Siderúrgica Venezolana "Sivensa", S.A. and its Subsidiaries

Report of Independent Accountants and Consolidated Financial Statements Prepared in Accordance with the Rules and Instructions of the Venezuelan Securities Superintendency
September 30, 2017 and 2016

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Report of Independent Accountants

To the Shareholders and Board of Directors of
Siderúrgica Venezolana "Sivensa", S.A. and its subsidiaries

Report on the consolidated financial statements
We have audited the accompanying consolidated financial statements of Siderúrgica Venezolana "Sivensa", S.A. (Sivensa or the Company) and its subsidiaries, which comprise the consolidated statement of financial position as at September 30, 2017 and the consolidated statements of income, comprehensive income, changes in equity and cash flows for the year then ended, and a summary of significant accounting policies and other explanatory notes.

Management's responsibility for the consolidated financial statements
Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with the rules and instructions of the Venezuelan Securities Superintendency (SUNAVAL), 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.

Auditor's 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 (ISA) applicable in Venezuela. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the 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 the auditor's 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, the auditor considers 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.

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Opinion
In our opinion, the consolidated financial statements present fairly, in all material respects, the consolidated financial position of Siderúrgica Venezolana "Sivensa", S.A. and its subsidiaries as at September 30, 2017, and their financial performance and their cash flows for the year then ended, in accordance with the rules and instructions of SUNAVAL.

Emphasis of matter
At September 30, 2017, the accompanying consolidated financial statements have been prepared on a going concern basis, but due to the matters indicated in the following paragraphs, which are thoroughly explained in Note 1, there is uncertainty as to the final resolution of these matters that could affect this condition.

As disclosed in Note 1, on May 21, 2009, the Venezuelan government announced the "nationalization" of the subsidiaries of International Briquettes Holding (IBH), Venezolana de Prerreducidos Caroní "Venprecar", C.A. (Venprecar) and Orinoco Iron, S.C.S., Sociedad en Comandita Simple (Orinoco Iron). On May 25, 2009, the former People's Power Ministry for Basic Industries and Mining (MIBAM) notified the managements of Venprecar and Orinoco Iron that a "Transition Committee" had been appointed for each company. Subsequently, Decree No. 6,796 was published in Official Gazette No. 39,220 on July 14, 2009 ordering the forced acquisition of these companies, as well as of their subsidiaries and affiliates engaged in the transformation of iron ore to transform them into state-owned companies. The Decree also provides for the appointment of both government and private-sector representatives to the Transition Committee to determine asset fair value. The Decree states that: i) if no agreement is reached on asset fair value within the specified deadline, the Bolivarian Republic of Venezuela, through its Ministries or functionally decentralized entities, may assume the exclusive control and operation of the aforesaid companies, and ii) the Venezuelan government will decree the expropriation of the affected assets, in conformity with the Law on Expropriation for Public or Social Purposes (the Expropriation Law), should no agreement be reached thereon. On February 5, 2010, the Venezuelan government assumed control of Venprecar and Orinoco Iron as evidenced in the record of the judicial inspection carried out by the First Court of the Caroní Municipality's Second Judicial Circuit of Bolívar State attended by MIBAM representatives on behalf of the Venezuelan government, Venprecar's and Orinoco Iron's Transition Committees, and trade union representatives. In 2009, the managements of Venprecar and Orinoco Iron hired duly certified independent appraisers to value their machinery and facilities with a view to determining these assets' depreciated replacement value at June 30, 2009. In addition, Venprecar and Orinoco Iron managements calculated the value in use of each company's property, plant and equipment, which is the present value of the discounted future cash flows expected to be derived from asset use. In October 2017, IBH management obtained the update of the appraisals prepared in 2009. Both the 2009 appraisals and the update indicate that the value of machinery and facilities of Venprecar and Orinoco Iron at June 30, 2009 and September 30, 2017 exceeds the carrying amount of investments in companies under "nationalization" at those dates. At June 30, 2009 and September 30, 2017, the recoverable amount (Note 2-e) of assets exceeds the carrying amount of investments in companies under "nationalization." As disclosed in Note 1, IBH management conducted negotiations with the Venezuelan government on possible indemnification values, which in some cases did not exceed book value. IBH management considers that the indemnification for the "nationalization" of Venprecar and Orinoco Iron should exceed the book value of investments in companies under "nationalization," as supported by the June 30, 2009 appraisals (depreciated replacement cost) and value in use calculations at that date. In addition, there are no circumstances indicating that such calculations could vary substantially, so no adjustment to the carrying amount of investments in companies under "nationalization" has been considered necessary. To

date, IBH has not been informed of the amount of the indemnification it will receive from the "nationalization" of the companies, in what currency the indemnification will be paid or when the Venezuelan government will make payments in this connection. IBH is also unaware of how the receivables and payables of these companies, which are part of net investments in companies under "nationalization," will be realized or settled. Consequently, there is uncertainty since we are unable to anticipate the effects that the resolution of these matters might have on the accompanying consolidated financial statements of Siderúrgica Venezolana "Sivensa", S.A.

As indicated in Note 1, on October 31, 2010, the expropriation of the plants and other industrial assets of the subsidiary Siderúrgica del Turbio, S.A. (Sidetur) was publicly announced. Subsequently, in Official Gazette No. 39,544 of November 3, 2010, Presidential Decree No. 7,786 (the Expropriation Decree) was published ordering the forced acquisition of all the real and personal property and improvements of Sidetur and its subsidiaries and affiliates. On October 26, 2012, the Superintendency of Banking Sector Institutions (SUDEBAN), following instructions from the People's Power Ministry for Industries (MPPI), issued a communication to all Venezuelan banks at which Sidetur maintained funds in bolivars ordering them to immediately transfer such funds (present and future) to an account at a local bank pertaining to the state-owned company Complejo Siderúrgico Nacional, S.A. On October 29, 2012, Complejo Siderúrgico Nacional, S.A. occupied and took possession of the real and personal property and improvements comprising Sidetur's industrial plants and collection centers. As described in Note 1, in the opinion of management, Sidetur's industrial assets that were occupied, other assets subject to appropriation, and the obligations assumed by the state-owned company Complejo Siderúrgico Nacional, S.A. comprise property, plant and equipment; cash in local currency; trade receivables and inventories, net of accounts payable to suppliers and other; advances from clients; profit-sharing bonuses, vacation bonuses, length-of-service benefits and other employee accruals, totaling a net amount of Bs 14,217 million at September 30, 2017 and is classified in the consolidated financial statements within Net assets in process of expropriation and assets subject to appropriation. In October 2017, management obtained the update of the appraisal of Sidetur's real property, machinery, equipment and facilities showing that the depreciated cost at September 30, 2017 is Bs 1,179,869 million (Bs 1.179 trillion). Additionally, Sidetur management calculated the estimated value in use at September 30, 2017 of the net assets occupied by Complejo Siderúrgico Nacional, S.A. These calculations determined that both the updated appraisal value (depreciated replacement cost) and the estimated value in use exceed the net book value of the assets occupied by the Venezuelan government in October 2012. Based on the foregoing, management considers that the carrying amount of the net assets occupied by the state-owned company Complejo Siderúrgico Nacional, S.A., recognized in Sivensa's consolidated financial statements, is below what should be their compensation value (indemnification) payable by the Venezuelan government under the Expropriation Law. To date, Sidetur has not been informed of the amount of the indemnification it will receive from the forced acquisition of the aforementioned net assets pertaining to Sidetur and its subsidiaries or when the Venezuelan government will make payments in this connection or the effect of such matters. Consequently, there is uncertainty since we are unable to anticipate the effects that the resolution of these matters might have on the accompanying consolidated financial statements of Siderúrgica Venezolana "Sivensa", S.A.

As described in Note 22, the consolidated statement of financial position in constant bolivars prepared under the Company's accounting bases, which differ from SUNAVAL's rules and instructions, is provided as supplementary information.

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Caracas - Venezuela
November 1, 2017

Siderúrgica Venezolana "Sivensa", S.A. and its Subsidiaries
Consolidated statement of financial position
September 30, 2017 and 2016

	Notes	2017	2016
		(Millions of constant bolivars, based on the last National Consumer Price Index published by the Central Bank of Venezuela)	
Assets			
Non-current assets			
Available-for-sale investments			
Investments in companies under "nationalization"	1 and 7	3,020,739	595,014
Net assets in process of expropriation and assets subject to appropriation	1 and 5	14,217	14,142
Accounts receivable from companies under "nationalization," net	8 and 20	334,992	61,629
Property, plant and equipment, net	2-d and 6	251	342
Other non-current assets		36	407
Total non-current assets		3,370,235	671,534
Current assets			
Prepaid expenses and other current assets		292	61
Advances to suppliers	20	214	631
Accounts receivable			
Other accounts receivable	9 and 20	45,365	8,945
Related companies	16	107	15
Investments in trading securities	7 and 20	23,013	4,772
Cash	10 and 20	7,182	1,924
Total current assets		76,173	16,348
Total assets		3,446,408	687,882
Equity and Liabilities			
Equity	11		
Capital stock			
Nominal		105	105
Inflation adjustment		15,037	15,037
Share premium		1,456	1,456
Net effect of combination (merger) of subsidiaries		260	260
Surplus from revaluation associated with investments in companies under "nationalization"	7	304	304
Difference between fair value and cost of shares of subsidiary		724	724
Income from translation of foreign subsidiaries	2-n	2,063,915	399,938
Retained earnings (deficit)			
Legal reserve		1,516	1,516
Deficit		(17,551)	(257)
Total equity of Sivensa shareholders		2,065,766	419,083
Non-controlling interests	2-b	950,472	187,308
Total equity		3,016,238	606,391
Liabilities			
Non-current liabilities			
Accrual for length-of-service benefits, net of advances and loans to employees	2-k	56	13
Other long-term liabilities and accruals	14	459	110
Deferred income tax	2-o and 15	2,599	1,171
Total non-current liabilities		3,114	1,294
Current liabilities			
Bank loans	13 and 20	19,816	3,903
Financial obligation	12 and 20	246,692	48,591
Profit sharing, vacation bonus and other employee accruals	2-k	139	26
Taxes	15	69	69
Other liabilities and accruals	14 and 20	155,897	26,493
Accounts payable			
Suppliers	20	1,764	463
Related companies	16	2,679	652
Total current liabilities		427,056	80,197
Total liabilities		430,170	81,491
Total equity and liabilities		3,446,408	687,882

The accompanying notes are an integral part of the consolidated financial statements

Siderúrgica Venezolana "Sivensa", S.A. and its Subsidiaries
Consolidated income statement
Years ended September 30, 2017 and 2016

	Notes	2017	2016
		(Millions of constant bolivars, based on the last National Consumer Price Index published by the Central Bank of Venezuela)	
General and administrative expenses	17	(2,202)	(614)
Other operating income, net	18	276	348
Operating loss		(1,926)	(266)
Financial expense	19	(11,303)	(2,975)
Financial income	19	9,601	2,572
Exchange loss, net	20	(12,843)	(1,327)
Gain from net monetary position	2-c	-	142
Loss before tax		(16,471)	(1,854)
Income tax			
Deferred	15	(1,428)	(76)
Net loss		(17,899)	(1,930)
Net loss attributable to Sivensa shareholders			
Sivensa shareholders		(17,294)	(1,912)
Non-controlling interests	2-b	(605)	(18)
Net loss		(17,899)	(1,930)
Weighted average number of outstanding shares		52,524,376	52,524,376
Net loss per share attributable to Sivensa shareholders (in bolivars)	2-r	(329.26)	(36.41)

The accompanying notes are an integral part of the consolidated financial statements

Siderúrgica Venezolana "Sivensa", S.A. and its Subsidiaries
Consolidated statement of comprehensive income
Years ended September 30, 2017 and 2016

	Notes	2017	2016
		(Millions of constant bolivars, based on the last National Consumer Price Index published by the Central Bank of Venezuela)	
Net loss		(17,899)	(1,930)
Comprehensive income			
Income from translation of foreign subsidiaries	2-n and 11	2,427,746	352,885
Total comprehensive income		2,409,847	350,955
Comprehensive income attributable to			
Sivensa shareholders		1,646,683	239,957
Non-controlling interests	2-b	763,164	110,998
		2,409,847	350,955

The accompanying notes are an integral part of the consolidated financial statements

Siderúrgica Venezolana "Sivensa", S.A. and its Subsidiaries
Consolidated statement of changes in equity
Years ended September 30, 2017 and 2016

	Notes	Capital stock		Share premium	Surplus from revaluation associated with investments in companies under "nationalization"	Difference between fair value and cost of shares of subsidiary	Net effect of combination (merger) of subsidiaries	Income from translation of foreign subsidiaries	Retained earnings		Total equity of Sivensa shareholders	Non-controlling interests	Total equity
		Nominal	Inflation adjustment						Legal reserve	Deficit			
		(Millions of constant bolivars, based on the last National Consumer Price Index published by the Central Bank of Venezuela)											
Balances at September 30, 2015		105	15,037	1,456	409	974	349	157,625	1,516	1,655	179,126	76,310	255,436
Net loss		-	-	-	-	-	-	-	-	(1,912)	(1,912)	(18)	(1,930)
Income from translation of foreign subsidiaries	2-n and 11	-	-	-	(105)	(250)	(89)	242,313	-	-	241,869	111,016	352,885
Balances at September 30, 2016		105	15,037	1,456	304	724	260	399,938	1,516	(257)	419,083	187,308	606,391
Net loss		-	-	-	-	-	-	-	-	(17,294)	(17,294)	(605)	(17,899)
Income from translation of foreign subsidiaries	2-n and 11	-	-	-	-	-	-	1,663,977	-	-	1,663,977	763,769	2,427,746
Balances at September 30, 2017		105	15,037	1,456	304	724	260	2,063,915	1,516	(17,551)	2,065,766	950,472	3,016,238

The accompanying notes are an integral part of the consolidated financial statements

Siderúrgica Venezolana "Sivensa", S.A. and its Subsidiaries
Consolidated cash flow statement
Years ended September 30, 2017 and 2016

	Notes	2017	2016
		(Millions of constant bolivars, based on the last National Consumer Price Index published by the Central Bank of Venezuela)	
Cash flows from operating activities			
Net loss		(17,899)	(1,930)
Adjustments to reconcile net loss to net cash used in operating activities			
Deferred income tax	15	1,428	76
Provision for guarantee deposits (other expenses)	18	1,994	149
Depreciation and amortization	6	16	16
Interest income not collected on accounts receivable from companies under "nationalization"	8 and 19	(9,453)	(2,538)
Other income	18	-	(16)
Gain on sale and valuation of securities to market value, net	18	(827)	(224)
Unpaid interest expense on financial obligation and bank loans	12, 13 and 19	(10,993)	2,907
Exchange loss, net	2-n and 20	12,843	1,327
Accrual for length-of-service benefits, net of advances and loans to employees		43	9
Gain from net monetary position		-	(142)
Net change in operating assets and liabilities			
Other accounts receivable		(429)	205
Accounts receivable from companies under "nationalization" and related companies, net		16	(58)
Advances to suppliers, prepaid expenses and other current and non-current assets		942	(447)
Accounts payable to suppliers, profit sharing, vacation bonus and other employee accruals, taxes and other short and long-term liabilities and accruals		18,733	612
Net cash used in operating activities		(3,586)	(54)
Cash flows from investing activities			
Sale of investments in trading securities		9,129	2,857
Purchase of investments in trading securities		(6,602)	(2,784)
Net cash provided by investing activities		2,527	73
Effect of devaluation on cash		6,317	1,308
Cash and cash equivalents			
Change for the year		5,258	1,327
At the beginning of the year		1,924	597
At the end of the year		7,182	1,924

The accompanying notes are an integral part of the consolidated financial statements

1. Activities

Siderúrgica Venezolana "Sivensa", S.A. (Sivensa or the Company) is a company domiciled in Caracas, Venezuela, listed on the Caracas Stock Exchange (BVC); it has a large shareholder base and is regulated by the Venezuelan Securities Superintendency (SUNAVAL). The address of Sivensa's headquarters is: Avenida Venezuela, Torre América, Urbanización Bello Monte, Caracas.

Sivensa was established in 1948 and is the holding company of the Sivensa group, whose most significant subsidiaries and/or its assets, plants or industrial facilities have been subject to various administrative measures (expropriation, nationalization, occupation or measures with equivalent effects) by the Venezuelan government. At September 30, 2017 and 2016, the Company has 17 and 19 employees, respectively.

The accompanying consolidated financial statements at September 30, 2017 were approved by the Board of Directors on October 31, 2017.

"Nationalization" of the operating subsidiaries of International Briquettes Holding (IBH) (Note 7)
On May 21, 2009, the Venezuelan government announced the "nationalization" of IBH's subsidiaries Venezolana de Prerreducidos Caroní "Venprecar", C.A. (Venprecar) and Orinoco Iron, S.C.S., (Orinoco Iron). On May 25, 2009, the former People's Power Ministry for Basic Industries and Mining (MIBAM) notified the managements of Venprecar and Orinoco Iron that a "Transition Committee" had been appointed for each company. Subsequently, Decree No. 6,796 was published in Official Gazette No. 39,220 on July 14, 2009 ordering the forced acquisition of these companies and their subsidiaries and affiliates engaged in the transformation of iron ore to transform them into state-owned companies. Likewise, the Decree formally establishes that the Venezuelan government, through the relevant Ministries or any of its functionally decentralized entities, will appoint Transition Committees in order to ensure the transfer and continuity of the operations of the companies under "nationalization." The Decree also provides for the appointment of both government and private-sector representatives to the Transition Committee to determine asset fair value. The Decree states that: i) if no agreement is reached on asset fair value within a deadline, the Bolivarian Republic of Venezuela, through its Ministries or functionally decentralized entities, may assume the exclusive control and operation of the aforesaid companies and ii) the Venezuelan government will decree the expropriation of the affected assets, in conformity with the Law on Expropriation for Public or Social Purposes (the Expropriation Law), should no agreement be reached thereon.

In 2009, in accordance with applicable accounting standards, the managements of Venprecar and Orinoco Iron hired duly certified independent appraisers to value their machinery and facilities with a view to determining these assets' depreciated replacement value at June 30, 2009. In October 2017, IBH management obtained the update of the appraisals prepared in 2009. According to the June 2009 appraisals and this update, the value of machinery and facilities of Venprecar and Orinoco Iron at September 30, 2017 exceeds the carrying amount of lasinvestments in companies under "nationalization"at those dates. In addition, Venprecar and Orinoco Iron managements calculated the value in use of each company's property, plant and equipment at June 30, 2009, which is the present value of the discounted future cash flows expected to be derived from asset use, and determined at that date that the value in use exceeded the carrying amount of investments in companies under "nationalization." At September 30, 2017 and 2016, the recoverable amount (Note 2-e) of investments in companies under "nationalization" exceeds the carrying amount.

On February 5, 2010, the Venezuelan government assumed control of Venprecar and Orinoco Iron as evidenced in the record of the judicial inspection carried out by the First Court of the Caroní Municipality's Second Judicial Circuit of Bolívar State attended by MIBAM representatives on behalf of the Venezuelan

government, Venprecar's and Orinoco Iron's Transition Committees, and trade union representatives. Through this measure, the Venezuelan government unilaterally, exclusively and fully assumed the operational control and management of the aforementioned going concerns (in all commercial, operational, financial, labor, tax and legal matters), as well as the risks arising from Venprecar's and Orinoco Iron's real, personal and intangible property and their industrial use. Consequently, Venprecar's and Orinoco Iron's real, personal and intangible property, as well as these companies' management, operations, safety and production, became the exclusive responsibility of the Venezuelan government, without prejudice to the rights of the partners, shareholders or direct or indirect stakeholders of these corporations, by virtue of the Venezuelan government's decision to nationalize them and, more specifically, to execute the aforementioned Decree, and without IBH's agreeing to transfer the operational and management control of the aforementioned companies to the respective Transition Committees being construed as a waiver of their rights by these companies or by their partners, shareholders or direct or indirect stakeholders, nor as the acceptance of what is provided in the Decree.

IBH management considers that, as a result of the measures undertaken by the Venezuelan government, it has lost the power to direct the financial and operating policies of Venprecar and Orinoco Iron; therefore, it consolidated these companies' assets, liabilities and results of operations until June 30, 2009, the closing date closest to the date when the aforementioned Decree was enacted. The carrying amount of investments at the date when the companies were deconsolidated was considered as cost and was shown in the consolidated financial statements as available-for-sale investments within Investments in companies under "nationalization." At September 30, 2017 and 2016, net consolidated assets of the companies under "nationalization," including net receivables, amount to Bs 3,020,739 million (Bs 3 trillion) and Bs 595,014 million, respectively (Note 7).

On May 15, 2010, during a public address, the then Venezuelan president gave an update on the process of "nationalization" of the country's briquette companies, including Venprecar and Orinoco Iron. The president informed that the Transition Committees had been working with a two-fold objective: continuing the operations of the plants and negotiating the prices of the "nationalized" companies. Referring specifically to Venprecar and Orinoco Iron, the Venezuelan president mentioned that the shareholders expected payment in U.S. dollars even though these companies' capital was exclusively domestic. The president also announced some of the economic terms of the "nationalization" and indicated that the price of both of IBH's plants would range between US$600 million and US$800 million and that the payment terms by the Venezuelan State were yet to be defined.

During 2010 IBH management conducted negotiations with the Venezuelan government on possible indemnification values, which in some cases did not exceed book value at September 30, 2010. IBH management considers that the indemnification for the "nationalization" of Venprecar and Orinoco Iron should exceed the book value of investments in companies under "nationalization," since the recoverable amount of the assets is for a greater amount. In addition, there are no circumstances indicating that such calculations could vary substantially, so no adjustment to the carrying amount of investments in companies under "nationalization" has been considered necessary.

From 2011 to June 2013, IBH representatives addressed periodical communications to the former MIBAM and the People's Power Ministry for Industries (MPPI), requesting the renewal of negotiations to agree on the fair price of the aforementioned briquette companies.

On July 9, 2013, the president of IBH's Board of Directors, on behalf and in representation of IBH, filed before MPPI a claim for indemnification against the Bolivarian Republic of Venezuela, by means of the aforementioned Ministry, by virtue of the "de facto" expropriation of the equity interest held by IBH (directly or indirectly through IBH de Venezuela, C.A.) in Venprecar and Orinoco Iron, whose operational control and management were unilaterally and exclusively assumed by the Venezuelan government, without previous compliance with the procedures stipulated in the Law on Expropriation for Public or Social Purposes. Moreover, the government has not yet paid the timely, fair and integral indemnification.

According to a piece of news published on August 12, 2013 in a national newspaper "El Universal," MPPI had announced the completion of the nationalization process of the briquette companies Venprecar and Orinoco Iron. In this connection, the news pointed out that the then Venezuelan president had approved the nationalization and expropriation of the real and personal property and improvements pertaining to the aforementioned companies whose names would be changed to Briquetera del Caroní and Briquetera del Orinoco, respectively. It was also announced that these companies would become part of a state briquette consortium. To date, IBH and/or Sivensa (its parent company) have not received any communication or information from the aforementioned Ministry in connection with the issue described above and no legal instrument related to the aforementioned ministerial announcement has been published in the Official Gazette of the Bolivarian Republic of Venezuela.

Two Presidential Decrees ("Expropriation Decrees") dated December 19, 2013 were published in Extraordinary Official Gazette No. 6,119 on that same date expropriating the real and personal property and improvements used in the operations of Venprecar and Orinoco Iron for the execution of the work specified in the corresponding Decrees.

On April 2, 2014, the Venezuelan Attorney General's Office, in compliance with the Expropriation Decrees, published in the newspaper "Correo del Caroní," notices summoning the owners and, in general, anyone having rights or interests in the aforementioned companies' real and personal property and improvements to appear at the Attorney General's offices within 30 days of notice publication.

Subsequently, within the deadline established in Article No. 22 of the Expropriation Law and the text of the respective summon notices, the judicial representation of the subsidiary IBH and its subsidiary IBH de Venezuela, C.A. – holders of 98.936062% of equity interest in Venprecar and Orinoco Iron, along with the Company and other subsidiaries which hold directly 1.063875% of said equity interest – appeared before the Venezuelan Attorney General's Office, in accordance with the aforementioned article, and both delivered official communications stating the factual and legal arguments which, according to their criterion, justified the unenforceability of the aforementioned Expropriation Decrees in the terms they were enacted, given that in February 2010 the Venezuelan government unilaterally and exclusively assumed the operational control and management of Venprecar and Orinoco Iron for the purpose of transforming them into state-owned companies.

On June 10, 2014, IBH de Venezuela, C.A., holder of legal interests in its capacity as owner of 79.649740% of the equity interest in Venprecar and Orinoco Iron, filed before the Political-Administrative Chamber of the Supreme Court of Justice two judicial recourses for the annulment of the Expropriation Decrees. On July 10, 2014, these judicial recourses were admitted by the Court of Proceedings of the aforementioned Supreme Court's Chamber.

Subsequently, the litical-Administrative Chamber of the Supreme Court of Justice disallowed in each case, through decisions issued on October 9 and 28, the injunction measure to suspend the effects of the Expropriation Decrees of the real and personal property and improvements pertaining to andfiled by the subsidiary On December , the aforementioned Chamber of the Supreme Court of Justice, as a result of the request for joint trials presented by the government's legal representatives, agreed to suspend the trial hearings for both casesOn August 3, 2017, the aforementioned chamber accepted the requested joint trials. To date, there have been no court rulings on the substance of the lawsuits for annulment of the Expropriation Decrees.

IBH's Board of Directors and management have stated that they are continuing negotiations, as timely and effectively as can be expected under the circumstances, to arrive at the payment of an indemnification for Venprecar and Orinoco Iron, negotiations to which they have been committed during the fiscal periods following "nationalization."

Forced acquisition of Sidetur's real and personal property and improvements (Note 5)
On October 31, 2010, the then Venezuelan president publicly announced the expropriation of the plants and other industrial assets of the subsidiary Siderúrgica del Turbio, S.A. (Sidetur). Subsequently, in Official Gazette No. 39,544 of November 3, 2010, Presidential Decree No. 7,786 (the Expropriation Decree) was published ordering the forced acquisition of all the real and personal property and improvements of Sidetur and its subsidiaries and affiliates, comprising two steel billet mills (Casima Plant, located in Puerto Ordaz, Bolívar State, and Barquisimeto Plant, located in Barquisimeto, Lara State); four billet lamination trains that produce steel rods, bars, beams, bends and plates (Lara Plant, located in Barquisimeto, Lara State; Antímano Plant, located in La Yaguara, Libertador Municipality, Capital District and; Guarenas Plant, located in Miranda State); an electrowelded mesh, wire and side panel plant (Valencia Plant, located in Valencia, Carabobo State) and; 15 scrap iron collection and processing centers. In addition, under the Expropriation Decree, all expropriated assets shall pass unencumbered to the Venezuelan government so that the project for the construction of the "Bolivarian Steel Complex" may be executed by MIBAM (whose functions have primarily been assumed by MPPI after the former's extinction).

On November 2, 2010, the Institute for the Defense of People's Access to Goods and Services (INDEPABIS) issued Administrative Resolution No. 422 (INDEPABIS Resolution/November 2010) ordering a "Preventive Measure of Occupancy and Temporary Operability" on Sidetur.

On November 18, 2010, the former MIBAM informed the subsidiary Sidetur that a High Level Commission had been created to conduct negotiations in accordance with the Expropriation Decree of November 2, 2010 and that it had appointed its representatives. On November 19, 2010, Sidetur notified the former MIBAM that it had, in turn, appointed its representatives to the Commission to conduct negotiations during the expropriation process.

On November 22, 2010, the High Level Commission convened to address, among other issues, the assets subject to expropriation under the Expropriation Decree, the continuity of plant production, raw material supply, and labor relationships.

Subsequently, on December 2, 2010, the Venezuelan Attorney General's Office, in compliance with the Expropriation Decree, published a notice summoning the owners and, in general, anyone having rights or interests in Sidetur's real and personal property and improvements to appear at the Attorney General's offices within 30 days of notice publication. According to the notice, the assets subject to forced acquisition comprise the following: two steel billet mills (Casima Plant, located in Puerto Ordaz, Bolívar State, and Barquisimeto Plant, located in Barquisimeto, Lara State); four billet lamination trains that produce steel rods, bars, beams, bends and plates (Lara Plant, located in Barquisimeto, Lara State; Antímano Plant, located in La Yaguara, Libertador Municipality, Capital District; and Guarenas Plant, located in Miranda State); an electrowelded mesh, wire and side panel plant (Valencia Plant, located in Valencia, Carabobo State) and; fifteen scrap iron collection and processing centers.

On December 20, 2010, Sidetur's judicial representation appeared before the Attorney General's Office to invoke Sidetur's ownership of the assets subject to forced acquisition listed in the Expropriation Decree of November 2, 2010 and in the notice published by the Attorney General's Office, submitting the appropriate documentation so as to become a party to the expropriation process.

Judicial inspections of facilities and other industrial assets owned by the subsidiary Sidetur and its affiliates began in February 2011. These inspections were conducted at the request of the Venezuelan General Attorney's Office to determine existing assets in each of these facilities and certify other facts. At September 30, 2011, the judicial inspections (*extra litem*) were completed at the Antímano, Guarenas, and Valencia Plants, and certain scrap iron collection and processing centers. Subsequently, during the year ended September 30, 2012, the judicial inspections (*extra litem*) were completed at the Barquisimeto, Lara and Casima Plants, and the remaining scrap iron collection and processing centers.

On February 8, 2011, the former MIBAM issued Resolution DM/No. 001/2011 to create the Commission for the Oversight, Conservation and Preservation of Sociedad Mercantil Siderúrgica del Turbio, S.A.'s Assets Subject to Expropriation. Among the Commission's functions were: a) to take the necessary actions to safeguard the labor rights of Sidetur's workers and make recommendations as it deems appropriate; b) to meet regularly with the representatives of workers and employees to keep abreast of their labor situation; c) to supervise the operations of the various plants and make recommendations to Sidetur on how to adequately safeguard, maintain and operate the assets subject to expropriation; d) to ensure the efficient operation of the assets subject to expropriation; e) to act as liaison between MIBAM and other ministries, the Attorney General's Office and other government agencies, public entities, and Sidetur; f) to obtain from Sidetur the operating, logistics, administrative, financial, labor and legal information and documentation affecting the assets subject to expropriation in order to process and analyze such information; g) to coordinate regular meetings with Sidetur's managers and; h) to appoint liaisons for the different plants where the assets of Sidetur subject to expropriation are located.

In April 2011, within the deadline established by the Organic Law of the Contentious Administrative Jurisdiction, the subsidiary Sidetur, through its attorneys, filed: i) a judicial recourse before the Supreme Court of Justice (TSJ) for the annulment of the Expropriation Decree (together with its shareholder Tenedora de Acciones de Compañías Siderúrgicas "Tecoside", S.A.) and ii) a judicial recourse before the Contentious Administrative Courts for the annulment of the INDEPABIS November 2010 Resolution. The first of these judicial recourses was admitted by TSJ and the Political-Administrative Chamber was assigned to hear the case. Through a court order issued on October 27, 2012, said Chamber appointed the judge and scheduled the trial hearing, which already took place. This trial is currently awaiting a ruling. The second judicial recourse was also admitted and the Second Contentious Administrative Court was assigned as first instance court to hear and rule on the case. On January 26, 2012, this Second Court dismissed the judicial recourse. The judgment was notified to Sidetur's attorneys on March 15, 2012 and appealed by them on March 20, 2012. Subsequently, on May 22, 2012, within the deadline established by the aforementioned Law, Sidetur's attorneys formalized the appeal before TSJ's Political-Administrative Chamber.

On December 15, 2011, INDEPABIS's Administrative Resolution No. 288 of December 14, 2011 (INDEPABIS Resolution/December 2011) was served at Sidetur's Antímano Plant to ratify the "Preventive Measure of Occupancy and Temporary Operability" issued in its November 2010 Resolution and order the modification of Sidetur's Administrative Board. The new Administrative Board was to be appointed through a Resolution from MPPI, which substantially assumed all the responsibilities of the former MIBAM.

On December 19, 2011, Sidetur, through its judicial representation, filed a formal opposition before INDEPABIS against the "Preventive Measure of Occupancy and Temporary Operability and Modification of Sidetur's Temporary Administrative Board" contained in the INDEPABIS Resolution/December 2011. Since INDEPABIS failed to decide upon such opposition within the legally established deadline, on July 18, 2012, Sidetur's attorneys filed a judicial recourse before the Contentious Administrative Courts for the annulment of INDEPABIS's December 2011 Administrative Resolution. This judicial recourse was admitted and assigned to the Second Contentious Administrative Court. To date, no ruling or judgment has been issued on this judicial recourse.

Presidential Decree No. 8,714 dated December 20, 2011 was published in Official Gazette No. 39,828 on December 26, 2011 to create the "Higher Strategic Council on Expropriation Matters," a temporary presidential commission in charge of establishing, among other responsibilities, the guidelines and strategies for effectively and efficiently planning, coordinating and enforcing the government's expropriation rights; advising government entities on the appointment of qualified individuals during the friendly negotiations stage and; providing all necessary support to arrive at a fair price that better reflects the real price of the assets subject to expropriation.

The Council is chaired by the Venezuelan Attorney General and is made up of the Executive Vice-president and the Ministers listed in Article No. 2 of the Decree, among which is the head of MPPI.

MPPI Resolution No. 047 was published in Official Gazette No. 39,866 of February 16, 2012 appointing a Temporary Administrative Board to exercise the management, possession and use of Sidetur's real and personal property and improvements. Article No. 3 of this Resolution establishes that individuals appointed to Sidetur's Temporary Administrative Board "will have extensive power to manage, supervise, control and guarantee Sidetur's socio-productive, economic, financial, labor, industrial, commercial, and legal activities, until the forced acquisition process is finalized, and must also ensure that control over all of Sidetur's activities is transferred."

In July 2012, the attorneys of Sidetur and its shareholder (Tenedora de Acciones de Compañías Siderúrgicas "Tecoside", S.A.) jointly filed a judicial recourse for the annulment of the aforementioned Resolution before TSJ, which was subsequently amended as described below. To date, no ruling or judgment has been issued on this judicial recourse.

On October 26, 2012, the Superintendency of Banking Sector Institutions (SUDEBAN), following instructions from MPPI, issued a communication to all Venezuelan banks at which Sidetur maintained funds in bolivars ordering them to immediately transfer such funds to an account at a local bank pertaining to the state-owned company Complejo Siderúrgico Nacional, S.A. On October 29, 2012, Complejo Siderúrgico Nacional, S.A. unilaterally occupied and took possession of the real and personal property and improvements comprising Sidetur's industrial plants and collection centers. As a result of this taking of possession, which entailed the occupation of said assets, Complejo Siderúrgico Nacional, S.A. assumed exclusive control over such assets and became the recipient of Sidetur's bank funds.

MPPI Resolution No. 089 dated October 25, 2012 was published in Official Gazette No. 40,044 of November 6, 2012, through which the new members of Sidetur's Temporary Administrative Board were appointed in compliance with the "Preventive Measure of Occupancy and Temporary Operability and Modification of the Temporary Administrative Board" issued by INDEPABIS. On December 6, 2012, the attorneys of the subsidiaries Sidetur and Tecoside amended the judicial recourse filed in July 2012 before TSJ's Political-Administrative Chamber for the annulment of MPPI Resolution No. 047, in order to include the aforementioned Resolution No. 089.

On March 21, 2013, the attorneys of the subsidiary Sidetur appeared before the Contentious Administrative Courts in order to file a judicial recourse of annulment against the "de facto" actions carried out by the state-owned company Complejo Siderúrgico Nacional, S.A. on October 29, 2012, by occupying and taking possession of the real and personal property and improvements comprising Sidetur's six industrial plants and collection centers.

On April 17, 2013, the attorneys of the subsidiary Sidetur filed a formal claim (administrative pretrial) before SUDEBAN, for damages produced to said subsidiary, as a consequence of the extra-contractual responsibility of said entity for instructions given to the various financial institutions on October 26, 2012, ordering them the immediate transfer of any amounts of money deposited or to be deposited in bank accounts of the aforementioned subsidiary to a bank account pertaining to the state-owned company Complejo Siderúrgico Nacional, S.A.

On June 13, 2013, the trial hearing in regard to the annulment petition took place at TSJ's Political-Administrative Chamber against MPPI Resolutions Nos. 047 and 089, which appoint the members of Sidetur's Temporary Administrative Board.

On February 11, 2014, the First Contentious Administrative Court was assigned to hear a lawsuit involving expropriation of real and personal property and improvements of the subsidiary Sidetur. Said lawsuit was filed by the representatives of the Venezuelan Attorney General's Office on December 17, 2013. In the aforementioned lawsuit, the Venezuelan Attorney General's Office also requested an unnamed precautionary measure relating occupation, possession, use and management of every real and personal property, consumer goods, warehouses, transports and improvements of the subsidiary Sidetur, which was resolved by the aforementioned Court. In addition, the Court ordered notification of all the corresponding Secondary Records, thereby requesting information on ownership and encumbrances of the assets. The issuance of such notices was completed in June 2014.

On March , the Second Contentious Administrative Court, through a ruling of the same date, dismissed the lawsuit against the "de facto" actions carried out by the state-owned company Cby occupying the property of the subsidiary Likewise, on April 28, TSJ's litical-Administrative Chamber, through a ruling of the same date, dismissed the lawsuit for annulment of the Expropriation Decree filed by the attorneys of the subsidiary .

On September 23, the attorneys of the subsidiary filed a formal written statement before TSJ's litical-Administrative Chamber setting out the grounds of appeal against the ruling of the Second Contentious Administrative Court dated March 12, 2015 referred to in the above paragraph. Subsequently, on July 27, 2016, TSJ's Political-Administrative Chamber issued a Ruling, thereby dismissing the appeal filed by the attorneys of the subsidiary Sidetur against Ruling No. 2015-0064 issued by the Second Contentious Administrative Court in March 2015, which in turn dismissed the lawsuit against the "de facto" actions executed by the state-owned company Complejo Siderúrgico Nacional, S.A., by occupying and taking possession of the real and personal property and improvements comprising Sidetur's six industrial plants and collection centers.

In the opinion of Company management and legal advisors, the events occurring in late October 2012 demonstrate that neither the occupation of Sidetur's industrial assets nor the transfer of its funds to the state-owned company Complejo Siderúrgico Nacional, S.A. were carried out in execution of the "Preventive Measure of Occupancy and Temporary Operability" contained in INDEPABIS's November 2010 Resolution and ratified in its December 2011 Resolution, nor were conducted in conformity with the Expropriation Law or pursuant to a judicial order. Management considers that as a result of the foregoing events, specifically the occupation of the industrial assets used by Sidetur to conduct operations and activities for the production and sale of steel products, and since said occupation, Sidetur is unable to continue such operations and activities with the occupied assets. Management is evaluating future business opportunities that may be pursued by Sivensa and its subsidiaries while it awaits indemnification for the occupied assets.

In October 2017, in accordance with applicable accounting standards, management obtained an appraisal (depreciated replacement cost) of Sidetur's real property, machinery, equipment and facilities to update the one conducted in September 2009. According to this update, the value of property, plant and equipment at September 30, 2017 is Bs 1,179,869 million (Bs 1,179 trillion), amount that exceeds the book value of net assets in process of expropriation and assets subject to appropriation at that date, which is Bs 14,217 million. Additionally, in accordance with applicable accounting standards, management calculated the estimated value in use at September 30, 2017 and 2016 of the net assets occupied by the state-owned company Complejo Siderúrgico Nacional, S.A. These calculations determined that both the updated appraisal value and the estimated value in use exceed the net book value at those dates of the assets occupied by the Venezuelan government in October 2012. Based on the foregoing, management considers that the carrying amount of the net assets occupied by the state-owned company Complejo Siderúrgico Nacional, S.A., recognized in 's consolidated financial statements, is below what should be their compensation value payable by the Venezuelan government under the Expropriation Law. At September 30, 2017 and 2016, the consolidated statement of financial position provided as supplementary information recognizes the appraisal values of fixed assets of the subsidiary Sidetur (Notes 2-w and 22).

In the opinion of management, Sidetur's industrial assets that were occupied, other assets subject to appropriation and the obligations assumed by the state-owned company Complejo Siderúrgico Nacional, S.A. comprise property, plant and equipment; cash in local currency; trade receivables and inventories, net of accounts payable to suppliers and other; advances from clients; and profit-sharing bonuses, vacation bonuses, length-of-service benefits and; other employee accruals. The carrying amount of occupied assets and other assets subject to appropriation, net of obligations was classified as an available-for-sale asset in the consolidated financial statements within Net assets in process of expropriation and assets subject to appropriation. In addition, Sidetur's remaining assets and obligations, including the financial obligation (plus interest) of US$113 million and US$105 million at September 30, 2017 and 2016, respectively, must be realized or settled by Sidetur, which sent communications to creditors, government agencies and regulators to inform them of the events of late October 2012. Likewise, as indicated in Note 12, on November 8, 2012 Sidetur and its subsidiary Sidetur Finance, B.V. notified the Trustee about the events of October 26, 2012 (order to transfer Sidetur's bank funds to an account pertaining to Complejo Siderúrgico Nacional, S.A.); October 29, 2012 (the taking of possession of Sidetur's industrial plants and collection centers by Complejo Siderúrgico Nacional, S.A., not conducted in conformity with the Expropriation Law or pursuant to a judicial order); and November 2, 2012 (notice of termination by the insurance company of the all-risk policy covering Sidetur's industrial assets, in reliance of the policy's termination clause, due to the aforementioned events). The Trustee was also informed that, due to the aforementioned events, a default of two covenants set forth in the Indenture had occurred.

On July 26, 2013, Deutsche Bank, acting as Trustee, informed the noteholders and Sidetur that: i) there was an event of default since the principal installment due on July 20, 2013 was not paid; ii) there was an event of default since the Reserve Account funds were not replenished; iii) the issuer had failed to pay the interest installment due on July 20, 2013, which will become an event of default if interest is not paid within the following 30 days and; iv) that for the time being, it would refrain from undertaking any additional actions unless otherwise requested by the Required Noteholders, in which case they are required to offer to the Trustee's reasonable indemnity against costs, expenses and liabilities to be incurred in compliance with such a request (Note 12). Subsequently, on April 29, 2016, the aforementioned bank, through communication of April 27, 2016, informed the Required Noteholders and Sidetur that: (i) there was a new event of default since the last principal installment due on April 20, 2016 was not paid and; (ii) that for the time being, it would refrain from undertaking any additional actions unless otherwise requested by the Required Noteholders, in which case they are required to offer to the Trustee's reasonable indemnity against costs, expenses and liabilities to be incurred in compliance with such a request.

Regulations

Stock Market Law

Decree No. 2,176 of the Stock Market Law was published in Extraordinary Official Gazette No. 6,211 of December 30, 2015. This Decree repeals: (i) the Stock Market Law reprinted due to material error in Official Gazette No. 39,546 of November 5, 2010, (ii) the Partial Regulation No. 3 of the Capital Markets Law on Securities Brokerage Houses published in Official Gazette No. 34,415 of February 21, 1990, and (iii) the provisions contained in SUNAVAL's regulations which contravene the aforementioned Law. Among the novelties incorporated in the Law are:

1) A chapter is included in regard to the types of securities regulated by SUNAVAL (obligations, commercial paper, derivatives and asset-backed securities).

2) This Decree includes provisions related to the public offering of securities, their registration with the National Securities Registry, as well as suspension, cancellation and withdrawal, payment of dividends by publicly traded entities, custody of securities, participation of small investors, public offering for the acquisition, control taking and treasury stock. Likewise, this Decree establishes a special regime of public offering for: (i) corporations with authorized capital, (ii) corporations with public participation, and (iii) small and medium entities.

3) Individuals regulated by SUNAVAL should include within their internal structure an integral system for prevention and control of money laundering, terrorism financing and proliferation of weapons of mass destruction. In addition, individuals should have a compliance officer who must be a high level employee with capacity for decision making and exclusively devoted to this responsibility.

4) This Decree establishes two methods for the custody of securities. In this regard, Article No. 67 stipulates that securities subject to public offering authorized by SUNAVAL "represented by means of account entries, may only be kept by securities depository companies," whereas the custody of securities represented by titles "is to be made by authorized custodians, which are understood as institutions regulated by the Law on Banking Sector Institutions, securities depository companies and other custody agencies abroad."

5) At a Regular Shareholders' Meeting on November 30, 2016, according to a previous decision of the Board of Directors, it was agreed to appoint Venezolano de Crédito, S.A., Banco Universal, as the new Transfer Agent.

Law for Managing Steel Companies Operating in the Guayana Region
On April 30, 2008, the Venezuelan government enacted Decree-Law No. 6,058 regulating steel sector activities in the Guayana Region. Given the importance of the steel sector for the country's development, this Decree reserves to the Venezuelan government the steel transformation industry in the Guayana region, where the country's largest steel reservoirs are located. The iron ore industry is reserved to the Venezuelan government since 1975.

2. Basis of preparation, presentation and summary of significant accounting principles and practices

Sivensa is regulated by SUNAVAL. In December 2008, the Board of Directors of the Venezuelan Securities and Exchange Commission (CNV) (currently SUNAVAL), in conformity with Resolution No. 254-2008, resolved that publicly traded entities governed by the Capital Markets Law must prepare and present their financial statements in conformity with International Accounting Standards (IAS) and International Financial Reporting Standards (IFRS) for accounting periods that began on or after January 1, 2011 as the only method of financial statement presentation. The adoption deadline for Sivensa was the period that began on October 1, 2011.

In July 2016, SUNAVAL's Board of Directors, in accordance with Circular No. 0744, resolved that publicly traded entities should consign the financial statements for 2015, duly adjusted for inflation based on 2015 rates established by the Central Bank of Venezuela (BCV). As from January 1, 2016 and unless otherwise stated by SUNAVAL, the Company should adjust its financial statements based on the last National Consumer Price Index (NCPI) published by the BCV. Since at the date of this report the last NCPI published by the BCV corresponds to December 2015, Sivensa recognized the effects of inflation until December 31, 2015 and considered the amounts expressed in terms of purchasing power at that date as the basis for the carrying amounts of items in its subsequent consolidated financial statements. Consequently, Sivensa's consolidated financial statements at September 30, 2017 and 2016 are presented in accordance with the rules and instructions of SUNAVAL. Significant accounting principles and practices are summarized below:

a) Use of estimates in the preparation of consolidated financial statements

The preparation of consolidated financial statements in conformity with the rules and instructions of SUNAVAL requires the use of certain accounting estimates. It also requires management to exercise judgment in the application of Company accounting policies and to make estimates and assumptions that affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities at the date of the financial statements and the amounts of income and expenses during the reporting period.

Future changes to assumptions established by management may significantly affect the carrying amount of assets and liabilities. Actual results may differ from those estimates. Areas involving a higher degree of judgment or complexity, or areas where assumptions and estimates are significant to the consolidated financial statements, are disclosed in c), e) and f) below.

Estimates are reviewed on a regular basis. Revisions to accounting estimates are recognized in the period in which the estimate is revised and any future periods affected.

b) Consolidation

Subsidiaries

Subsidiaries are all entities in which the Company has over 50% direct or indirect shareholding or the power to control financial and operating policies. Subsidiaries are fully consolidated from the date on which control is transferred.

The subsidiaries with the most significant balances at September 30, 2017 and 2016 are the following:

Name	Participation %	Country	Segment
Siderúrgica del Turbio, S.A. "Sidetur" and its subsidiaries (Note 1)	100.00	Venezuela	Steel
International Briquettes Holding (IBH) (Note 1)	68.54	Cayman Islands	Sale

Increases in equity of subsidiaries are accounted for at the purchase date. The difference between cost and the fair value of the subsidiary's net assets at the purchase date is recorded as goodwill or negative goodwill, after assessing net assets acquired.

When the Company acquires shares of a non-controlling interest, the difference between the fair value of equity acquired and the amount paid is shown in equity under Difference between fair value and cost of shares of subsidiary (Note 11).

The Company loses control when it lacks the power to direct the financial and operating policies of the subsidiary or affiliate in order to obtain benefits from its activities. The loss of control may or may not be accompanied by a change in absolute or relative levels of ownership.

The financial statements of subsidiaries sold or over which control has been lost are consolidated until the rights associated with share ownership are effectively transferred or when the parent loses control of the subsidiary.

Based on the considerations of the two paragraphs above, the Company consolidated the assets, liabilities and results of the companies under "nationalization" Venprecar and Orinoco Iron until June 30, 2009, the closing date closest to the date when the Decree granting the operating control of these companies to the Venezuelan government was published (Notes 1 and 7), and presented its investments in these companies as an available-for-sale financial asset. Management believes that these investments do not meet IAS 39, "Financial instruments: Recognition and measurement," recognition criteria and that the classification given is more suitable when accounting for involuntary asset disposal. The book value of investments in Venprecar and Orinoco Iron at June 30, 2009 (the date when the companies were deconsolidated) was considered as the cost for initial recognition according to IAS 39. In addition, unrealized changes in fair value are recognized in the consolidated statement of comprehensive income at their date of origin.

As indicated in Note 1, as a result of the events occurring in late October 2012, specifically the occupation, possession and control by Complejo Siderúrgico Nacional, S.A. of the industrial assets used by Sidetur to conduct operations and activities for the production and sale of steel products, and since said occupation, the subsidiary Sidetur is unable to continue such operations and activities with the occupied assets. Consequently, Sivensa presents in its consolidated statement of financial position at

September 30, 2017 and 2016, separately from other assets and liabilities, assets occupied, other assets subject to appropriation and liabilities that are part of the group in process of expropriation, which are classified as available-for-sale investments within Net assets in process of expropriation and assets subject to appropriation.

Transactions and non-controlling interests
Non-controlling interests represent third-party interests in the results and equity of partially owned subsidiaries. Conditions for business transactions with non-controlling interests are similar to those with third parties and are not eliminated for consolidation purposes.

Transactions, balances and realized gains on transactions with subsidiaries are eliminated in consolidation.

The subsidiaries' accounting policies are consistent with those adopted by the Company.

c) Inflation
Inflation rate
The inflation rate for the year ended September 30, 2016 was determined based on the last NCPI published by the BCV until December 2015, which was 34.58%. The effect of inflation from January 2016 to September 2017 should be recognized in the results for the following year, when the NCPIs are published by the BCV.

The NCPI at the beginning and end of the year, the average NCPI and the annual inflation for the year ended September 30, 2016 were as follows:

At the beginning of the year	1,752.10
At the end of the year (first quarter ended December 31, 2015)	2,357.90
Average for the year (three-month average "October-December 2015")	2,159.23
Inflation for the year (%) (inflation of the first quarter ended December 31, 2015)	34.58

The consolidated financial statements at September 30, 2017 and 2016 are expressed in constant bolivars at December 31, 2015, since the last inflation rate was published by the BCV at that date. Below is a summary of the main bases used in accordance with the rules and instructions of SUNAVAL, in the preparation of the inflation-adjusted consolidated financial statements:

Nonmonetary assets
These assets (property, plant and equipment, certain investments, prepaid expenses and other assets) have been restated by multiplying them by the factor obtained from dividing the NCPI at December 31, 2015 by the NCPI or the Consumer Price Index (CPI) for the Metropolitan Area of Caracas at their dates of acquisition or origin. Property, plant and equipment is adjusted based on its current market value as deemed cost (Notes 2-d and 6), and has been restated by multiplying it by the factor obtained from dividing the NCPI at December 31, 2015 by the NCPI at the dates its current market values were established.

Monetary assets and liabilities and gain from monetary position
Monetary assets and liabilities, including amounts in foreign currency are, by their nature, shown in terms of purchasing power at December 31, 2015. The gain from monetary position reflects the gain obtained from maintaining a net monetary liability position during an inflationary period. This gain from monetary position is included after operating loss.

Capital stock, share premium and unappropriated earnings
These equity accounts have been restated by multiplying them by the inflation factor obtained from their dates of origin until December 31, 2015.

Income statement
All items in the consolidated income statement have been restated based on the date on which they were earned or incurred, with the exception of the results of the subsidiary IBH, whose functional currency is the U.S. dollar, and those related to nonmonetary items (depreciation expense, amortization of prepaid expenses, result from sale and disposal of fixed assets), which have been restated in bolivars of purchasing power at December 31, 2015, based on their date of origin. Depreciation expense was subsequently adjusted based on current market values of property, plant and equipment, adjusted for inflation at December 31, 2015.

d) Property, plant and equipment
The Company applied the optional exemption of the recognition of fair value of property, plant and equipment as deemed cost, which represents the new cost basis. At September 30, 2017 and 2016, property, plant and equipment is shown at the 2009 appraisal value, adjusted for the effects of inflation at December 31, 2015. The values of property, plant and equipment (cost basis) were determined as follows:

- Buildings and land are shown at the values determined by independent appraisers in 2009 (cost basis), adjusted for the effects of inflation.

- Machinery and equipment is shown at the values determined by independent appraisers in 2009 (cost basis), adjusted for the effects of inflation. Additions after the appraisal date are shown at restated historic cost.

- Furniture, computer hardware and vehicles are shown at restated historic cost.

Restated historic costs include expenses that are directly attributable to the acquisition of assets. Additions, renewals and improvements are included in the asset's carrying amount only when it is probable that future economic benefits will be obtained and can be measured reliably. The net carrying amount of replaced parts is derecognized. All other repairs and maintenance and acquisition of assets for minor amounts are included in the consolidated income statement in the year in which they are incurred.

Depreciation is calculated using the straight-line method over the estimated useful lives of the assets. Below is a breakdown of the estimated useful lives of the assets in years at September 30:

	2017	2016
Buildings	10 - 44	10 - 44
Vehicles	5 - 10	5 - 10
Furniture and fixtures	3 - 5	3 - 5

Land is not depreciated.

The residual value of assets and their useful lives are reviewed and adjusted, if necessary, at each consolidated statement of financial position date.

Gains and losses from the sale of fixed assets are determined by comparing the proceeds with the carrying amount of the assets sold at the transaction date, and are recorded in the consolidated income statement for the year.

e) Recognition of loss in value or impairment of long-lived assets
The Company assesses possible impairment in the value of its long-lived assets used in operations when events or changes in circumstances indicate that their recorded value may not be recoverable. The recoverable amount of an asset is the higher of fair value less cost to sell and value in use. Value in use is the present value of estimated discounted future cash flows expected to be generated by asset use or

disposal. If estimated discounted future cash flows are not sufficient to recover the value of recorded assets, they are adjusted to their recoverable amount. To assess impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows (cash generating units).

At September 30, 2017 and 2016, Company management considers, in conformity with applicable accounting principles, that none of its long-lived assets is impaired, such as investments in companies under "nationalization" and the assets of its subsidiary Sidetur subject to expropriation, which are classified as Net assets in process of expropriation and assets subject to appropriation. In addition, management considers that changes in future cash flow or fair value estimates arising from unforeseen changes in business assumptions could positively or negatively affect the valuation of long-lived assets.

f) Investments
Investments are classified upon acquisition, based on their intended use, as investments in trading securities, accounts receivable and available-for-sale investments.

Investments in trading securities
Investments acquired mainly with the intention of selling them in the short term are classified as investments in trading securities. These investments are recorded at cost at the purchase date and subsequently carried at fair value. Differences between fair value and cost are included in the consolidated income statement for the period in which they arise. The fair value of these investments is based on the current selling price in an active market. Investments included in this category are classified as current assets.

Accounts receivable
Accounts receivable are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. Assets included in this category are classified as current assets because they mature within 12 months.

Available-for-sale investments
Investments acquired with the intention of holding them for an indefinite period of time, as well as those not classified under any other category, are classified as available for sale.

These investments are recorded at cost at the purchase date and subsequently carried at fair value. Unrealized gains or losses resulting from differences between cost and fair value are recognized in the consolidated statement of comprehensive income. Any impairment in the value of these investments considered other than temporary is included in the consolidated income statement for the year.

Fair values of investments in equity instruments with a quoted market price are determined based on the market value of shares at the consolidated financial statement presentation date; investments in equity instruments that do not have a quoted market price in an active market and whose fair value cannot be reliably measured are valued at cost. When available-for-sale investments are sold or if they are judged to be other than temporarily impaired, the accumulated equity effect is recorded in the consolidated income statement.

Previously recognized impairment losses relating to investments in available-for-sale equity instruments are considered permanent and, therefore, are not reversed through profit or loss.

The transfer of a financial asset is considered an exchange of assets when the Company substantially transfers the risks and rewards of ownership of the financial asset. When the Company exchanges financial assets, the effects of the transaction and the asset received at fair value at the exchange date are recognized in the consolidated income statement and the consolidated statement of financial position, respectively.

The Company assesses at each consolidated statement of financial position date whether there is objective evidence of impairment in the value of an investment or group of investments.

At September 30, 2017, the net foreign currency balance of available-for-sale investments in companies under "nationalization" (Note 1) was translated into bolivars at the Supplementary Floating Exchange Rate (DICOM) of Bs 3,345/US$1 (Marginal Foreign Exchange System (SIMADI) of Bs 658.8853/US$1 in 2016) (Note 2-n).

g) Trade receivables
Trade receivables are recorded at the amount billed, which approximates fair value. The carrying amount of trade receivables is reduced to their estimated recoverable amount through the provision for doubtful accounts. The Company sets aside a provision for doubtful accounts after reviewing all balances receivable at year-end closing, and the amount so determined is included in the consolidated income statement. Significant financial difficulties of the debtor, probability that the debtor will enter bankruptcy or financial reorganization, and default or delinquency in payments are considered indicators that trade receivables are impaired. Uncollectible accounts are written off as identified. Recoveries of balances previously written off are recorded directly in the consolidated income statement.

h) Cash
Cash comprises cash on hand and at banks and short-term deposits. For purposes of the consolidated cash flow statement, the Company considers as cash on-demand bank overdrafts, which are an integral part of the Company's cash management.

i) Capital stock
Common shares are classified as equity. At September 30, 2017 and 2016, Sivensa has no preferred shares.

Costs for the issue of new shares are shown in equity as a reduction of capital.

When Sivensa acquires proprietary shares (treasury stock), the amount paid, including any excess over par value, is deducted from capital stock until these shares are cancelled. Subsequently, when these shares are cancelled, the excess amount is shown as a reduction of share premium.

j) Loans
Bank loans are initially recognized at fair value and are subsequently carried at amortized cost since they bear interest at market rates.

Costs related to debt incurred are shown net of the related liability and amortized during the term of the debt, using the effective interest method (Notes 12 and 19).

Changes in loan terms and conditions are assessed to determine the effects on the accounting treatment given to the loan and the related costs incurred. If changes in conditions are accounted for as an extinguishment, all costs or commissions incurred are recognized as part of any income or loss derived from the extinguishment; if not, all costs or commissions incurred are adjusted to the book value of liabilities to be amortized over the term of the loan (Notes 12 and 19).

The Company recognizes offsetting of financial debt with financial assets in the consolidated financial statements as long as offsetting is provided for in the existing agreements and applicable accounting principles are complied with.

Loans maturing within 1 year are classified as current liabilities, unless the Company has an unconditional right to defer repayment for a period of over 12 months after the consolidated statement of financial position date (Note 13).

A liability is classified as current when there is a breach of a long-term loan agreement before or at the consolidated statement of financial position date, and that made the liability payable on demand of the lender (Note 12). This liability is classified as non-current even if the lender, after the consolidated statement of financial position date and before its publication was authorized, has agreed not to demand payment as a result of the breach.

k) Accrual for length-of-service benefits

Length-of-service benefits

The Company accrues guaranteed length-of-service benefits, which are a vested right of employees, based on the provisions of the new Labor Law (LOTTT), published on May 7, 2012. Under the LOTTT, at September 30, 2017 and 2016, employees are entitled to guaranteed length-of-service benefits equivalent to 15 days per quarter, calculated based on the last salary earned, up to a maximum of 60 days of salary per year of service, without retroactive adjustments. Length-of-service benefits are mandatory after the first month of uninterrupted service. After the second year of service employees are entitled to two additional days of salary per year of service (or any portion over 6 months), up to a maximum of 30 days of salary. The LOTTT establishes a retrospective scheme; therefore, in the event of termination of employment, for whichever reason, length-of-service benefits will be calculated based on 30 days of salary per year of service (or any portion over 6 months) considering the last salary earned, which would represent a retroactive adjustment. The LOTTT requires the payment to employees of the higher of total amounts accrued in the employee's trust fund and the retrospective scheme.

Guaranteed length-of-service benefits must be calculated and deposited quarterly in individual trust funds, in a length-of-service benefit trust fund or in the employer's books, as determined by each employee in writing. In this regard, the Company records a liability in its books in this connection, which is considered a defined contribution plan. Under a defined contribution plan, the Company pays a fixed contribution to its employees, and the contribution is recognized as an expense from length-of-service benefits, when earned or incurred.

The effect of the retrospective scheme is considered a defined benefit plan, which requires an actuarial calculation using the projected unit credit method. However, as described in Note 1, the most significant amounts of length-of-service benefits payable are part of obligations assumed by Complejo Siderúrgico Nacional, S.A. determined at October 29, 2012. Therefore, length-of-service benefits were determined using a non-actuarial calculation, which consisted in determining length-of-service benefits based on 30 days of salary per year of service (or any portion over 6ix months) calculated based on the last salary earned by the employees. An additional liability for employees was recognized, whose calculation was higher than amounts accrued for guaranteed length-of-service benefits, shown net in the accrual for length-of-service benefits within Net assets in process of expropriation and assets subject to appropriation.

Under certain conditions, the LOTTT provides for an additional indemnity for unjustified dismissals for double the amount of length-of-service benefits, which is charged to the consolidated income statement upon payment as it is considered a benefit for termination of employment, in accordance with applicable accounting regulations.

Profit-sharing bonus

The LOTTT requires mandatory distribution to employees of a profit-sharing bonus of up to 15% of a company's pre-tax income. The established minimum and maximum amounts for distribution are 30 and 120 days of salary, respectively. The Company pays a profit-sharing bonus to its employees of 120 days of salary and sets aside a provision in this connection when it has a present legal or constructive obligation to make such payments as a result of past events.

Vacation leave

The Company grants its employees vacation leave that meets or exceeds the legal minimums, and maintains the corresponding accruals as incurred.

Pension plans and other post-retirement benefits
The Company does not have a pension plan or other post-retirement benefit programs for its employees; it does not grant stock purchase options, except for the post-retirement benefit in respect of additional length-of-service benefits.

l) Accounts payable
Accounts payable are initially recognized at fair value and subsequently shown at amortized cost using the effective interest method.

m) Provisions
Provisions are recognized when the Company has a present legal obligation as a result of past events, it is probable that an outflow of resources will be required to settle the obligation, and the amount of the obligation can be reliably estimated. The amount of the provision is the present value of expenditures expected to settle the obligation. Provisions are not recognized for future operating losses.

When there is a significant number of similar obligations which, individually, are not significant, the likelihood of an outflow of resources to settle them is determined considering the type of obligation as a whole and the respective provision is set aside.

n) Foreign currency transactions and balances
Functional and presentation currency
All items in the consolidated financial statements of the Company and its subsidiaries are measured in the currency of the primary economic environment in which these entities operate (functional currency). The consolidated financial statements are presented in bolivars, which is the functional and presentation currency of the Company and its subsidiaries (except for the subsidiary IBH and its subsidiaries, whose functional currency is the U.S. dollar).

Conversion into the presentation currency (translation into bolivars of subsidiaries abroad)
U.S. dollar consolidated subsidiaries abroad, whose functional currency is the U.S. dollar, bolivars for all periods presentedthe corresponding different.

Pursuant to IAS 21, bU.S. dollars of subsidiaries abroad bolivars for consolidation purposes :

Accounts	**Exchange rate**
Statement of financial position	
Assets	Year-end
Liabilities	Year-end
Equity	Historic
Income statement	Monthly average

For consolidation purposes, exchange differences arising from the translation of net investments in foreign transactions, in respect of the inflation-adjusted investment held by the parent company, are recorded in the consolidated statement of comprehensive income. When a foreign operation is fully or partially sold or realized, exchange differences previously recorded in the consolidated statement of comprehensive income are recognized in the consolidated income statement as part of gain or loss on sale.

The consolidated financial statements in U.S. dollars at September 30, 2017 of the subsidiary IBH and its subsidiaries (whose functional currency is the U.S. dollar) were translated into bolivars, using the DICOM exchange rate at year end (SIMADI exchange rate in 2016). For the year ended September 30, 2017, the consolidated results in U.S. dollars of the subsidiary IBH and its subsidiaries were translated into bolivars using the average DICOM exchange rate at each month end (monthly average SIMADI exchange rate in 2016). The effects of this translation are shown in the consolidated statement of comprehensive income within Income from translation of foreign subsidiaries, net of minority interests (Note 11-e).

Foreign currency transactions and balances
Foreign currency transactions, mainly in U.S. dollars, are recorded at the exchange rate in effect at the transaction date (monthly average). Foreign currency balances at September 30, 2017, mainly in U.S. dollars, are shown at the DICOM exchange rate at year end (SIMADI exchange rate at year end in 2016) (Note 20). Exchange gains or losses arising from currencies other than the bolivar are included in the consolidated income statement for the years ended September 30, 2017 and 2016 within Exchange loss, net.

At September 30, 2017, the Company has foreign currency assets and liabilities for US$123 million and US$128 million, respectively. At September 30, 2016, the Company has foreign currency assets and liabilities for US$119 million and U$122 million, respectively (Notes 1 and 20).

bolivars date of the consolidated financial statementsusing the exchange or settlement mechanisms permitted under Venezuelan law , sthe Company ereas follows:

	2017	2016	2017	2016
	(Bs/US$1 at year-end)		(Bs/US$1 average for the year)	
Supplementary Floating Exchange Rate System (DICOM)	3,345	-	1,422	-
Marginal Foreign Exchange System (SIMADI)	-	658.8853	-	377.48

o) Current and deferred income tax
Income tax for the year is determined based on applicable income tax laws at the consolidated statement of financial position date in the countries where the Company operates and generates taxable income. Management regularly evaluates positions taken for determining income tax in respect of situations in which laws and regulations are subject to interpretation and sets aside the related provisions based on amounts expected to be paid.

The Company records income tax in conformity with the corresponding accounting standard, which requires recognition of income tax according to the method of assets and liabilities. Under this method, deferred income tax reflects the net effect of expected future tax consequences arising from: a) temporary differences from application of the statutory tax rate expected in future periods to differences between the tax bases of assets and liabilities and their carrying amounts, and b) tax loss carryforwards.

In addition, the effect on deferred taxes of changes in statutory tax rates is recognized from the date of origin in net income for the year. Deferred tax assets are only recognized to the extent that it is probable that future taxable income will be available against which the temporary differences can be utilized.

At September 30, 2017 and 2016, the main items that generate deferred tax are the differences between the tax base and the carrying amount of property, plant and equipment and accounts receivable from related companies.

The Company does not recognize a deferred tax liability for temporary differences arising on investments in subsidiaries and affiliates when: a) Sivensa is able to control the reversal of the temporary difference, and b) it is likely that the temporary difference will not be reversed in the foreseeable future. When the Company is not able to control the reversal of the temporary difference of its investments or these differences are likely to be reversed in the short term, a deferred tax liability is recorded for the taxable temporary differences against the equity accounts that gave rise to the investment.

The Company offsets deferred tax assets and liabilities in the consolidated financial statements when it has a legal right to offset the recognized amounts with the tax authorities and the conditions established in the relevant accounting principles are met.

p) Revenue recognition
Income is shown net of returns, rebates and discounts after eliminating sales transactions between Group companies. Income from sales of goods and other income are recognized as follows:

Sale of goods
Sales of goods are recorded when goods sold by the Company are dispatched and accepted by clients.

Income from services
Income from sales and other services is recorded on an accrual basis, when services are delivered and accepted by clients.

At September 30, 2017 and 2016, income from commercialization activities is shown within Other operating income, net (Note 18).

Interest income
Interest income is recognized over the term of the financial instrument using the effective interest method. When a financial instrument is impaired, the Company reduces its carrying amount to its recoverable amount, being the estimated future cash flow discounted at the instrument's original effective interest rate, and records the resulting effect in the income statement for the year.

q) Costs and expenses
Costs and expenses are recognized in the consolidated income statement as incurred.

r) Net income per share
Net income per share is determined by dividing net income or loss for the year attributable to Sivensa's shareholders by the weighted average of outstanding shares, excluding treasury stock. Basic and diluted net income per share is the same for all periods shown since the Company does not have any potentially dilutive instruments.

s) Fair value of financial instruments
The trading of financial instruments is recognized in the consolidated financial statements at the transaction date, which is the date on which the Company commits to purchase or sell the financial instrument. Debit and credit balances are offset and, accordingly, shown net in the consolidated statement of financial position when the Company has a contractual or legally enforceable right to set off the amounts and intends to settle either on a net basis or to realize the asset and settle the liability simultaneously.

The Company generally uses, when available, quoted market prices for identical instruments to determine the fair value.

The Company measures the fair value of its financial instruments in accordance with a three-level hierarchy. The fair value hierarchy places the highest priority to quoted prices (unadjusted) in active markets for identical assets and liabilities (Level 1 input) and the lowest priority to unobservable inputs (Level 3 input), as described below:

- Level 1 - Quoted prices (unadjusted) in active markets for identical assets and liabilities.

  At September 30, 2017, Sivensa's Level 1 financial instruments correspond to cash, investments in trading securities, advances to suppliers, other accounts receivable, accounts payable and other liabilities and accruals.

- Level 2 - Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e. prices) or indirectly (i.e. derived from prices).

  At September 30, 2017, Sivensa's Level 2 financial instruments correspond to bank loans.

- Level 3 - Inputs for the asset or liability that are not based on observable market data (i.e. unobservable inputs).

  At September 30, 2017, Sivensa's Level 3 financial instruments correspond to available-for-sale investments and financial obligations.

t) Derivatives and hedging activities
Financial instruments, including derivatives, are recognized in the consolidated statement of financial position as either assets or liabilities at their respective fair values. The Company recognizes transactions with financial instruments at their transaction date. At September 30, 2017 and 2016, the Company does not engage in hedging activities and has identified no derivative instruments.

u) Segment reporting
A business segment is a group of assets and operations engaged in providing products that are subject to risks and returns that are different from those of other business segments. Management believes that in its continued operations the Company operates in a single business segment (Note 1).

v) New accounting standards, amendments and interpretations early adopted by the Company
At September 30, 2017, there are no new standards or interpretations to existing standards effective for annual periods beginning October 1, 2015 that could affect the Company's consolidated financial statements.

Standards, amendments and interpretations to existing standards that are not yet effective for annual periods beginning October 1, 2016 and have not been adopted by the Company:

- IFRS 9, "Financial instruments," issued in November 2009. This standard is the first step in the process to replace IAS 39, "Financial instruments: recognition and measurement." IFRS 9 introduces new requirements for classifying and measuring financial assets and is likely to affect the Company's accounting for its financial assets. The standard is applicable for periods beginning January 1, 2018. The Company has yet to assess the full impact of IFRS 9; however, it is not expected to significantly affect the Company's consolidated financial statements.

- IFRS 15, "Revenue from contracts with customers." This standard introduces a new revenue recognition model for contracts with customers and sets out in an integrated manner all applicable requirements and will replace current revenue recognition standards, IAS 18 - "Revenue" and IAS 11 - "Construction contracts," as well as related IFRS interpretations. This standard is based on the principle that revenue is recognized when control of a good or service transfers to the customer. It replaces the separate models for goods, services and construction contracts under current IFRS. This standard is effective for annual periods beginning on or after January 1, 2017. This standard is not expected to significantly affect the Company's consolidated financial statements.

- IFRS 16 - "Leases." This standard establishes a complete model to identify lease contracts and their treatment in the financial statements of the parties involved with the lease. The standard is applicable for periods beginning January 1, 2019 and is not expected to significantly affect the Company's consolidated financial statements.

There are no other new standards, amendments or interpretations that are expected to have a significant impact on the Company's consolidated financial statements.

w) Supplementary consolidated statement of financial position prepared in conformity with Company policies

The consolidated statement of financial position, expressed in constant bolivars at December 31, 2015, in accordance with the accounting bases established in Company policies at September 30, 2017, are provided as supplementary information. These accounting bases constitute a presentation that differs from SUNAVAL rules and instructions, insofar as they recognize the revaluation method for fixed assets in process of expropriation of the subsidiary Sidetur (Notes 1 and 22).

3. Nature and scope of risks from financial instruments

The Company's activities are exposed to certain financial risks: concentration of credit risk, liquidity risk and risks arising from the volatility of economic variables, such as exchange rates, interest rates and the market in general.

Concentration of credit risk

Financial instruments exposed to concentration of credit risk consist primarily of cash, investments in trading securities and other accounts receivable.

Company management administers cash first considering the stability of financial institutions and then interest obtained. Funds in bolivars are deposited at banks with good credit rating and main funds in foreign currency at banks with A ratings.

At September 30, 2017 and 2016, cash is placed with local and foreign creditworthy financial institutions. Management monitors the financial conditions of the institutions in which its funds are placed (Notes 10 and 20).

Below is the classification of clients based on the Company's collection experience at September 30:

	Percentage of accounts receivable	
	2017	2016
Clients with good payment experience (slightly after the established payment terms)	100.00	100.00

The Company regularly assesses the financial condition of its clients based on a detailed analysis of overdue and maturing balances. Unrecoverable accounts are provided for in full.

Liquidity risk
The Company regularly assesses its fund requirements to maintain cash availability in keeping with maturities of its operating and financial obligations, including dividends declared. When necessary, Company management uses its credit capacity to finance working capital and investments.

At September 30, 2017, the Company has short-term monetary liabilities (mainly bank loans, financial obligations, accounts payable to suppliers and related companies, and other liabilities and accruals) amounting to Bs 427,056 million. In addition, the Company has current monetary assets (mainly cash, investments in trading securities, other accounts receivable and from related companies, and prepaid expenses and other current assets) amounting to Bs 76,173 million. Compliance with certain short-term liabilities may be affected by the events occurring in late October of 2012 (Note 1). At September 30, 2017 and 2016, the financial obligation was reclassified to current liabilities (Note 2-j). Notes 12 and 13 include the future payment schedule for the financial obligations.

Foreign exchange risk
Financial instruments exposed to foreign exchange risk at September 30 are as follows:

	2017	2016
	(Millions of constant bolivars, based on the last National Consumer Price Index published by the Central Bank of Venezuela)	
Assets in bolivars	249	148
Assets in foreign currency	410,857	78,184
	411,106	78,332
Liabilities in bolivars	(694)	(194)
Liabilities in foreign currency	(426,877)	(80,126)
	(427,571)	(80,320)

Acquisition of foreign currency in the country is currently limited due to the exchange control regime in effect as from February 5, 2003. The Venezuelan government and the BCV set the official exchange rate, which at September 30, 2017 is Bs 3,345/US$1 (Bs 658.8853/US$1 in 2016).

Foreign currency assets and liabilities are recorded at the official exchange rates published by the BCV at September 30, 2017 and 2016 and on the basis of best estimates of future cash flows in bolivars expected to be received or required, which represent the values at which assets are expected to be realized and liabilities to be settled. At September 30, 2017 and 2016, the Company does not engage in hedging activities in connection with its monetary assets and liabilities in foreign currency.

Interest rate risk
The Company is exposed to interest rate fluctuation risk. Certain financial liabilities in foreign currency bear interest at fixed rates and, hence, are not subject to interest rate risk. Below is a summary of financial liabilities and their interest rates at September 30:

	2017		2016	
	Effective rate %	Average market rate %	Effective rate %	Average market rate %
Short-term promissory notes in foreign currency	2.00 and 2.50	N/A	2.00 and 2.50	N/A
Financial obligation in foreign currency	10	N/A	10	N/A

N/A = Not available.

Company management permanently assesses the cost of its financial liabilities to obtain the best credit conditions. Management does not hedge against fluctuations in the interest rates of its financial liabilities.

The fixed-rate financial obligation and other floating-rate short-term financial obligations approximate their fair value.

All financial liabilities are shown at their balance payable.

4. Classification of financial instruments

Available-for-sale investments at September 30 are as follows:

	2017		2016	
	Cost	Book value	Cost	Book value
	(Millions of constant bolivars, based on the last National Consumer Price Index published by the Central Bank of Venezuela)			
Investments in companies under "nationalization"	3,020,739	3,020,739	595,014	595,014

Financial assets and liabilities carried at amortized cost at September 30, 2017 are as follows:

	Amortized cost	Unrealized gain	Market value
	(Millions of constant bolivars, based on the last National Consumer Price Index published by the Central Bank of Venezuela)		
Investments in trading securities in U.S. dollars	9,565	13,448	23,013
Other accounts receivable, related companies, advances to suppliers and other current and non-current assets in bolivars	287	-	287
Other accounts receivable, related companies, advances to suppliers and other current and non-current assets in U.S. dollars	45,727	-	45,727
Net accounts receivable from companies under "nationalization" in U.S. dollars	334,990	-	334,990
Net accounts receivable from companies under "nationalization" in bolivars	2	-	2
Accounts payable to suppliers, related companies, advances received and other liabilities and accruals in bolivars	695	-	695
Accounts payable to suppliers, related companies, advances received and other liabilities and accruals in U.S. dollars	160,367	-	160,367
Short-term bank loans and financial obligation in U.S. dollars	266,507	-	266,507

Financial assets and liabilities carried at amortized cost at September 30, 2016 are as follows:

	Amortized cost	Unrealized gain	Market value
	(Millions of constant bolivars, based on the last National Consumer Price Index published by the Central Bank of Venezuela)		
Investments in trading securities in U.S. dollars	286	4,486	4,772
Other accounts receivable, related companies, advances to suppliers and other current and non-current assets in bolivars	86	-	86
Other accounts receivable, related companies, advances to suppliers and other current and non-current assets in U.S. dollars	9,899	-	9,899
Net accounts receivable from companies under "nationalization" in U.S. dollars	61,627	-	61,627
Net accounts receivable from companies under "nationalization" in bolivars	2	-	2
Accounts payable to suppliers, related companies, advances received and other liabilities and accruals in bolivars	197	-	197
Accounts payable to suppliers, related companies, advances received and other liabilities and accruals in U.S. dollars	27,630	-	27,630
Short-term bank loans and financial obligation in U.S. dollars	52,494	-	52,494

5. Net assets in process of expropriation, assets subject to appropriation

As a result of events occurring in late October 2012, described in Note 1, occupied assets, other assets subject to appropriation and liabilities part of the group in process of expropriation of the subsidiary Sidetur are presented in the consolidated statement of financial position as available for sale and classified within Net assets in process of expropriation and assets subject to appropriation.

(a) Assets in process of expropriation and assets subject to appropriation

	2017	2016
	(Millions of constant bolivars, based on the last National Consumer Price Index published by the Central Bank of Venezuela)	
Property, plant and equipment, net	11,268	11,193
Prepaid expenses	11	11
Advances to suppliers	100	100
Inventories	2,976	2,976
Trade receivables	120	120
Cash and cash equivalents	110	110
	14,585	14,510

(b) Liabilities in process of expropriation

Accruals and other payables	29	29
Length-of-service benefits	89	89
Advances received from clients	50	50
Labor-related accounts payable (profit sharing, vacation bonus and other employee benefits)	34	34
Accounts payable to suppliers (in bolivars)	166	166
	368	368
(a) - (b) = Net assets under expropriation and assets subject to appropriation	14,217	14,142

6. Property, plant and equipment, net

Property, plant and equipment, net at September 30 comprises the following:

	2017	2016
	(Millions of constant bolivars, based on the last National Consumer Price Index published by the Central Bank of Venezuela)	
Buildings	430	431
Machinery and equipment (Note 2-n)	1,426	281
Vehicles	2	2
Furniture and fixtures (Note 2-n)	383	100
	2,241	814
Accumulated depreciation (Note 2-n)	(2,070)	(627)
	171	187
Land and improvements	80	155
	251	342
Depreciation expense for the year, included mainly under general and administrative expenses (Note 17)	16	16

The movement in property, plant and equipment, net for the years ended September 30 is as follows:

	Buildings, machinery and equipment	Vehicles	Land and improvements	Total
	(Millions of constant bolivars, based on the last National Consumer Price Index published by the Central Bank of Venezuela)			
At September 30, 2017				
Net opening balance	187	-	155	342
Disposals, net				
Reclassification to net assets under expropriation and assets subject to appropriation	-	-	(75)	(75)
Depreciation expense	(16)	-	-	(16)
Net closing balance	171	-	80	251
At September 30, 2016				
Net opening balance	202	1	155	358
Depreciation expense	(15)	(1)	-	(16)
Net closing balance	187	-	155	342

At September 30, 2017 and 2016, fully depreciated property, plant and equipment amounts to Bs 1,811 and Bs 380.6 million, respectively.

7. Investments

Investments in trading securities at September 30 comprise the following:

	2017	2016
	(Millions of constant bolivars, based on the last National Consumer Price Index published by the Central Bank of Venezuela)	
Trading		
Investment securities	23,013	4,772

Available-for-sale investments at September 30 comprise the following:

	2017	2016
	(Millions of constant bolivars, based on the last National Consumer Price Index published by the Central Bank of Venezuela)	
Investments in companies under "nationalization" (Note 1)	3,020,739	595,014

Investments in companies under "nationalization"

Until July 14, 2009, the Company controlled 68.54% of the shares of Venprecar and Orinoco Iron, which are under "nationalization," together with all other private domestic briquette companies (Note 1).

Available-for-sale investments in companies under "nationalization" at September 30 comprise the following:

	2017	2016
	(Millions of constant bolivars, based on the last National Consumer Price Index published by the Central Bank of Venezuela)	
Breakdown of net assets of companies under "nationalization"		
Assets		
Current assets		
Cash and cash equivalents	26,257	5,172
Accounts receivable	104,598	20,603
Inventories	62,009	12,214
Prepaid expenses and other current assets	16,832	3,316
Total current assets	209,696	41,305
Property, plant and equipment	3,866,650	761,638
Other non-current assets	67,924	13,379
Total assets	4,144,270	816,322
Liabilities		
Loans and accounts payable	(969,780)	(191,023)
Deferred income tax	(153,751)	(30,285)
Total liabilities	(1,123,531)	(221,308)
Investments in companies under "nationalization"	3,020,739	595,014

Property, plant and equipment
In July 2009, companies under "nationalization" hired duly certified independent appraisers to value their buildings, machinery and equipment, and land with a view to determining these assets' depreciated replacement value at June 30, 2009. The difference between historic cost, which includes expenses directly attributable to the acquisition of assets, and revalued amounts is recorded in the equity account Surplus from revaluation associated with investments in companies under "nationalization," whose balance at September 30, 2017 and 2016 is Bs 304 million.

Value added tax
At June 30, 2009, the companies under "nationalization" Venprecar and Orinoco Iron had non-interest bearing net value added tax (VAT) credits of Bs 110.6 million in nominal amounts. This balance includes Bs 12.9 million, in nominal amounts, in respect of requests for Special Tax Reimbursement Certificates approved in connection with Administrative Resolution issued by the National Integrated Customs and Tax Administration Service (SENIAT) during 2008 and 2009 for the tax periods of March, May, June, August, September, October and December 2008, and January 2009. Additionally, this balance includes Bs 79.7 million, in nominal amounts, not yet approved and Bs 5.2 million, in nominal amounts, for the June 2009 tax period in respect of tax reimbursement requests that have not been requested.

At June 30, 2009, the company under "nationalization" Orinoco Iron had recorded Bs 11.9 million, in nominal amounts, in respect of tax credits that are subject to appeals filed in May and July 2007 after they were initially disallowed by the Tax Authorities. Should the disallowance be upheld, this amount must be taken to cost of sales. However, in the opinion of Orinoco Iron management and its legal advisors, there is reason to believe that the final decision will be in favor of Orinoco Iron. In the opinion of Orinoco Iron management and its legal advisors, these tax credits are fully recoverable. Therefore, at June 30, 2009, no provision was set aside in this connection. In addition, Venprecar and Orinoco Iron had recorded withholding VAT made by local clients of Bs 0.9 million in nominal amounts.

During 2009, Venprecar and Orinoco Iron managements recorded provisions for Bs 28.1 million, in nominal amounts, to present VAT credits at their estimated realizable value. At June 30, 2009, the net balance of tax credits of the companies under "nationalization" was Bs 82.5 million, in nominal amounts, shown under Investment in companies under "nationalization."

Litigations and other claims
In early June 2009, a maritime transportation company notified Orinoco Iron, subsidiary under "nationalization," that an arbitration proceeding had been initiated in New York, U.S.A. under the Maritime Arbitration Rules of the Society of Maritime Arbitrators, headquartered in New York, for breach of the Contract of Affreightment dated November 25, 2007 and Charter Party dated September 19, 2008. These claims were for US$10,773,000 and US$336,434, respectively. In addition, the transportation company, seeking security for its claims, sought and obtained an attachment for US$11,109,434 (under a special procedure applicable to maritime cases) before a U.S. Federal Court sitting in New York. At September 30, 2009, the transportation company and Orinoco Iron had appointed their respective arbitrators. However, these arbitrators had not appointed the Chairman of the arbitration panel, so the arbitration panel could not hear the plaintiff's or the defendant's allegations. In addition, the transportation company had not submitted any document or evidence to support any aspect of its claim. Until September 30, 2009, the transportation company had attached less than US$50,000 in liquid funds which had been transferred by Orinoco Iron through banks branched in New York specified in the attachment order. Since this order had not yet been revoked, it would be possible for the transportation company to further encumber funds transferred by Orinoco Iron through these banks. Orinoco Iron's external legal advisors believed it was impossible and premature to give any opinion or advice about the strength or weaknesses of claims or defenses of either party. Therefore, at September 30, 2009, Orinoco Iron management was unable to determine if a quantifiable obligation, to be settled in the future, existed. Since conditions for recognizing a provision had not been met, management had not set aside a provision in this connection.

During 2009, a lawsuit for Bs 44.2 million in nominal amounts was filed against Orinoco Iron for breach of the plant extraordinary maintenance shutdown agreement. This claim was filed with the Business Conciliation and Arbitration Center (CEDCA) and at September 30, 2009, the arbitrators had been appointed and the Chairman had been recommended. Management and its external legal advisors believed there was a reasonable expectation of obtaining a favorable outcome for Orinoco Iron and, therefore, did not set aside a provision in this connection.

Tax matters
On April 10, 2008, SENIAT notified Venprecar, as affected party due to the merger with Orinoco Iron, of two tax assessments for failing to withhold and pay VAT within the legal timeframe for the tax period from January 2003 to December 2004. These tax assessments amount to Bs 6.7 million in nominal amounts, of which approximately Bs 5.4 million, in nominal amounts, is in respect of overdue interest. In Venprecar's opinion, calculation of overdue interest was not well grounded in law. Venprecar appealed these assessments within the legal timeframe. At June 30, 2009, Venprecar management and its legal advisor believed there was a reasonable expectation of obtaining a favorable outcome for Venprecar, especially regarding the amount of overdue interest on withholdings not paid within the legal timeframe.

To date, management is not aware of the current status of the litigations and claims of Venprecar and Orinoco Iron.

8. Accounts receivable from companies under "nationalization"

Accounts receivable from companies under "nationalization" include mainly a promissory note with Venprecar.

In June 2008, Venprecar issued a promissory note for US$76.63 million to the order of Invermetal Inc. guaranteed by Orinoco Iron and IBH, which was subsequently assigned to the subsidiary Rutedis Finance B.V., subsidiary of Sivensa at September 30, 2011. According to this promissory note, Venprecar undertook to pay principal and accrued interest under the following terms:

i) To pay every December 31, March 31, June 30, and September 30 one twentieth (1/20) of the promissory note's principal in U.S. dollars;

ii) The promissory note bears annual interest at 12% during the first year and 14% as of the second year;

iii) Venprecar has the right to prepay, at any time and with no penalty, all or a portion of principal together with accrued interest;

iv) If there were a change in control, defined by a drop below 50% of the issuer or guarantor's voting rights, Venprecar is obligated to prepay 105% of remaining principal and accrued interest within 10 days after the date on which control changed.

At September 30, 2017, the balance of this debt, including interest, amounts to US$100.2 million (US$93.5 million in 2016) (Notes 19 and 20). Management continues to make the arrangements it deems necessary, and expects to recover this debt; therefore, no provision has been set aside in this connection.

9. Other accounts receivable

Other accounts receivable at September 30 comprise the following:

	2017	2016
	(Millions of constant bolivars, based on the last National Consumer Price Index published by the Central Bank of Venezuela)	
Trade (Note 20)	1,391	197
Provision for doubtful accounts	(73)	(18)
	1,318	179
Withholding value added tax (VAT) and VAT credits (Note 15)	146	145
Other accounts receivable (Note 20)	43,901	8,621
	45,365	8,945

Trade receivables that are overdue based on Sivensa's credit policies are assessed to compute the provision for doubtful accounts. A summary of maturities at September 30 is shown below:

	2017	2016
	(Millions of constant bolivars, based on the last National Consumer Price Index published by the Central Bank of Venezuela)	
Maturities		
Not due	338	28
30 to 60 days	871	87
61 to 90 days	-	5
91 to 120 days	180	75
Over 120 days	2	2
	1,391	197

Overdue trade receivables with no recent loss history that are expected to be recovered are not provided for.

Below is a summary of the movements in the provision for doubtful accounts:

	Years ended September 30,	
	2017	2016
	(Millions of constant bolivars, based on the last National Consumer Price Index published by the Central Bank of Venezuela)	
Balance at the beginning of the year	18	7
Effect of inflation	-	(2)
Exchange gain	55	13
Balance at the end of the year	73	18

Any increase or decrease in the provision for doubtful accounts is recognized in the consolidated income statement under General and administrative expenses.

At September 30, 2017 and 2016, trade receivables and other in foreign currency are represented by accounts receivable, mainly in U.S. dollars (Note 20).

At September 30, 2017 and 2016, other accounts receivable include loans of US$13 million. The terms and conditions of these loans were amended by the parties and an agreement was signed to extend their maturity until June 26 and December 15, 2018 (Note 20).

In August 2011, a subsidiary of Sivensa granted a loan to CVG Ferrominera Orinoco, C.A. for Bs 9.6 million in nominal amounts, with no maturity date and no interest, except for overdue interest at an annual interest rate of 12%; this loan will be repaid at the first request of Sivensa's subsidiary.

10. Cash

Cash at September 30 comprises the following:

	2017	2016
	(Millions of constant bolivars, based on the last National Consumer Price Index published by the Central Bank of Venezuela)	
Cash on hand and at banks	7,182	1,924

At September 30, 2017 and 2016, US$81,454 guarantees payment of principal and interest on bonds payable (Notes 12 and 20).

At September 30, 2017 and 2016, payment of principal and interest on a short-term promissory note denominated in U.S. dollars is secured by a pledge in bolivars of Bs 38.6 million and Bs 34.6 million, respectively (Note 13).

11. Equity

a) Capital stock

At September 30, 2017 and 2016, Sivensa's capital stock amounts to Bs 105 million, represented by 52,524,376 shares, with a par value of Bs 2 each. At September 30, 2017, Sivensa's consolidated equity, including non-controlling interests, amounts to Bs 3,016,238 million (Bs 606,391 million in 2016).

Under Sivensa's bylaws, each share grants its holder the right to cast one vote at the shareholders' meeting in connection with all matters related to their role as shareholders in conformity with the provisions of the Venezuelan Code of Commerce, the former Capital Markets Law and any other applicable legal provisions or regulations.

b) Difference between fair value and cost of shares of subsidiary

During 2005 and 2008, IBH de Venezuela acquired its shareholding in Venprecar from prior shareholders. This transaction was recorded as a transaction between shareholders in the equity account Difference between fair value and cost of shares of subsidiary (Note 1). At September 30, 2017 and 2016, the balance of this account, net of non-controlling interests, is Bs 724 million.

c) Net effect of combination (merger) of subsidiaries

During 2005, the assets and liabilities of Orinoco Iron, C.A. and Venprecar were merged and absorbed by the latter as the surviving company, which also implied the acquisition of non-controlling interests.

Since these shareholding movements constitute a combination of commonly controlled entities, they were accounted for using book values at the transaction date. The difference between equity values exchanged is shown in equity under Net effect of combination (merger) of subsidiaries (Note 1). At September 30, 2017 and 2016, the balance of this account, net of non-controlling interests, amounts to Bs 260 million.

d) Dividends

The Stock Market Law allows the management boards of listed companies to share profits not exceeding 10% of the company's total net profit for any given year, provided that the shareholders have received a cash dividend of at least 25% of income for that same year, after tax and appropriation to legal reserves. In conformity with CNV rules (currently SUNAVAL), the basis for distribution of dividends and statutory equity does not include equity in the results of subsidiaries. Accordingly, at September 30, 2017, Sivensa (unconsolidated parent company) has determined that it has unappropriated earnings of Bs 2,752 million.

e) Income from translation of foreign subsidiaries

Income from translation of foreign subsidiaries arises from the conversion of the consolidated financial statements of foreign subsidiaries from U.S. dollars into bolivars (Note 2-n). At September 30, 2017, this account amounts to Bs 2,063,915 million, net of non-controlling interests (Bs 399,938 million in 2016).

f) Legal reserve

The legal reserve is a requirement whereby Venezuelan companies must set aside 5% of their net income until the reserve reaches the equivalent of at least 10% of their capital stock, based on the Company's primary financial statements.

12. Financial obligation

The financial obligation at September 30 comprises the following:

	2017	2016
	(Millions of constant bolivars, based on the last National Consumer Price Index published by the Central Bank of Venezuela)	
Bonds payable	246,692	48,591

The movement in the financial obligation for the years ended September 30 is as follows:

	(Millions of constant bolivars, based on the last National Consumer Price Index published by the Central Bank of Venezuela)
Balance at September 30, 2015	19,783
Effect of devaluation	33,886
Effect of inflation	(5,078)
Balance at September 30, 2016	48,591
Effect of devaluation	198,101
Balance at September 30, 2017	246,692

Sidetur

a) Refinancing of long-term restructured debt and bond issue

During 2006, Sidetur refinanced its May 2002 long-term debt. Transactions related to debt refinancing are summarized below:

Bond issue agreement

In February and April 2006, the Board of Directors of Sidetur and its subsidiary Sidetur Finance B.V., respectively, authorized a bond issue of US$100 million on the international market to mature in 2016. Bonds were issued on May 3, 2006, and a fixed annual interest rate of 10% was set upon placement. All funds obtained were used to refinance the long-term debt described in this Note.

Below is a summary of the main terms and conditions of the bond issue agreement:

a) The amount of principal and interest is repayable in 32 quarterly installments of US$1,250,000 each beginning April 2008 and the remaining balance in a single payment of US$60 million in April 2016. The applicable annual interest rate is 10%, payable on a quarterly basis as from July 2006.

b) Sidetur unconditionally and irrevocably guarantees payment of principal and interest in respect of bonds issued by its subsidiary Sidetur Finance B.V.

c) The issuer is entitled to redeem bonds in whole, but not in part, at any time on or after April 20, 2011 at discretion, for the total amount owed at that date, at recovery rates equal to 105% of the amount owed in 2011 and up to 100% of the amount owed as from April 2014.

d) The bond issue agreement sets restrictions on: i) certain specific payments; ii) certain debt; iii) encumbrance of certain assets; iv) asset disposal; v) financial lease transactions; vi) mergers; and vii) repurchase of bonds from holders by the issuer and the guarantor.

Amended and restated loan agreement

In May 2006, a foreign bank acquired each of the creditor loans comprising Sidetur's and Sivensa's long-term debt (Amended and Restated Loan Agreement). At the transaction date, the amount owed by Sidetur in respect of the long-term debt was US$113 million.

The main terms and conditions of the amended and restated loan agreement are summarized below:

a) The debt will be repaid in Tranches "A" and "B", with initial balances of US$100 million and US$13 million, respectively. Tranche "A" is repayable in 32 quarterly installments of US$1,250,000 each as from the second quarter of 2008, and the final balance of US$60 million will be repaid in the second quarter of 2016. Tranche "B" was paid at maturity on May 31, 2006. The annual interest rate for Tranche "A" will be 10.10%, payable on a quarterly basis beginning June 2006.

b) The occurrence of an event of default under the loan agreement shall relate to an event of default under the indenture of May 3, 2006.

c) The loan is secured by Sidetur's export accounts receivable and the bank account for export collections as provided in the agreement.

d) Sidetur pays a commission for Tranche "A" debt service. The amount paid in this connection during the year ended September 30, 2013 was US$48,000, equivalent to Bs 0.2 million in nominal amounts.

On May 3, 2006, Sidetur Finance, B.V. and the creditor of the amended and restated loan signed a participation agreement on the aforementioned debt under the same terms and conditions of the debt agreement. Under the participation agreement, Sidetur Finance, B.V. may not sell, assign or transfer its participation to any entity or individual. The consolidated financial statements at September 30, 2017

and 2016 include offsetting of the balance of the amended and restated loan owed by Sidetur with the participation acquired by its subsidiary. On August 26, 2013, the aforementioned creditor assigned the loan to Sidetur Finance B.V., thereby rendering the participation agreement null and void.

During 2017 and 2016, interest on debt in foreign currency amounts to US$7.8 million, in respect of which no payments have been made during 2017 and 2016.

At September 30, 2017 and 2016, US$81,454 is deposited in a reserve account and in a current account at Deutsche Bank to guarantee payment of principal and interest on bonds payable (Notes 10 and 20).

On November 8, 2012, Sidetur Finance, B.V. and Sidetur notified the Trustee about the events of October 26, 2012 (order to transfer Sidetur's bank funds to an account pertaining to Complejo Siderúrgico Nacional, S.A.); October 29, 2012 (the taking of possession of Sidetur's industrial plants and collection centers by Complejo Siderúrgico Nacional, S.A., which, in management's opinion, was not conducted in conformity with the Expropriation Law or pursuant to a judicial order); and November 2, 2012 (notice of termination by the insurance company of the all-risk policy covering Sidetur's industrial assets, in reliance of the policy's termination clause, due to the aforementioned events). The Trustee was also informed that, due to the aforementioned events, a default of two covenants set forth in the Indenture had occurred.

On December 4, 2012, the Trustee notified the noteholders, through a communication copied to Sidetur Finance, B.V. and Sidetur, that at the time it would refrain from undertaking any additional actions unless otherwise requested by the Required Noteholders under the Indenture, in which case they are required to offer to the Trustee reasonable indemnity against costs, expenses and liabilities to be incurred in compliance with such a request.

On January 21, 2013, Sidetur requested the Trustee to pay the principal and interest installment, due and payable on that same date, out of the reserve account at Deutsche Bank. On January 30, 2013, Deutsche Bank, acting as Trustee, notified the noteholders and Sidetur that: (i) there was an event of default since funds used for payment of the installment were not replenished in the reserve account; and (ii) for the time being, it would refrain from undertaking any additional actions unless otherwise requested by the Required Noteholders, in which case they are required to offer to the Trustee reasonable indemnity against costs, expenses and liabilities to be incurred in compliance with such a request.

On April 22, 2013, Sidetur requested the Trustee to pay the principal and interest installment, due and payable on that same date, out of the reserve account at Deutsche Bank, thus, leaving the reserve account substantially depleted.

On July 20, 2013, as a result of the measures taken by the Venezuelan government in October 2012 (transfer of Sidetur's funds in bolivars to an account of the state-owned company Complejo Siderúrgico Nacional, S.A. at Banco de Venezuela and the occupation of Sidetur's industrial assets by the aforementioned state-owned company), neither Sidetur Finance, as issuer, nor Sidetur, as guarantor of Bonds 2016, were able to pay the principal and interest installment due and payable on that same date.

On July 26, 2013, Deutsche Bank, acting as Trustee, informed the noteholders and Sidetur that: (i) there was an event of default since the principal installment, due on July 20, 2013, was not paid; (ii) there was an event of default since funds in the reserve account were not replenished; (iii) the issuer had failed to pay the interest installment due on July 20, which will become an event of default if interest is not paid within the following 30 days and; (iv) for the time being, it would refrain from undertaking any additional actions unless otherwise requested by the Required Noteholders, in which case they are required to offer to the Trustee reasonable indemnity against costs, expenses and liabilities to be incurred in compliance with such a request.

At September 30, 2017 and 2016, liabilities in connection with the financial obligation are shown in the consolidated statement of financial position as short term, due to the aforementioned events and the subsequent failure to pay principal and interest.

13. Short-term bank loans

Short-term bank loans at September 30 comprise the following:

	2017	2016
	(Millions of constant bolivars, based on the last National Consumer Price Index published by the Central Bank of Venezuela)	
Promissory notes in foreign currency	19,816	3,903

The movement in bank loans at September 30, 2015 is as follows:

	(Millions of constant bolivars, based on the last National Consumer Price Index published by the Central Bank of Venezuela)
Balance at September 30, 2015	1,589
Exchange gain	2,722
Effect of inflation	(408)
Balance at September 30, 2016	3,903
Exchange gain	15,913
Balance at September 30, 2017	19,816

In July and October 2012, the subsidiary Sidetur took out short-term promissory notes denominated in U.S. dollars, one of which is guaranteed by a pledge of Bs 38.6 million and Bs 34.6 million at September 30, 2017 and 2016, respectively (Note 10). At September 30, 2017, the balance of bank loans is US$5,924,000. These loans bear interest at 2% and 2.5% per annum and 3% for overdue interest and mature on January 9, 2015 and February 20, 2018.

A sentence issued by the Political-Administrative Chamber on June 7, 2016 was published on the web page of the TSJ. Through this sentence, the aforementioned chamber accepted the competence declined by the Superior Court on Civil and Litigious Administrative Matters of the Western-central Region, in order to learn and decide on the lawsuit filed by Banco Nacional de Crédito (BNC) against the subsidiary Sidetur, so as to sustain or be sentenced to pay (in bolivars) principal and interest corresponding to a promissory note issued on July 13, 2012 by the aforementioned subsidiary in favor of said bank for an amount of US$3,300,000.

14. Other liabilities and accruals

Other liabilities and accruals at September 30 comprise the following:

	2017	2016
	(Millions of constant bolivars, based on the last National Consumer Price Index published by the Central Bank of Venezuela)	
Short term		
Advances received from clients	44,225	9,503
Interest payable (Notes 12 and 13)	111,559	16,861
Provisions for taxes payable	18	15
Dividends payable (Note 11)	11	11
Accrued expenses	4	41
Other accounts payable	79	61
Labor contributions	1	1
	155,897	26,493
Long term		
Other	459	110

Advances received from clients

At September 30, 2017 and 2016, the subsidiary Sidetur has advances received from clients which include US$12.8 million to guarantee future purchases of inventories and billets (Note 20).

As described in Note 1, the subsidiary Sidetur has sent communications to creditors, government agencies and regulators, informing about the situation described in the above Note.

15. Taxes

The estimated income tax expense for the years ended September 30 comprises the following:

	2017	2016
	(Millions of constant bolivars, based on the last National Consumer Price Index published by the Central Bank of Venezuela)	
Income tax		
Deferred	(1,428)	(76)
Total income tax expense	(1,428)	(76)

Income tax

Company management computed net taxable income based on the Venezuelan Income Tax Law and the opinion of its external advisors, and considers that assumed criteria conform to Law and do not originate taxes and penalties.

The income tax liability at September 30, 2017 and 2016 includes mainly income tax expense of Bs 69 million in nominal amounts of the subsidiary Sidetur for 2012. As a result of the events of October 2012 (Note 1), Sivensa has sent communications to the regulatory agency informing it about this situation.

In addition, at September 30, 2017 and 2016, the subsidiary Sidetur has income tax advance payments of Bs 41 million in nominal amounts, shown net of income tax payable.

On November 2, 2012, Sidetur informed SENIAT of the events of October 26 and 29, 2012 (Note 1). Also, on December 21, 2012, Sidetur's judicial representation filed a claim with SENIAT opposing to the offsetting of a portion of VAT credits which was not applied to the corresponding tax liability nor reimbursed to Sidetur up to the value added tax payable of Bs 61,825,001 in nominal amounts. At September 30, 2012, VAT credits of Sidetur amount to Bs 114.9 million in nominal amounts. In September 2012, Sidetur issued a communication to SENIAT updating the VAT credit reimbursement request for Bs 92,816,464 in nominal amounts in order to use those credits to offset certain income tax debts for the year ended September 30, 2012 for up to the tax amount incurred during that year, leaving any remaining amount for future offsettings. To date, no response has been received from SENIAT.

The Company does not consolidate its results for tax purposes and, accordingly, files separate tax returns (in local currency). Below are the main differences between income tax computed at the 34% statutory tax rate and the effective tax rates for the following years:

	Years ended September 30,	
	2017 %	2016 %
Statutory tax rate	(34.00)	(34.00)
Decrease in the statutory tax rate resulting from		
Provision for deferred tax asset on exchange losses, tax loss carryforwards and other not recognized	35.48	31.97
Net loss of tax-exempt subsidiaries abroad	6.35	8.70
Inflation adjustment	-	(2.50)
Other	0.84	(0.07)
Effective income tax rate	8.67	4.10

Venezuelan Income Tax Law requires an annual inflation adjustment of certain assets and liabilities, as well as net equity, to compute taxable income. This adjustment represents an increase or decrease in taxable income. The annual inflation adjustment for tax purposes calls for a method of calculation that differs from that used for accounting purposes. The calculation is made by indexing all nonmonetary assets and liabilities, and initial fiscal equity, based on changes in the Consumer Price Index (CPI) for the related tax year or from the date of acquisition of the nonmonetary assets, assumption of nonmonetary liabilities, or increase or decrease in the initial fiscal equity required to be adjusted for inflation. Under this Law, the new values resulting from inflation adjustments are to be depreciated over the remaining useful lives of the fixed assets.

The components of the deferred tax liability at September 30 are shown below:

	2017	2016
	(Millions of constant bolivars, based on the last National Consumer Price Index published by the Central Bank of Venezuela)	
Difference between the tax and accounting base of property, plant and equipment	1,092	1,093
Other (mainly includes differences between the tax and book balance of the accounts receivable from related companies denominated in U.S. dollars)	1,507	78
Deferred income tax liability (long-term portion)	2,599	1,171

The movements in the deferred tax liability are summarized below:

	Property, plant and equipment	Other	Total deferred
	(Millions of constant bolivars, based on based on the last National Consumer Price Index published by the Central Bank of Venezuela)		
Deferred tax liability			
At September 30, 2015	1,087	8	1,095
Charged to the income statement	6	70	76
At September 30, 2016	1,093	78	1,171
Charged (credited) to the income statement	(1)	1,429	1,428
At September 30, 2017	1,092	1,507	2,599

At September 30, 2017, the amount of deferred tax asset not shown in the consolidated financial statements includes mainly the differences between the tax and book balance of the accounts payable to related companies denominated in U.S. dollars of approximately Bs 149,679 million. Of this amount, Bs 149,225 million corresponds to the subsidiary Sidetur. Considering the events described in Note 1, the amounts recognized in this account will be offset with the Tax Authorities when an indemnification is received from the Venezuelan government (Note 2-o).

Partial Reform of the Income Tax Law
Decree No. 2,163 on the Partial Reform of the Income Tax Law was published in Extraordinary Official Gazette No. 6,210 on December 30, 2015, and became effective on the day following its publication.

The most relevant aspects of this Reform are:

1) The standard is modified regarding income availability, thereby reducing the cases of income available at the time of collection, and increasing the cases of income levied when generated or earned.

2) A proportional tax equivalent to 40% of net revenues derived from banking, financial, insurance and reinsurance activities obtained by companies or entities domiciled in the country.

3) Tax credits for new investments made by taxpayers are eliminated.

4) Special taxpayers are excluded from the inflation adjustment system for tax purposes. Estimated income tax returns for tax years following the effective date of this Reform should consider net global income, excluding the effect of the inflation adjustment. In addition, the Tax Administration will establish regulations on the corresponding accounting adjustments.

Value added tax
In May 1999, the Venezuelan government enacted the Value Added Tax (VAT) Law. This tax is based on a tax credit system; it is payable based on the value added at each stage of production or sales. The tax rate is set annually in the Venezuelan Budget Law. The tax rate is 12%. The Law provides a special zero tax rate for exporters, granting them the right to recover tax credits from the purchase or import of goods and services based on the ratio of export sales to total sales.

In 2002 the Venezuelan government designated public entities and taxpayers considered "special" by the Tax Authorities as value added tax withholding agents beginning January 1, 2003. These taxpayers must withhold 75% of the value added tax paid.

Decree No. 3,085 was published in Official Gazette No. 41,239 of September 19, to establish a VAT discount applicable to transactions paid using electronic means. A 3% discount on VAT will apply to the

sale of property and provision of services to individuals and companies for amounts up to Bs 2,000,000, and 5% to transactions exceeding ,,.The VAT rate applicable to transactions paid through non-electronic means will be .

The VAT rate discount referred to in this Decree will not apply when the electronic payment is used together with an alternate payment methodThe following transactions are excluded from the discount established in the aforementioned Decree: acquisition of goods and services with VAT already included, final imports of property, acquisition of metals and precious stones (e.g. gold, including platinum-plated gold, raw gold, semi-manufactured and dust gold); silver; platinum (including iridium, osmium, paladin, rhodium and ruthenium); precious metal alloys; precious stones; and diamonds (processed, unworked, unmounted, unthreaded and unsorted diamonds).

This Decree is effective five business days after its publication in the Official Gazette of the Bolivarian Republic of Venezuela until December 31, .

VAT withholdings are mainly in respect of VAT withheld by Sidetur's clients (Notes 1 and 9). At September 30, 2017, the Company has VAT withheld in excess of Bs 145.7 million. According to the Venezuelan Value Added Tax Law, taxes withheld in excess may be recovered from the Tax Authorities for sale or offsetting against VAT or other Venezuelan tax liabilities. During 2012, the subsidiary Sidetur has made VAT reimbursement requests of Bs 93 million in nominal amounts.

The subsidiary Sidetur filed a tax appeal against Administrative Resolutions Nos. 1080023004, 1080023006 and 1080023014 of April 15, 2010, issued by the Capital Region's Special Taxpayers Office of the National Integrated Customs and Tax Administration Service (SENIAT). The aforementioned Resolutions disallowed VAT reimbursements totaling Bs 22.6 million, supported and undiscounted by Sidetur and filed with SENIAT in December 2009, which reference back to VAT reimbursement request No. 0000898 filed by Sidetur in January 2009. Sidetur management and its external legal advisors believe that the amount requested and denied will be recovered in full by Sidetur and, therefore, have not set aside a provision in this connection.

On September 7, 2011, Sidetur filed request No. 2011-11-9-169911 for the recovery of withholdings of Bs 61.2 million in nominal amounts, shown in the statement of account which were not discounted from VAT liabilities. On October 7, 2011, SENIAT issued Resolution No. 1180036013 granting Sidetur Bs 26.7 million in nominal amounts for offsetting against income tax for the year ended September 30, 2011. The VAT withholding balance receivable already requested has not been approved by SENIAT and was requested for use during the 2012 fiscal period. As mentioned above, during 2012 Sidetur has made requests in this connection.

Transfer pricing
Venezuelan Income Tax Law includes transfer-pricing regulations. According to these regulations, taxpayers that conduct transactions with related parties abroad are required to calculate income, costs and deductions applying the methodology set out in the Law. Although the Company made the transfer-pricing studies for previous years, for the years ended September 30, 2016 and 2015, and as a result of the change in certain operational procedures, no income, cost and deduction item is shown resulting from transactions with related parties abroad. Consequently, management believes that no tax effects will result from this matter.

16. Accounts and transactions with related companies

The Company conducts business with some of its minority partners and related companies under various contractual agreements.

Balances with related companies at September 30 comprise the following:

	2017	2016
	(Millions of constant bolivars, based on the last National Consumer Price Index published by the Central Bank of Venezuela)	
Receivables		
Inversiones Dasiven	2	1
Iron and Equipment Supply Ltd.	105	14
	107	15
Payables		
Smith International	2,676	649
Other	3	3
	2,679	652

17. Expenses by nature

Expenses by nature for the years ended September 30 comprise the following:

	2017	2016
	(Millions of constant bolivars, based on the last National Consumer Price Index published by the Central Bank of Venezuela)	
General and administrative expenses		
Fees and advisory	1,006	255
Personnel expenses	800	230
Depreciation (Note 6)	16	16
Surveillance and maintenance	29	6
Electricity, water and other services	56	22
Taxes and contributions	6	-
Other expenses	289	85
	2,202	614

18. Other operating income, net

Other operating income, net for the years ended September 30 comprises the following:

	2017	2016
	(Millions of constant bolivars, based on the last National Consumer Price Index published by the Central Bank of Venezuela)	
Gain on sale and measurement at market value of securities, net	827	224
Income from commercialization activities and other (Note 2-p)	1,385	251
Other expenses, net	(1,936)	(127)
	276	348

19. Interest and other financial expenses

Interest and other financial expenses, net for the years ended September 30 comprise the following:

	2017	2016
	(Millions of constant bolivars, based on the last National Consumer Price Index published by the Central Bank of Venezuela)	
Interest expense on bank loans and financial obligation (Notes 12 and 13)	(10,993)	(2,907)
Other financial expenses and commission	(310)	(68)
	(11,303)	(2,975)
Interest income from accounts receivable from companies under "nationalization" (Note 8)	9,453	2,538
Interest income (Note 10)	148	34
	9,601	2,572

20. Foreign currency

At September 30, the Company has the following balances in foreign currency (mainly in U.S. dollars), at the exchange rates shown in Note 2-n:

	2017	2016
	(Millions of U.S. dollars)	
Assets		
Advances to suppliers and other non-current assets	-	2
Accounts receivable		
Other	14	13
Companies under "nationalization"	100	94
Investments in trading securities	7	7
Cash	2	3
Total assets	123	119
Liabilities		
Bank loans and financial obligation	(80)	(80)
Accounts payable		
Suppliers and other liabilities and accruals	(48)	(42)
Total liabilities	(128)	(122)

Exchange control regime and its reforms

On January 21, 2003, the Venezuelan government announced the closure of the foreign exchange market in Venezuela and, on February 5, 2003, the Ministry of Finance and the BCV began to publish the legal instruments regulating the exchange control regime. On that same date, the government created the Commission for the Administration of Foreign Exchange (CADIVI) with the task of establishing the detailed rules and regulations and generally administering the exchange control regime.

On February 8, 2013, the Venezuelan government and the BCV enacted the new Exchange Agreement No. 14, effective as from February 9, 2013, to introduce a single exchange rate of Bs 6.2842/US$1 (purchase) and Bs 6.30/US$1 (sale). Where certain conditions are met, some transactions will be liquidated at the official exchange rate established in Exchange Agreement No. 14 of December 30, 2010 of Bs 4.30/US$1.

Exchange Agreement No. 25
Exchange Agreement No. 25 was published in Official Gazette No. 6,122 on January 23, 2014. According to this Agreement, foreign currency for the following sectors will be settled by the BCV at the exchange rate resulting from the last auction of the Supplementary Foreign Currency Administration System (SICAD), as published on the BCV web page: payment of national civil aviation operations, lease and service agreements, use and exploitation of patents, trademarks, licenses and franchises, as well as imports of intangible assets, international air transport public service for passengers, cargo and mail, duly authorized by the Venezuelan government; international investments and payment of royalties, use and exploitation of patents, trademarks, licenses and franchises, technology and technical assistance import agreements, among other items regulated under the foreign currency administration regulations. The exchange rate published by the BCV in connection with the last 2013 auction was Bs 11.30/US$1.

Exchange Agreement No. 27
Exchange Agreement No. 27 was published in Official Gazette No. 40,368 on March 10, 2014, thereby establishing the rules for foreign currency transaction through the Alternative Currency Exchange System (SICAD II). The most relevant aspects of this Exchange Agreement include:

1) Foreign currency transactions conducted through SICAD II: Exchange Agreement No. 27 establishes that foreign currency transactions conducted through SICAD II, administered by the BCV and the People's Power Ministry for Economy, Finance and Public Banking, refer to the trading in bolivars of foreign currency in cash, as well as securities denominated in foreign currency issued by the Bolivarian Republic of Venezuela, its decentralized agencies or any other issuer, whether public or private, foreign or local, registered and quoted on the international markets.

2) Participants of SICAD II: (i) individuals and private companies; (ii) Petróleos de Venezuela, S.A. (PDVSA); (iii) the Central Bank of Venezuela (BCV) and; (iv) any other entity that the People's Power Ministry for Economy, Finance and Public Banking authorizes for such purposes may purchase foreign currency in cash or securities denominated in foreign currency through SICAD II.

3) Foreign currency from the export of goods and services: Individuals and private companies that export goods and services may keep 60% of their income in foreign currency to: (i) cover export expenses, but not to cover their financial debt, (ii) for the purposes set forth in Article No. 2 of Exchange Agreement No. 20 of June 14, 2012 and; (iii) to conduct sale transactions through SICAD II. The remaining foreign currency must be sold to the BCV at the SICAD II exchange rate in effect at the acquisition date.

4) Exchange rate: The BCV shall publish on a daily basis the SICAD II exchange rate corresponding to the weighted average exchange rate of operations transacted during the day.

5) BCV intervention in SICAD II: The BCV may participate or intervene in SICAD II to prevent or counteract the effect of erratic fluctuations from macroeconomic conditions and it is empowered to dictate all documents and measures it considers appropriate. The previous without prejudice to the competencies of the institutions in charge of supervising brokers and notwithstanding regulations governing SICAD II.

This Exchange Agreement repeals Articles Nos. 6, 7, 8, 9, 10, 11 and 12 of Exchange Agreement No. 14 of February 8, 2013, published in Official Gazette No. 40,108 on February 8, 2013. At March 31, 2014, the SICAD II exchange rate was Bs 49.8098/US$1.

Exchange Agreement No. 33
The Venezuelan government and the BCV published Exchange Agreement No. 33 in Extraordinary Official Gazette No. 6,171 on February 10, 2015. This Agreement establishes that foreign currency transactions conducted through the Marginal Foreign Exchange System (SIMADI) refer to the trading in

bolivars of cash and securities in foreign currency issued by the Bolivarian Republic of Venezuela, its decentralized agencies or any other issuer, whether public or private, foreign or local, registered and quoted on the international markets. Under this Exchange Agreement, banks, exchange offices, authorized securities dealers and the Bicentennial Public Stock Exchange may participate as exchange brokers.

In addition, this Exchange Agreement establishes that the exchange rates for the trading of foreign currency will be set by the parties involved in the transaction. The BCV shall publish on a daily basis on its web page the reference exchange rate corresponding to the weighted average exchange rate of operations transacted during the day on the markets and the variable daily average set by SIMADI's supply and demand. At November 16, 2015, the exchange rate resulting from the most recent SIMADI auction was Bs 199.9862/US$1.

Exchange Agreement No. 35
Exchange Agreement No. 35 was published in Official Gazette No. 40,865 on March 9, 2016 to establish the rules that will regulate foreign currency transactions. The most relevant aspects of this Agreement are as follows:

1) It sets the protected foreign exchange rate (DIPRO), to pay for the imports of the food and health sectors, raw materials and supplies for the production of these sectors, at Bs 9.975/US$1 (purchase) and Bs 10.00/US$1 (sale).

2) Foreign currency transactions liquidated at the "DICOM" exchange rate, (i) payment of purchases and cash advances using credit cards when travelling abroad and purchase of cash for minors when travelling abroad; and (ii) all other foreign currency transactions not expressly included in this Exchange Agreement.

3) Foreign currency for the export or sale of hydrocarbons by Petróleos de Venezuela, S.A. (PDVSA) and its subsidiaries, as well as mixed companies referred to under the Hydrocarbon Law, Gaseous Hydrocarbon Law and the Law for the Development of Petrochemical Activities, will be sold at any of the two exchange rates (DIPRO or DICOM), minus 0.25%, according to the schedule, coordination and assessment of the Economic Sectorial Vicepresidency, the People's Power Ministry for Banking and Finance, and the BCV based on the policies established and according to foreign currency availability. Furthermore, foreign currency purchase transactions executed by these entities shall be made at any of the exchange rates.

Conversion of foreign currency to determine the taxable base of tax liabilities derived from customs transactions shall be made at the exchange rate applicable to the specific transaction, excluding any exceptions established by the BCV and the People's Power Ministry for Banking and Finance. For other cases, the DICOM exchange rate in effect at the date of payment of the tax liability will be used as the reference exchange rate.

At October 27, 2017, the DICOM exchange rate is Bs 3,345/US$1.

Law on Exchange Control Regime and related offenses
The Law on Exchange Control Regime and related offenses was published in Official Gazette No. 6,210 on December 30, 2015. This Law repeals the previous Law on Exchange Control Regime and related offenses published in Official Gazette No. 6,150 on November 18, 2014. The most relevant aspects of this Law are:

1) A new provision is included which establishes that CENCOEX will not authorize foreign currency for obligations already paid or pay commitments made by the applicant without its previous authorization, except for those cases that CENCOEX may consider that an exception is appropriate on grounds of national interest.

2) It introduces the requirement to inform CENCOEX about individuals or companies that conduct foreign currency transactions in the country, under the terms established by CENCOEX.

3) It introduces the obligation to inform CENCOEX (formerly only the Central Bank of Venezuela) about exports exceeding US$10,000.

4) Public banks are incorporated as bidders in the alternative foreign currency market.

5) It introduces new exchange offenses and increases prison time and corresponding fines.

6) Disclosure of information on exchange rates: a new exchange offense is introduced regarding the direct or indirect participation in the preparation of any deceits for the purpose of transmitting, through communications of any kind, false information on the applicable exchange rate.

7) It includes a new provision according to which goods derived from crime commission will be confiscated when they involve authorized or liquidated foreign currency.

21. Commitments and contingencies

Litigations and other claims
The Company is a party to several lawsuits and claims arising in the normal course of business, whose possible outcome cannot be quantified. In the opinion of Company management, based on the opinion of Sivensa's legal counsel, these matters should not have a material adverse effect on the Company's consolidated financial position or consolidated results of operations.

In November 2008, the subsidiary Sidetur was notified of a Resolution from the Superintendency for the Promotion and Protection of Free Competition, which fined Sidetur with Bs 5.4 million, in nominal amounts, for allegedly violating Article No. 6 of the Law for the Promotion and Protection of Free Competition. Sidetur filed an administrative appeal for annulment arguing that the Resolution was unlawful and unconstitutional; as well as a request for constitutional protection and other injunction measures against this Resolution, which were remitted to the Second Contentious Administrative Court. At the date of this report, the case is in its final stage awaiting a final sentence. In the opinion of Sidetur management and its external legal advisors, there are sufficient and solid arguments to request the annulment of this administrative Resolution and even to expect an injunction to be issued in favor of Sidetur suspending the aforementioned Resolution.

Tax matters
On November 2, 2007, Sivensa was notified by the Capital Region's Internal Tax Office for Special Taxpayers of the final resolutions in connection with the income tax assessments filed by this office in October 2006. These resolutions partially confirm disallowances made in connection with the tax inflation adjustment of nonmonetary assets, particularly of securities, and determined a total amount payable of Bs 27 million in nominal amounts. However, in the opinion of the external legal advisors, there are sufficient legal grounds for Sivensa to obtain a favorable decision. At September 30, 2017 and 2016, based on the opinion of its legal advisors, Sivensa management did not set aside an additional provision to cover this contingent liability. At September 30, 2017 and 2016, the Company has set aside a provision to cover the possible effects arising from the interpretation of certain tax considerations.

Environmental regulations
The Company is subject to Venezuelan environmental laws and regulations. To date, the Company is not involved in any environmental-related claims or litigations with Venezuelan environmental and health authorities.

22. Supplementary consolidated statement of financial position prepared in conformity with Company policies

The consolidated statement of financial position, expressed in constant bolivars (updated based on the last NCPI published by the BCV at December 2015), in accordance with the accounting bases established in Company policies at September 30, 2017, which constitute a presentation that differs from SUNAVAL rules and instructions, insofar as they recognize the restatement method for fixed assets in process of expropriation of the subsidiary Sidetur, are provided as supplementary information (Notes 1 and 2-w). The effect of incorporating the values of appraisals at September 2017 increases net assets in process of expropriation and assets subject to appropriation by Bs 1,168,618 million, taking the balance of this account to Bs 1,182,835 million (by Bs 262,011 million, taking the balance to Bs 276,153 million at September 30, 2016) and total equity (net of deferred tax) by Bs 771,289 million, taking the balance to Bs 3,787,527 million (by Bs 172,927 million, taking the balance to Bs 779,318 million at September 30, 2016).

Below is the consolidated statement of financial according to the Company's accounting policies:

Supplementary consolidated statement of financial position
September 30, 2017 and 2016

	2017	2016
	(Millions of constant bolivars, based on the last National Consumer Price Index published by the Central Bank of Venezuela)	
Assets		
Non-current assets		
Available-for-sale investments		
Investments in companies under "nationalization"	3,020,739	595,014
Net assets in process of expropriation and assets subject to appropriation	1,182,835	276,153
Accounts receivable from companies under "nationalization," net	334,992	61,629
Property, plant and equipment, net	251	342
Other non-current assets	36	407
Total non-current assets	4,538,853	933,545
Current assets		
Prepaid expenses and other current assets	292	61
Advances to suppliers	214	631
Accounts receivable		
Other accounts receivable	45,365	8,945
Related companies	107	15
Investments in trading securities	23,013	4,772
Cash	7,182	1,924
Total current assets	76,173	16,348
Total assets	4,615,026	949,893
Equity and Liabilities		
Equity		
Capital stock		
Nominal	105	105
Restatement	15,037	15,037
Share premium	1,456	1,456
Net effect of combination (merger) of subsidiaries	260	260
Surplus from revaluation associated with investments in companies under "nationalization"	771,593	173,231
Difference between fair value and cost of shares of subsidiary	724	724
Income from translation of foreign subsidiaries	2,063,915	399,938
Retained earnings (deficit)		
Legal reserve	1,516	1,516
Deficit	(17,551)	(257)
Total equity of Sivensa shareholders	2,837,055	592,010
Non-controlling interests	950,472	187,308
Total equity	3,787,527	779,318
Liabilities		
Non-current liabilities		
Accrual for length-of service benefits, net of advances and loans to employees	56	13
Other long-term liabilities and accruals	459	110
Deferred income tax	399,928	90,255
Total non-current liabilities	400,443	90,378
Current liabilities		
Short-term bank loans	19,816	3,903
Financial obligation	246,692	48,591
Profit sharing, vacation bonus and other employee accruals	139	26
Taxes	69	69
Other liabilities and accruals	155,897	26,493
Accounts payable		
Suppliers	1,764	463
Related companies	2,679	652
Total current liabilities	427,056	80,197
Total liabilities	827,499	170,575
Total equity and liabilities	4,615,026	949,893