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SIVENSA REPORTS THE RESULTS OF THE FIRST QUARTER OF THE FISCAL YEAR 2021-2022

CARACAS, JANUARY 28th, 2022

As we have been reporting, on October 31, 2010, the former President of the Republic announced the expropriation of plants and other industrial assets owned by the subsidiary Siderurgica del Turbio, S.A. "Sidetur" ("Sidetur"). On November 3, 2010, Presidential Decree No. 7786 dated November 2, 2010 was published in the Official Gazette No. 39,544 (the "Expropriation Decree").

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

On November 6, 2012, in the Official Gazette of the Bolivarian Republic of Venezuela No. 40,044 Resolution No. 089 of the Ministry of the People's Power for Industries ("MPPI"), dated October 25, 2012, was published, such resolution appoints the new members of the Temporary Administrative Board for the subsidiary Sidetur, in execution of the Preventive Measure of "Occupancy and Temporary Operability and Appointment of Administrative Board" agreed by the extinct Institute for the Defense of the People's Access to Goods and Services (Instituto para la Defensa de las Personas en el Acceso a los Bienes y Servicios "INDEPABIS").

On July 26, 2013, Deutsche Bank, acting as Trustee, notified the bondholders as well as Sidetur (i) that there had been a default due to the non-payment of the principal installment due on July 20, 2013, (ii) that there had been a default due to the lack of sufficient funds in the Reserve Account, (iii) that the issuer had defaulted in the payment of interest due on July 20, 2013, which will become a default if such payment does not occur within the following 30 days, and (iv) that, for the moment, it would not take further actions unless certain holders, defined as "Required Note Holders", would require it to do so, noting that in order to act, following any request or instruction, such holders should furnish to the Trustee security or indemnity reasonable satisfactory to it against the cost expenses and liabilities that might be incurred by it. Later, on April 29, 2016, the referred to Bank, through a letter dated April 27, 2016, notified holders of the 2016 Bonds guaranteed by Sidetur (i) that a new event of default had occurred due to the



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

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

On December 14, 2016, the Political Administrative Chamber of the Supreme Court issued a judgement dismissing the appeal filed by the attorneys of Sidetur against judgement No. 20120039 of January 26, 2012, issued by the Second Court of the Contentious Administrative Jurisdiction, with respect to the annulment lawsuit filed against Administrative Providence No. 422 of November 2, 2010 issued by the extinct INDEPABIS.

At the end of July of this year, Sivensa received information regarding the filing of two (2) lawsuits against 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 the non-payment of the financial obligations derived from the bonds issued in 2006. The sum of the aforementioned claims, as a whole, amounts to nine million two hundred seventy thousand three hundred seventy-five dollars of the United States of America (US \$ 9,270,375.00) for unpaid principal; interest and other concepts derived from the Indenture of the aforementioned bonds and/or applicable law are also demanded. Subsequently, Sivensa received information that on December 3, 2019, the Supreme Court of the State of New York issued a judicial



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decision with regards to one of the lawsuits filed, for a total of US\$12,101,618.70 (which includes US\$7,389,750.00 for unpaid capital and US\$ 4,711,218.70 for interest), establishing, in addition, post-judgement interest at the statutory rate of 9% per annum.

ACCOUNTING TREATMENT OF THE OPERATIONS OF SIDETUR

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

The events occurred at the end of October 2012, specifically the occupation, possession and control by the company Complejo Siderurgico Nacional, S.A., of the industrial assets been utilized by Sidetur in the operations and activities aimed at the production and marketing of the steel products, caused that as of said occupation, the subsidiary Sidetur has not been able to continue performing the same operations and activities with the assets that were occupied. Accordingly, on December 31, 2021 and 2020, Sivensa presents in the consolidated statement of financial position, separated from the rest of assets and liabilities, the assets that were occupied, other assets object of appropriation and the liabilities considered as borne by the state company Complejo Siderurgico Nacional, S.A., which are classified as an available investment for sale and are stated in the account “Net assets in process of expropriation and assets object of appropriation”.

The industrial assets of Sidetur that were occupied, other assets object of appropriation and the obligations which had to be assumed by the state company Complejo Siderurgico Nacional, S.A., correspond to Property, Plant and Equipment, inventories, cash in local currency, trade account receivables, net of accounts payable to suppliers and others, advances received from customers, profits, holidays and other accruals and social benefits payable. Likewise, the rest of assets and obligations of Sidetur, including the financial debt, are included in the consolidated statement of financial position of Sidetur which sent opportunely the due communications to its creditors, and official and regulatory bodies, to inform about the events mentioned of late October 2012.

On September 2021, in accordance with the applicable accounting rules, the management obtained an update of the appraisal values (depreciated replacement cost) of the real property, machinery, equipment and facilities of Sidetur, realized in September, 2009. Said update indicates that the total amount of Property, Plant and Equipment at September 30th, 2021 is Bs. 1,128,528,410, which is a greater amount than the book value of the net assets in process of expropriation and assets object of appropriation, which is Bs. 155,992,666.



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PRESENTATION OF THE FINANCIAL STATEMENTS

On November 06, 2019, the National Superintendence of Securities (SUNAVAL) emitted the Circular No. 01464, whereby it decided to instruct the issuers of securities object of public offer, in accordance with the Capital Market law, to submit their financial statements adjusted for the effects of inflation, based on the indices published by the Central Bank of Venezuela (BCV) on October 2019. Said Circular mentions that if the BCV does not publish the National Consumer Price Index (INPC), the effects of the inflation must be included, according to the methodology provided for in the Newsletter of Application of Financial Information Norms Number 2 (BA VEN-NIF No. 2) "Criteria for the Recognition of the Inflation on the Financial Statements, prepared in accordance with VEN-NIF" in its 4th version. The previously mentioned Circular replaces the Circular No. 0744 of July 27, 2016.

In August 2021, the National government issued the Decree No. 4553, published in the Official Gazette No. 42,185, announcing the new monetary expression, which consists of the elimination of six zeros from the monetary cone in effect at that date, in order to simplify transactions, computing systems and accounting records. Said expression came into effect on October 1, 2021, and all amounts expressed in local currency were converted into the new monetary unit, dividing by Bs. 1,000,000. The effects of rounding as a consequence of this process, were recorded in the results of 2022. The Company's management adapted the systems to comply with this regulation.

Considering the exchange agreements in force at the date of elaboration of this report, the transactions and balances in foreign currency of Sivensa and its subsidiaries (whose functional currency is the bolivar), mainly constituted by United States dollar, have been converted into bolivars, utilizing the exchange rate at the date of the transaction (monthly average) and the closure exchange rate, respectively, in accordance with the provision of the IAS 21. As of December 31, 2021 and 2020, the closure rate utilized was the exchange rates of the Exchange Market System of 4.60 and of 1.11 bolivars per 1 US\$, respectively. The exchange differences mainly resulting from the fluctuations of the bolivar with regard to the dollar, upon translating the balances in foreign currency at December 31 2021 and 2020, are presented in the results of the fiscal years ended on said dates, in the account "Exchange loss, net".

The translation into bolivars of the consolidated financial statements of the subsidiary IBH, elaborated in US dollars, which is its functional currency, has been realized according to the IAS 21, in the applicable to an entity whose functional currency and presentation currency are different, as follows: The assets and the liabilities are translated at the closure exchange rate and the equity at the historic



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exchange rates. As of December 31, 2021 and 2020, the closure rate utilized was the exchange rates of the Exchange Market System of 4.60 and of 1.11 bolivars per 1 US\$, respectively. The exchange rate difference arising from the translation to bolivars of the consolidated financial statements of the subsidiary IBH, elaborated in US dollars as of December 31, 2021 and 2020, minority interest net, are presented in the consolidated statement of financial position, in the account "Income from translation of foreign subsidiaries". The result of translation of the affiliate abroad, as of December 31, 2021 and 2020 was Bs 2,845,365,806 and Bs 6,705,063,529, respectively, which represents a decrease in the consolidated equity of the shareholders of Sivensa of Bs 3,859,697,723.

ANALYSIS OF THE QUARTER RESULTS

The Sivensa's consolidated results mainly include the operations of the filial Sidetur and the operations of the filial IBH, corresponding to the three-month periods ended on December 31, 2021 and 2020.

The consolidated results in bolivars for the quarter ended December 31, 2021 to which this Report refers, were adjusted for inflation as of that date, (except the results of the subsidiary IBH which are presented at historical values due to the fact that its functional currency is the US dollar).

The most significant aspects of the consolidated income statement are described hereunder:

- a. OPERATING (LOSS) INCOME: In the October-December period, Sivensa's loss in operations was Bs. 744,704, compared to the profit of Bs. 425,580 in the same period of 2020. The negative variation of Bs. 1,170,284 is mainly due to the decrease of Bs. 4,690,643 in the "Other operating income, net" account, partially offset by a decrease of Bs. 3,520,359 in "General and administrative expenses".
- b. NET PROFIT (LOSS) FOR THE QUARTER: During the first quarter of fiscal year 2022, this profit was Bs. 4,877,224, compared to the loss of Bs 62,559 in the same period of the previous year. This increase of Bs. 4,939,783, is mainly explained by the net of: i) the variation in income from operations as explained in the previous paragraph; ii) the decrease of Bs 9,441,579 in the financial expenses for the year, primarily denominated in US dollars; iii) the decrease of Bs. 8,025,813 in financial income for the year, primarily denominated in US dollars; iv) the decrease of Bs. 78,543,708 in the item "Exchange loss, net", with respect to the one recorded in the first quarter of fiscal year 2021; all these variations due to the increase in the inflation rate above the applicable exchange rate (Bs. per 1 US\$) to translate transactions and balances denominated in US dollars into bolivars, using the exchange agreements in force during the quarters ended



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on December 31st 2021 and 2020, as explained above, and v) the decrease in Bs. 73,699,620 in the monetary gain. The net income for the quarter includes the results of operations of Sivensa and its subsidiaries before the participation of the minority shareholders, mainly in the net results of the subsidiary IBH.

- c. NET INCOME (LOSS) ATTRIBUTED TO THE SIVENSA'S SHAREHOLDERS: This output in the first quarter of the fiscal year 2022 was an income of Bs 4,877,228, compared with the loss of Bs. 62,589 registered in the same period of the previous year. This increase of Bs. 4,939,817 is mainly explained by the net profit of the quarter commented above. The net profit of the quarter attributed to the Sivensa's shareholders, includes the results of the operations of Sivensa and its subsidiaries, after the participation, mainly, of 31.46% of the minority shareholders of IBH in the net results of said subsidiary for the three months period ended on December 31 2021 and 2020. In said periods, that participation was a loss for the minority shareholders of Bs. 4 and a profit of Bs. 30, respectively.

INTERNATIONAL BRIQUETTES HOLDING (IBH)

NATIONALIZATION OF VENPRECAR AND ORINOCO IRON SUBSIDIARIES

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

In the Extraordinary Official Gazette of the Bolivarian Republic of Venezuela No. 6,119, dated December 19, 2013, the Presidential Decrees of same date, related to the briquetted-iron companies Venprecar and Orinoco Iron (both affiliates of the subsidiary International Briquettes Holding (IBH) were published, namely: (i) Decree No. 695, pursuant to which the movable assets, real property and improvements



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

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

On June 10, 2014, IBH de Venezuela, C.A., holder of legitimate interests as owner of 79.649740% of the equity interest in Venprecar and Orinoco Iron, filed before the Political Administrative Chamber of the Supreme Court of Justice two judicial recourses for the annulment of the aforesaid Acquisition Decrees.

On December 11, 2014, the aforementioned Chamber of the Supreme Court of Justice, as a result of the request for joint trials presented by the representative of the State, suspended the trial hearings schedule for both cases. Subsequently, on August 3, 2017, the aforementioned Chamber held that the request for joint trials should proceed as requested. On a later date, on June 12, 2018, the aforementioned chamber of the Supreme Court set the Trial Hearing for July 12, 2018, which was held on the established date and where the attorneys of IBH de Venezuela, C.A., presented the arguments and evidence they deemed pertinent in agreement with the Judicial Representative of said affiliate, filing the corresponding written arguments.



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On August 7, 2018, an interlocutory ruling was issued by the Substantiation Court of the Political-Administrative Chamber of the Supreme Court of Justice, which admitted certain evidence promoted by the aforementioned attorneys, who on September 18, 2018 and in agreement with the judicial representation of the subsidiary IBH de Venezuela, C.A., partially appealed the aforementioned judgment before the Political-Administrative Chamber of the Supreme Court of Justice. On May 14, 2019, the aforementioned Chamber of the Supreme Court of Justice issued a judgment dismissing the referred partial appeal. Subsequently, on the date set for the filing of final briefs (March 10, 2020), the attorneys of IBH de Venezuela, C.A. proceeded to file before the Political-Administrative Chamber of the Supreme Court of Justice, the written summary of conclusions in the course of the aforementioned judicial recourses for the annulment of the said Acquisition Decrees.

On March 11, 2020, the Political-Administrative Chamber of the Supreme Court of Justice noted in the case file that the trial had entered the sentencing stage.

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

OTHER BUSINESSES

After the nationalization of the subsidiaries Venprecar and Orinoco Iron, IBH, through its affiliate SDP International Corporation, continues with its trading consulting services. At the beginning of the month of January 2018, the aforementioned affiliate reduced its operations and administrative expenses, in order to guarantee its permanence.

SOCIAL RESPONSIBILITY

In this quarter there was a small upturn in some sectors of economic activity, among them the service and commerce sectors, which allowed us to activate some client companies and to present the quotations for the execution of courses in the first months of next year, due to the holiday period, and biosecurity measures still in force. This first quarter can be summarized in the following activities:

PROFESSIONAL TRAINING: 25 courses were executed with a total of 226 participants and 326 hours of training. The areas of greatest demand were:

Operational Risk Management	56%
Human and Organizational Management	18%
Quality and Productivity	7%



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Others 19%

Social Responsibility Audits continued to be carried out for suppliers of Nestle, Coca Cola and Unilever, with a total of 252 hours.

NATIONAL APPRENTICESHIP PROGRAM: 8 cohorts are maintained with a total of 114 apprentices, of which 64 are from the administrative area and 50 from the technical area. The educational process is semi-face-to-face, with a scheme of three days in the classroom and two days interacting through the educational platform and social networks.

UNIVERSITY PROGRAMS: 592 students participate in the Institutional Agreement signed with Universidad Panamericana del Puerto (UNIPAP), of which 52 students belong to the School of Engineering and 540 students are enrolled in the School of Economics and Social Sciences. During the current quarter, 19 students graduated; 17 from the School of Economics and Social Sciences and 2 from the School of Engineering.

THE BOARD OF DIRECTORS

Caracas, January 28th, 2022

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SIDERURGICA VENEZOLANA "SIVENSA", S.A AND SUBSIDIARIES
CONSOLIDATED STATEMENT OF FINANCIAL POSITION
DECEMBER 31, 2021 AND 2020

(of constant bolivars at december 31, 2021)

	2021	2020
Assets		
Non-current Assets		
Available for-sale investment		
Investments in companies under "nationalization"	4,151,552,357	9,784,407,691
Net assets in process of expropriation and assets subject to appropriation	155,992,666	155,992,666
Accounts receivable from companies under "nationalization", net	589,760,664	1,318,489,549
Property, plant and equipment, net	1,317,683	1,467,141
Other non-current assets	106,319	106,319
Total non-current assets	4,898,729,689	11,260,463,366
Current assets		
Prepaid expenses and other current assets	97,467	247,774
Advances to suppliers	258,959	189,696
Accounts receivables		
Other accounts receivable	59,686,472	139,765,855
Investments in trading securities	28,059,939	67,133,415
Cash	3,320,634	8,105,300
Total current assets	91,423,471	215,442,040
Total assets	4,990,153,160	11,475,905,406
Equity and Liabilities		
Equity		
Capital stock		
Restated capital	165,069,355	165,069,355
Share premium	16,397,420	16,397,420
Income from translation of foreing subsidiaries	2,845,365,806	6,705,063,529
Retained earnings (deficit)		
Legal reserve	16,397,415	16,397,415
Déficit	(147,065,566)	(204,527,748)
Total equity of Sivensa shareholders	2,896,164,430	6,698,399,971
Non-controlling interests	1,305,950,432	3,077,555,855
Total equity	4,202,114,862	9,775,955,826
Liabilities		
Non-current liabilities		
Accrual for length-of-service benefits, net of advances and loans to employees	296,385	247,060
Other long-term liabilities and accruals	1	10
Deferred income tax	55,955,062	58,387,416
Total non-current liabilities	56,251,448	58,634,486
Current liabilities		
Bank loans	27,233,813	64,184,837
Financial obligation	339,043,500	799,060,101
Profit sharing, vacation bonus and other employee accruals	31,773	62,051
Other liabilities and accruals	362,181,316	770,410,439
Accounts payable		
Suppliers	3,295,607	7,595,680
Related companies	841	1,986
Total current liabilities	731,786,850	1,641,315,094
Total liabilities	788,038,298	1,699,949,580
Total equity and liabilities	4,990,153,160	11,475,905,406



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SIDERURGICA VENEZOLANA "SIVENSA", S.A AND SUBSIDIARIES
CONSOLIDATED INCOME STATEMENT
QUARTERS ENDED DECEMBER 31, 2021 AND 2020

(of constant bolivars at december 31, 2022)

	2021	2020
General and administrative expenses	(985,799)	(4,506,158)
Other operating income, net	241,095	4,931,738
Operating (loss) income	(744,704)	425,580
Financial expenses	(9,353,883)	(18,795,462)
Financial income	8,195,081	16,220,894
Exchange loss, net	(5,581,195)	(84,124,903)
Gain from net monetary position	12,359,163	86,058,783
Income (loss) before tax	4,874,462	(215,108)
Income tax		
Deferred	2,762	152,549
Net income (loss)	4,877,224	(62,559)
Net income (loss) the quarter attributable to Sivensa shareholders		
Sivensa shareholders	4,877,228	(62,589)
Non-controlling interest	(4)	30
Net Income (loss)	4,877,224	(62,559)



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SIDERURGICA VENEZOLANA "SIVENSA", S.A AND SUBSIDIARIES
CONSOLIDATED FINANCIAL INDICATORS
AS OF DECEMBER 31, 2021 AND 2020

		2021	2020
Solvency	<u>Current assets</u> Current liabilities	0.12	0.13
Working capital	Current assets - Current liabilities (bolivars)	(640,363,379)	(1,425,873,054)
Short term debt	<u>Short term financial liability</u> Total equity of Sivensa shareholders	0.13	0.13
Total debt	<u>Financial liabilities short and long term</u> Total equity of Sivensa shareholders	0.13	0.13
Return over assets	<u>Annualized net Income (loss) attributable to Sivensa shareholders</u> Total assets	0.39%	0.00%
Return over equity	<u>Annualized net Income (loss) attributable to Sivensa shareholders</u> Total equity of Sivensa shareholders	0.67%	0.00%