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FOR IMMEDIATE DISTRIBUTION

**SIVENSA REPORTS RESULTS FOR THE FIRST QUARTER OF THE PERIOD**

CARACAS, JANUARY 31, 2011

As reported in the 2010 Annual Report the Board of Directors submitted to the Shareholders' Meeting of Sivensa, the most significant event in the reported quarter was the announcement made by the President of the Republic last October 31, 2010 regarding the expropriation of the plants and other industrial assets of our subsidiary Sidetur. The Decree No. 7786 of November 2, 2010 ("Expropriation Decree") was published in the Official Gazette No. 39544 dated November 3, 2010, , which among other matters: i) orders the forced acquisition of the assets (movables, real property and improvements) owned by Sidetur and its subsidiaries and affiliates, consisting of the two Sidetur steel mills (Casima and Barquisimeto plants), four lamination trains in the Lara, Antimano and Guarenas plants, an electrowelded mesh plant, and 15 ferrous scrap collection and processing centers; ii) states that the expropriated property will be transferred, free of liens or limitations, to the proprietorship of the Bolivarian Republic of Venezuela, for the purpose of carrying out the "Bolivarian Steel Complex;" and (iii) indicates that the Ministry of the People's Power for the Basic Industries and Mining (MIBAM) is in charge of the implementation of the aforesaid decree.

On November 2, 2010, the Institute for the Defense of Persons in the Access to Goods and Services (INDEPABIS) issued Administrative Order No. 422, which dictates a preventive measure of "temporary occupation and operability" for the Antimano plant. At the present time, INDEPABIS and MIBAM monitor, on a daily basis, the production and sales of such plant.

On November 3, 2010, the National Securities Superintendency (*Superintendencia Nacional de Valores*) ordered the temporary suspension of the negotiation of Sivensa shares until the scope of the Expropriation Decree can be ascertained. On the issuance date of this Report, said suspension is still in place.

On November 18, MIBAM informed Sidetur regarding the creation of a High Level Commission to conduct negotiations pursuant to the provisions of the Expropriation Decree, designating its representatives. On November 19, 2010, Sidetur notified MIBAM regarding the designation of its own representatives in said Commission in order to move forward with said negotiations.

On November 22, 2010, the above mentioned Commission met to discuss, among other matters, various matters related to the properties that were the object of the expropriation measure pursuant to the Expropriation Decree, as well as maintaining production at the plants and various aspects related to raw material supply and labor relations.

On December 2, 2010, the Office of the Attorney General of the Bolivarian Republic of Venezuela, in executing the Expropriation Decree, published a notice in Diario VEA and other printed regional media, which was addressed to the owners, holders and, in general, all persons having any right or interest in the properties that were the object of the forced acquisition as identified in the content of the Expropriation Decree as well as in the notice itself, summoning those persons to appear before said Office within thirty days of the date of publication of the above mentioned notice. The notice indicates that the properties being the object of the forced acquisition are the following: two steel mills producing billets (Casima plant and Barquisimeto plant), four billet lamination trains producing reinforcement bars, beams, angles and flat bars (Lara plant, Antimano Plant and Guarenas plant), one plant producing electrowelded mesh, wire and Sidepanel construction systems (Valencia plant), and fifteen ferrous scrap collection and processing centers.

On December 20, 2010, within the legal timeframe provided for in Article 22 of the Expropriation Law and in the above-referred notice, the judicial representation of Sidetur appeared before the Office of the Attorney General of the Republic in order to formally become a party to the expropriation process, evidence the ownership of the assets (movables, real property and improvements) identified in Article 1 of the Expropriation Decree and submit the pertinent documentation.

In the first quarter of fiscal year 2011, ended December 31, 2010, Sivensa reported consolidated sales for Bs. 317.7 million, Bs. 9.5 million above compared to the consolidated sales in the same quarter of the prior year. The Company recorded net income before integral financial benefits (cost) for Bs. 24.6 million, compared to a loss of Bs. 11.54 million in October-December 2009 period. The quarter net income was of Bs. 14.9 million, compared to the loss of Bs. 38.7 million in the same period of last year.

The financial statements and their notes attached hereto are in Bolivars adjusted for inflation as

of December 31, 2010, in accordance with the Standards for Preparation of Financial Statements of Organizations under the Control of the National Securities Commission (currently the SNV, National Securities Superintendency)<sup>1</sup>. The adjustment factor used was the percentage variation of the National Consumer Price Index (INPC), which was 27.18% in the 12-month period, ended December 31, 2010.

On December 30, 2010, as per Foreign Exchange Agreement No. 14, the National Executive agreed a change in the national exchange scheme effective January 1, 2011 with the Central Bank of Venezuela, whereby the official fixed exchange rate would be changed from 2.60 Bolivars per US Dollar, available to some economic sectors listed in Foreign Exchange Agreement No. 14 of January 8, 2010, to 4.30 Bolivars per US Dollar for purchases in foreign currency by such sectors, thus unifying the national exchange rate. The effects such change may have on the financial statements will be reflected in the next quarter.

#### ANALYSIS OF RESULTS OF THE QUARTER

The consolidated results of Sivensa include the accounts of Sidetur subsidiary and the operations of IBH subsidiary in the first quarter ended December 31, 2010. The consolidated results of Sivensa in the first quarter ended December 31, 2009 do not include the results of companies Venprecar and Orinoco Iron, under a “nationalization” process, due that the results of these companies were consolidated as of June 30, 2009.

Following are the most significant aspects of the consolidated statement of income:

Net Sales: Sivensa’s sales during the quarter totaling Bs. 317.7 million were generated in their entirety by the sales of its subsidiary, Sidetur. The Company’s sales increase was of Bs. 9.5 million, over the same quarter of prior year.

Gross Profit: The gross profit of the quarter was Bs. 73.4 million, representing an increase of Bs. 27.2 million as compared to the October-December 2009 quarter of Bs. 46.1 million.

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<sup>1</sup> As reported on May 4, 2010, since according to the International Financial Reporting Standards (IFRS) Sidetur, the main subsidiary of Sivensa, used the Bolivar as functional currency, Siderurgica Venezolana “Sivensa” decided to report and prepare its Quarterly Reports from that date on in Bolivars only, under the Standards for Preparation of Financial Statements of Organizations under the Control of the National Securities Commission (currently the SNV, National Securities Superintendency) (the “Standards for Preparation of Financial Statements”). In the past, the Quarterly Reports made reference to results translated into US Dollars in accordance with the “Management Reporting Standards”, similar to International Financial Reporting Standards, except that the functional currency was the US Dollar for all Company’s subsidiaries. Results in Bolivars of the quarter ended December 31, 2010 and 2009 referred to in this Report were adjusted for inflation as of December 31, 2010.

Profit (loss) before Integrated Financing Benefit (Cost): Profit (loss) before integrated financing benefit (cost) was Bs. 24.6 million as compared to the loss of Bs. 11.5 million in the same period of the prior year. This variation of Bs. 36.1 million with respect to the October-December 2009 quarter is due to the gross profit increase of the Company in the quarter, and the Bs. 18.4 million decrease over the same quarter of the prior year of item “Other operating income (expenses), net” primarily as a result of the decrease in losses from transactions involving securities.

Integrated Financing Benefit (Cost): The integrated financing benefit (cost) during the first quarter was Bs. 4.4 million as compared to the integrated financing cost of Bs. 21.8 million recorded for the same period of prior year. The variation of Bs. 26.3 million is primarily due to the Bs. 31.0 million increase in the gain from monetary position due to the impact of inflation on the net monetary position of the Company in the quarter.

Taxes: In the reported quarter, this expense was of Bs. 10.7 million compared to Bs. 11.5 million in the same period of the prior year. The Bs. 873 thousand decrease is due to a greater income tax provision of Sidetur subsidiary partially offset by the income increase recorded in the “Deferred income tax” item.

Minority Interest in Subsidiaries: This account reflects the 31.46% share of IBH minority shareholders in the results of the operations of said subsidiary. In the quarter, said share in the results of the operations was a loss of Bs. 3.5 million compared to the Bs. 6.2 million gain recorded in the same period of the prior year.

Net Income (Loss): In the first quarter of fiscal year 2011, this result represented a profit of Bs. 14.9 million compared to the loss of Bs. 38.7 million of the same period in fiscal year 2010. The variation of Bs. 53.6 million is primarily due to the net income before integrated financing benefit (cost) increase in the first quarter of fiscal year 2011, as described above.

#### RELEVANT ASPECTS IN THE STEEL SECTOR

As reported in our letter of March 12, 2010, the representatives of one of the two labor unions that now exist at the Casima billets plant located in Puerto Ordaz, which is owned by Sidetur, stopped all activity at the plant claiming certain alleged deficiencies in industrial security and hygiene conditions. On July 8, Sidetur and union representatives reached an agreement that provided the conditions to restart operations. The plant restarted operations on November 11, 2010, and on the date of this Report is moving toward regular production with some difficulties due to metallic availability.

## OTHER LINES OF BUSINESSES

As a result of the “nationalization” of Venprecar and Orinoco Iron subsidiaries, IBH maintained its international sales of products for industrial sectors, which were affected by the decrease in the demand of its products and services.

## SOCIAL RESPONSIBILITY

During October-December 2010, the Company, the Fundametal Center for Professional Training, and our subsidiary Sidetur continued to advance programs aimed to promote a better quality of life of their employees and the community. The main activities undertaken during the period are as follows:

### Communities

Through the *Steel with Added Value* program, Sidetur made contributions and sales of materials at discounted prices to institutions and organized communities of the communities promoting a better quality of life and suitable local development. During the quarter, the program donated approximately 5 metric tons of diverse products to different institutions and the injured by rains of November from Antimano.

### Education and Sports

The “Apoyo con Valor social” (Support with Social Value) program promoted by Sidetur, benefitted the children and students of several communities in Barquisimeto by the donation of printing equipment, toys and materials for the construction of a theater. Likewise, the *Civic Leaders* program was maintained with the new project of the neighbor school “Valores e integracion Comunitaria” (Community Values and Integration) benefitting approximately 25 community leaders in different communities in Barquisimeto. This program aims to promote community organization and participation as a mean to promote local development.

### Fundametal

Apprentices of the three offices and the different educational programs of the Fundametal Professional Training and Consulting Center dedicated about 11,300 hours of social work with children and the elderly in different institutions of Caracas, Valencia and Guayana. The institutions benefitted from the work of the apprentices of Fundametal in the quarter were: C.E.I.B. “Fernandez Suarez”, Valencia; school “ Manuel Carlos Piar” and “Centro de Rehabilitacion Motora” (Motor Rehabilitation Center) of Funcrima Foundation, Guayana; and hospital school “J.M. de los Rios”, and Fundacion Hogar “Maria Paez”, Caracas. Likewise,

under the *Microsoft Agreement*, the company gave approximately 300 hours in training on computer tools in the reported quarter.

*Siderurgica Venezolana SIVENSA S.A. is a Venezuelan corporation with two business units: Sidetur, mainly engaged in the manufacture of steel products for the construction, manufacturing and infrastructure industries, and International Briquettes Holding, IBH, which following the nationalization announcement of its Venprecar and Orinoco Iron plants, is engaged in the sale of different products intended for industrial sectors, including machinery, industrial parts, raw materials, and intermediate and finished products. As of December 31, 2010, Sivensa had 1,856 employees.*



**SIDERURGICA VENEZOLANA "SIVENSA", S.A AND ITS SUBSIDIARIES**  
**CONSOLIDATED FINANCIAL STATEMENT**  
**DECEMBER 30, 2010 AND 2009**

(Thousands of Bolivars as of December 31, 2010)

	<u>2010</u>	<u>2009</u>
<b>Assets</b>		
<b>Current Assets</b>		
Cash and cash equivalents	221.474	220.308
Marketable securities	-	-
Accounts receivable:		
Trade and other	244.447	157.228
Related companies	2.163	1.413
Advances to suppliers	77.964	97.896
Inventories	241.330	332.081
Pre-paid expenses and other current assets	13.520	3.883
	800.898	812.809
<b>Total current assets</b>	<b>800.898</b>	<b>812.809</b>
Property, plant and equipment, net	1.167.721	1.276.501
Available for sale investments		
Investments in preferred shares	21.750	60.220
Investments in companies under "nationalization"	3.175.980	3.223.700
Related companies	296.058	152.980
Deferred tax	63.906	52.920
Other non-current assets	3.345	2.217
	5.529.659	5.581.347
<b>Total assets</b>	<b>5.529.659</b>	<b>5.581.347</b>
<b>Liabilities and shareholder's equity</b>		
<b>Current liabilities</b>		
Short term bank loans	-	182.989
Current portion of bonds payable	21.500	13.672
Accounts payable		
Suppliers	131.480	136.215
Related companies and shareholders	3.460	6.066
Profit sharing, vacation and other personnel accruals	28.852	32.114
Income tax	15.564	12.771
Other current liabilities	111.876	65.147
	312.732	448.974
<b>Total current liabilities</b>	<b>312.732</b>	<b>448.974</b>
Bonds payable	340.650	227.361
Accrual for termination benefits, net of advances and loans to employees	10.885	36.408
Other long term liabilities and accruals	84.332	134.246
Deferred income tax	482.567	326.439
	1.231.166	1.173.428
<b>Total liabilities</b>	<b>1.231.166</b>	<b>1.173.428</b>
Minority interests in subsidiaries	925.790	995.814
	925.790	995.814
<b>Equity</b>		
Capital stock- Nominal	105.049	105.890
Inflation adjustment	1.231.796	1.262.596
Treasury stock	-	(16.984)
Share premium	128.583	146.990
Net effect of combination (merger) of subsidiaries	523.965	552.512
Result from holding nonmonetary assets	(875.545)	(910.927)
Difference between fair value and cost of shares of subsidiaries	1.636.077	1.725.211
Unappropriated earnings		
Legal reserve	133.825	136.847
Available	488.953	409.970
	3.372.703	3.412.105
<b>Total equity</b>	<b>3.372.703</b>	<b>3.412.105</b>
<b>Total liability, minority interests and equity</b>	<b>5.529.659</b>	<b>5.581.347</b>



**SIDERURGICA VENEZOLANA "SIVENSA", S.A. AND ITS SUBSIDIARIES**  
**CONSOLIDATED FINANCIAL STATEMENT**  
**THREE MONTHS ENDED DECEMBER 2010 AND 2009**

(Thousands of constant Bolivars as of December 31, 2010)

	<u>2010</u>	<u>2009 *</u>
Net sales	317,733	308,231
Cost of sales	<u>(244,323)</u>	<u>(262,115)</u>
Gross income	73,410	46,116
General, administrative expenses	(48,483)	(38,915)
Other operating income (expense) net	<u>(272)</u>	<u>(18,676)</u>
Profit (loss) before Integrated Financing Benefit (Cost)	<u>24,655</u>	<u>(11,475)</u>
<b>Integrated Financing Benefit (Cost)</b>		
Interest and other financial expense, net	(3,142)	(2,556)
Exchange gain (loss), net	(4,265)	(85)
Gain (loss) from net monetary position	<u>11,834</u>	<u>(19,193)</u>
	<u>4,427</u>	<u>(21,834)</u>
Income (loss) before tax and minority interest in subsidiaries	<u>29,082</u>	<u>(33,310)</u>
<b>Income tax</b>		
Current	(16,596)	(13,576)
Deferred	5,890	1,997
	<u>(10,706)</u>	<u>(11,579)</u>
Income (loss) before minority interest in subsidiaries	18,376	(44,889)
Minority interest	<u>(3,463)</u>	<u>6,178</u>
<b>Net income (loss)</b>	<u>14,913</u>	<u>(38,711)</u>

\* Reclassified for comparative purposes