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SIVENSA REPORTS RESULTS FROM FIRST QUARTER OF FISCAL YEAR 2006

CARACAS, JANUARY 31, 2006. Siderúrgica Venezolana "SIVENSA" S.A. reported consolidated sales in the first quarter of fiscal year 2006, ended last December 31, for US\$ 204 million, similar to the sales of US\$ 203 million recorded for the same quarter of the preceding fiscal year. The operating profit was US\$ 26 million, compared to US\$ 52 million in the quarter October-December 2004. The net profits that may be attributed to Sivensa's shareholders were of US\$ 13 million, compared to US\$ 16 million in the same term of the preceding fiscal year.

The reduction in the operating results was due mainly to IBH's performance during the quarter. This division was affected by:

- The increase in the prices of iron ore, as of December 1, 2005, in the following percentages: fines: 126%; lumps: 74%, and pellets: 59%. As explained in the Board of Directors' Report to the Shareholders' Meeting of IBH held last January 26, the approval by the banks is required in order to sign the Raw Materials Securing Agreement (CAMP), which derives from the Decree on Raw Materials issued by the Presidency of the Republic on September 2005. As per the instructions issued by the Ministry of Basic Industries and Mining (MIBAM), CVG Ferrominera Orinoco began to apply the increases referred to above to all the companies that, by last December 21 still had not signed the CAMP. Once the CAMP is signed, the discounts provided in the Agreement are expected to be obtained.
- Insufficient supply of pellets to Venprecar's plant and fines to Orinoco Iron's plant, which seriously affected the production volume at both facilities.
- The reduction in the prices of briquettes in the international market.

On the other hand, the *Interest and other financing expenses* went from US\$ 59 million in the quarter October-December 2004, to US\$ 10 million in the comparable quarter for the following year. This variation is due mainly to: 1) extraordinary expenses related to the settlement agreement between BHP Billiton, IBH and the banks in the last quarter of 2004, which are not recurring expenses, and 2) minor interest accrued in the quarter under analysis due mainly to a reduction of the IBH's debt from US\$ 808 million in December 2004, to US\$ 308 million at

December 31, 2005. This debt reduction took place in the last quarter of fiscal year 2005, as part of the agreements with the banks and the merger between Venprecar and Orinoco Iron.

Thanks to the reduction in financing costs, the decline of the net profit was only 19%, even though the operating profit fell by 51%.

International Market:

During the quarter, there was a trend towards decreasing international prices of flat and long steels. In response, some steel industries have reduced their production in order to maintain the price and preserving their margins. This voluntary reduction in production has caused the lower demand of metallics, and consequently, a lower price in reduced iron briquettes.

The briquettes unloaded on barges at the port of New Orleans, U.S.A., recorded an average reference price of US\$235/MT in the quarter October-December 2005, as compared to US\$230.7/MT in the immediately preceding quarter (July-September 2005), and to US\$341.7/MT in the same term of the preceding year (October-December 2004)¹.

ANALYSIS PER BUSINESS SECTOR

Steel Sector

Sidetur's sales in the quarter October-December 2005 were of US\$ 88.2 million, 27% higher to those recorded in the same period of the preceding fiscal year. This increase is due to the increase in sales volume to the domestic and export markets.

Wire Sector

The wire and wire products sales of Vicson and its subsidiary Proalco for this quarter were of US\$ 28.1 million, which is a figure similar to that recorded in the term October-December 2004, for US\$ 27.7 million. This reflects prices that are relatively stable and slight variations in the sales volumes placed in the Venezuelan, Colombian market (attended directly by the subsidiary Proalco, located in Colombia) and in the export markets.

Directly Reduced Iron (DRI) Sector

International Briquettes Holding reported sales for US\$ 92 million in the term October-December 2005, compared to sales for US\$ 104.8 million for the same period of the preceding fiscal year. This reduction was due mainly to the dearth in raw material, which prevented a larger production, and to the reduction in the sales prices, as commented above.

¹ Averages calculated by Orinoco Iron based on the monthly data published by the CRU-Monitor / Steel, metallics, scrap, dri & pig iron.

Venprecar:

The production of this plant in the quarter under analysis was of 203,278 MT, as compared with the production of 209,295 MT obtained in the same term of the previous fiscal year.

Orinoco Iron:

This plant produced 292,595 MT in the term October-December 2005, compared to 243,954 MT in the same term of the preceding fiscal year.

On January 15, 2006, the screening and crushing system of Orinoco Iron began operations with satisfactory results to this date. This system allows a better control of the granulometrics of the fines used as raw material in the direct reduction process.

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 steel 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 December 31, 2005 was of 3,377 workers.



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

CONSOLIDATED BALANCE SHEET

(Thousand of US dollars)

According to International Financial Reporting Standards (I.F.R.S.)

	<u>2005</u>	31-Dec <u>2004</u>
<u>Assets</u>		
Current Assets		
Cash and cash equivalents	71,914	72,746
Accounts receivable		
Commercial and other	158,978	120,402
Related companies	340	4,046
Advances to suppliers	10,560	15,042
Inventories	93,789	105,282
Restricted assets	-	173,692
Pre-paid expenses and other assets	9,420	4,906
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Total current assets	345,001	496,116
Investments available for sale	30,000	12,000
Property, plant and equipment, net	1,258,846	1,279,515
Related companies	161	1,929
Deferred tax	21,060	1,049
Deferred charges and other non-current assets	8,176	14,562
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Total assets	1,663,244	1,805,171
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<u>Liabilities and shareholders' equity</u>		
Current liabilities		
Short-term bank loans	6,562	18,704
Current portion of long-term loans	1,896	374,116
Accounts payable		
Suppliers	102,491	102,564
Related Companies	24,250	64,440
Profit sharing, vacation and other personnel accruals	9,353	8,013
Taxes	-	9,934
Deferred income tax	6,120	-
Other current liabilities	10,545	21,579
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Total current liabilities	161,217	599,350
Long-term loans	446,884	816,421
Accounts payable related companies	27,960	-
Long-term supplier	7,937	-
Accrual for employees termination benefits, net of adv:	10,081	9,302
Other long-term liabilities and accruals	45,764	45,398
Deferred taxes	172,791	162,043
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Total liabilities	872,634	1,632,514
Shareholders' equity*	790,610	172,657
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Total liabilities and shareholders' equity	1,663,244	1,805,171
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* The shareholders' equity is comprised of: US\$ 533 million corresponding to SivenSA's shareholders and US\$ 257,6 million corresponding to minority interests in subsidiaries.



**SIDERURGICA VENEZOLANA "SIVENSA", S.A
AND ITS SUBSIDIARIES
CONSOLIDATED STATEMENT OF RESULTS**

(Thousand of US dollars)
According to International Financial Reporting Standards (IFRS)

	Quarter ended December 31	
	<u>2005</u>	<u>2004</u>
Net sales:		
Exports	118,741	133,557
Domestic	84,874	69,822
	<u>203,615</u>	<u>203,379</u>
Cost of sales	(165,408)	(137,859)
Gross profit	38,207	65,520
General, administrative expenses	(14,663)	(13,398)
Other operating expenses, net	1,976	(322)
Operating profit	25,520	51,800
Interests and other financing costs	(10,094)	(59,445)
Exchange gain (loss), net	-	725
	<u>(10,094)</u>	<u>(58,720)</u>
Profit (loss) before taxes	15,426	(6,920)
Taxes	(4,087)	(8,991)
Profit (loss) net	11,339	(15,911)
Attributable to:		
Sivensa shareholders	13,154	16,171
Minority interests in subsidiaries	(1,815)	(32,082)
	<u>11,339</u>	<u>(15,911)</u>