated proved reserves at year-end, assuming that the same economic conditions are maintained. Future production and extraction taxes correspond to the total amounts to be paid for Export Registration Tax, Extraction Tax, Production Tax, Special Advantages and the Special Contribution for Extraordinary Prices and Exorbitant Prices in the International Hydrocarbons Market. Future income tax expense is calculated in applying the appropriate year-end statutory tax rates. These rates are applied to estimated future pre-tax cash flows. This calculation requires annual estimates regarding when the future expenditures will be incurred and when the proved reserves will be extracted.

The information provided below represent neither certified estimates of PDVSA's expected future cash flows nor an accurate value of proved oil and gas reserves. Proved reserves are inaccurate and may change over time as new information becomes available. Furthermore, probable and possible reserves, which may become proved in the future are excluded from the calculation. The valuation method requires assumptions of the timing of future extraction of proved reserves and the timing and amount of future development and production costs. The calculations are made at December 31 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):

	Year ended December 31,								
	2015			2014			2013		
	Conventional Crude Oil	Extra-heavy Crude Oil	Total	Conventional Crude Oil	Extra-heavy Crude Oil	Total	Conventional Crude Oil	Extra-heavy Crude Oil	Total
Future cash flows	2,007,911	4,004,236	6,012,147	3,871,090	9,542,850	13,413,940	4,839,093	7,908,672	12,747,765
Future production costs	(266,385)	(929,175)	(1,195,560)	(232,210)	(213,841)	(446,051)	(692,297)	(290,714)	(983,011)
Future production and extraction tax (1)	(654,784)	(1,292,093)	(1,946,877)	(1,842,943)	(4,027,271)	(5,870,214)	(2,501,517)	(3,190,618)	(5,692,135)
Future development costs	(393,865)	(411,090)	(804,955)	(242,341)	(768,531)	(1,010,872)	(673,296)	(1,753,672)	(2,426,968)
Future income tax expenses	(286,307)	(742,683)	(1,028,990)	(751,165)	(1,676,042)	(2,427,207)	(441,254)	(978,666)	(1,419,920)
Asset retirement cost	(3,477)	(191)	(3,668)	(14,243)	(1,383)	(15,626)	(11,913)	(568)	(12,481)
Future net cash flows	**403,093**	**629,004**	**1,032,097**	**788,188**	**2,855,782**	**3,643,970**	**518,816**	**1,694,434**	**2,213,250**
Effect of discounting net cash flow at 10%	(336,520)	(569,974)	(906,494)	(598,525)	(1,640,993)	(2,239,518)	(404,799)	(1,567,580)	(1,972,379)
Future discounted cash flows	**66,573**	**59,030**	**125,603**	**189,663**	**1,214,789**	**1,404,452**	**114,017**	**126,854**	**240,871**

(1) The effect of the Law Creating Special Contributions for Extraordinary Prices and Exorbitant Prices on the International Hydrocarbons Market is included in years, 2014 and 2013.

Table VI - Analysis of Changes in Discounted Future Net Cash Flows Related to Proved Crude Oil and Natural Gas Reserves

The following table summarizes the changes for each year (in millions of dollars):

	Year ended December 31,								
	2015			2014			2013		
	Conventional Crude Oil	Extra-heavy Crude Oil	Total	Conventional Crude Oil	Extra-heavy Crude Oil	Total	Conventional Crude Oil	Extra-heavy Crude Oil	Total
Present value at January 1:									
Sales, net of production costs and taxes	(37,459)	(6,303)	(43,762)	(37,459)	(8,112)	(45,582)	(60,465)	(8,143)	(68,608)
Value of additional reserves throughout the year due to extensions and discoveries	541	-	541	1,527	-	1,527	2,229	-	2,229
	(36,918)	(6,303)	(43,221)	(35,932)	(8,112)	(44,044)	(58,236)	(8,143)	(66,379)
Changes in the value of reserves of the previous year resulting from:									
Development costs incurred in the year	12,139	6,483	18,622	11,911	4,797	16,708	7,342	1,923	9,265
Changes in future development costs	44,144	27,744	71,888	100,835	71,250	172,085	(36,627)	(62,300)	(98,927)
Net changes in prices and production costs	(108,037)	315,308	207,271	28,824	168,895	197,719	(67,034)	76,947	9,913
Revisions of prior reserve estimates	5,769	3,485	9,254	16,934	25,929	42,863	12,513	21,005	33,518
Net changes in income tax expenses	25,590	71,507	97,097	(74,575)	(11,042)	(85,617)	46,923	34,623	81,546
Unwinding of discount	11,402	21,479	32,881	11,402	15,965	27,367	12,104	12,824	24,928
Net changes in production tax and others	(1,533)	(595,460)	(596,993)	16,247	(215,508)	(199,261)	75,995	(78,261)	(2,266)
Total change throughout the year	**(47,444)**	**(155,757)**	**(203,201)**	**75,646**	**52,174**	**127,820**	**(7,020)**	**(1,382)**	**(8,402)**