

Siderúrgica Venezolana "SIVENSA" S.A.
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FOR ITS IMMEDIATE DISTRIBUTION:

**SIVENSA ANNOUNCES VENPRECAR AND ORINOCO IRON'S MERGER
AND EFFECTS ON THE BALANCE SHEET**

Caracas, August 30, 2005. Siderúrgica Venezolana "SIVENSA" S.A. announced that in an Extraordinary Shareholders Meeting of Venprecar held on August 29, the merger between Venprecar and Orinoco Iron, which recently became effective, was ratified.

Merged Venprecar and its subsidiary Orinoco Iron, S.C.S. Sociedad en Comandita Simple is owned 67.75% by IBH. The total installed capacity of merged Venprecar is 3.020.000 Metric Tons per year, the world's largest hot briquetted iron producer.

Stand Still

The senior lenders of merged Venprecar (formerly Orinoco Iron) agreed to a Stand Still Agreement on the funds owed subject to certain covenants. Under this agreement the senior lenders will continue to retain all rights related to the security of the financing, but will permit Venprecar to keep resources necessary for the normal development of operations including capital expenditures. This stand still agreement will continue until a financial restructuring agreement is reached, as long as the conditions on the stand still are met.

Options

As a result of the Merger and the related transactions, certain rights originally related to Orinoco Iron are now embodied in a golden share of merged Venprecar. This golden share plus the 30% of merged Venprecar, which is not owned by IBH, are indirectly subject to a call option for the benefit of IBH and merged Venprecar, and a put option for the benefit of the indirect owners of such equity.

The exercise price of both the call and the put options will be between US\$ 34 million and US\$ 80 million, depending on the date of exercise.

Balance Sheet Impact:

Attached to this letter is the pro-forma balance sheet of Sivensa as of June 30, 2005, which shows the situation as if all of the above described facts, including the resolutions adopted on August 18 and the merger, would have taken place as of the pro-forma date. Among the effects on the balance, it is noted that the current ratio improves from 0.74 to 1.38, and the total debt to equity and minority interests ratio improves from 6.18 to 1.24.

Siderúrgica Venezolana Sivensa S.A. comprises three divisions: Sidetur, engaged in the manufacture of steel products for the manufacturing, construction and infrastructure industries; International Briquettes Holding, IBH, which groups the plants that produce iron briquettes that are used as high-quality raw material in steel mills; and Vicson, which manufactures wires and wire products for the manufacturing, construction, agriculture and infrastructure sectors. The partners of Sivensa are: in the Vicson division: Bekaert Corporation, and in the IBH division: CVG Ferrominera Orinoco. Sivensa's labor force at March 31, 2005 was 2,985 workers.

THIS RELEASE CONTAINS FORWARD-LOOKING STATEMENTS. IN SOME CASES, YOU CAN IDENTIFY FORWARD-LOOKING STATEMENTS BY TERMINOLOGY SUCH AS "MAY," "MIGHT," "WILL," "SHOULD," "COULD," "WOULD," "EXPECT," "PLAN," "ANTICIPATE," "BELIEVE," "ESTIMATE," "PROJECT," "PREDICT," "INTEND," "POTENTIAL" OR THE NEGATIVE OF SUCH TERMS OR OTHER SIMILAR EXPRESSIONS. THESE STATEMENTS RELATE TO FUTURE EVENTS OR OUR FUTURE FINANCIAL PERFORMANCE AND INVOLVE KNOWN AND UNKNOWN RISKS, UNCERTAINTIES AND OTHER FACTORS THAT MAY CAUSE OUR ACTUAL RESULTS, LEVELS OF ACTIVITY, PERFORMANCE OR ACHIEVEMENTS TO VARY MATERIALLY FROM THOSE EXPRESSED OR IMPLIED BY THESE FORWARD-LOOKING STATEMENTS. ALTHOUGH WE BELIEVE THAT THE EXPECTATIONS REFLECTED IN THE FORWARD-LOOKING STATEMENTS ARE REASONABLE, WE CANNOT GUARANTEE FUTURE RESULTS, LEVELS OF ACTIVITY, PERFORMANCE OR ACHIEVEMENTS. WE CAUTION YOU NOT TO PLACE UNDUE RELIANCE ON FORWARD-LOOKING STATEMENTS, WHICH REFLECT OUR ANALYSIS ONLY AND SPEAK ONLY AS OF THE DATE HEREOF. WE UNDERTAKE NO OBLIGATION TO PUBLICLY UPDATE THE FORWARD-LOOKING STATEMENTS TO REFLECT SUBSEQUENT EVENTS OR CIRCUMSTANCES.

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

CONSOLIDATED BALANCE SHEET

(Thousands of US dollars)

30-Jun-05

<u>Assets</u>	<u>ACTUAL</u>	<u>PROFORMA</u>	<u>ADJUSTMENTS</u>
Current Assets:			
Cash and cash equivalents	48,153	48,153	-
Cash in guaranty	-	-	-
Temporary Investments	-	-	-
Accounts receivable	-	-	-
Commercial and other	142,811	142,811	-
Related companies	329	329	-
Inventories	124,568	124,568	-
Pre-paid expenses and other current assets	24,775	24,775	-
Restricted accounts receivable	394,009	-	(394,009)
	734,645	340,636	(394,009)
Total current assets	734,645	340,636	(394,009)
Property, plant and equipment, net	1,268,123	1,268,123	-
Related Companies	3,704	3,704	-
Investments available for sale	12,000	12,000	-
Spare parts and other assets	16,537	16,537	-
	2,035,009	1,641,000	(394,009)
Total assets	2,035,009	1,641,000	(394,009)
<u>Liabilities and shareholders' equity</u>			
Current liabilities:			
Bank loans	8,864	8,864	-
Short-term portion of long-term loans	8,979	8,979	-
Bank loan in restructuring process	365,803	23,255	(342,548)
Loans assigned by BHP to financial creditors	399,209	-	(399,209)
Accounts payable	-	-	-
Suppliers	115,526	115,526	-
Related Companies	52,858	52,858	-
Profit sharing, vacations and other personnel accruals	13,463	13,463	-
Taxes	5,934	5,934	-
Other current liabilities	17,998	17,998	-
	988,634	246,877	(741,757)
Total current liabilities	988,634	246,877	(741,757)
Long term loan with financial institution	552,371	165,225	(387,146)
Long term loan in restructuring process	-	278,874	278,874
Restructured account payable with suppliers	36,301	36,301	-
Other liabilities	13,693	13,693	-
Deferred taxes	160,597	144,667	(15,930)
Estimated account payable on option's exercise	-	21,608	21,608
	1,751,596	907,245	(844,351)
Total liabilities	1,751,596	907,245	(844,351)
Minority interests	36,213	376,111	339,898
	247,200	357,644	110,444
Shareholders' equity	247,200	357,644	110,444
Total liabilities, minority interests and shareholders' equity	2,035,009	1,641,000	(394,009)