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### **SIVENSA REPORTS RESULTS FROM THIRD QUARTER OF FISCAL YEAR 2006**

CARACAS, JULY 31 2006. Siderúrgica Venezolana "SIVENSA" S.A. reported consolidated sales for the third quarter of fiscal year 2006, ended last June 30, for US\$ 228 million, which amount is compared to the sales for US\$ 243 million in the same quarter of the preceding fiscal year. An operating loss of US\$ 7 million was recorded, compared with the operating profit of US\$ 58 million for the term April-June 2005. The net loss attributed to the shareholders of Sivensa was for US\$ 6 million, compared with the US\$ 54 million net profit attributed to Sivensa's shareholders during the same term of the preceding fiscal year.

The consolidated results were affected by the loss of subsidiary IBH (financially independent from the other subsidiaries of Sivensa), which reported an operating loss of US\$ 31 million and a net loss of US\$ 37 million; Sivensa participates by 67.8% of this latter loss. Particularly, the IBH's quarterly results were affected by the unavailability of the discounts contemplated in the Agreement for the Assurance of Raw Materials (CAMP). As explained in previous quarterly reports, Venprecar and Orinoco Iron have long-term contracts for the supply of iron ore. According to such contracts, the price of raw materials should be calculated based on the price of iron ore in the international market, with some elements in the calculation formula that prevented the price from growing more than an international inflation index for producers. In 2005, the prices of iron ore grew much more than said index, so the prices of raw materials in Venezuela resulted substantially lower than the reference price in the international market. In November 2005, the Ministry of Basic Industries and Mining (MIBAM) announced that, starting on December 2005, there would apply a price representing 100% of the international price of this raw material, and it set as condition for applying a discount in the range between 20% and 30%, that Venprecar and Orinoco Iron sign the relevant amendments of the current supply agreements, as well as an Agreement for the Assurance of Raw Materials (CAMP), which is applicable to every Venezuela briquettes producer.

If such contracts would have been in force during the quarter under analysis, Sivena would have recorded an operating profit of US\$16 million and a net profit attributed to its shareholders of US\$ 9 million. Given the restrictions related to IBH's financing contracts, a negotiation process was required in order to authorize signing the CAMP and the amendments of the supply agreements. Finally, today, July 31, 2006, this agreement was signed, so Venprecar and Orinoco Iron expect to obtain the discounts set forth in the CAMP.

### **International Market:**

The international price of steel had an increasing trend during the April-June quarter, reaching a new record in June. This behavior was due, among other factors, to the growth of the activities in the construction industry in Europe and the United States, and to restrictions in the worldwide offer of steel. Given the boom of the steel market, and in view of the need to ensure raw material inventories, the price of metallics also increased during this quarter. This positive variation will be reflected in the billings of subsidiary IBH pertaining to the next quarter (July-September 2006).

## **ANALYSIS PER BUSINESS SECTOR**

### **Steel Sector**

Sidetur's sales for the quarter April-June 2006 were for US\$ 112 million, 7% above those recorded for the same term in the preceding fiscal year. Local sales showed an increase of 19%, due to the growth of Venezuela's economic activity, driven by the high prices of oil, the increase of monetary liquidity and the decrease of interest rates. These conditions have favored the increase of construction activities and, particularly, public works.

### **Wire Sector**

Vicson's sales of wire and wire products in this quarter totaled US\$ 39 million, which amount is 9% higher than the US\$ 36 million recorded for April-June 2005. This behavior is due mainly to the increased sales demand in the local market, especially in the manufacturing sector.

### **Pre-reduced Sector**

Sales of subsidiary IBH were for US\$100 million, compared with US\$115 million in the same quarter of the preceding year. As explained at the beginning of this report, the most significant impact in costs of this subsidiary during this quarter was due to the unavailability of the discounts offered by CAMP. Additionally, this year there was a new increase in the international reference, so both effects are felt in this quarter. Thus, the change of the clauses of the supply agreement by the supplier, plus the increase in the international price, explain the following cost increases with regard to the same quarter of the preceding year: fines: 169%, pellets: 54%, and lumps: 107%<sup>1</sup>. The impact of such cost increases for subsidiary IBH was of US\$ 43 million.

### **REFINANCING OF SIDETUR'S DEBT AND REPURCHASE OF SHARES**

As was announced in due time, last May 3, subsidiary Siderúrgica del Turbio, S.A. SIDETUR, 100% owned by Sivensa, successfully completed the placement of bonds in the international market for US\$ 100 million, in addition to obtaining a short-term loan for US\$ 32 million, which transactions in the aggregate constitute a new debt refinancing for this subsidiary and allowed redeeming 15% of Sivensa's shares that were held by the banks since the restructuring agreed in 2002.

This refinancing was possible thanks to the recovery undergone by Sidetur over the last three years, within the context of a greater demand of products in the Venezuelan market, the better performance of the national steel industry and the results of a major program for optimizing operations.

With this refinancing, the golden share and the restrictions for making investments in fixed assets that were imposed under the 2002 restructuring were eliminated: Sidetur plans to carry out a program to be executed over the next 3 years for an approximate amount of US\$ 80 million, which contemplates investments in plant and equipment, improvements in the environmental systems and the expansion of the installed capacities.

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<sup>1</sup> Orinoco Iron's plant uses fines as raw material. Venprecar's plant uses a mix of lumps and pellets.

Additionally, the refinancing will allow Sivensa to normalize its dividend policies, which was restricted by the previous contracts with the creditor banks.

### TERNIUM'S SHARES

As reported in the 2005 Annual Report, in November that year, Sidetur exchanged its shares in Consorcio Amazonia for shares in Ternium. In February 2006, the Ternium shares were registered with the New York Stock Exchange as ADRs. As a result of this exchange, as of this date, Sivensa owns 3.38 million ADRs in Ternium. At June 30, 2006, Sivensa's position in Ternium was valued at US\$ 81.7 million. For more information, visit [www.ternium.com](http://www.ternium.com).

### EVENT SUBSEQUENT TO THE REPORTED QUARTER

As reported in the quarterly letter for the term January-March, the production of Venprecar's plant has been affected by the failures in the pellets supply. To alleviate this situation, Venprecar has started to import pellets for its operations. The first pellets shipment was received on July 1<sup>st</sup>, which allowed the plant to produce at full capacity. Since the pellets shortage in Guayana is deemed to continue until the end of this fiscal year, regular imports of this raw material have been programmed until December. However, considering the high import costs, the economic feasibility thereof will be subject to the prices of briquettes in the international market.

*Siderúrgica Venezolana SIVENSA S.A. is a Venezuelan corporation that is made up of three business units: Sidetur, engaged mainly in the manufacturing of steel products for the construction, manufacturing and infrastructure industries; International Briquettes Holding, IBH, whose plants Venprecar and Orinoco Iron produce reduced iron briquettes to be used as high-quality raw material in the siderurgical industry; and Vicson, which manufactures wire and wire products for the manufacturing, construction, agriculture and infrastructure sectors. Sivensa's partners are: Belgian company Bekaert Corporation in the Vicson division, and Venezuelan company CVG Ferrominera Orinoco in the IBH division. Sivensa's labor force at June 30, 2006 was of 3,642 workers.*

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*ESTIMATED” OR NEGATIVE EXPRESSIONS OF THESE TERMS AND SIMILAR TERMS. THESE DECLARATIONS INVOLVE RISKS THAT ARE BOTH KNOWN AND UNKNOWN, UNCERTAINTIES AND OTHER FACTORS THAT MAY CAUSE THE ACTUAL RESULTS, ACTIVITY LEVELS OR PERFORMANCE TO VARY SUBSTANTIALLY FROM THOSE DESCRIBED IN THESE STATEMENTS. ALTHOUGH WE BELIEVE THAT THE EXPECTATIONS REFLECTED IN THIS PRESS NOTICE ARE REASONABLE, WE CANNOT GUARANTEE FUTURE RESULTS, ACTIVITY LEVELS, PERFORMANCE OR ACHIEVEMENTS. WE RECOMMEND NOT UNDULY RELYING ON DECLARATIONS ABOUT FUTURE EVENTS, WHICH REFLECT OUR ANALYSIS AND MAY ONLY BE TAKEN UP TO THE DATE HEREOF. WE ASSUME NO OBLIGATION ON THE UPDATING OF THE INFORMATION SET FORTH IN DECLARATIONS ABOUT FUTURE EVENTS.*



**SIDERURGICA VENEZOLANA "SIVENSA", S.A**  
**AND ITS SUBSIDIARIES**  
**Consolidated Balance Sheet**  
**June 30, 2006 and September 30, 2005**  
**(Thousands of US dollars)**

	<b>30-Jun 2006</b>	<b>30-Jun 2005 *</b>
<b>Assets</b>		
<b>Current Assets</b>		
Cash and cash equivalents	93,680	48,153
Trading Securities	-	-
Accounts receivable		
Commercial and other	172,592	142,811
Related Companies	562	329
Advances to suppliers	14,640	14,117
Inventory	91,758	124,568
Restricted Assets	-	394,009
Prepaid expenses and other current assets	3,841	4,724
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Total current assets	377,073	728,711
Revalued property, plant and equipment, net	1,248,993	1,277,032
Investments available for sale	81,695	12,000
Related companies	161	3,704
Deferred taxes	7,073	1,610
Deferred charges and other non-current assets	15,949	16,537
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Total assets	1,730,944	2,039,594
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<b>Liabilities and shareholders' equity</b>		
<b>Current liabilities</b>		
Short-term bank loan	19,961	8,864
Current portion of obligation under capital leasing	2,795	2,709
Current portion of long-term loan	3,626	8,979
Bank loans in restructuring process	-	765,012
Accounts payable		
Suppliers	117,646	113,576
Related Companies	64,641	52,858
Profit sharing, vacation, and other personnel accruals	17,180	13,463
Taxes	-	-
Other current liabilities	23,660	18,411
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Total current liabilities	249,509	983,872
Obligation under capital leasing	1,786	4,581
Bonds	100,000	-
Long-term loans	345,229	562,192
Related companies	17,365	-
Suppliers	1,354	-
Accrual for employee termination benefits, net of advances and loans to employees	12,693	10,470
Other long-term liabilities and accruals	46,379	38,503
Environmental remediation liability	8,504	8,909
Deferred taxes	177,637	160,565
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Total liabilities	960,456	1,769,092
Shareholders' equity	770,488	270,502
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Total liabilities and shareholders' equity	1,730,944	2,039,594
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\* Restructured for comparative purposes



**SIDERURGICA VENEZOLANA "SIVENSA", S.A**  
**AND ITS SUBSIDIARIES**  
**CONSOLIDATED STATEMENT OF RESULTS**  
**Quarters ended June 30, 2006 and June 30, 2005**  
**(Thousands of US dollars)**

	<b>2006</b>	<b>2005*</b>
Net sales		
Exports	110,879	144,268
Domestic	117,348	98,329
	<u>228,227</u>	<u>242,597</u>
Cost of sales	<u>(216,395)</u>	<u>(173,796)</u>
Gross profit	11,832	68,801
General, administrative expenses	(20,733)	(13,164)
Other operating expenses, net	2,386	2,378
Operating profit (loss)	<u>(6,515)</u>	<u>58,015</u>
Interest and other financial expenses	(6,759)	(10,738)
Translation adjustment	(329)	(10,479)
Adjustment in value of long-term loan with financial institution	0	20,755
	<u>(7,088)</u>	<u>(462)</u>
Profit (loss) before taxes	(13,603)	57,553
Taxes	(4,580)	17,531
Profit (loss) before minority interests	<u>(18,183)</u>	<u>75,084</u>
<b>Net profit (loss) attributable to:</b>		
Minority interests in subsidiaries	(11,855)	20,773
Sivensa's shareholders	(6,328)	54,311
	<u>(18,183)</u>	<u>75,084</u>



**SIDERURGICA VENEZOLANA "SIVENSA", S.A**  
**AND ITS SUBSIDIARIES**  
**Consolidated Statement of Results**  
**Nine months ended June 30, 2006 and June 30, 2005**  
**(Thousands of US dollars)**

	<b>Nine months ended June,</b>	<b>2005 *</b>
	<b>2006</b>	
Net sales		
Exports	331,457	434,577
Domestic	307,538	245,195
	<u>638,995</u>	<u>679,772</u>
Cost of sales	<u>(558,794)</u>	<u>(478,065)</u>
Gross profit	80,201	201,707
General, administrative expenses	(47,551)	(38,759)
Other operating expenses, net	3,304	319
Operating profit	<u>35,954</u>	<u>163,267</u>
Interest and other financial expenses	(30,058)	(59,223)
Translation adjustments	(1,163)	28,783
Adjustment in value of long-term loan with financial institution	0	(28,488)
Adjustment of excess of cost over value of equity in subsidiary	0	(26,297)
	<u>(31,221)</u>	<u>(85,225)</u>
Profit before taxes	4,733	78,042
Taxes	(12,978)	(1,970)
Net profit (before minority interests)	<u>(8,245)</u>	<u>76,072</u>
<b>Attributable to:</b>		
Sivensa's shareholders	(21,082)	(10,552)
Minority interests in subsidiaries	12,837	86,624
	<u>(8,245)</u>	<u>76,072</u>

\* Restructured for comparative purposes