

From: Siderúrgica Venezolana "SIVENSA" S.A.
Contact: Antonio Osorio
Investor Relations
Phone: 58-212-707.62.80
Fax: 58-212-707.63.52
E-mail: antonio.osorio@sivensa.com



FOR IMMEDIATE DISTRIBUTION:

SIVENSA REPORTS RESULTS OF SECOND QUARTER OF FISCAL YEAR 2005

April 29, 2005

LADIES AND GENTLEMEN: As explained in SivenSA's report for the quarter October-December 2004, on November 5, 2004, our subsidiary IBH and BHP Billiton reached an agreement for the settlement of their association in Orinoco Iron, Operaciones RDI, Brifer and IBMS. Among other results of the agreement, we highlight that from that date, IBH owns 51% of the capital stock of Orinoco Iron. Therefore, according to the accounting standards applicable thereto, IBH began consolidating the results of Orinoco Iron as of the date of the settlement agreement.

The main differences between fiscal years 2005 and 2004 that may be seen in the financial statements that are the subject of this report are mainly due to the fact that they include the results of Orinoco Iron in the quarter January-March 2005, as compared with the consolidated results of SivenSA's companies, without Orinoco Iron, for the term January-March 2004.

International Market:

Steel

In the international market for long steel products, we note a reducing trend as compared with the previous quarter (October-December 2004), as a result of the contraction of the demand in China, and the increase of exports from said country. Early in April, certain incentives for the exportation of Chinese steel bars were eliminated, which could cause a slight recovery in the prices.

Metallics and Briquettes

The briquettes unloaded on the barge in the port of New Orleans, United States of America, reached an average referential price of US\$295.0/MT in the quarter January-March 2005, compared to US\$341.7/MT in the immediately preceding quarter (October-December 2004), and US\$263.3/MT in the same period of the preceding year (January-March 2004)¹. The price reduction vis-à-vis the quarter October-December 2004 was mainly due to the ceasing of pressure on the demand for metallics in the first months of the year, and to an accrual of inventories in the markets of the U.S. and Europe.

Domestic Market:

The level of demand for steel products to be used in the manufacturing, construction and infrastructure sectors has been maintained as part of an improvement in the general economic activity, driven by the increase of public spending, and the effect of the high prices of oil on the Venezuelan economy.

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

Results for the Quarter

Sivensa recorded consolidated sales in the second quarter of fiscal year 2005, ended last March 31, for US\$233.8 million, as compared to the sales for US\$108.4 million in the same quarter of the preceding fiscal year. The operating profit was of US\$55.2 million, compared to an operating profit of US\$21.7 million in the term January-March 2004. A net profit of US\$16.4 million was obtained, higher than the net profit of US\$9.1 million obtained in the same preceding fiscal year.

ANALYSIS ACCORDING TO BUSINESS SECTOR

Steel Sector

Sidetur's sales in the quarter January-March 2005 were at US\$75.9 million, 27% higher than those recorded for the same term in the preceding year. The sales increase is due to the higher international prices of long steel products vis-à-vis the same quarter in the preceding year.

Wire Sector

Vicson sales of wire and wire products in this quarter, including its subsidiary Proalco, with operations in Colombia, were of US\$ 28.9 million, 28% higher than those for the term January-March 2004. The export sales volume, as well as the volume of Proalco's sales, went down with regard to the same term of the preceding year. The increase in Vicson's total sales is explained by the increase of the international prices of wire and wire products.

Pre-reduced Sector

International Briquettes Holding reported sales for US\$ 130.7 million in the term January-March 2005, as compared with sales of US\$ 22.6 million in the same term of 2004. The increase in the value of sales is due to the consolidation of Orinoco Iron in the results, the higher price of briquettes in the international market, and the larger volume of briquettes sold.

Venprecar

Venprecar's production in the quarter under analysis was of 215,327 MT, higher than the production of 165,016 MT obtained in the same term of the preceding fiscal year. The increase of the production level was due to a greater operating availability of the plant. The annual shutdown for maintenance, replacement of equipment and technological update is scheduled for May. Regarding the latter aspect, there is noted the incorporation of a new device to improve the flow of gas and iron ore in the reactor, which will inure in greater productivity.

Orinoco Iron:

Orinoco Iron's plant produced 329,029 MT in the period January-March 2005, compared to 245,400 MT in the same term of the preceding fiscal year. Trains 1, 3 and 4 had the highest productivity achieved since the beginning of the plant's operations, as a result of a greater operating stability. The production for the quarter January-March was the highest recorded by the plant in any quarter to date.

Train 2, which was out of service since September 2004, resumed operations last March 29, after repairs in the gas heater's furnace. To the date of publication of this report, this train has been continuously in operation with optimal production levels. The incorporation of train 2 allowed operating the four trains simultaneously during a scheduled period of one week, which served to evaluate the common peripheral equipment under maximum production conditions.

AMENDMENT OF THE RESTRUCTURING AGREEMENT REGARDING THE DEBT OF SIVENSA (PARENT COMPANY) AND SIDETUR²

As we reported last April 1, on March 31 this year an agreement was reached with the creditor banks to amend the debt restructuring agreement signed in 2002. This amendment will allow SivenSA, among other benefits, to extend the maturity of the debt from September 2007 to December 2009, and maintain within its portfolio strategic businesses that had to be sold under the terms of the agreement prior to this amendment.

In order to make effective the issues contemplated in the amendment, two conditions must be met: 1) that the company make a capital increase, before June 30, 2005, for a bolivar amount equivalent to at least US\$15 million, and 2) that the company pay to the creditor banks, before July 15, 2005, the amount collected through the issue of shares. As an initial step in this process, on April 15 a special shareholders' meeting was held, which approved, among other things, the capital increase for up to 40 billion, 312 million, 500 thousand bolivars.

The issue of the common shares shall be at a price equal to their par value, Bs. 20 each, to be subscribed to by the Shareholders of the company and/or by such third parties as acquire their rights to subscribe to said shares, which may be traded in the Caracas Stock Exchange³. In due time, SivenSA filed with the National Securities Commission (Comisión Nacional de Valores) the documents requesting the authorization for the issue. As of the date of publication of this report, the company is awaiting the approval by said agency.

The amendment of the debt restructuring agreement includes the following terms: the increase of the cost of Tranche A by 1% (from 350 basic points to 450 basic points); the scheduling of gradual migrations from Tranche B (which currently is non-interest bearing) to Tranche A (interest bearing), from April 2005 until April 2007, for up to US\$ 50 million, and the neutrality of the capital increase regarding the shareholding percentage of the banks in the company.

During this quarter, US\$11.1 million were paid as principal of such loan, and the current balance of the debt of SivenSA and Sidetur is US\$199.3 million.

² This agreement does not include the debt of Vicson and its subsidiaries, nor that of IBH and its subsidiaries.

³ More information on the amendment of the debt restructuring agreement and the Subscription Plan may be found in the Report by the Board of Directors to the Special Shareholders' Meeting held April 15, at www.sivenSA.com.ve

ISSUES RELATED TO THE CONSOLIDATION OF ORINOCO IRON'S DEBT

As in the preceding quarter, we have deemed it necessary to explain certain issues related to the consolidation of Orinoco Iron in the financial statements of IBH, and thus, in the financial statements of Sivensa. As noted in the balance sheet, certain items have been recorded that call for an explanation in order to analyze the company's financial position.

On the assets side there is the item *Assets restricted due to enforcement of guaranties* for US\$ 252.2 million⁴, which pertain to the amount of the foreclosure of accounts receivable of Orinoco Iron and Venprecar, which the banks have made as a result of Orinoco Iron's default on the financial agreements. In a financial analysis of the company's net indebtedness, this amount must be deducted from the debt.

In the liabilities, we see: a) *Bank Loans in the process of restructuring* for US\$361.3 million. The management continues negotiating with the creditor banks of Orinoco Iron with a plan to pay said amount according to a long-term schedule. b) *BHP loan assigned to the creditor banks* for US\$393.6 million, which is part of the settlement agreement and the current negotiations, and c) in *Long-term loans with financial institution* there are US\$328.2 million of new loans obtained by Orinoco Iron and Venprecar, valued on a conservative criterion that reflects the case of application of the highest value of the various payment options set for these loans.

Additionally, it must be noted that within the terms reached in the settlement agreement on the occasion of the formal separation of BHP Billiton from Orinoco Iron, which were announced on November 4, 2004, it is provided that an amount equivalent to Orinoco Iron's debt to BHP Billiton, assigned to the banks, may be neutralized in the future, subject to meeting certain conditions.

After the agreement with BHP Billiton for the termination of the association, currently the negotiations are focused on restructuring the debt of Orinoco Iron with the creditor banks. The parties continue progressing in their negotiations.

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 2,717 workers.

⁴ As part of these foreclosures, during the second quarter of fiscal year 2005, balances for US\$25.18 million and US\$53.34 million in accounts receivable of Orinoco Iron and Venprecar, respectively, were foreclosed.



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

March 31, 2005

CONSOLIDATED BALANCE SHEET

(Thousands of US dollars)

According to International Financial Reporting Standards

	<u>2005</u>	March 31, <u>2004*</u>
<u>Assets</u>		
Current assets		
Cash and cash equivalents	63,282	47,775
Accounts receivable		
Commercial and other	177,880	86,027
Related companies	327	7,363
Advances to suppliers	18,545	3,502
Inventories	125,579	40,052
Restricted assets for enforcement of profits	252,212	-
Pre-pais expenses and other assets	5,863	4,709
	<hr/>	<hr/>
Total current assets	643,688	189,428
Property, plant and equipment, net	1,273,013	358,496
Investments in land and shares	12,647	12,647
Related companies	1,669	161
Deferred taxes and other assets	14,053	14,477
	<hr/>	<hr/>
Total assets	1,945,070	575,209
<u>Liabilities and shareholder's equity</u>		
Current Liabilities		
Bank loans	9,908	5,587
Current portion of long term loan	17,178	17,155
Loans in restructuring process		
Bank loan in restructuring process	361,300	-
Loan assigned by BHP Billiton to financial institutions	393,654	-
Accounts payable		
Suppliers and other	128,818	43,939
Related Companies	43,323	29,887
Profit sharing, vacations and other personnel accruals	10,145	5,394
Taxes	21,166	8,652
Other current liabilities	29,629	17,794
	<hr/>	<hr/>
Total current liabilities	1,015,121	128,408
Long term loans	517,781	221,256
Accruals for employee termination benefits	9,207	6,610
Deferred taxes	161,414	23,366
Long term accounts payable	49,267	-
Other liabilities	3,162	6,949
	<hr/>	<hr/>
Total liabilities	1,755,952	386,589
Minority interests	14,240	79,312
Shareholders' equity	174,878	109,308
	<hr/>	<hr/>
Total liabilities, minority interests and shareholder's equity	1,945,070	575,209

* It does not include Orinoco Iron. Restructured.



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

CONSOLIDATED STATEMENT OF OPERATIONS

March 31, 2005

(Thousands of US dollars)

According to International Financial Reporting Standards (IFRS)

	Quarter ended March 31	
	<u>2005</u>	<u>2004*</u>
Net sales		
Exports	156,752	47,569
Domestic	77,044	60,840
	<u>233,796</u>	<u>108,409</u>
Cost of sales	<u>(166,407)</u>	<u>(81,460)</u>
Gross income	67,389	26,949
General, administrative expenses	<u>(12,197)</u>	<u>(5,274)</u>
Operating profit	<u>55,192</u>	<u>21,675</u>
Interests and other financing costs	(35,196)	(2,610)
Adjustment in value of long-term loan with financial institution	(28,126)	
Exchange gain (loss)	38,537	(1,382)
Financing costs	<u>(24,785)</u>	<u>(3,992)</u>
Other income (expenses) net	(1,184)	(290)
Profit before taxes and minority interests	29,223	17,393
Taxes	(12,021)	(6,225)
Profit before minority interests	<u>17,202</u>	<u>11,168</u>
Minority interests	<u>(757)</u>	<u>(2,026)</u>
Net Profit	<u>16,445</u>	<u>9,142</u>

* It does not include Orinoco Iron. Restructured.



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

CONSOLIDATED STATEMENT OF OPERATIONS

March 31, 2005

(Thousands of US dollars)

According to International Financial Reporting Standards (IFRS)

	Six months ended March 31,	
	<u>2005</u>	<u>2004*</u>
Net sales		
Exports	290,309	85,093
Domestic	146,866	107,602
	<u>437,175</u>	<u>192,695</u>
Cost of sales	<u>(304,266)</u>	<u>(148,166)</u>
Gross income	132,909	44,529
General, administrative expenses	<u>(25,595)</u>	<u>(9,920)</u>
Operating profit	<u>107,314</u>	<u>34,609</u>
Interest and other financing costs	(46,674)	(6,644)
Adjustment in value of long-term loan with financial institution	(49,243)	
Expense for settlement agreement	(26,297)	
Exchange gain (loss)	39,262	(1,841)
Financing costs	<u>(82,952)</u>	<u>(8,485)</u>
Other income (expenses) net	(2,059)	(12)
Profit before taxes and minority interests	22,303	26,112
Taxes	(21,012)	(6,602)
Profit before minority interests	<u>1,291</u>	<u>19,510</u>
Minority Interests	31,325	(3,775)
Net profit	<u>32,616</u>	<u>15,735</u>

* It does not include Orinoco Iron. Restructured.