

Siderúrgica Venezolana "SIVENSA" S.A.
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FOR IMMEDIATE RELEASE:

SIVENSA THIRD FISCAL QUARTER RESULTS

CARACAS, JULY 30, 2002.. Siderúrgica Venezolana Sivensa S.A. reported, in the third quarter of fiscal 2002 ended June 30, consolidated sales of US\$ 69 million, 25% lower than sales of US\$ 92.3 million corresponding to the same quarter of the preceding fiscal year. Operating profit was US\$ 2.8 million, as compared to an operating profit of US\$ 4.4 million in the April-June 2001 period.

The drop in sales was mainly due to a lower demand of Sidetur's product in the local market, as a consequence of the slowdown induced by the economic measures that have been taken during the year. Vicson's local sales also decreased, although this was partially offset by exports and by its Proalco subsidiary operations in Colombia. Separately, IBH's sales were reduced due to Venprecar's lower production, as explained below.

During the reported period, the exchange rate went from Bs.894,50/US\$ on March 27, 2002 to Bs.1,352.75/US\$ on June 28, 2002. The financial effect of the devaluation on the bolivar-denominated passive monetary position, net, is reflected in the Sivensa financial statements under the *Exchange Gain* and *Equity Participation in Affiliates* lines. These accounts enabled the achievement of a one time positive net results, in accounting and financial terms, in the April-June quarter.

The net profit was US\$ 6.3 million, versus a US\$ 15.4 million net loss recorded in identical period of the preceding fiscal period. This favorable result is due to an exchange gain, which is non-recurrent, unless a new devaluation occurs.

Restructuring of Sivensa and Sidetur's debt

Starting May 30, Sivensa and Sidetur's debt restructuring became effective, according to the scheme approved by the extraordinary shareholder's meeting held on January 25, 2002. The tranches of the debt are: Tranch A, for US\$ 129 million¹, at Libor rate + 3,5%, and tranche B, for US\$ 125 million, which does not generate interest. The restructuring matures in September 2007. The payment plan, Tranche A's 3,5% spread over the Libor rate, and Tranche B's non-generation of interest, among other aspects of the agreement, could allow the company to comply with its financial obligations during the valid period of this agreement, as long as the market behavior premises are realized.

Steel products tariff increase

The imports tariff partial modification regulation, which is being applied since April to several steel products, was renewed starting July 5 for three additional months. Faced with

¹ The difference between Tranche A's original amount of US\$ 121 million and the final amount of US\$ 129 million is owed to interest accrued from September 30, 2001, until the closing date, May 30, 2002.

the expectation that the tariff protection is extended in the main producing countries, Venezuela's Production and Commerce Department is now processing with the Office of Secretary of the Andean Community of Nations, the extension of the tariff partial modification application period for an additional year.

ANALYSIS BY BUSINESS SECTOR

Steel Sector

Sidetur's sales of US\$ 32.6 million, showed a 39% decrease with respect to the April-June quarter of the prior year. In Venezuela, the impact of the reduction in public expenditure, the high interest rates and the bolivar devaluation continued affecting the general economic activity, and particularly the construction sector, which is the Division's main market. In order to partially compensate the lower sales volume in the local market, Sidetur's strategy has been geared to increasing exports in its markets of influence, especially in the Andean Community, Central America and the Caribbean. This strategy is supported on the efficiency and productivity gained thanks to the continued cost reduction efforts, and on the fact that the exchange rate became more competitive.

Pre-reduced Sector

The IBH Division recorded sales of US\$ 15.5 million, as compared to sales of US\$ 17.0 million in the same period of the previous year. Venprecar's production in the April-June period was down 39% from the same period in 2001. The decrease in production was mainly due to the 27-day maintenance halt performed in the month of June and to the operating condition of the gas reformer, of which we have informed in former reports.

Arrangements have been made to replace some key components of Venprecar's gas reformer in March 2003. This expenditure is aimed at correcting a situation that materially impaired Venprecar's production capacity.

Orinoco Iron

Production volume reached by the Orinoco Iron plant in the third fiscal quarter was up 69% as compared to the same period of the preceding year. Train 2 of module 1 completed a 112-day campaign ending June 12. This is the longest campaign reached by a plant train to date. Separately, train 1 of the same module operated 41 days. This campaign was ended due to problems in the heating furnaces. However, its operation re-started in June, after a short period for maintenance and repair. Our briquettes have continued to comply with our commercial standards.

The carbonate re-boilers of Module 1 that were replaced in the previous quarter (January-March) have shown a satisfactory operating performance. Module 2's new re-boilers were received at the plant, but installation is pending.

In order to execute certain repairs in Module 1, and to diminish cash disbursements, some parts of Module 2 have been utilized. These parts will be purchased before module 2 restarts operations. Timing will depend on market conditions and on the financial situation of the company.

On May 31, 2002, Orinoco Iron settled a transaction dispute with a client. As a result, the sales agreement was modified in a manner satisfactory to both parties, allowing for a continuation of our relationship.

Talks with our banks, BHP Billiton and our suppliers have continued as part of our efforts to restructure Orinoco Iron's debt. Similarly, a strategy geared to strengthen the share structure of the company is also being pursued.

It is worthy to mention that, during the quarter, some signals of a potential shortage of natural gas and pellets were observed. The closing of oil wells and the consequent diminishment in associated gas production have caused the scarcity of natural gas. PDVSA Gas, according to its commitment with the national industry, is doing its best effort to solve the problem through the opening of alternate sources of gas. Separately, the potential insufficiency of pellets is due to the startup of a new briquette producer and to the limited pellets production capacity in the country. CVG Ferrominera Orinoco is implementing plans to increase its pellets production, and, at the same time, is negotiating a higher volume of pellets with another producer. Nevertheless, we can not assure that an eventual scarcity of these raw materials will not affect the production of briquettes at Venprecar and Orinoco Iron plants.

Wire Sector

During the quarter, Vicson's consolidated sales of wire and wire products were US\$ 20 million, 5% lower than those reported in the same quarter of the preceding year. The main feature of this quarter was the drop of the demand in the Venezuelan market, especially since the second half of May. This was partially offset by the increase of sales in the export markets and in Vicson's operations in Colombia. Towards the end of that month, the plants located in Venezuela began to apply reduced working days (one day less per week) in order to adjust the costs and production to the lower product demand.

Siderúrgica Venezolana Sivensa S.A. engages in steel making and metalworking activities for the domestic and export markets. Through its three divisions it manufactures semi-finished and finished steel products for the rolling and construction industry respectively, iron-ore briquettes for the steel sector and wire for industrial and agricultural use. Sivensa's partners are: Bekaert , BHP Billiton, Ferrominera Orinoco and the members of the Amazonia Consortium (Techint, Hylsamex, Tamsa, Siderar and Usiminas). Sivensa's labor force as of June 30, 2002 was 2,737 workers.

Siderúrgica Venezolana "SIVENSA", S.A. and its Subsidiaries
US GAAP Financial Statements
Consolidated Balance Sheet
In thousands of US \$

ASSETS	June 30,	
	2002	2001
Current assets:		
Cash	9,029	6,654
Temporary investment	11,882	14,360
Commercial accounts receivable net	24,600	34,719
Other accounts receivable partners and related companies	10,144	8,194
Accounts receivable Draw Back and ICSVM	2,754	2,866
Other accounts receivable	4,539	9,037
Advances to suppliers	2,728	2,068
Inventories	42,129	52,932
Prepaid expenses and deferred tax	4,811	4,567
TOTAL CURRENT ASSETS	112,616	135,397
Long term accounts receivable	4,104	3,001
Property plant and equipment, net	213,928	234,366
Investments		
Equity securities and land	49,058	6,888
Shares accounted for by the equity method	37,498	112,748
Long term deferred taxes	2,538	14,219
Long term inventories	8,276	9,159
Deferred charges and other assets	14,557	15,492
TOTAL ASSETS	442,575	531,270
LIABILITIES and SHAREHOLDERS' EQUITY		
Current liabilities:		
Bank loans	11,159	11,834
Current portion of long term loans	710	28,405
Suppliers and other commercials	16,205	31,809
Other accounts payable partners and related companies	23,287	26,773
Profit sharing, vacations and other personnel accruals	5,448	11,202
Taxes	3,101	3,832
Other current liabilities	10,260	27,741
TOTAL CURRENT LIABILITIES	70,170	141,596
Long term loans	254,519	198,551
Employee termination benefits, net	6,485	8,605
Other liabilities	6,016	5,029
TOTAL LIABILITIES	337,190	353,781
Minority interests in subsidiaries	69,901	83,647
Shareholders' equity	35,484	93,842
TOTAL LIABILITIES, MINORITY INTERESTS AND SHAREHOLDERS' EQUITY	442,575	531,270

Siderúrgica Venezolana "SIVENSA", S.A. and its Subsidiaries
US GAAP Financial Statements
Consolidated Income Statement
In thousands of US \$

	Quarter ended	
	June 30, 2002	June 30, 2001
Net Sales	69,054	92,319
Cost of Sales	(55,260)	(69,402)
Depreciation and Amortization	<u>(5,373)</u>	<u>(6,792)</u>
Gross Profit	8,421	16,125
General and Administrative Expenses	<u>(5,644)</u>	<u>(11,705)</u>
Operating Income	2,777	4,420
Interest and other financial expenses	(8,957)	(11,594)
Foreign exchange gain (loss), net	<u>12,814</u>	<u>673</u>
Total Financing costs	3,857	(10,921)
Other Income (expenses), net	<u>(428)</u>	<u>(535)</u>
Income (loss) before taxes	6,206	(7,036)
Estimated Taxes	<u>(1,097)</u>	<u>(2,131)</u>
Income (loss) before participation and minority interest	5,109	(9,167)
Equity results of affiliates	4,634	(12,800)
Minority interests in subsidiaries	<u>(3,472)</u>	<u>4,961</u>
Income (loss) before extraordinary loss	<u>6,271</u>	<u>(17,006)</u>
Net result from discontinued operation	<u>0</u>	<u>1,619</u>
Net Income (loss)	<u>6,271</u>	<u>(15,387)</u>

Siderúrgica Venezolana "SIVENSA", S.A. and its Subsidiaries
US GAAP Financial Statements
Consolidated Income Statement
In thousands of US \$

	Nine months ended	
	June 30, 2002	June 30, 2001
Net Sales	200,561	250,350
Cost of Sales	(164,034)	(198,039)
Depreciation and Amortization	(15,644)	(17,991)
	<u>20,883</u>	<u>34,320</u>
Gross Profit		
General and Administrative Expenses	(19,151)	(30,053)
	<u>1,732</u>	<u>4,267</u>
Operating Income		
Interest and other financial expenses	(23,368)	(30,146)
Foreign exchange gain (loss), net	13,573	1,230
Total Financing costs	(9,795)	(28,916)
Other Income (expenses), net	(893)	(785)
	<u>(8,956)</u>	<u>(25,434)</u>
Loss before taxes		
Estimated Taxes	(1,628)	(4,101)
	<u>(10,584)</u>	<u>(29,535)</u>
Loss before participation in affiliates and minority interest		
Equity results of affiliates	(16,792)	(42,894)
Minority interests in subsidiaries	5,744	14,834
	<u>(21,632)</u>	<u>(57,595)</u>
Loss before extraordinary item		
Net Result from discontinued operation	0	(7,617)
	<u>(21,632)</u>	<u>(65,212)</u>
Net loss		