



Siderúrgica Venezolana “Sivensa”, S.A. and its Subsidiaries

Consolidated Financial Statements June 30, 2016 and 2015

(In accordance with Notices identified as DSNV/CJ 3652 and DSNV/CJ/ 0744,
issued by the National Securities Superintendence on August 12, 2011 and July 27, 2016)

PRESENTATION OF THE FINANCIAL STATEMENTS

The following consolidated financial statements of Sivensa are prepared and presented in accordance with the accounting practices indicated by the National Superintendence of Securities (*Superintendencia Nacional de Valores* - “SUNAVAL”), which are based on International Accounting Standards (IAS) and International Financial Reporting Standards (IFRS) as set forth in Resolution No. 254-2008 of the Directors of the SUNAVAL of December 2008 and in accordance with the notices issued by said body.

On August 2015, Directors of SUNAVAL, as a result of Notice DSNV/CJ/3045, agreed to postpone the presentation of financial statements adjusted for inflation as established in Resolution No. 254-2008 and mandated that financial statements be present in historical values.

On July 2016, the Directors of the SUNAVAL in accordance with Notice DSNV/CJ/0744, instructed all issuers of publicly traded securities, to file monthly and quarterly financial statements for the year 2015 duly adjusted for inflation based on the inflation index issued by the Central Bank of Venezuela (*Banco Central de Venezuela* - “BCV”). As of January 1, 2016 and until the SUNAVAL establishes a different criteria, issuers must file their financial statements based on inflation-adjusted figures taking into account the last inflation index published by the BCV. Accordingly, the following consolidated financial statements are prepared in accordance with the instructions of the SUNAVAL, indicated in the Notice mentioned at the beginning of this paragraph, as follows: since the latest inflation index published by the BCV was the index corresponding to December 2015, Sivensa recognized the effects of inflation at December 31, 2015 and considered the amounts expressed in terms of purchasing power at such date as the basis for presenting the nominal financial statements for the following periods.

CARACAS, SEPTEMBER 30, 2016



SIDERURGICA VENEZOLANA "SIVENSA", S.A AND ITS SUBSIDIARIES
CONSOLIDATED BALANCE SHEET
JUNE 30, 2016 AND 2015
(Thousands of bolivars)

	2016	2015
Assets		
Non-current Assets		
Available for-sale investment		
Investments in companies under "nationalization"	567.432.464	286.964.054
Net assets in process of expropriation and assets subject to appropriation	14.136.000	14.070.840
Accounts receivable from companies under "nationalization", net	57.724.879	27.055.350
Property, plant and equipment, net	346.842	443.270
Other non-current assets	395.131	444.547
	640.035.316	328.978.060
Current assets		
Prepaid expenses and other current assets	62.078	145.363
Advances to suppliers	660.965	125.575
Accounts receivables		
Other accounts receivable	8.662.512	4.512.722
Related companies	46.433	15.587
Investments in trading securities	4.276.030	2.437.856
Cash and cash equivalents	1.969.578	717.184
	15.677.596	7.954.288
Total current assets	15.677.596	7.954.288
Total assets	655.712.912	336.932.348
Equity and Liabilities		
Equity		
Capital stock		
Nominal and inflation adjustment	15.141.730	15.141.730
Share discount	1.456.387	1.456.387
Net effect of combination (merger) of subsidiaries	259.622	418.147
Surplus from revaluation associated with investments in companies under "nationalization"	304.318	490.135
Difference between fair value and cost of shares of subsidiary	723.650	1.165.511
Translation adjustment	385.460.238	191.188.796
Retained earnings		
Legal reserve	1.515.757	1.515.757
Unappropriated	(4.308.209)	(1.548.829)
	400.553.493	209.827.633
Total equity of Sivensa shareholders	400.553.493	209.827.633
Non-controlling interests	178.616.831	90.347.841
	579.170.324	300.175.474
Liabilities		
Non-current liabilities		
Accrual for length-of-service benefits, net of advances and loans to employees	8.247	6.795
Other long-term liabilities and accruals	40.669	86.715
Deferred income tax	1.095.044	1.209.310
	1.143.960	1.302.820
Total non-current liabilities	1.143.960	1.302.820
Current liabilities		
Short-term bank loans	3.722.306	1.882.458
Financial obligation	46.338.127	23.431.861
Profit sharing, vacation bonus and other employee accruals	18.678	11.614
Taxes	69.033	110.933
Other liabilities and accruals	24.187.648	9.548.296
Accounts payable		
Suppliers	443.131	154.790
Related companies	619.705	314.102
	75.398.628	35.454.054
Total current liabilities	75.398.628	35.454.054
Total liabilities	76.542.588	36.756.874
Total equity and liabilities	655.712.912	336.932.348



SIDERURGICA VENEZOLANA "SIVENSA", S.A AND ITS SUBSIDIARIES
CONSOLIDATED INCOME STATEMENT
NINE MONTH PERIOD ENDED JUNE 30, 2016 AND 2015

(Thousands of bolivars)

	2016	2015
General and administrative expenses	(410.167)	(267.356)
Other operating income, net	122.204	107.700
Operating loss	<u>(287.963)</u>	<u>(159.656)</u>
Financial expense, net	(181.451)	(170.525)
Exchange loss, net	(1.232.351)	(447.618)
Gain from net monetary position	134.611	117.854
Loss before income tax	<u>(1.279.191)</u>	<u>(500.289)</u>
	<u>(1.567.154)</u>	<u>(659.945)</u>
Income tax		
Current	-	-
Deferred	183	419
	<u>183</u>	<u>419</u>
Net loss for the period	<u>(1.566.971)</u>	<u>(659.526)</u>
Net loss for the period attributed to		
Sivensa's shareholders	(1.536.276)	(637.330)
Non-controlling interest	(30.695)	(22.196)
Net loss for the period	<u>(1.566.971)</u>	<u>(659.526)</u>



SIDERURGICA VENEZOLANA "SIVENSA", S.A AND ITS SUBSIDIARIES

CONSOLIDATED INCOME STATEMENT
QUARTERS ENDED JUNE 30, 2016 AND 2015

(Thousands of bolivars)

	2016	2015
General and administrative expenses	(117.527)	(74.712)
Other operating loss, net	(7.596)	(5.109)
Operating loss	<u>(125.123)</u>	<u>(79.821)</u>
Financial expense, net	(93.487)	(83.183)
Exchange loss, net	(1.219.751)	(25.565)
Gain from net monetary position	-	131.540
Loss before income tax	<u>(1.313.238)</u>	<u>22.792</u>
Income tax	-	-
Current	-	87
Deferred	-	87
Net loss for the quarter	<u>(1.438.361)</u>	<u>(56.942)</u>
Net loss for the quarter attributable to:		
Sivensa's shareholders	(1.429.656)	(49.534)
Non-controlling interest	(8.705)	(7.408)
Net loss for the quarter	<u>(1.438.361)</u>	<u>(56.942)</u>



SIDERURGICA VENEZOLANA "SIVENSA", S.A AND ITS SUBSIDIARIES
CONSOLIDATED FINANCIAL INDICATORS
AS OF JUNE 30, 2016 AND 2015

		<u>2016</u>	<u>2015</u>
Solvency	<u>Current assets</u> Current liabilities	0,21	0,22
Working capital	Current assets - Current liabilities (Thousands of bolivars)	(59.721.032)	(27.499.766)
Short term debt	<u>Short term financial liability</u> Total equity of Sivensa shareholders	0,12	0,12
Total debt	<u>Financial liabilities short and long term</u> Total equity of Sivensa shareholders	0,12	0,12
Return over assets	<u>Annualized net loss attributable to Sivensa shareholders</u> Total assets	-0,31%	-0,25%
Return over equity	<u>Annualized net loss attributable to Sivensa shareholders</u> Total equity of Sivensa shareholders	-1,51%	-0,40%