



FOR ITS IMMEDIATE DISTRIBUTION

SIVENSA REPORTS THE RESULTS OF THE FIRST QUARTER OF THE FISCAL YEAR 2018-2019

CARACAS, JANUARY 30th, 2019

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 Expropiacion por Causa de Utilidad Publica 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 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



RIF J-000346720

UNOFFICIAL ENGLISH TRANSLATION

expenses and liabilities that might be incurred by it. Later, on April 29, 2016, the referred to Bank, 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. Later, on April 29, 2016, the referred to Bank, 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.

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 Sidetur's real property, movable assets, consumable inventories, warehouses, vehicles and improvements, which was granted by the aforementioned Court.

On June 7, 2016, the Political Administrative Chamber of the Supreme Court published a judgment in the website of the Supreme Court of Justice, whereby said Chamber accepted jurisdiction, declined in its favor by the Superior Court of Civil and Contentious Administrative Matters for the Midwestern Region, to hear and decide upon the lawsuit filed by Banco Nacional de Credito ("BNC") against the subsidiary Sidetur, for the purpose of instructing o condemning payment (in Bolivars) of capital and interest of a Promissory Note issued on July 13, 2012, by the referred to subsidiary to the order of such bank, for three million dollars (USD 3,000,000.00).

On December 14, 2016, the Political Administrative Chamber of the Supreme Court issued a judgement dismissing the appeal filed by the attorneys of Sidetur against judgement No. 2012-0039 of January 26, 2012, issued by the Second Court of the Contentious Administrative Jurisdiction,



RIF J-000346720

UNOFFICIAL ENGLISH TRANSLATION

with respect to the annulment lawsuit filed against Administrative Providence No. 422 of November 2, 2010 issued by the extinct INDEPABIS.

During the month of January 2017, two (2) judgments issued by the Substantiation Court of the Political Administrative Chamber were published in the web page of the Supreme Court of Justice. In the first one, dated January 11, 2017, a lawsuit for collection of bolivars filed by the company Somecil Guayana, C.A., against Sidetur, was admitted; and in the second one, dated January 24, 2017, an amendment of the lawsuit filed by Banco Nacional de Credito, against the referred to subsidiary was admitted.

ACCOUNTING TREATMENT OF THE OPERATIONS OF SIDETUR

The consolidated financial statements of Siderurgica Venezolana "Sivensa", S.A. referred to in this report, include the accounts of the Sidetur subsidiary and its subsidiary companies on a consolidated basis.

The events occurred at the end of October 2012, specifically the occupation, possession and control by the company Complejo Siderurgico Nacional, S.A., of the industrial assets been utilized by Sidetur in the operations and activities aimed at the production and marketing of the steel products, caused that as of said occupation, the subsidiary Sidetur has not been able to continue performing the same operations and activities with the assets that were occupied. Accordingly, on December 31, 2018 and 2017, Sivensa presents in the consolidated statement of financial position, separated from the rest of assets and liabilities, the assets that were occupied, other assets object of appropriation and the liabilities considered as borne by the state company Complejo Siderurgico Nacional, S.A., which are classified as an available investment for sale and are stated in the account "Net assets in process of expropriation and assets object of appropriation".

The industrial assets of Sidetur that were occupied, other assets object of appropriation and the obligations which had to be assumed by the state company Complejo Siderurgico Nacional, S.A., correspond to Property, Plant and Equipment, inventories, cash in local currency, trade account receivables, net of accounts payable to suppliers and others, advances received from customers, profits, holidays and other accruals and social benefits payable. Likewise, the rest of assets and obligations of Sidetur, including the financial debt, are included in the consolidated statement of financial position of Sidetur which sent opportunely the due communications to its creditors, and



RIF J-000346720

UNOFFICIAL ENGLISH TRANSLATION

official and regulatory bodies, to inform about the events mentioned of late October 2012.

On September 2018, in accordance with the applicable accounting rules, the management obtained an update of the appraisal values (depreciated replacement cost) of the real property, machinery, equipment and facilities of Sidetur, realized in September 2009. Said update indicates that the total amount of Property, Plant and Equipment at September 30th, 2018 is Bs. 18,189 million, which is a greater amount than the book value of the net assets in process of expropriation and assets object of appropriation, which is Bs. 142 thousand.

PRESENTATION OF THE FINANCIAL STATEMENTS

On July 27th, 2016, the National Superintendence of Values (SUNAVAL) issued the Circular Letter No. 0744, through which it decided to instruct the securities issuer object of public offering, in accordance with the Law on the Securities Market, to present their financial statements adjusted for Inflation, based on the indices published by the Central Bank of Venezuela (BCV), corresponding to the year 2015 and that as of January 2016, the financial statements based on the figures adjusted for inflation with the last index published by the BCV, must be submitted. Because the last inflation index published by the BCV, at the date of this report is the one corresponding to the month of December 2015, Sivensa recognized the effects of the inflation until December 31 2015, and considered the quantities expressed in terms of purchase power at said date, as the base for the first carrying amounts of the headings in its subsequent financial statements.

The results consolidated in bolivars of the fiscal quarters ended on December 31, 2018 and 2017, addressed in this report, are presented in historical values. The effect of the inflation as of January 2016, must be recognized in the results of the exercise to which they relate, at the moment when the NCPI are published by the BCV.

Considering the exchange agreements in force 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 United States dollar, have been converted into bolivars, utilizing the exchange rate at the date of the transaction and the closure exchange rate, respectively, in accordance with the provision of the IAS 21. As of December 31, 2018 and 2017, the closure rate utilized was the exchange rates of the Exchange Market System and the Exchange Rate DICOM, of 638.18 and 0.03 bolivars per 1 US\$, respectively, as the management considers



RIF J-000346720

UNOFFICIAL ENGLISH TRANSLATION

that these rates reflect the best estimation of the expectations of the future flows to be disbursed or received, to extinguish the obligations or to realize the assets in foreign currency as of said dates, utilizing legal mechanisms allowed by the State or the laws of the Bolivarian Republic of Venezuela. The exchange differences mainly resulting from the fluctuations of the bolivar with regard to the dollar, upon translating the balances in foreign currency at December 31, 2018 and 2017, are presented in the results of the fiscal years ended on said dates, in the account "Exchange loss, net".

The translation into bolivars of the consolidated financial statements of the subsidiary IBH, elaborated in US dollars, which is its functional currency, has been realized according to the IAS 21, in the applicable to an entity whose functional currency and presentation currency are different, as follows: The assets and the liabilities are translated at the closure exchange rate and the equity at the historic exchange rates. As of December 31, 2018 and 2017, the closure rate utilized was the exchange rates of the Exchange Market System and the Exchange Rate DICOM, of 638.18 and 0.03 bolivars per 1 US\$, respectively. The exchange rate difference arising from the translation to bolivars of the consolidated financial statements of the subsidiary IBH, elaborated in US dollars as of December 31, 2018 and 2017, minority interest net, are presented in the consolidated statement of financial position, in the account "Income from translation of foreing subsidiaries". The result of translation of the affiliate abroad, as of December 31, 2018 and 2017 was Bs 394,931.9 million and Bs 20.6 million, respectively, which represents an increase in the consolidated equity of the shareholders of Sivensa of Bs 394,911.3 million.

ANALYSIS OF THE QUARTER RESULTS

The Sivensa's consolidated results mainly include the operations of the filial Sidetur and the operations of the filial IBH, corresponding to the three-month periods ended on December 31, 2018 and 2017. The most significant aspects of the consolidated income statement are described hereunder:

- a. LOSS IN OPERATIONS: In the period October – December 2018, the Sivensa's operations loss was 177.6 million compared with the loss of Bs 20 thousand in the same period of 2017. The increase of Bs. 177.6 million is mainly due to the growth of the "General and Administration Expenses" account in Bs. 124.3 million, as a consequence of: i) During the quarter ended on December 31 2018 and 2017, the expenses denominated in US dollars (including the expenses of the subsidiary IBH, whose functional currency is the US dollar)



RIF J-000346720

UNOFFICIAL ENGLISH TRANSLATION

were translated into bolivares utilizing the rate of exchange of the exchange agreements in force during the period ended on December 31, 2018 and 2017, (average rates of Bs. 163.27 and Bs. 0.03 per 1 US\$ during said exercises), and ii) the inflationary increase of expenses denominated in bolivares of Sivensa and its subsidiaries in Venezuela. This expense increase was additionally impacted by the growth of Bs 53.3 million in the statement of "Others Operating (loss) income, net"

- b. NET LOSS OF THE PERIOD: During the first quarter of the fiscal year 2019, the loss was Bs 4,945.1 million, compared with the loss of Bs 36 thousand during the same period of the previous year. This negative variation of Bs 4,945.1 million is mainly explained by the net of: i) the increase in the operating loss, as explained in the previous paragraph; ii) the increase of Bs. 326.1 million in the financial expenses of the year, primarily denominated in US dollars; iii) the increase of Bs 278.7 million in the financial income of the year, mainly named in US dollars; iv) the negative variation of Bs. 4,720.2 million in the item "Net exchange loss". All these variations are due to the increase in the applicable rate of exchange (Bs. per 1 US\$) to translate into bolivares the transactions and balances denominated in US dollars, utilizing the exchange agreements in force during the quarters ended on December 31st, 2018 and 2017, as explained above. The net loss of the period 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 subsidiary IBH.
- c. NET LOSS OF THE PERIOD ATTRIBUTED TO THE SIVENSA's SHAREHOLDERS: This result of the first quarter of the fiscal year 2019 was a loss of Bs. 4,967.9 million, compared with the loss of Bs. 34 thousand registered in the same period of the previous year. This increase of Bs 4,967.9 million is mainly explained by the net loss of the period commented before. The net loss of the period attributed to the shareholders of Sivensa includes the results of the operations of Sivensa and its subsidiaries, after the participation, primarily, of 31.46% of the minority shareholders of IBH in the net results of said subsidiary during the 3 month periods ended on December 31st 2018 and 2017. In said periods, that participation was a profit for the minority shareholders of Bs 22.8 million and a loss of Bs 2 thousand, respectively.



RIF J-000346720

UNOFFICIAL ENGLISH TRANSLATION

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, 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").



RIF J-000346720

UNOFFICIAL ENGLISH TRANSLATION

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., 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.

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 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. Subsequently, on August 3, 2017, the aforementioned Chamber held that the request for joint trials should proceed as requested. On a later date, on June 12, 2018, the aforementioned chamber of the Supreme Court set the Trial Hearing for July 12, 2018, which was held on the established date and where the attorneys of IBH de Venezuela, C.A., presented the arguments and evidence they deemed pertinent in agreement with the Judicial Representative of said affiliate, filing the corresponding written arguments.

On August 7, 2018, an interlocutory ruling was issued by the Substantiation Court of the Political-Administrative Chamber of the Supreme Court of Justice, which admitted certain evidence promoted by the aforementioned attorneys, who on September 18, 2018 and in agreement with the judicial representation of the subsidiary IBH de Venezuela, C.A., partially appealed the aforementioned judgment before the Political-Administrative Chamber of the Supreme Court of Justice.

To date, there has been no judicial decision on the merits of the judicial recourses for the annulment of Acquisition Decrees.



RIF J-000346720

UNOFFICIAL ENGLISH TRANSLATION

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. At the beginning of January 2018, the company decided to reduce its operations and paid a settlement to some of the employees. SDP International Corporate (SDP) is an exclusive representative of several products and has identified some products required by traditional customers, especially those located in Venezuela. In this way SDP subsidiary of IBH reduces the management expenses and guarantees its permanence.

SOCIAL RESPONSIBILITY

The beginning of the fiscal exercise 2018-2019 has been of a higher economic uncertainty, in addition to the political and social crisis this country is experiencing. However, FUNDAMETAL maintains its educational activities, aimed at the creation of new services and to update the existing ones. This first quarter can be summarized in the following activities:

VOCATIONAL TRAINING: 97 courses were realized with a total of 1,213 participants and 11,402 training hours. The areas in greatest demand were:

- ✓ Operational Risks Management 47%
- ✓ Human and Organizational Management 26%
- ✓ Information Technology 15%
- ✓ Quality and Productivity 7%

NATIONAL APPRENTICESHIP PROGRAM: No new cohorts entered during this first quarter and a cohort of 14 apprentices graduated from the Technical Area. At the quarter end there are 185 apprentices in the Business Area and 64 apprentices in the Technical Area, for a total de 249 trainees.



RIF J-000346720

UNOFFICIAL ENGLISH TRANSLATION

UNIVERSITY PROGRAMS: In the Institutional Agreement entered with the Universidad Panamericana del Puerto (UNIPAP) there is a population of 502 students, 124 of which study in the Faculty of Engineering and 378 students attend courses in the Faculty of Economic and Social Sciences. In this first quarter, 8 students graduated as Top Technicians (TSU) in Brewery and 19 as Licenciates in Public Accounting.

THE BOARD OF DIRECTORS

Caracas, January 30th, 2018

Contact: Siderúrgica Venezolana "Sivensa", S.A.
Investor Relations
Att.: Lic. Carlos Fonseca
Telephone: +58 (212) 707.61.32
Fax: +58 (212) 707.63.52
Email: carlos.e.fonseca@sivensa.com



RIF J-000346720

UNOFFICIAL ENGLISH TRANSLATION

SIDERURGICA VENEZOLANA "SIVENSA", S.A AND SUBSIDIARIES
CONSOLIDATED STATEMENT OF FINANCIAL POSITION
DECEMBER 31, 2018 AND 2017

(Thousands of constant bolivars)

(Based on the last National Consumer Price Index published by the Central Bank of Venezuela)

	2018	2017
Assets		
Non-current Assets		
Available for-sale investment		
Investments in companies under "nationalization"	576,315,514	30,207
Net assets in process of expropriation and assets subject to appropriation	142	142
Accounts receivable from companies under "nationalization", net	69,207,730	3,369
Property, plant and equipment, net	2	2
Total non-current assets	645,523,388	33,720
Current assets		
Prepaid expenses and other current assets	20,490	4
Advances to suppliers	-	2
Accounts receivables		
Other accounts receivable	8,021,086	431
Related companies	-	38
Investments in trading securities	3,704,267	237
Cash	1,020,148	66
Total current assets	12,765,991	778
Total assets	658,289,379	34,498
Equity and Liabilities		
Equity		
Capital stock		
Nominal	1	1
Inflation adjustment	150	150
Share premium	15	15
Net effect of combination (merger) of subsidiaries	3	3
Surplus from revaluation associated with investments in companies under "nationalization"	3	3
Difference between fair value and cost of shares of subsidiary	7	7
Income from translation of foreign subsidiaries	394,931,916	20,639
Retained earnings (deficit)		
Legal reserve	15	15
Deficit	(5,433,345)	(210)
Total equity of Sivensa shareholders	389,498,765	20,623
Non-controlling interests	181,294,213	9,503
Total equity	570,792,978	30,126
Liabilities		
Non-current liabilities		
Accrual for length-of-service benefits, net of advances and loans to employees	6,189	3
Other long-term liabilities and accruals	-	5
Deferred income tax	30,868	26
Total non-current liabilities	37,057	34
Current liabilities		
Short-term bank loans	3,780,578	198
Financial obligation	47,065,775	2,467
Profit sharing, vacation bonus and other employee accruals	1,364	1
Taxes	1	1
Other liabilities and accruals	35,597,756	1,626
Accounts payable		
Suppliers	503,302	18
Related companies	510,568	27
Total current liabilities	87,459,344	4,338
Total liabilities	87,496,401	4,372
Total equity and liabilities	658,289,379	34,498



RIF J-000346720

UNOFFICIAL ENGLISH TRANSLATION

SIDERURGICA VENEZOLANA "SIVENSA", S.A AND SUBSIDIARIES
CONSOLIDATED INCOME STATEMENT
QUARTERS ENDED DECEMBER 31, 2018 AND 2017

(Thousands of constant bolivars)

(Based on the last National Consumer Price Index published by the Central Bank of Venezuela)

	2018	2017
General and administrative expenses	(124,300)	(34)
Other operating (loss) income, net	(53,327)	14
Operating loss	(177,627)	(20)
Financial expenses	(326,134)	(69)
Financial income	278,810	56
Exchange loss, net	(4,720,203)	-
Loss before tax	(4,945,154)	(33)
Income tax		
Current	-	(3)
Net loss of the periods	(4,945,154)	(36)
Net loss the period attributable to Sivensa shareholders		
Sivensa shareholders	(4,967,966)	(34)
Non-controlling interest	22,812	(2)
Net loss for the periods	(4,945,154)	(36)



RIF J-000346720

UNOFFICIAL ENGLISH TRANSLATION

SIDERURGICA VENEZOLANA "SIVENSA", S.A AND SUBSIDIARIES
CONSOLIDATED FINANCIAL INDICATORS
AS OF DECEMBER 31, 2018 AND 2017

		2018	2017
Solvency	<u>Current assets</u>	0.15	0.18
	Current liabilities		
Working capital	Current assets - Current liabilities (thousands bolívares)	(74,693,353)	(3,560)
Short term debt	<u>Short term financial liability</u>	0.13	0.13
	Total equity of SivenSA shareholders		
Total debt	<u>Financial liabilities short and long term</u>	0.13	0.13
	Total equity of SivenSA shareholders		
Return over assets	<u>Annualized net loss attributable to SivenSA shareholders</u>	-0.25%	-0.03%
	Total assets		
Return over equity	<u>Annualized net loss attributable to SivenSA shareholders</u>	-0.43%	-0.05%
	Total equity of SivenSA shareholders		