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, 2022

Report of Independent Accountants

To the Shareholders and Board of Directors of
Siderúrgica Venezolana “Sivensa,” S.A. and its Subsidiaries

Our opinion
In our opinion, the consolidated financial statements present fairly, in all material respects, the consolidated financial position of Siderúrgica Venezolana “Sivensa,” S.A. (Sivensa or the Company) and its subsidiaries as at September 30, 2022, and their consolidated financial performance and their consolidated cash flows for the year then ended, in accordance with the rules and instructions of the Venezuelan Securities Superintendency (SUNAVAL).

What we have audited
The Company’s consolidated financial statements comprise:

- The consolidated statement of financial position as at September 30, 2022;
- the consolidated income statement for the year then ended;
- the consolidated statement of comprehensive income for the year then ended;
- the consolidated statement of changes in equity for the year then ended;
- the consolidated cash flow statement for the year then ended, and
- the notes to the consolidated financial statements, which include a summary of significant accounting policies.

Basis for our opinion
We conducted our audit in accordance with International Standards on Auditing (ISA) applicable in Venezuela. Our responsibilities under those standards are further described in the Independent accountant’s responsibilities for the audit of the consolidated financial statements section of our report.

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

Independence
We are independent of the Company and its subsidiaries in accordance with the International Ethics Standards Board for Accountants’ Code of Ethics for Professional Accountants (IESBA Code). We have fulfilled our other ethical responsibilities in accordance with the IESBA Code.

Emphasis of matter
At September 30, 2022, the accompanying consolidated financial statements have been prepared on a going concern basis. 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, which 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 February 5, 2010, the Venezuelan government took control of Venprecar and Orinoco Iron. In 2009, the managements of Venprecar and Orinoco Iron hired independent appraisers to perform a physical inspection and value their machinery and facilities with a view to determining these assets' depreciated replacement value at June 30, 2009. The value of these appraisals was updated at September 30, 2022 and it exceeds the carrying amount of investments in companies under "nationalization" at that date.

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, Presidential Decree No. 7,786 (the Expropriation Decree) was published in Official Gazette No. 39,544 of November 3, 2010 ordering the forced acquisition of all the real and personal property and improvements of Sidetur and its subsidiaries and affiliates. In 2009, Sidetur management hired independent appraisers to perform a physical inspection and value its real property, machinery, equipment and facilities with a view to determining these asset's depreciated replacement value at September 30, 2009. The value of these appraisals was updated at September 30, 2022 and it exceeds the carrying amount of net assets in process of expropriation and assets subject to appropriation at that date.

To date, the amount, timing and currency of the final payment to be received by Sivensa in connection with the aforementioned "nationalization" and "expropriation" processes are unknown. Consequently, there is uncertainty since we are unable to anticipate the effects that the resolution of these matters might have on the consolidated financial statements of Siderúrgica Venezolana "Sivensa," S.A.

As indicated in Note 22, the Company presents as supplementary information the consolidated statement of financial position in U.S. dollars, prepared in accordance with the accounting basis described in that Note.

These matters have no impact on our audit opinion.

Key audit matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the Company's consolidated financial statements for the year ended September 30, 2022. These matters were addressed within the context of our audit of the Company's consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters:

Key audit matter	How our audit addressed the key audit matter
As described in Note 1, at September 30, 2022, the Company's consolidated statement of financial position includes the account Investments in companies under "nationalization" of the subsidiaries International Briquettes Holding (IBH), Venezolana de Prerreducidos Caroní "Venprecar," C.A. (Venprecar) and Orinoco Iron, S.C.S., Sociedad en Comandita Simple (Orinoco Iron), whose balance at that date is Bs 7,408,351,805 million. During 2009, the managements of Venprecar and Orinoco Iron, in conformity with applicable accounting standards, hired independent appraisers to perform a physical inspection and value their machinery and facilities with a view to determining these assets' depreciated replacement value at June 30, 2009. The value of these appraisals was updated at September 30, 2022 and it exceeds the carrying amount of Investments in companies under "nationalization" at that date. However, there is uncertainty regarding the amount, timing and currency of the final payment to be received by the Company from the Venezuelan government in connection with the aforementioned "nationalization" process.	Our main audit procedures were focused on gaining an understanding regarding the recording of the asset "Investments in companies under nationalization." In this connection we: • Reviewed the documentation of the Company's Legal Department related to the "nationalization" of the main assets of the subsidiary IBH, in order to assess the legal considerations that lead management to conclude that despite the uncertainty regarding the final amount to be received by IBH for the "nationalization" of Venprecar and Orinoco Iron, as well as the currency to be used by the Venezuelan government for such payment, the process continues to be opened until the equity interest is legally transferred to the Venezuelan government, and that management continues focused in recovering the value of the Company's equity interest (through IBH) in Venprecar and Orinoco Iron. • We reviewed both the appraisals of June 2009, which were included as part of the exhibits of the judicial inspection record, as well as the updates at September 30, 2022, the independence of appraisers, the assumptions used to determine the values, the breakdown of assets included in the appraisals (updates of appraisals do not show additions or disposals), and held meetings with management of the Company in charge of the appraisals, which indicate that the amount of such assets is higher than that recorded by the Company (book value) at the respective dates.

- Obtained confirmation from the Company's judicial representative, according to which no equity interest or right on Venprecar or Orinoco Iron or on their assets have been transferred to the Venezuelan government.

Responsibilities of management and those charged with governance for the consolidated financial statements

Management is responsible for the preparation and fair presentation of the 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 the consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, management is responsible for assessing the ability of the Company and its subsidiaries to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Company and its subsidiaries or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the financial reporting process of the Company and its subsidiaries.

Independent accountant's responsibilities for the audit of the consolidated financial statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not a guarantee that an audit conducted in accordance with ISAs applicable in Venezuela will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with ISAs applicable in Venezuela, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit 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 internal control of the Company and its subsidiaries.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.

- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the ability of the Company and its subsidiaries to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company and its subsidiaries to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

- Obtain sufficient appropriate audit evidence concerning the financial information of the entities or business activities of the Company and its subsidiaries in order to provide an audit opinion on the consolidated financial statements. We are responsible for the direction, supervision and execution of the audit of the Company and its subsidiaries. We bear sole responsibility for our audit opinion.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence and, where applicable, actions taken to eliminate threats or safeguards applied.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

Pacheco, Apostólico y Asociados
(PricewaterhouseCoopers)

José Antonio Apostólico B.
CPC 18575
SUNAVAL 22

Caracas, Venezuela
November 14, 2022

Siderúrgica Venezolana “Sivensa,” S.A. and its Subsidiaries
Consolidated statement of financial position
September 30, 2022 and 2021

	Notes	2022	2021
		(Constant bolivars at September 30, 2022)	
Assets			
Non-current assets			
Available-for-sale investments			
Investments in companies under “nationalization”	1 and 7	7,408,351,805	9,721,597,793
Net assets in process of expropriation and assets subject to appropriation	1 and 5	322,340,599	322,340,599
Net accounts receivable from companies under “nationalization”	8 and 20	1,093,144,648	1,363,278,482
Property, plant and equipment, net	2-d and 6	2,494,907	2,798,818
Other assets		219,683	219,683
Total non-current assets		8,826,551,642	11,410,235,375
Current assets			
Other current assets		151,072	233,335
Advances to suppliers		605,513	621,256
Accounts receivable			
Other accounts receivable	9 and 20	106,622,685	139,748,996
Investments in trading securities	7 and 20	41,618,896	69,270,075
Cash	10 and 20	20,256,757	6,280,702
Total current assets		169,254,923	216,154,364
Total assets		8,995,806,565	11,626,389,739
Equity and Liabilities			
Equity	11		
Restated capital stock		341,096,516	341,096,516
Share premium		33,883,351	33,883,351
Income from translation of foreign subsidiaries	2-l	5,077,574,516	6,662,894,377
Retained earnings			
Legal reserve		33,883,351	33,883,351
Deficit		(296,526,300)	(313,971,748)
Total equity of Sivensa shareholders		5,189,911,434	6,757,785,847
Non-controlling interests	2-b	2,335,692,586	3,058,120,501
Total equity		7,525,604,020	9,815,906,348
Liabilities			
Non-current liabilities			
Accrual for length-of-service benefits, net of advances and loans to employees	2-i	304,895	221,992
Other long-term liabilities and accruals	14	1	3
Deferred income tax	2-m and 15	114,401,976	115,630,296
Total non-current liabilities		114,706,872	115,852,291
Current liabilities			
Bank loans	13 and 20	48,598,126	63,772,815
Financial obligation	12 and 20	605,015,500	793,930,621
Profit sharing, vacation bonus and other employee accruals	2-i	113,275	79,394
Other liabilities and accruals	14 and 20	695,597,022	829,112,148
Accounts payable			
Suppliers	20	6,170,248	7,734,150
Related companies	16	1,502	1,972
Total current liabilities		1,355,495,673	1,694,631,100
Total liabilities		1,470,202,545	1,810,483,391
Total equity and liabilities		8,995,806,565	11,626,389,739

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, 2022 and 2021

	Notes	2022	2021
		(Constant bolivars at September 30, 2022)	
General and administrative expenses	17	11,583,811	18,685,302
Other operating income, net	18	(8,175,158)	(12,982,841)
Operating income		3,408,653	5,702,461
Financial expense	19	(66,310,160)	(113,190,283)
Financial income	19	57,370,651	96,761,841
Exchange loss, net	20 and 2-l	(72,177,872)	(377,066,355)
Gain from net monetary position		99,162,996	490,980,515
Income before tax		21,454,268	103,188,179
Income tax			
Deferred	15	1,228,320	5,340,923
Net income		22,682,588	108,529,102
Net income attributable to Sivensa shareholders			
Sivensa shareholders		17,445,448	108,529,074
Non-controlling interests	2-b	5,237,140	28
Net income		22,682,588	108,529,102
Number of outstanding shares		52,524,376	52,524,376
Net income per share attributable to Sivensa shareholders (in bolivars)	2-p	0.33	2.07

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, 2022 and 2021

	Notes	2022	2021
		(Constant bolivars at September 30, 2022)	
Net income		22,682,588	108,529,102
Comprehensive loss			
Loss from translation of foreign subsidiaries	2-l and 11	(2,312,984,916)	(11,044,912,502)
Total comprehensive loss		(2,290,302,328)	(10,936,383,400)
Comprehensive loss attributable to			
Sivensa shareholders		(1,567,874,413)	(7,461,653,982)
Non-controlling interests		(722,427,915)	(3,474,729,418)
		(2,290,302,328)	(10,936,383,400)

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, 2022 and 2022

	Restated capital stock	Share premium	Income (loss) from translation of foreign subsidiaries	Retained earnings: Legal reserve	Retained earnings: Deficit	Total equity of Sivensa shareholders	Non-controlling interests	Total equity
	(Constant bolivars at September 30,2022)							
Balances at September 30, 2020	341,096,516	33,883,351	14,233,077,433	33,883,351	(422,500,822)	14,219,439,829	6,532,849,919	20,752,289,748
Net income	-	-	-	-	108,529,074	108,529,074	28	108,529,102
Loss from translation of foreign subsidiaries	-	-	(7,570,183,056)	-	-	(7,570,183,056)	(3,474,729,446)	(11,044,912,502)
Balances at September 30, 2021	341,096,516	33,883,351	6,662,894,377	33,883,351	(313,971,748)	6,757,785,847	3,058,120,501	9,815,906,348
Net income					17,445,448	17,445,448	5,237,140	22,682,588
Loss from translation of foreign subsidiaries	-	-	(1,585,319,861)	-	-	(1,585,319,861)	(727,665,055)	(2,312,984,916)
Balances at September 30, 2022	341,096,516	33,883,351	5,077,574,516	33,883,351	(296,526,300)	5,189,911,434	2,335,692,586	7,525,604,020

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, 2022 and 2021

	Notes	2022	2021
		(Constant bolivars at September 30, 2022)	
Cash flows from operating activities			
Net income		22,682,588	108,529,103
Adjustments to reconcile net income to net cash provided by (used in) operating activities			
Deferred income tax	15	(1,228,320)	(5,340,923)
Interest income not collected on accounts receivable from companies under "nationalization"	8 and 19	(56,452,394)	(95,956,500)
Gain on changes in fair value of investments in trading securities	18	5,704,913	(18,196,012)
Unpaid interest expense on financial obligation and bank loans	19	65,897,707	111,685,316
Exchange loss, net	2-I and 20	72,177,872	377,066,355
Gain from net monetary position		(99,162,996)	(490,980,515)
Depreciation		303,912	306,442
Accrual for length-of-service benefits, net of advances and loans to employees		82,903	(177,246)
Net change in operating assets and liabilities			
Other accounts receivable		(89,345)	(106,767)
Advances to suppliers and other current and non-current assets		(117,081)	(59,670)
Accounts payable to suppliers, profit sharing, vacation bonus and other employee accruals, taxes and other short and long-term liabilities and accruals		900,983	1,649,586
Net cash provided by (used in) operating activities		10,700,742	(11,580,831)
Cash flows from investing activities			
Sale of investments in trading securities		15,622,873	24,827,298
Purchase of investments in trading securities		(10,819,776)	(23,663,112)
Net cash provided by investing activities		4,803,097	1,164,186
Effect of devaluation on cash		(1,527,784)	(7,025,816)
Cash and cash equivalents			
Change for the year		13,976,055	(17,442,461)
At the beginning of the year		6,280,702	23,723,163
At the end of the year		20,256,757	6,280,702

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). Sivensa's address 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, 2022 and 2021, the Company has 15 and 13 employees, respectively.

The accompanying consolidated financial statements at September 30, 2022 were approved by the Board of Directors on November 11, 2022.

a) "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., 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 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 defined 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 independent appraisers to perform a physical inspection and value their machinery and facilities with a view to determining these assets' depreciated replacement value at June 30, 2009. The value of these appraisals was updated at September 30, 2021 and it exceeds the carrying amount of investments in companies under "nationalization" at that date.

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" (Note 2 -b). At September 30, 2022 and 2021, net consolidated assets of companies under "nationalization", including net accounts receivable by IBH and its subsidiaries from those companies, amount to Bs 7,408 million and Bs 9,721 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 then 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 government 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 and such value is duly supported by the June 2009 independent appraisals (depreciated replacement cost). Accordingly, no adjustment to the carrying amount of investments in companies under "nationalization" is 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 Republic, 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 Political-Administrative Chamber of the Supreme Court of Justice disallowed in each case, through decisions issued on October 9 and 28, 2014, the injunction measure to suspend the effects of the Expropriation Decrees of the real and personal property and improvements pertaining to Orinoco Iron and Venprecar, filed by the subsidiary IBH de Venezuela, C.A. 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 government's legal representatives, agreed to suspend the trial hearings for both cases. On August 3, 2017, the aforementioned Chamber accepted the requested joint trials. Subsequently, on June 12, 2018, the aforementioned Court scheduled the trial hearing for July 12, 2018, which took place on the established date. The legal attorneys of IBH de Venezuela, C.A. stated their arguments and promoted the evidence they considered pertinent in conformity with the legal representation of the subsidiary, thereby submitting the corresponding official files.

On August 7, 2018, the Substantiating Court of the Political-Administrative Chamber of the Supreme Court of Justice published an interlocutory ruling, by means of which the Court admitted certain relevant evidence promoted by the attorneys of the subsidiary IBH de Venezuela, C.A. On September 18, 2018, and prior agreement with the judicial representation of the subsidiary IBH de Venezuela, C.A., the attorneys partially appealed the aforementioned sentence before the Political-Administrative Chamber of the Supreme Court of Justice regarding the non-admitted evidence. On May 14, 2019, the aforementioned Chamber of the Supreme Court of Justice dismissed the partial appeal. As the period for providing evidence was concluded, this Chamber, in resolution dated October 17, 2019, in which it approved the continuation of the trial proceedings, ordered to set a period for submitting the reports prior notice to the parties. Subsequently, on March 10, 2020, within the term set for receiving reports, the attorneys of IBH de Venezuela, C.A. submitted before the Political-Administrative Chamber of the

Supreme Court of Justice the report-containing documents in the proceeding for annulment (accumulated processes) of the Expropriation Decrees.

On March 11, 2020, the Political-Administrative Chamber of the Supreme Court of Justice stated that the cause (trial) entered the decision phase.

As informed on March 3, 2022, through a significant fact notice, on March 2, 2022, the subsidiary IBH de Venezuela, C.A. was notified, of the ruling issued by the Political-Administrative Chamber of the Supreme Court of Justice on February 10, 2022, under No. 00019, whereby this Chamber dismissed the judicial recourses for annulment of the Expropriation Decrees filed by IBH de Venezuela, C.A. The ruling and its modification ex officio of March 9, 2022, through ruling No. 0073, which did not affect or modified the substance of the decision (dismissal), are available on the Supreme Court of Justice's web page (http://www.tsj.gob.ve).

IBH's Board of Directors and management state that they have conducted negotiations, as timely and effectively as can be expected under the circumstances, to reach an agreement to recover the value of Venprecar and Orinoco Iron.

b) 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 12, 2015, 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 Complejo Siderúrgico Nacional, S.A., by occupying the property of the subsidiary Sidetur. Likewise, on April 28, 2015, TSJ's Political-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 Sidetur.

On September 23, 2015, the attorneys of the subsidiary Sidetur filed a formal written statement before TSJ's Political-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 the recovery of value of the occupied assets.

During 2009, Sidetur management, in conformity with applicable accounting standards, hired independent appraisers to perform a physical inspection and value its machinery and facilities with a view to determining these assets' depreciated replacement value at September 30, 2009. The value of these appraisals was updated at September 30, 2021 and it exceeds the carrying amount of net assets in process of expropriation and assets subject to appropriation at that date. 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 payable by the Venezuelan government under the Expropriation Law. At September 30, 2022, the consolidated statement of financial position provided as supplementary information recognizes the appraisal values of fixed assets of the subsidiary Sidetur (Notes 2-u 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, the remaining assets and obligations of Sidetur and its subsidiaries, including the financial obligation (plus interest) and bank loans of US$151 million and US$144 million at September 30, 2022 and 2021, 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.

In late July 2019, Sivensa was informed of two lawsuits filed against the subsidiaries Sidetur Finance B.V. and Sidetur before the Supreme Court of the State of New York, of the United States of America, on July 19, 2019 for non-payment of principal and interest in connection with financial obligations derived from bonds issued in 2006. These lawsuits amount to US$9,270,375 for unpaid principal (Note 12); they are also suing for interest and other concepts derived from the Indenture of the aforementioned bonds. Sivensa later learned that on December 3, 2019, the Supreme Court of the State of New York passed a guilty verdict in connection with one of the lawsuits for US$12,101,618.70 (including US$7,389,750.00 for unpaid principal and US$4,711,218.70 for interest). The Court also set post judgment interest as from the date of the sentence at 9% per annum. At September 30, 2022 and 2021, this amount is included under other long-term liabilities and accruals.

The information reported in these consolidated financial statements in respect of bonuses issued in 2006 by Sidetur Finance B.V. and guaranteed by Sidetur, does not imply or causes a consequence, event or effect, either directly or indirectly, that may affect or may have affected the amount of principal and interest, existence, enforceability and tradability of the aforementioned bonds, resulting from the application of the law regulating the bond issue agreement or any other consequence, event or legal effect.

c) 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 2 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."

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.

Exchange Agreement No. 1
The Venezuelan government and the Central Bank of Venezuela (BCV) published Exchange Agreement No. 1 in Extraordinary Official Gazette No. 6,405 on September 7, 2018. This Agreement establishes the free convertibility of the currency throughout the country. By virtue of the above, the participation of individuals and companies in the foreign currency market is regulated by this Exchange Agreement.

Amendment of the Value Added Tax Law
The Constituent Decree amending the Value Added Tax Law (VAT) was published in Extraordinary Official Gazette No. 6,396 of August 21, 2018. According to this Decree, the VAT rate was increased to 16% for: i) sales or operations related to sales or imports, and ii) the provision of services.

In January 2020, the Constituent Assembly published the Constituent Decree for the Partial Reform of the Value Added Tax Law to establish an additional rate ranging from 5% to 25% on sales settled in currencies other than the legal tender in Venezuela, and cryptocurrencies or cryptoassets other than those issued or supported by the Bolivarian Republic of Venezuela. The Venezuelan government may establish different tax rates for certain goods and services, but may not exceed the limits set.

Regime for payment of value added tax advances
On August 21, 2018, the Venezuelan government published a Constituent Decree to establish a temporary regime for the payment of value added tax advances applicable to special taxpayers engaged in economic activities other than exploitation of mines, hydrocarbons and related activities, who do not receive royalties from such exploitations. The advance referred to in this Decree shall be determined based on the tax declared the previous week, divided by the business days of the week. These advances may be deducted in the final tax return.

Filing and advanced payment of VAT and income tax for special taxpayers
Administrative Resolution No. 000078 was published in Official Gazette No. 42,038 of December 30, 2020, to modify the calendar for compliance with tax obligations by special taxpayers for 2021.

Administrative Resolution SNAT/2021/000069 was published in Official Gazette No. 42,273 of December 9, 2021, to set the calendar for compliance with tax obligations by special taxpayers for 2022.

Amendment to the Law on Tax on Large Financial Transactions
Presidential Decree No. 3,654 was published in Official Gazette No. 41,520 of November 8, 2018 to amend the Law on Tax on Large Financial Transactions, thereby setting the tax rate at 2%.

The Partial Reform of the Tax on Large Financial Transactions was published in Extraordinary Official Gazette No. 6,687 on February 25, 2022. This Reform establishes new rates ranging from 2% to 8% on payments made by individuals and incorporated or unincorporated entities in currencies other than the legal tender in Venezuela (bolivars) or cryptocurrencies or cryptoassets other than those issued by the Bolivarian Republic of Venezuela (Petro) within the national banking system, without the mediation of foreign correspondent banks. Furthermore, a rate of 3% will be applicable to payments made to special taxpayers in currencies other than the bolivar or cryptocurrencies or cryptoassets other than those issued by the Bolivarian Republic of Venezuela.

Constitutional Law on Wealth Tax
The Constitutional Law on Wealth Tax was published in Official Gazette No. 41,667 on July 3, 2019. Below are the most relevant aspects of this Law:

i) This tax is levied on special taxpayers whose wealth is equal to or greater than 150,000,000 tax units, applicable to individuals and companies. It is payable on the wealth portion that exceeds these amounts, as applicable.

ii) The tax base will be the result of adding the total value of goods and rights, excluding the value of liens and encumbrances on the goods, as well as exempt goods and rights.

iii) The tax rate applicable to net wealth shall range from 0.25% to a maximum of 1.50%. The Venezuelan government may set progressive rates. The initial rate from the effective date shall be 0.25%.

iv) The tax event is deemed occurred on the last day of the tax period. The tax is generated annually on the net wealth value at each period end closing.

v) Individuals and companies whose asset value equals or exceeds 150,000,000 tax units are required to file tax returns within the terms and in the manner determined by Tax Authorities.

vi) This tax is not income tax deductible. Tax exemptions or exceptions established in other laws are not applicable.

Science, Technology and Innovation Law
The Science, Technology and Innovation Law establishes that the country's major corporations will annually earmark 0.5% of gross income generated in Venezuela to support activities which, according to the Law, relate to investments in science, technology and innovation. This Law defines major corporations as those whose annual gross income exceeds 100,000 tax units. This Law's Regulations establish the mechanisms, methods and procedures for mandatory contributions from major corporations, as well as the timeframe and procedures that must be complied with for the purpose of determining which activities will be considered by the People's Power Ministry for Science, Technology and Intermediate Industries in connection with these contributions. Contributions should be submitted to the National Fund for Science, Technology and Innovation (FONACIT).

Reform of the Science, Technology and Innovation Law
The Partial Reform of the Science, Technology and Innovation Law was published in Official Gazette No. 6,693 on April 1, 2022 to establish various amendments to articles of the Law.

SUNAVAL Resolution No. 209 - Standards for management and control of risks related to money laundering, terrorism financing and financing to the proliferation of weapons of mass destruction and other offenses
In Official Gazette No. 42,115 of April 28, 2021, SUNAVAL modified the rules for the prevention of money laundering and terrorism financing, expanding the scope of taxpayers and partially modifying the requirements of organizational structures that taxpayers must implement to prevent the aforementioned illicit activities. It also expanded the offenses it seeks to prevent, including activities for financing to the proliferation of weapons of mass destruction "and other offenses." Additionally, Administrative Resolution No. 001 Rules on Good Corporate Governance, issued by SUNAVAL on January 13, 2021, was published in Official Gazette No. 42,171 of July 19, 2021.

Declaration of pandemic
At the end of 2019, news from China reported a new disease caused by a virus (COVID-19). By the end of that year, a limited number of cases infected by an unknown virus had been reported to the World Health Organization (WHO). In the first months of 2020, the virus spread worldwide and the WHO declared a global pandemic. The Company has continued operating as a going concern. This situation has not significantly affected the financial position or results of operations of the Company and its subsidiaries.

Currency redenomination
In August 2021, the Venezuelan government published Decree No. 4,553 in Official Gazette No. 42,185, announcing the new currency redenomination with the removal of six zeros from the then current monetary cone, in order to simplify transactions, computing systems and accounting records. This expression became effective as from October 1, 2021 and all amounts expressed in local currency were converted to the new monetary unit by dividing them by Bs 1,000,000. Rounding effects resulting from this process were not significant and were recorded in the results for 2022. Company management adapted its systems to comply with the new regulations.

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 Securities 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.

On November 6, 2019, SUNAVAL issued Circular No. 01464 to inform that financial statements should be adjusted for inflation based on the indices published by the BCV. This Circular establishes, among other aspects, that in the event the BCV does not publish the National Consumer Price Index (NCPI), the effects of inflation should be included following the methodology set out under version 4 of BA VEN NIF 2 "Criteria for recognition of inflation in financial statements prepared in accordance with VEN NIF." This Circular replaces Circular No. 0744 of July 27, 2016.

Sivensa's consolidated financial statements at September 30, 2022 and 2021 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 e) 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 Sivensa 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, 2022 and 2021 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 Sivensa or its subsidiaries acquire shares of a non-controlling interest, the amount by which book value of equity acquired exceeds the amount paid is shown in equity. The increase in shareholding in the subsidiary IBH de Venezuela, C.A. was recorded at the book value of net assets at the acquisition date since it is considered a transaction with non-controlling interests. The difference between book value and cost is shown in equity under Difference between fair value and cost of shares of subsidiary (Note 11).

Sivensa 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 2 paragraphs above, Sivensa 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 this classification is the most suitable to account 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.

Business combination under common control
Since it is considered a business combination between commonly controlled subsidiaries, the merger in 2005 of the former subsidiaries Venprecar and Orinoco Iron was recorded by the economic entity method, which considers book values of subsidiaries at the transaction date. The net effect of changes in shareholding in the subsidiaries was directly recorded under the equity account Net effect of combination (merger) of subsidiaries, which shows the difference between the book value of net assets transferred and net assets received in combination (Note 11).

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, 2022 and 2021, 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.

For purposes of consolidation, the subsidiaries' accounting policies are consistent with those adopted by the Company.

c) Inflation
Sivensa's consolidated financial statements at September 30, 2022 and 2021 were adjusted for inflation based on the last National Consumer Price Index (NCPI) published by the BCV for September 30, 2022.

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

	2022	2021
At the beginning of the year	2,069,027,697,276.40	101,126,220,212.80
At the end of the year	5,326,371,620,985.80	2,069,027,697,276.40
Average for the year	3,134,287,306,004.10	903,029,122,868.10
Inflation for the year (%)	157,43	1,945.99

The consolidated financial statements at September 30, 2022 and 2021 are expressed in constant bolivars at September 30, 2022.

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:

1) Nonmonetary assets
These components (net assets in process of expropriation and assets subject to appropriation, property, plant and equipment and other assets) have been restated by multiplying them by the factor obtained from dividing the NCPI at September 30, 2022 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, which was considered as deemed cost (Notes 2-d and 6) and has been restated by multiplying it by the factor obtained from dividing the NCPI at September 30, 2022 by the NCPI at the dates its current market values were established.

2) 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 September 30, 2022. The gain or loss from monetary position reflects the gain or loss resulting from maintaining a net monetary liability or asset position, respectively, during an inflationary period.

3) Capital stock, share premium and deficit
These equity accounts have been restated by multiplying them by the inflation factor obtained from dividing the NCPI at September 30, 2021 by the NCPI or CPI at their date of acquisition or origin.

4) Income statement
All items in the consolidated income statement are 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 are restated in bolivars of purchasing power at September 30, 2022, based on their date of origin.

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, 2022 and 2021, property, plant and equipment is shown at the 2009 appraisal value, adjusted for the effects of inflation at September 30, 2022. 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, 2022 and 2021:

	Years
Buildings	10 - 44
Vehicles	5 - 10
Furniture and fixtures	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) Available-for-sale investments
Non-current assets are classified as available for sale if their carrying amount will be recovered mainly through a sale transaction rather than through continuing use, and the sale is considered highly probable. They are measured at the lower of their carrying amount and fair value less costs to sell. Non-current assets classified as available for sale are presented separately from other assets in the consolidated statement of financial position. This classification includes investments in companies under

"nationalization" and net assets in process of expropriation and assets subject to appropriation, which is considered the most suitable to account for involuntary asset disposal.

An impairment loss is recognized for any initial or subsequent write-down of the asset to fair value less costs to sell. A gain is recognized for any subsequent increase in fair value less the costs to sell, but not in excess of any accumulative impairment loss previously recognized. A gain or loss not previously recognized by the date of sale of the non-current asset is recognized by the date of sale.

At September 30, 2022 and 2021, Company management considers, in conformity with applicable accounting principles, that the investment in companies under "nationalization" and the assets of the subsidiary Sidetur subject to expropriation, classified as "net assets in process of expropriation and assets subject to appropriation," are not impaired.

At September 30, 2022, the net foreign currency balance of available-for-sale investments in companies under "nationalization" (Note 1) was translated into bolivars at the exchange rate of the Currency Exchange Market System of Bs 8.2036/US$1 (Bs 4.1818/US$1 in 2021) (Note 2-l). Furthermore, for comparative purposes, at September 30, 2021, the amount of this investment translated into bolivars is expressed in constant amounts at September 30, 2022 (Note 2-c).

f) Financial instruments
Standards applied by the Company
The Company classifies its financial assets and liabilities into the following measurement categories:

1. Those subsequently measured at fair value (whether through other comprehensive income or through profit or loss), and

2. Those measured at amortized cost.

The classification and measurement depend on the Company's business model for managing financial assets and the contractual terms of the cash flows. There are three measurement categories into which the Company classifies its instruments:

At amortized cost
Assets that are held for collection of contractual cash flows, where those cash flows represent solely payments of principal and interest, are measured at amortized cost. Income from these financial assets is recognized under Financial income using the effective interest rate method. Any gain or loss resulting from the derecognition of accounts shall be included in profit or loss. Impairment losses are shown as a separate item in the consolidated income statement. The Company classifies into this category trade receivables, which correspond to accounts with customers for the sale of goods which are generally collected within the normal course of business and, consequently, are classified as current. Trade receivables are initially recognized at the transaction price unless they contain material financing components. The carrying amount of accounts receivable approximates their fair value due to their short-term maturity.

The Company assesses on a forward-looking basis the expected future losses associated with its financial assets measured at amortized cost. The impairment methodology applied depends on whether there has been a significant increase in credit risk.

At fair value through other comprehensive income
Assets that are held for collection of contractual cash flows and for sale, where the assets' cash flows represent solely payments of principal and interest, are measured at fair value through other comprehensive income. Movements in the carrying amount are taken through other comprehensive income, except for the recognition of impairment gains or losses, and exchange gains or losses, which are recognized in the consolidated income statement. When a financial asset is derecognized, the

cumulative gain or loss, previously recognized in other comprehensive income, is reclassified from equity to the consolidated income statement. Exchange gains and losses and impairment losses are shown as a separate item in the consolidated income statement. The Company does not have instruments classified into this category.

At fair value through the consolidated income statement
Assets that do not meet the criteria of amortized cost or fair value through other comprehensive income are measured at fair value through profit or loss, in the period in which they arise (Note 18). The Company classifies investments in trading securities into this category.

g) Cash
For purposes of preparation of the consolidated cash flow statement, the Company and its subsidiaries consider as cash, cash on hand and at banks.

h) Capital stock
Common shares are classified as equity. At September 30, 2022 and 2021, 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.

i) Loans
Financial liabilities are measured at amortized cost unless they are required to be measured at fair value through profit or loss. Interest expense is recognized in the consolidated income statement. Changes in fair value are recognized in the consolidated income statement when the liability is written off or reclassified.

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.

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 Labor Law (LOTTT) published on May 7, 2012. Under the LOTTT, at September 30, 2022 and 2021, 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 2 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 represents 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 6 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 in the consolidated statement of financial position 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 established in the LOTTT 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.

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

k) 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.

l) 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)
The U.S. dollar consolidated financial statements of subsidiaries abroad, whose functional currency is the U.S. dollar, have been translated into bolivars for all periods presented, in conformity with the corresponding accounting standard as applicable to an entity whose functional and presentation currency are different.

Pursuant to IAS 21 "Effects of changes in foreign exchange rates," balances in U.S. dollars of subsidiaries abroad have been translated into bolivars for consolidation purposes as follows:

Accounts	Exchange rate
Consolidated statement of financial position	
Assets	Year-end
Liabilities	Year-end
Equity	Historic
Consolidated 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, 2022 and 2021 of the subsidiary IBH and its subsidiaries (whose functional currency is the U.S. dollar) were translated into bolivars, using the exchange rate of the Currency Exchange Market System at year end. For the year ended September 30, 2022 and 2021, the consolidated results in U.S. dollars of the subsidiary IBH and its subsidiaries were translated into bolivars using the average Currency Exchange Market System exchange rate at each month end. 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, 2022 and 2021, mainly in U.S. dollars, are shown at the exchange rate of the Currency Exchange Market System at year end (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, 2022 and 2021 within Exchange loss, net.

At September 30, 2022, the Company has foreign currency assets and liabilities for US$154 million and US$166 million, respectively. At September 30, 2021, the Company has foreign currency assets and liabilities for US$147 million and US$157 million, respectively (Note 20).

At September 30, the exchange rates used by the Company were as follows:

	2022	2021	2022	2021
	(Bs/US$1 at year-end)		(Bs/US$1 average for the year)	
Currency Exchange Market System	8.2036	4.1818	5.3240	2.4863

m) 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 (Note 15).

At September 30, 2022 and 2021, 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.

n) 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:

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

At September 30, 2022 and 2021, income from commercialization activities and other is shown in the consolidated income statement within Other operating income, net (Note 18).

At the beginning of September 2022, the subsidiary IBH received US$2.02 million from a foreign unrelated company for termination of an advisory and other services agreement related to the nationalization of the subsidiaries Venprecar and Orinoco Iron. This amount corresponds to the remaining of the consideration paid after deduction of fees for services actually rendered, as well as expenses actually incurred in connection with such services. This transaction was recorded as income and was shown in the consolidated income statement 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 consolidated income statement for the year.

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

p) 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 number of outstanding shares, excluding treasury stock. Basic and diluted net loss per share is the same for all periods shown since the Company does not have any potentially dilutive instruments.

q) 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, 2022, Sivensa’s Level 1 financial instruments correspond to cash, investments in trading securities, and 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, 2022, 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, 2022, Sivensa's Level 3 financial instruments correspond to available-for-sale investments and financial obligations.

r) 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, 2022 and 2021, the Company does not engage in hedging activities and has identified no derivative instruments.

s) 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 operations the Company operates in a single business segment (Note 1).

t) Accounting standards, amendments and interpretations adopted by the Company
IFRS 9 "Financial instruments"
This is the first standard in a broader project to replace IAS 39. It maintains the method for measuring financial instruments but simplifies it. IFRS 9 requires financial assets to be classified into three main measurement categories: at amortized cost, at fair value through other comprehensive income and at fair value through profit or loss. The classification depends on the entity's business model and the contractual characteristics of the cash flows of financial assets. This standard became effective for annual periods that began on or after January 1, 2018.

IFRS 15 "Revenue from contracts with customers"
This is the new standard on income recognition. It replaces IAS 11 "Construction contracts" and IAS 18 "Revenue" and similar interpretations. Revenue is recognized once a customer obtains control over a good or service. A customer obtains control when it has both the capacity to direct use and to obtain benefits from the good or service. The main principle of IFRS 15 is that revenue is recognized at an amount that reflects the consideration to which an entity expects to be entitled in exchange for transferring goods or services to a customer. This standard became effective for annual periods that began on or after January 1, 2018.

IFRS 16 "Leases"
This is the new standard on lease accounting and requires that most leases be recognized in the consolidated statement of financial position, as it eliminates the difference between operating and financial leases. This new standard requires recognition of an asset (the right to use the leased good) and a financial liability for lease payments, except for short-term and/or immaterial value leases. This standard is effective for periods beginning on or after January 1, 2019.

Amendments to IAS 1 "Presentation of financial statements" and IAS 8 "Accounting policies, changes in accounting estimates and errors"
These amendments establish changes to the definition of "materiality" for purposes of the financial statements, which will help Company management decide if the information should be disclosed in its consolidated financial statements and their explanatory notes. The amendments clarify such definition and incorporate some guidance on how to apply it; they are effective for years beginning after January 1,

2020, with early adoption permitted. The adoption of this standard had no significant impact on the Company's consolidated financial statements.

The adoption of these standards had no significant impact on the Company's consolidated financial statements.

There are no other standards that are not yet effective and that would have a material impact on the Company's consolidated financial statements in the current and future periods or on future transactions.

u) Supplementary consolidated statement of financial position prepared in accordance with Company policies

For purposes of additional analysis, Sivensa's consolidated statement of financial position at September 30, 2022 and 2021, expressed in U.S. dollars, are presented as supplementary information. This presentation differs from the statutory consolidated statement of financial position (Note 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, 2022 and 2021, 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).

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 and are recorded in the consolidated income statement within Other operating income, net.

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, 2022, 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 1,355,495,673 million. In addition, the Company has current monetary assets (mainly cash, investments in trading securities, other accounts receivable and other current assets) amounting to Bs 169,254,923 million. Compliance with certain short-term liabilities may be affected by the events occurring in late October of 2012 (Note 1). At September 30, 2022 and 2021, the financial obligation was reclassified to current liabilities (Note 2-i).

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

	2022	2021
	(Constant bolivars at September 30, 2022)	
Assets		
Local currency	136,572	53,890
Foreign currency	1,262,263,000	1,579,378,955
	1,262,399,572	1,579,432,845
Liabilities		
Local currency	(431,569)	(332,530)
Foreign currency	(1,355,369,000)	(1,694,520,564)
	(1,355,800,569)	(1,694,853,094)

The purchase of foreign currency in the country was limited as a result of an exchange control regime effective since February 5, 2003 until September 2018 with the enactment of Exchange Agreement No. 1, aimed at establishing the free convertibility of the currency throughout the country. The official exchange rate at September 30, 2022 is Bs 8.2036/US$1 (Bs 4.1818/US$1 in 2021).

Foreign currency assets and liabilities are recorded at the official exchange rates published by the BCV at September 30, 2022 and 2021.

At September 30, 2022 and 2021, 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:

	2022		2021	
	Effective rate %	Average market rate %	Effective rate %	Average market rate %
Short-term promissory notes in foreign currency	1.00 and 2.50	NA	1.00 and 2.50	NA
Financial obligation in foreign currency	10.00	NA	10.00	NA

NA = 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:

	2022		2021	
	Cost	Book value	Cost	Book value
	(Constant bolivars at September 30, 2022)			
Investments in companies under "nationalization"	7.408.351.805	7.408.351.805	9.721.597.793	9.721.597.793

Financial assets and liabilities carried at amortized cost at September 30, 2022 are as follows:

	Amortized cost	Gain on changes in fair value	Fair value
	(Constant bolivars at September 30, 2022)		
Investments in trading securities in U.S. dollars	43,180,855	(1,561,959)	41,618,896
Other accounts receivable, advances to suppliers and other non-current assets in bolivars	74,984	-	74,984
Other accounts receivable, advances to suppliers and other non-current assets in U.S. dollars	107,304,286	-	107,304,286
Net accounts receivable from companies under "nationalization" in U.S. dollars	1,093,144,649	-	1,093,144,649
Accounts payable to suppliers, related companies, advances received and other liabilities and accruals in bolivars	431,784	-	431,784
Accounts payable to suppliers, related companies, advances received and other liabilities and accruals in U.S. dollars	701,755,159	-	701,755,159
Short-term bank loans and financial obligation in U.S. dollars	653,613,626	-	653,613,626

Financial assets and liabilities carried at amortized cost at September 30, 2021 are as follows:

	Amortized cost	Gain on changes in fair value	Fair value
	(Constant bolivars at September 30, 2022)		
Investments in trading securities in U.S. dollars	58,704,293	10,565,782	69,270,075
Other accounts receivable, advances to suppliers and other non-current assets in bolivars	39,320	-	39,320
Other accounts receivable, advances to suppliers and other non-current assets in U.S. dollars	140,564,266	-	140,564,266
Net accounts receivable from companies under "nationalization" in U.S. dollars	1,363,278,482	-	1,363,278,482
Accounts payable to suppliers, related companies, advances received and other liabilities and accruals in bolivars	332,507	-	332,507
Accounts payable to suppliers, related companies, advances received and other liabilities and accruals in U.S. dollars	836,817,131	-	836,817,131
Short-term bank loans and financial obligation in U.S. dollars	857,703,436	-	857,703,436

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

	2022	2021
	(Constant bolivars at September 30, 2022)	
Property, plant and equipment, net	254,851,995	254,851,995
Prepaid expenses	257,978	257,978
Inventories, net	67,230,626	67,230,626
	322,340,599	322,340,599

b) Liabilities in process of expropriation

	2022	2021
	(Constant bolivars at September 30, 2022)	
Accounts payable to suppliers (in local currency)	-	-
(a) - (b) = Net assets under expropriation and assets subject to appropriation	322.340.599	322.340.599

6. Property, plant and equipment, net

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

	2022	2021
	(Constant bolivars at September 30, 2022)	
Buildings	9,035,366	9,035,366
	9,035,366	9,035,366
Accumulated depreciation	(7,994,465)	(7,690,554)
	1,040,901	1,344,812
Land and improvements	1,454,006	1,454,006
	2,494,907	2,798,818

7. Investments

Investments in trading securities at September 30 comprise the following:

	2022	2021
	(Constant bolivars at September 30, 2022)	
Trading		
Investment securities	41,618,896	69,270,075

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

	2022	2021
	(Constant bolivars at September 30, 2022)	
Available for sale		
Investments in companies under "nationalization" (Note 1)	7.408.351.805	9.721.597.793

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:

	2022	2021
	(Constant bolivars at September 30, 2022)	
Assets		
Current assets		
Cash and cash equivalents	64,395,819	84,503,310
Accounts receivable	256,526,706	336,626,759
Inventories	152,077,706	199,563,726
Prepaid expenses and other current assets	41,280,968	54,170,884
Total current assets	514,281,199	674,864,679
Property, plant and equipment	9,482,943,993	12,443,978,070
Other non-current assets	166,582,596	218,597,746
Total assets	10,163,807,788	13,337,440,495
Liabilities		
Loans and accounts payable	(2,378,381,022)	(3,121,026,688)
Deferred income tax	(377,074,961)	(494,816,014)
Total liabilities	(2,755,455,983)	(3,615,842,702)
Investments in companies under "nationalization"	7,408,351,805	9,721,597,793

Property, plant and equipment

In July 2009, companies under "nationalization" hired duly certified independent appraisers to perform a physical inspection and 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."

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.

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. An additional late payment interest of 2% was charged for noncompliance with payments.

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, 2022, the balance of this debt, including interest, amounts to US$133 million (US$127 million in 2022) (Notes 19 and 20). Managements of the companies confirmed, with no differences, the debt at September 30, 2022 and 2021 for both principal and accumulated interest. The subsidiary IBH is the guarantor of this debt.

9. Other accounts receivable

Other accounts receivable at September 30 comprise the following:

	Notes	2022	2021
		(Constant bolivars at September 30, 2022)	
Withholding value added tax and value added tax credits	15	73,073	39,253
Other accounts receivable	14 and 20	106,549,612	139,709,743
		106,622,685	139,748,996

At September 30, 2022 and 2021, other accounts receivable in foreign currency are represented by accounts receivable, mainly in U.S. dollars (Notes 14 and 20).

At September 30, 2022 and 2021, other accounts receivable include loans of US$13 million. The terms and conditions of these loans were amended by the parties to: i) substitute the debtor, and ii) extend maturity of these loans until November 30, 2022 (Note 20).

10. Cash

Cash at September 30 comprises the following:

	2022	2021
	(Constant bolivars at September 30, 2022)	
Cash on hand and at banks	20,256,757	6,280,702

11. Equity

a) Capital stock

At September 30, 2022, Sivensa's nominal capital stock amounts to Bs 1,050,487.52, represented by 52,524,376 shares, with a par value of Bs 0.02 each, after the capital stock increase approved by (i) the Company's shareholders at a Shareholders' Meeting of December 3, 2021; and (ii) the Venezuelan Securities Superintendency through Resolution No. 030 of March 8, 2022. At September 30, 2022, the Company's consolidated equity, including non-controlling interests, amounts to Bs 7,525 million (Bs 9,815 million in 2021).

Under Sivensa's bylaws, each share grants its holder the right to cast 1 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, C.A. 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 (Notes 1 and 2-b).

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 (Notes 1 and 2-b).

d) Dividends

The Stock Market Law requires listed companies to share dividends resulting from net profits obtained in each year, after tax and appropriation to legal reserves. At least 25% of these dividends must be paid in cash. Furthermore, payments should not exceed 10% of the company's total net profit for any given year, provided that the shareholders have received the aforementioned cash dividend. In conformity with SUNAVAL rules, the basis for distribution of dividends and statutory equity does not include equity in the results of subsidiaries. Accordingly, at September 30, 2022, Sivensa (unconsolidated parent company) determined that retained earnings amount to Bs 57,104,889 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-l). At September 30, 2022, this account amounts to Bs 5,078 million, net of non-controlling interests (Bs 6,663 million in 2021).

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:

	2022	2021
	(Constant bolivars at September 30, 2022)	
Bonds payable	605,015,500	793,930,621

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

	(Constant bolivars at September 30, 2022)
Balance at September 30, 2020	1,696,232,790
Effect of inflation	(1,613,327,557)
Effect of devaluation	711,025,388
Balance at September 30, 2021	793,930,621
Effect of inflation	(485,524,211)
Effect of devaluation	296,609,090
Balance at September 30, 2022	605,015,500

Sidetur

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:

1) 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.

2) 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.

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. On August 26, 2013, the aforementioned creditor assigned the loan to Sidetur Finance B.V., thereby rendering the participation agreement null and void.

During 2022 and 2021, interest on debt in foreign currency amounts to US$7.5 million, in respect of which no payments have been made during 2022 and 2021. Accrued interest payable is shown in the consolidated statement of financial position under Other liabilities and accruals (Note 14).

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 (Note 1).

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 (Note 1)), neither Sidetur Finance, B.V., 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, 2022 and 2021, liabilities in connection with the financial obligation are shown in the consolidated statement of financial position as short term (Note 2-i), due to the aforementioned events and the subsequent failure to pay principal and interest (Note 1).

In late July 2019, Sivensa was informed of two lawsuits filed against the subsidiaries Sidetur Finance B.V. and Sidetur before the Supreme Court of the State of New York, of the United States of America, on July 19, 2019 for non-payment of principal and interest in connection with financial obligations derived from bonds issued in 2006. These lawsuits amount to US$9,270,375 for unpaid principal (Note 12); they are also suing for interest and other concepts derived from the Indenture of the aforementioned bonds. Sivensa later learned that on December 3, 2019, the Supreme Court of the State of New York passed a guilty verdict in connection with one of the lawsuits for US$12,101,618.70 (including US$7,389,750.00 for unpaid principal and US$4,711,218.70 for interest). The Court also set post judgment interest as from the date of the sentence at 9% per annum. This amount is included in the balance of financial obligations at September 30, 2022 and 2021.

The information reported in these consolidated financial statements in respect of bonuses issued in 2006 by Sidetur Finance B.V. and guaranteed by Sidetur, does not imply or causes a consequence, event or effect, either directly or indirectly, that may affect or may have affected the amount of principal and interest, existence, enforceability and tradability of the aforementioned bonds, resulting from the application of the law regulating the bond issue agreement or any other consequence, event or legal effect (Note 1).

13. Bank loans

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

	2022	2021
	Constant bolivars at September 30, 2022)	
Promissory notes in foreign currency	48,598,126	63,772,815

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

	(Constant bolivars at September 30, 2022)
Balance at September 30, 2020	136,250,669
Effect of inflation	(129,591,270)
Exchange gain	57,113,416
Balance at September 30, 2021	63,772,815
Effect of inflation	(38,999,940)
Exchange gain	23,825,251
Balance at September 30, 2022	48,598,126

In July and October 2012, the subsidiary Sidetur took out short-term promissory notes denominated in U.S. dollars. At September 30, 2022 and 2021, the balance of bank loans is US$5,924,000. These loans bear interest at between 1% and 2.5% per annum (1% and 2.5% in 2021) and 3% for overdue interest, and mature on January 9, 2015 and December 7, 2021.

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, C.A. (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:

	Notes	2022	2021
		(Constant bolivars at September 30, 2022)	
Short term			
Interest payable	12 and 13	587,818,001	688,798,212
Advances received from clients	9	105,378,718	138,283,313
Accrued expenses		2,394,401	2,019,580
Provision for taxes payable		3,247	8,868
Other accounts payable		2,655	2,175
Labor contributions		695,597,022	829,112,148
Long-term			
Other		1	3

Advances received from clients

At September 30, 2022 and 2021, the subsidiary Sidetur has advances received from clients which include US$12.8 million to guarantee future purchases of inventories and billets (Notes 9 and 20). The subsidiary Sidetur has sent communications to creditors, including government agencies and regulators, informing about the expropriation process (Note 1).

15. Taxes

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

	2022	2021
	(Constant bolivars at September 30, 2022)	
Income tax		
Deferred	1,228,320	5,340,923

a) 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.

Based on the Venezuelan Income Tax Law, the Company and its subsidiaries do not consolidate their results for tax purposes and, accordingly, file 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 2022 %	Years ended September 30 2021 %
Statutory tax rate	(34.00)	(34.00)
Decrease in the statutory tax rate resulting from		
Inflation adjustment for accounting purposes	157.15	161.78
Provision for deferred tax asset on exchange losses, tax loss carryforwards and other not recognized	(111.13)	(118.45)
Net loss of tax-exempt subsidiaries abroad	(1.33)	(1.64)
Other	(4.96)	(2.51)
Effective income tax rate	5.73	5.18

Deferred tax

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

	2022	2021
	(Constant bolivars at September 30, 2022)	
Difference between the tax and accounting base of property, plant and equipment	109,287,733	110,493,222
Other (mainly includes differences between the tax and book balance of the accounts receivable from related companies denominated in U.S. dollars)	5,114,243	5,137,074
Deferred income tax liability (long-term portion)	114,401,976	115,630,296

The movements in the deferred tax liability are summarized below:

	Property, plant and equipment	Other	Total deferred
	(Constant bolivars at September 30, 2022)		
Deferred tax liability			
At September 30, 2020	109,859,710	11,111,509	120,971,219
Credited (charged) to results	633,512	(5,974,435)	(5,340,923)
At September 30, 2021	110,493,222	5,137,074	115,630,296
Charged to results	(1,205,489)	(22,831)	(1,228,320)
At September 30, 2022	109,287,733	5,114,243	114,401,976

At September 30, 2022, 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 and related interest payable on these amounts denominated in U.S. dollars of approximately Bs 516 million. Of this amount, Bs 415 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-m).

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 include the elimination of tax credits for new investments made by taxpayers and exclusion of special taxpayers 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.

b) Value added tax

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 VAT rate is set annually by the Venezuelan Budget Law. The applicable tax rate as from September 2018 is 16%. In addition, withholding agents designated by the Tax Administration must withhold 75% or 100% of value added tax.

c) 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 some of the Company's subsidiaries made the transfer-pricing studies for previous years, for the years ended September 30, 2022 and 2021, 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.

d) Law on Tax on Large Financial Transactions

The Law on Tax on Large Financial Transactions applies to incorporated and unincorporated entities qualified by the Tax Administration as special taxpayers. The tax rate may be modified by the Venezuelan government and may be set at a maximum of 2%. At September 30, 2022 and 2021, the tax rate is equivalent to 2%.

The Partial Reform of the Tax on Large Financial Transactions was published in Extraordinary Official Gazette No. 6,687 on February 25, 2022. This Reform establishes new rates ranging from 2% to 8% on payments made by individuals and incorporated or unincorporated entities in currencies other than the legal tender in Venezuela (bolivars) or cryptocurrencies or cryptoassets other than those issued by the Bolivarian Republic of Venezuela (Petro) within the national banking system, without the mediation of foreign correspondent banks. Furthermore, a rate of 3% will be applicable to payments made to special taxpayers in currencies other than the bolivar or cryptocurrencies or cryptoassets other than those issued by the Bolivarian Republic of Venezuela (Note 1).

e) Law on Wealth Tax

The Law on Wealth Tax was published on August 16, 2019. This Law introduces a tax levied on individuals and companies, qualified by the Tax Administration as special taxpayers, whose net wealth is equal to or greater than 150,000,000 tax units. It establishes September 30 as the annual tax period.

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:

	2022	2021
	(Constant bolivars at September 30, 2022)	
Payables		
Other	1,502	1,972

17. Expenses by nature

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

	2022	2021
	(Constant bolivars at September 30, 2022)	
General and administrative expenses		
Fees and advisory	5,095,142	10,121,808
Personnel expenses	1,985,257	2,221,665
Depreciation and amortization	303,912	306,442
Electricity, water, condominium fees and other services	205,717	138,242
Surveillance and maintenance	146,703	111,454
Taxes and contributions	85,122	6,292
Other expenses	353,305	76,938
	8,175,158	12,982,841

18. Other operating income, net

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

	2022	2021
	(Constant bolivars at September 30, 2022)	
Reimbursement for advisory service agreement termination - subsidiary IBH (2-n)	16,592,041	-
Gain on changes in fair value of investments in trading securities (Note 2-f)	(5,704,913)	18,196,012
Income from commercialization activities and other (Note 2-n)	852,470	726
Other income (expense), net	(155,787)	488,564
	11,583,811	18,685,302

19. Interest and other financial expenses

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

	Notes	2022	2021
		(Constant bolivars at September 30, 2022)	
Interest expense on bank loans and financial obligation	12 and 13	(65,897,707)	(111,685,316)
Other financial expenses and commissions		(412,453)	(1,504,968)
		(66,310,160)	(113,190,284)
Interest income from accounts receivable from companies under “nationalization”	8	56,452,394	95,956,500
Interest income	7 and 10	918,257	805,341
		57,370,651	96,761,841

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-m:

	2022	2021
	(U.S. dollars)	
Assets		
Accounts receivable		
Other	13	13
Companies under “nationalization”	133	127
Investments in trading securities	5	6
Cash	3	1
Total assets	154	147
Liabilities		
Bank loans and financial obligation	(80)	(80)
Accounts payable		
Suppliers and other liabilities and accruals	(86)	(78)
Total liabilities	(166)	(158)

The Venezuelan government and the BCV published Exchange Agreement No. 1 in Extraordinary Official Gazette No. 6,405 on September 7, 2018. Exchange Agreement No. 1 establishes the free convertibility of the currency throughout the country based on the following premises:

1. The BCV centralizes all currency purchases and sales in the country.

2. The existence of a single reference floating exchange rate resulting from foreign currency trading by individuals through authorized exchange dealers.

3. The strengthening of the regime for maintaining foreign currency accounts in the national financial system with funds obtained from legal transactions.

4. The private sector foreign exchange regime will be rendered more flexible so as to create favorable conditions to foster foreign investments, export activities, access to financing programs through specialized institutions, and the provision of services for inbound tourism.

On May 2, 2019, the BCV published Resolution No. 19-05-01 to establish that banks authorized to act as exchange brokers may negotiate through foreign exchange desks, foreign currency purchase and sale transactions by individuals and private-sector companies within the national or international financial system. The exchange rate resulting from these transactions and the trading volume shall be reported to the BCV, which will publish the reference exchange rate.

Applicable exchange rates
The exchange rate in effect at September 30, 2022 and 2021 is Bs 8.2036/US$1 and Bs 4.1818/US$1, respectively.

Annulment of the exchange control regime and related offenses
The annulment of the Law on Exchange Control Regime and Related Offenses, Article No. 138 of the Law of the Central Bank of Venezuela, exclusively regarding the illicit trade of foreign currency in the country, as well as any provision that conflicts with the provisions of this Constituent Decree, was published in Official Gazette No. 41,452 on August 2, 2018.

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.

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

For purposes of additional analysis, Sivensa's consolidated statement of financial position at September 30, 2022 and 2021, expressed in U.S. dollars, is presented as supplementary information. To translate Sivensa's consolidated statement of financial position at September 30, 2022 and 2021, expressed in constant bolivars (functional currency) into U.S. dollars (presentation currency), the Company used the methodology set out in International Accounting Standard 21 "The effect of changes in foreign currency rates." This methodology establishes that the results and financial position of an entity whose functional currency is the currency of a hyperinflationary economy will be translated into a different presentation currency using the following procedures: all amounts (assets, liabilities, equity, income and expenses) are translated at the closing rate. When amounts are translated into the currency of a non-inflationary economy, comparative amounts are those presented as current year amounts in the relevant prior year financial statements (i.e., not adjusted for subsequent changes in the price level or exchange rates). When an entity's functional currency is the currency of a hyperinflationary economy, the entity shall restate its financial statements before applying the aforementioned translation method.

In view of the above, Sivensa's consolidated statement of financial position, expressed in constant bolivars at September 30, 2022 and 2021, was translated into U.S. dollars using the closing exchange rates in effect at those dates. In addition, fixed assets comprising Net assets in process of expropriation and assets subject to appropriation were presented at the appraisal value updated at September 30, 2022 and 2021, denominated in U.S. dollars and was included in deferred tax (Note 2-u).

The effect of incorporating the value of the appraisal increases the Company's assets and equity by US$311 million and US$205 million, respectively.

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

Supplementary consolidated statement of financial position
September 30, 2022 and 2021

	2022	2021
	(Thousands of U.S. dollars)	
Assets		
Non-current assets		
Available-for-sale investments		
Investments in companies under "nationalization"	903,061	903,061
Net assets in process of expropriation and assets subject to appropriation	349,877	336,423
Net accounts receivable from companies under "nationalization"	133,252	126,638
Property, plant and equipment, net	304	260
Other assets	27	20
Total non-current assets	1,386,521	1,366,402
Current assets		
Other current assets	19	22
Advances to suppliers	74	58
Accounts receivable		
Other accounts receivable	12,997	12,982
Investments in trading securities	5,073	6,435
Cash	2,469	583
Total current assets	20,632	20,080
Total assets	1,407,153	1,386,482
Equity and Liabilities		
Equity		
Total equity of Sivensa shareholders	837,624	830,023
Non-controlling interests	284,716	284,076
Total equity	1,122,340	1,114,099
Liabilities		
Non-current liabilities		
Accrual for length-of-service benefits, net of advances and loans to employees	37	21
Deferred income tax	119,544	114,944
Total non-current liabilities	119,581	114,965
Current liabilities		
Bank loans	5,924	5,924
Financial obligation	73,750	73,750
Profit sharing, vacation bonus and other employee accruals	14	8
Other liabilities and accruals	84,792	77,018
Accounts payable		
Suppliers	752	718
Total current liabilities	165,232	157,418
Total liabilities	284,813	272,383
Total equity and liabilities	1,407,153	1,386,482