



SIDERÚRGICA VENEZOLANA “SIVENSA”, S.A.

RIF J-000346720

FOR ITS IMMEDIATE DISTRIBUTION

**SIVENSA REPORTS THE RESULTS OF THE SECOND QUARTER OF THE FISCAL YEAR 2015-2016**

CARACAS, APRIL 29, 2016

As we have been reporting, on October 31, 2010, the former President of the Republic announced the expropriation of plants and other industrial assets owned by the subsidiary Siderurgica del Turbio, S.A. "Sidetur" ("Sidetur"). On November 3, 2010, Presidential Decree No. 7786 dated November 2, 2010 was published in the Official Gazette No. 39.544 (the "Expropriation Decree").

In late October 2012, as promptly informed, the National Executive adopted the following measures: (i) the appropriation and transfer of available funds in bolivars in Sidetur's bank accounts to the account of the State owned company "Complejo Siderurgico Nacional, S.A." at Banco de Venezuela; and (ii) the occupation of the industrial assets of said subsidiary by the aforementioned State owned company. Such measures were taken in violation of the provisions of the Law of Expropriation for Public or Social Purpose (Ley de Expropiación por Causa de Utilidad Pública o Social, "Expropriation Law") and, in any case, without a court order or any authorization or judicial proceeding.

On November 6, 2012, in the Official Gazette of the Bolivarian Republic of Venezuela No. 40.044 Resolution No. 089 of the Ministry of the People's Power for Industries ("MPPI"), dated October 25, 2012, was published, such resolution appoints the new members of the Temporary Administrative Board for the subsidiary Sidetur, in execution of the Preventive Measure of "Occupancy and Temporary Operability and Appointment of Administrative Board" agreed by the extinct Institute for the Defense of the People's Access to Goods and Services (Instituto para la Defensa de las Personas en el Acceso a los Bienes y Servicios "INDEPABIS").

On December 6, 2012, the attorneys of the subsidiaries Sidetur and Tenedora de Acciones de Compañías Siderurgicas "Tecoside", S.A. ("Tecoside"), proceeded to file an amendment complaint before the Political Administrative Chamber of the Supreme Court of Justice, to the judicial recourse for the annulment against the Resolution No. 047 of the MPPI of February 2012, filed in the month of July 2012, to include Resolution No. 089 identified above. As of the date of this Report, there has been no final decision. Similarly, there has been no judicial decision with respect to (i) the appeal of the judgment of the



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Second Court for the Contentious Administrative Jurisdiction (Corte Segunda de lo Contencioso Administrativo) that dismissed the judicial recourse filed by the aforementioned subsidiary against the Preventive Measure of "Occupancy and Temporary Operability" issued by INDEPABIS on November 2010, currently before the Political Administrative Chamber of the Supreme Court of Justice; and (ii) the petition for annulment regarding the opposition filed by the judicial representation of Sidetur regarding the confirmation of the above preventive measure imposed by INDEPABIS in December 2011.

On November 8, 2012, Sidetur informed the Trustee, the Deutsche Bank, or representative of the bondholders of the events occurred on October 26, 2012 (order of transfer of Sidetur's funds in its bank accounts to the account of Complejo Siderurgico Nacional, S.A.); on October 29, 2012 (occupation of Sidetur's industrial plants and scrap collection centers by Complejo Siderurgico Nacional, S.A., not in accordance with the provisions of the Law of Expropriation for Public or Social Purpose and without any court order), and on November 2, 2012 (receipt of a communication from the insurance company notifying the termination of the "all industrial risk" policy that covered Sidetur's industrial assets, under the special termination clause set in said policy, given the two events mentioned above). Sidetur also notified the Trustee that as a result of these events, there had been a default of two covenants set forth in the agreement governing the debt.

On March 21, 2013, the attorneys of Sidetur brought before the Courts for the Contentious Administrative Jurisdiction (Cortes de lo Contencioso Administrativo) a lawsuit for the annulment of the de facto measures carried out by the State-owned company Complejo Siderurgico Nacional, S.A., at the end of October, 2012, by occupying and taking possession of the real property and industrial assets that include six (6) industrial plants and the scrap collection centers owned by such subsidiary. The case was assigned by distribution to the Second Administrative Court and was admitted on 22 April 2013.

On April 17, 2013, the attorneys of Sidetur filed a formal complaint (antejuicio administrativo – "administrative pretrial") before the Superintendency of Banking Institutions (Superintendencia de Instituciones del Sector Bancario "SUDEBAN"), for damages inflicted to the subsidiary Sidetur as a result of the non-contractual liability of such governmental agency for instructing various financial institutions on October 26, 2012, to immediately transfer all cash amounts deposited (as well as any future deposits) in the accounts of the aforementioned subsidiary to a bank account belonging to the State-owned company Complejo Siderurgico Nacional, S.A. As of this date, the referred entity has not issued any statement regarding the said claim.



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On July 20, 2013, due to the measures taken by the National Executive in October 2012 (the transfer of available funds in bolivars in Sidetur's bank accounts to the account of the State owned company Complejo Siderurgico Nacional, S.A. at Banco de Venezuela, and the occupation of the industrial assets of the said subsidiary by such State owned company) neither Sidetur Finance as issuer nor Sidetur as guarantor of the 2016 bonds, were able to pay the principal and interest due on the same date.

On July 26, 2013, Deutsche Bank, acting as Trustee, notified the bondholders as well as Sidetur (i) that there had been a default due to the non-payment of the principal installment due on July 20, 2013, (ii) that there had been a default due to the lack of sufficient funds in the Reserve Account, (iii) that the issuer had defaulted in the payment of interest due on July 20, 2013, which will become a default if such payment does not occur within the following 30 days, and (iv) that, for the moment, it would not take further actions unless certain holders, defined as "Required Note Holders", would require it to do so, noting that in order to act, following any request or instruction, such holders should furnish to the Trustee security or indemnity reasonable satisfactory to it against the cost expenses and liabilities that might be incurred by it.

On February 11, 2014, the First Contentious Administrative Court issued a ruling stating that it had jurisdiction to review the lawsuit filed on December 17, 2013 by the Office of the Attorney General of the Bolivarian Republic of Venezuela, for the expropriation of the movable assets, real property and improvements of the subsidiary Sidetur. In the referred claim, the Office of the Attorney General, also requested an innominated judicial measure of "Occupation, Possession, Use and Administration" over all of Sidetur's real property, movable assets, consumable inventories, warehouses, vehicles and improvements, which was granted by the aforementioned Court.

Additionally, the Court ordered the notification of all the concerned Registry Offices requesting information regarding the ownership and encumbrances of the real property; all notifications were made by the end of the month June 2014.

On March 12, 2015, the Second Court for the Contentious Administrative Jurisdiction, in a judicial decision of the same date, dismissed the judicial recourse against the de facto measures carried out by the State-owned company Complejo Siderurgico Nacional, S.A., by occupying and taking possession of the real property and industrial assets that include six (6) industrial plants and the scrap collection centers



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owned by the Sidetur affiliate. Also, on April 28, 2015, the Political Administrative Chamber of the Supreme Court of Justice, in a judicial decision of the same date, dismissed the judicial recourse for the annulment of the Expropriation Decree of assets and industrial facilities of the subsidiary Sidetur.

Finally, on September 23, 2015, the attorneys of Sidetur formally appealed the judicial decision of the Second Court for the Contentious Administrative Jurisdiction of March 12, 2015, referred to in the above paragraph, before the Political Administrative Chamber of the Supreme Court of Justice.

### SUBSEQUENT EVENTS

On April 29, 2016, Deutsche Bank, acting as Trustee, through a letter dated April 27, 2016, notified holders of the 2016 Bonds guaranteed by Sidetur (i) that a new event of default had occurred due to the non-payment of the last principal installment corresponding to such bonds, payable on April 20, 2016, and (ii) that, for the moment, it would not take further actions unless certain holders, defined as "Required Note Holders", would require it to do so, noting that in order to act, following any request or instruction, such holders should furnish to the Trustee security or indemnity reasonable satisfactory to it against the cost expenses and liabilities that might be incurred by it.

### ACCOUNTING TREATMENT OF THE OPERATIONS OF SIDETUR

The Sivensa's consolidated financial statements referred to in this report include the accounts of Sidetur and its affiliated companies on a consolidated basis.

The events occurred in late October 2012, specifically the occupation, possession and control by the Complejo Siderúrgico Nacional, S.A. company, of the industrial assets utilized by Sidetur in its operations and activities aimed at the production and marketing of steel products, have caused that, as of the date of said occupation, Sidetur has not been able to continue with the same operations and activities with the assets that were occupied. Consequently, on March 31st 2016 and 2015, Sivensa presents in the consolidated balance sheet. separately from the rest of the assets and liabilities, the assets that were occupied, other assets object of appropriation and the liabilities considered as assumed by the Complejo Siderúrgico Nacional, S.A. State company, which are classified as kept for sale and presenting them as an investment available for sale in the account "Net assets in process of expropriation and assets subject to appropriation".



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The Sidetur industrial assets occupied, other assets object of appropriation and the obligations which had to be assumed by the Complejo Siderúrgico Nacional S.A. State company, correspond to Property, plant and equipment, Inventory, National cash, Trade accounts receivable, Net of accounts payable to suppliers and others, Advances received from customers, Earnings, Holidays and other accruals and payable social benefits. Likewise, the rest of Sidetur assets and obligations, including the financial debt, remain in the Sidetur balance sheet, which promptly sent the due communications to its creditors, official bodies and regulators, to inform them about the aforementioned events of late October 2012.

In September 2015, in accordance with the applicable accounting standards, the management requested an update of the appraisal values (depreciated replacement cost) of the Sidetur real property, machinery, equipment and facilities, realized in September 2009. This update indicated that the total value of property, plant and equipment at September 30 2015 is Bs. 85.547 billion, an amount higher than the book value of net assets in the process of expropriation and assets being appropriated, which is Bs. 1,740 million.

#### PRESENTATION OF THE FINANCIAL STATEMENTS

On February 18, 2016, the Venezuelan Central Bank (BCV) published the values of the National Consumer Price Index until December 2015. In August 2015, the National Superintendence of Securities (Superintendencia Nacional de Valores – “SUNAVAL”) issued the Circular Letter No. 3045, through which it decided to instruct the securities issuers object of public offering, according to the Law on the Securities Market, to differ the obligation of presenting their inflation adjusted financial statements, established in resolution no. 254-2008, and instead to present them at historic values with their corresponding explanatory notes. In that regard, the inflation adjusted financial statements must be submitted to SUNAVAL when they are required by said Body. Accordingly, the Sivensa’s consolidated financial statements as at March 31, 2016 and 2015 shall be presented in accordance with the SUNAVAL’s norms and instructions.

The consolidated results in Bolivars of the quarters ended on March 31, 2016 and 2015, referred to in this report, are presented in historic values.

On March 9th, 2016, the National Executive agreed with the BCV a modification in the national currency



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exchange regimen as of March the 10<sup>th</sup>, 2016, through the Exchange Agreement No. 35, to create two new exchange rates: (1) the Protected Exchange Rate (DIPRO) and (2) the Market Floating Complementary Exchange Rate (DICOM). In accordance with Article 2 of the aforementioned Exchange Agreement, the DIPRO will be utilized for the settlement of exchange transactions to pay the imports of certain goods belonging to the food and health sectors, as well as the raw materials and inputs associated with the production of these sectors. The DICOM will be the exchange rate applicable to the other foreign currency transactions. According to Article 17 of the Exchange Agreement No. 35, the present alternative market (SIMADI) will remain floating until it is superseded by a new system within a maximum term of 30 days. As long as this is the case, the DICOM exchange rate will be the rate resulting from the SIMADI system.

On April 5th, 2016, the Resolution 16-03-01 issued by the BCV was published in the Official Gazette, establishing the norms for the valuation and accounting record of the transactions denominated in foreign currency. According to Article 2 of the aforementioned resolution, the valuation of the financial statements and the accounting record of the assets and liabilities denominated in foreign currency of the subjects conforming the banking, insurance and values market sectors will be carried out at the DIPRO exchange rate.

The SUDEBAN, the SUNAVAL and the Superintendence of the Insurance Business (Superintendencia de la Actividad Aseguradora – “SUDEASEG”) will dictate the prudential regulations considered pertinent by them necessary to guarantee the provisions of the Resolution 16-03-01 of the BCV.

The Article 5 of the mentioned resolution establishes that the subjects other than the previously mentioned (banking, insurance and values market sectors), will perform the accounting record of the assets in foreign currency at the exchange rate of acquisition, while the accounting record of the liabilities in foreign currency will be made at the exchange rate in which the obligation has been incurred, attending to the various official exchange-rate mechanisms. The subsequent assessment of the balances and the transactions will be made at the official exchange rate (DIPRO or DICOM) to which they may be settled on the date of elaboration of the financial statements.

The International Accounting Norm No. 21 (NIC 21) indicates that, when there are several exchange rates, the rate utilized to value and record transactions and balances in foreign currency is the rate at which may be settled the future cash flows represented by the transaction or the balance considered, if



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said flows have occurred on the date of the measurement. The indication of the NIC 21 is similar to the provision of the Resolution 16-03-01 of the BCV in its article 5.

Considering the Exchange agreements in force as at the date of elaboration of this report, the transactions and balances in foreign currency of Sivensa and its subsidiaries (whose functional currency is the Bolivar) mainly constituted by US dollars, have been converted into Bolivars utilizing the exchange rate as at the date of the transaction and the closing exchange rate respectively, according with the NIC 21 Norm. As at March 31<sup>st</sup>, 2016 and 2015, the closing exchange rate utilized was mainly the SIMADI rate of Bs. 272.9123 per 1US\$ and Bs. 192.9537 per 1US\$, respectively, because the management considers that these rates reflect better the best estimation of the expectations of the future flows of Bolivars that should be spent or received in order to extinguish the obligations or to realize the assets in foreign currency as at said dates, utilizing legal mechanisms and the ones permitted by the State or the laws of the Bolivarian Republic of Venezuela. The exchange differences mainly resulting from the fluctuations of the Bolivar in front the US Dollar when translating the foreign currency as at March 31 2016 and 2015 are presented in the results of the periods ended on said dates, in the account "Exchange Loss, net".

The translation into Bolivars of the consolidated financial statements of the IBH subsidiary, elaborated in US dollars, which is its functional currency, has been realized in accordance with the NIC 21, in the applicable to an entity whose functional currency and presentation currency are different, as follows: The assets and liabilities are translated at the closing exchange rate and the equity at the historic exchange rates. As at March 31, 2016 and 2015, the closing exchange rate utilized was the SIMADI's exchange rate of Bs. 272.9123 per 1US\$ and Bs. 192.9537 per 1US\$, respectively. The exchange differences arising from the translation into Bolivars of the consolidated financial statements of the IBH subsidiary, elaborated in US dollars, as at March 31, 2016 and 2015, net of minority interest, are presented in the consolidated balance sheet in the account "Translation Adjustment". The result of translation of subsidiaries abroad for the quarter ended on March 31, 2016 was an increase in the consolidated equity of the Sivensa's shareholders of Bs. 45,513.98 million.



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## ANALISIS OF THE QUARTER RESULTS

The Sivensa's consolidated results mainly include the operations of the Sidetur Subsidiary and the operations of the IBH subsidiary, corresponding to the three month period finalized on March 31, 2016 and 2015.<sup>1</sup>

The most significant aspects of the Consolidated Income Statement are described below:

- a. OPERATING LOSS: in the period January-March 2016, the Sivensa's loss in operations was Bs 62.24 million, compared with the profit of Bs 3.95 million in the same period of 2015. The loss increase of Bs. 66.19 million is primarily due to that during the quarter ended on March 31, 2016, the expenses nominated in US dollars (including the expenses of the IBH subsidiary) were translated into Bolivars utilizing the SIMADI's exchange rates published by the BCV and during the previous quarter, the SICAD II's and SIMADI's exchange rates were utilized; ii) the inflationary increase in the Sivensa's and its subsidiaries' expenses in Venezuela. The growth of this account was partially compensated with the increase of Bs. 20.57 million in the account "Other Operating Incomes, net".
- b. LOSS BEFORE INCOME TAX: During the second quarter of the fiscal year 2015-2016, this loss was Bs. 122.51 million compared with the loss of Bs. 218.64 million during the same period of the previous year. This positive variation of Bs. 96.13 million is mainly explained by: i) the increase of the loss in operations explained in the previous paragraph; ii) the reduction in Bs. 177.02 million in the "Net Exchange Loss" heading with regard to the one recorded in 2015; iii) the increase of Bs. 171.73 million in the financial expenses of the year mainly denominated in US dollars; and iv) the increase of Bs. 157.03 million in the financial incomes of the year basically denominated in US dollars. All these variations due to the increase in the exchange rate applicable (Bs. Per 1US\$) to translate to Bolivars the transactions and balances denominates in US Dollars, utilizing the exchange agreements in force during the quarters ended on March 31, 2016 and 2015, as explained previously.
- c. QUARTER NET LOSS: In the three month period ended on March 31, 2016, this loss was Bs. 122.51 million, compared with the loss of Bs. 218.64 million during the same period of the previous

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<sup>1</sup> The second quarter of the fiscal year 2016 covers the period from January 1<sup>st</sup>, 2016 to March 31<sup>st</sup>, 2016. The second quarter of the fiscal year 2015 covers the period from January 1<sup>st</sup> to March 31<sup>st</sup>, 2015.





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fiscal year. This increase of Bs. 96.13 million is mainly the product of the tax loss commented above. The quarter net loss includes the results of the operations of Sivensa and its subsidiaries before the participation of the minority shareholders, primarily in the net results of the IBH subsidiary.

- d. QUARTER NET LOSS ATTRIBUTED TO THE SIVENSA'S SHAREHOLDERS: This result in the second quarter of the fiscal year 2015-2016 was a loss of Bs. 108.72 million, compared with the loss of Bs. 214.50 million registered in the same period of the previous year. This increase of Bs. 105.78 million is mainly explained by the pretax loss commented above. The quarter net loss attributed to the Sivensa's shareholders includes the results of the operations of Sivensa and its subsidiaries, after the participation, mainly of 31.46% of the minority shareholders of IBH, in the net results of said subsidiary for the three month periods ended in March 31 2016 and 2015. In said periods, that participation was a loss for the minority shareholders of Bs. 13.78 million and Bs. 4.14 million, respectively.

#### INTERNATIONAL BRIQUETTES HOLDING (IBH)

#### NATIONALIZATION OF VENPRECAR AND ORINOCO IRON SUBSIDIARIES

Despite efforts to pursue negotiations with the public sector involved in the process of nationalization of Venprecar and Orinoco Iron, it has not been possible up to this date, to reach a deal with the Government to set up a working schedule in order to negotiate a fair price for assets subject to nationalization. On July 9, 2013, the subsidiary International Briquettes Holding (IBH) filed a request for indemnification (compensation) against the Bolivarian Republic of Venezuela, before the Ministry of the People's Power for Industries, as a result of the de facto expropriation of the equity interest that such subsidiary holds directly and indirectly (through IBH de Venezuela, C.A.) in the corporations Venprecar and Orinoco Iron, whose operational control and management were unilaterally and exclusively taken over by the Venezuelan state, without complying with the procedure set forth in the Expropriation Law, or having paid the timely, fair and integral compensation. As of this date, the aforesaid Ministry has not issued any statement regarding that request.

In the Extraordinary Official Gazette of the Bolivarian Republic of Venezuela No. 6,119, dated December 19, 2013, the Presidential Decrees of same date, related to the briquetted-iron companies Venprecar and Orinoco Iron (both affiliates of the subsidiary International Briquettes Holding (IBH)) were published,



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namely: (i) Decree No. 695, pursuant to which the movable assets, real property and improvements used for the operation of Venezolana de Prerreducidos Caroni "VENPRECAR" C.A. and its subsidiaries are subject to forced acquisition, as they are considered essential for the execution of the Work "Fortalecimiento de la Transformación del Mineral de Hierro y Generación de Briquetas en Caliente que Contribuyan con el Sector Industrial Siderúrgico" ("Strengthening of Iron Ore Transformation and Hot Briquettes Generation that Contribute to the Iron and Steel Industrial Sector"); and (ii) Decree No. 697, pursuant to which the movable assets, real property and improvements used for the operation of Orinoco Iron, S.C.S. and its subsidiaries are subject to forced acquisition, as they are considered essential for the execution of the Work "Fortalecimiento de la Reducción Directa del Mineral de Hierro y Generación de Briquetas en Caliente que Contribuyan con el Sector Industrial Siderúrgico" ("Strengthening of Iron Ore Direct Reduction and Hot Briquettes Generation that Contribute to the Iron and Steel Industrial Sector") (the "Acquisition Decrees").

On April 2, 2014, two separate notices issued by the Office of the Attorney General of the Bolivarian Republic of Venezuela were published in the newspaper Correo del Caroni, in execution of the Acquisition Decrees of IBH's subsidiaries, Venprecar and Orinoco Iron, respectively, addressed to the owners, holders and, in general, to all persons having any right or interest in the movable assets, real property and improvements of such subsidiaries, summoning those persons to appear before said Office within the next thirty (30) days.

Within the timeframe set forth in Article 22 of the Expropriation Law and in the text of the aforementioned notices, the attorneys and judicial representatives of IBH and its subsidiary IBH de Venezuela, C.A., which jointly hold 98.936062% of the equity interest in Venprecar and Orinoco Iron (together with Sivensa and other subsidiaries that directly hold the 1.063875% of such equity interest), appeared before the Office of the Attorney General of the Republic in accordance with the provisions of the said article and presented their written allegations in two separate documents (one for each of the aforementioned Acquisition Decrees) laying out the legal and factual arguments that, in their opinion, justified the unenforceability of such Decrees under the terms in which they were framed, considering that in February 2010 the Venezuelan State assumed, unilaterally and exclusively, the operational control and management of Venprecar and Orinoco Iron for the purposes of their transformation into State-owned companies.



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On June 10, 2014, IBH de Venezuela, C.A., holder of legitimate interests 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 aforesaid Acquisition Decrees.

On July 10, 2014, the Substantiation Court of the aforementioned Supreme Court Chamber admitted the judicial recourses referred to in the preceding paragraph.

Subsequently, the Political Administrative Chamber of the Supreme Court of Justice in decisions of the 9th and 28th of October 2014, declared inadmissible, in each case, the injunction suspending the effects of the Acquisition Decrees of the movable assets, real property and improvements of Orinoco Iron and Venprecar, requested by the subsidiary IBH de Venezuela, C.A.

Lastly, On December 11, 2014, the aforementioned Chamber of the Supreme Court of Justice, as a result of the request for joint trials presented by the representative of the State, suspended the trial hearings schedule for both cases. To date, there has been no judicial decision with respect to the judicial recourses for annulment of Acquisition Decrees.

#### OTHER BUSINESSES

After the nationalization of the Orinoco Iron and Venprecar affiliates, IBH has continued with its international marketing of products addressed to the industrial sectors.

#### SOCIAL RESPONSIBILITY

The great challenges faced by the Venezuelan entrepreneurial sector, due to the difficult situation that the country is going through, has pushed training and motivation activities for the human talent, which has permitted a sustained demand of the various services rendered by Fundametal during this second quarter 2016.

In that regard we can summarize the most outstanding aspects per business areas, which are mentioned below:



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- VOCATIONAL TRAINING: 419 courses were offered with a total of 6,713 participants and 59,967 man hours of training. Workers from 307 public and private companies intervened in these activities.
- NATIONAL APPRENTICESHIP PROGRAM: during this period, 3 cohorts from the commercial area and 2 from the industrial one joined the program, for a total of 87 new trainees. With these new cohorts the number of young workers registered in this program rises to 524.
- COMPREHENSIVE TRAINING FOR WORK: During this quarter, 77 workers were trained in programs of supervision and safety, for a total of 4,420 hours.
- UNIVERSITY PROGRAMS: Within the institutional agreement celebrated with the Universidad Panamericana del Puerto, a population of 479 students is registered, 219 of which belong to the Faculty of Engineering and 260 to the faculty of Economic and Social Sciences.

#### THE BOARD OF DIRECTORS

Caracas, April 29, 2016

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**SIDERURGICA VENEZOLANA "SIVENSA", S.A AND ITS SUBSIDIARIES**  
**CONSOLIDATED BALANCE SHEET**  
**MARCH 31, 2016 AND 2015**  
(Thousands of nominal bolivars)

|   | 2016        | 2015        |
|---|-------------|-------------|
| <b>Assets</b>   |             |             |
| Non-current Assets  |             |             |
| Available for-sale investment   |             |             |
| Investments in companies under "nationalization"  | 246.456.474 | 174.248.975 |
| Net assets in process of expropriation and assets subject to appropriation                | 1.739.933   | 1.739.933   |
| Accounts receivable from companies under "nationalization", net                           | 24.622.931  | 16.131.390  |
| Property, plant and equipment, net  | 43.596      | 46.387      |
| Other non-current assets  | 351.250     | 227.039     |
|   | <hr/>       | <hr/>       |
| Total non-current assets  | 273.214.184 | 192.393.724 |
| Current assets  |             |             |
| Prepaid expenses and other current assets   | 24.283      | 62.949      |
| Inventories   | -           | 4.084       |
| Advances to suppliers   | 8.489       | 63.225      |
| Accounts receivables  |             |             |
| Other accounts receivable   | 3.932.705   | 2.775.247   |
| Related companies   | 20.854      | 7.453       |
| Investments in trading securities   | 1.948.725   | 1.516.926   |
| Cash and cash equivalents   | 711.753     | 460.988     |
| Total current assets  | <hr/>       | <hr/>       |
| Total assets  | 279.860.993 | 197.284.596 |
|   | <hr/>       | <hr/>       |
| <b>Equity and Liabilities</b>   |             |             |
| Equity  |             |             |
| Capital stock   |             |             |
| Nominal   | 105.049     | 105.049     |
| Share discount  | (40.355)    | (40.355)    |
| Net effect of combination (merger) of subsidiaries  | 259.622     | 259.622     |
| Surplus from revaluation associated with investments in companies under "nationalization" | 304.318     | 304.318     |
| Difference between fair value and cost of shares of subsidiary                            | 723.650     | 723.650     |
| Translation adjustment  | 165.784.110 | 116.264.620 |
| Retained earnings   |             |             |
| Legal reserve   | 10.505      | 10.505      |
| Unappropriated  | 3.027.046   | 3.517.587   |
| Total equity of Sivensa shareholders  | <hr/>       | <hr/>       |
| Non-controlling interests   | 77.577.895  | 54.867.432  |
| Total equity  | <hr/>       | <hr/>       |
| Total equity  | 247.751.840 | 176.012.428 |
|   | <hr/>       | <hr/>       |
| Liabilities   |             |             |
| Non-current liabilities   |             |             |
| Accrual for length-of-service benefits, net of advances and loans to employees            | 3.457       | 3.038       |
| Other long-term liabilities and accruals  | 40.669      | 53.841      |
| Deferred income tax   | 18.608      | 21.176      |
| Total non-current liabilities   | <hr/>       | <hr/>       |
| Total non-current liabilities   | 62.734      | 78.055      |
| Current liabilities   |             |             |
| Short-term bank loans   | 1.616.732   | 1.143.058   |
| Financial obligation  | 20.125.083  | 14.228.137  |
| Profit sharing, vacation bonus and other employee accruals                                | 6.469       | 4.375       |
| Taxes   | 69.033      | 69.033      |
| Other liabilities and accruals  | 9.782.830   | 5.431.868   |
| Accounts payable  |             |             |
| Suppliers   | 177.104     | 105.832     |
| Related companies   | 269.168     | 211.810     |
| Total current liabilities   | <hr/>       | <hr/>       |
| Total current liabilities   | 32.046.419  | 21.194.113  |
| Total liabilities   | <hr/>       | <hr/>       |
| Total liabilities   | 32.109.153  | 21.272.168  |
| Total equity and liabilities  | <hr/>       | <hr/>       |
| Total equity and liabilities  | 279.860.993 | 197.284.596 |



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**SIDERURGICA VENEZOLANA "SIVENSA", S.A AND ITS SUBSIDIARIES**  
**CONSOLIDATED INCOME STATEMENT**  
**QUARTERS ENDED MARCH 31, 2016 AND 2015**

(Thousands of nominal bolivars)

|  | 2016             | 2015             |
|--|------------------|------------------|
| General and administrative expenses              | (126.328)        | (39.566)         |
| Other operating income, net                      | 64.090           | 43.516           |
| Operating loss                                   | <u>(62.238)</u>  | <u>3.950</u>     |
| Financial expense                                | (399.102)        | (227.369)        |
| Financial income                                 | 353.648          | 196.617          |
| Exchange loss, net                               | (14.816)         | (191.840)        |
| Loss before income tax                           | <u>(60.270)</u>  | <u>(222.592)</u> |
|  | <u>(122.508)</u> | <u>(218.642)</u> |
| <b>Income tax</b>                                |                  |                  |
| Current  | -                | -                |
| Deferred   | -                | -                |
| Net loss for the quarter                         | <u>(122.508)</u> | <u>(218.642)</u> |
| <b>Net loss for the quarter attributable to:</b> |                  |                  |
| Sivensa's shareholders                           | (108.725)        | (214.499)        |
| Non-controlling interest                         | (13.783)         | (4.143)          |
| Net loss for the quarter                         | <u>(122.508)</u> | <u>(218.642)</u> |



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**SIDERURGICA VENEZOLANA "SIVENSA", S.A AND ITS SUBSIDIARIES**  
**CONSOLIDATED INCOME STATEMENT**  
**SEMESTERS ENDED MARCH 31, 2016 AND 2015**

(Thousands of nominal bolivars)

|  | <b>2016</b>      | <b>2015</b>      |
|--|------------------|------------------|
| General and administrative expenses            | (249.130)        | (87.877)         |
| Other operating income, net                    | 101.966          | 51.161           |
| Operating loss                                 | <u>(147.164)</u> | <u>(36.716)</u>  |
| Financial expense                              | (773.814)        | (322.437)        |
| Financial income                               | 689.924          | 282.366          |
| Exchange loss, net                             | (11.280)         | (191.301)        |
|  | <u>(95.170)</u>  | <u>(231.372)</u> |
| Loss before income tax                         | <u>(242.334)</u> | <u>(268.088)</u> |
| <b>Income tax</b>                              |                  |                  |
| Current  | -                | -                |
| Deferred                                       | -                | -                |
|  | <u>-</u>         | <u>-</u>         |
| Net loss for the semester                      | <u>(242.334)</u> | <u>(268.088)</u> |
| <b>Net loss for the semester attributed to</b> |                  |                  |
| Sivensa's shareholders                         | (228.462)        | (261.083)        |
| Non-controlling interest                       | (13.872)         | (7.005)          |
| Net loss for the semester                      | <u>(242.334)</u> | <u>(268.088)</u> |



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| <b>SIDERURGICA VENEZOLANA "SIVENSA", S.A AND ITS SUBSIDIARIES</b> |   | <b><u>2016</u></b> | <b><u>2015</u></b> |
|---|---|--------------------|--------------------|
| <b>Solvency</b>   | <u>Current assets</u>   |                    |                    |
|   | Current liabilities   | 0,21               | 0,23               |
| <b>Working capital</b>  | Current assets - Current liabilities (MBs)                      | (25.399.610)       | (16.303.241)       |
| <b>Short term debt</b>  | <u>Short term financial liability</u>                           |                    |                    |
|   | Total equity of Sivensa shareholders                            | 0,13               | 0,13               |
| <b>Total debt</b>   | <u>Financial liabilities short and long term</u>                |                    |                    |
|   | Total equity of Sivensa shareholders                            | 0,13               | 0,13               |
| <b>Return over assets</b>   | <u>Annualized net loss attributable to Sivensa shareholders</u> |                    |                    |
|   | Total assets  | -0,16%             | -0,26%             |
| <b>Return over equity</b>   | <u>Annualized net loss attributable to Sivensa shareholders</u> |                    |                    |
|   | Total equity of Sivensa shareholders                            | -0,27%             | -0,43%             |