

Siderúrgica Venezolana "SIVENSA" S.A.
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PARA SU DISTRIBUCIÓN INMEDIATA:

SIVENSA REPORTS FIRST FISCAL QUARTER 2003 RESULTS

NOTE: The US dollar-denominated Financial Statements contained in this report, have been elaborated in compliance with the International Accounting Standards (IAS), method that substitutes the US Dollar Audited Financial Statements under US Generally Accepted Accounting Principles (US GAAP). The financial statements in US dollars are presented as complementary information to the Audited Financial Statements in bolívares prepared under Venezuelan Generally Accepted Accounting Principles according to the rules issued by the Venezuelan Comisión Nacional de Valores.

As informed at the close of fiscal 2002, the company has decided to distribute its complementary financial statements according to the International Accounting Standards (IAS), in order to more properly reflect its financial position by valuing its fixed assets according to the expert opinion of independent appraisers and not at historical cost.

As a consequence, for comparative purposes, the financial statements corresponding to the first quarter of fiscal 2002 (October-December 2001), have been prepared under IAS and are presented together with the ones corresponding to the first quarter of fiscal 2003.

CARACAS, FEBRUARY 4, 2003.... Siderúrgica Venezolana Sivensa S.A. reported in the first quarter of fiscal 2003 ended this past December 31, consolidated sales of US\$ 49.3 million, 30.3% lower than sales of US\$ 70.8 million corresponding to the same quarter of the previous fiscal year. The operating profit was US\$ 1.7 million, compared with an operating loss of US\$ 2.2 million in the October-December 2001 period. The net loss was US\$ 4.6 million, versus a US\$ 19.6 million loss reported in the same period of the preceding fiscal year.

The drop in sales was due to the decrease in the demand for products in the domestic market, as a reflex of the economic slowdown experienced during the year 2002, and the suspension of manufacturing activities since December 2, as a consequence of the national civic strike. A significant part of the oil sector also joined this strike generating serious restrictions on the economic performance of the country. As of the date of this report, this situation is still present.

It is important to stress that the Cost of Sales/Total Sales ratio decreased from 92.27% in the October-December 2001 quarter to 87.1% in the October-December 2002 quarter. Similarly, the

General and Administrative/Total Sales margin was reduced from 10.7% in the comparable quarter of the preceding fiscal year to 9.4% in the October-December 2002 quarter. These improvements, that led to an operating profit of US\$ 1.7 million in spite of the substantial reduction in sales, are the result of the sustained efforts to cut costs and optimize processes in the three divisions of Sivensa.

As of September 30, 2002, IBH decided to provision the equivalent to the book value to that date of its investment in Orinoco Iron, Operaciones RDI, Brifer and IBMS. Owing to this, in the October-December 2002 period, no loss in the Equity Participation in Affiliates account was recorded, in contrast with a US\$ 13.6 million loss reported in the same period of the prior year.

ANALYSIS BY BUSINESS SECTORS

Steel Sector

Sidetur's sales in the October-December 2002 quarter were US\$ 21.2 million, 44.3 % lower than sales in the same period of the previous fiscal year. The drop in sales in October and November was a consequence of the decrease in the demand for products in the local market, as an effect of the activity reduction in the construction sector, and, in the month of December, was due to the activity interruption generated by the national civic strike.

Regarding the local market, it is important to comment that the sector most affected by the economic recession has been the rebar sector. Other non-traditional segments geared to the construction sector (merchant bars, flats, angles, trusses and specialty steels), and especially promoted by Sidetur in the past years, have suffered a lesser impact.

Pre-reduced Sector

Sales of International Briquettes Holding, IBH, were US\$ 14.1 million, as compared to sales of US\$ 13.5 million recorded in the same period of fiscal 2001¹. Venprecar's production in the quarter was 141,401 MT, as compared to 150,798 MT in the October-December 2001 period. On December 9, Venprecar suspended its operations due to the lack of natural gas supply prompted by the strike that started in Venezuela on December 2. Because of the shortage of gas, the plant produced approximately 45,000 MT less than the expected volume in the month of December.

As mentioned at the close of the prior fiscal period, the company had programmed to carry out investments in the Venprecar plant in February, to substitute some components of the gas reformer

¹ More information about IBH results are available in the First Fiscal Quarter Report issued on January 30, 2003, and available on the web page <http://www.ibh.com.ve>

that are beyond their useful life. However, restrictions present at the national ports as a consequence of the national civic strike, have caused delays in the arrival in the country of the equipment to be installed at the plant. For this reason the schedule shut down at the Venprecar plant has been delayed.

Orinoco Iron Plant

The Orinoco Iron plant produced 142,534 MT in the October-December 2002 period, as compared to 147,946 MT in the same period of the preceding fiscal period. This variation was essentially due to the restriction caused by the low volumes of gas supplied as a consequence of the civic strike. This restriction has caused an approximate 59,000 MT production loss during the month of December. To the date of this report, the Orinoco Iron plant continues to operate with only one production train because of the low volume of gas.

Wire Sector

Vicson's sales of wire and wire related products, including the Proalco subsidiary with operations in Colombia, were US\$ 13.3 million, 26.1% lower than those of the October-December 2001 period. The decrease in sales responds, basically, to the fall in domestic sales in the month of December due to the impact of the national civic strike.

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. Its 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 December 31, 2002 was 2,598 workers.



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

CONSOLIDATED BALANCE SHEET
DECEMBER 31, 2002

Thousands of US dollars in conformity with International Accounting Standards (IAS)

	December 31,	
	<u>2002</u>	<u>2001</u>
<u>Assets</u>		
Current Assets		
Cash and cash equivalents	36,523	17,894
Accounts Receivable:		
Customers and other current assets	30,337	40,741
Related Companies	2,627	11,563
Advances to suppliers	7,394	1,913
Inventories	38,257	49,331
Prepaid expenses and other currents assets	2,097	4,382
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Total current assets	117,235	125,824
Investments		
In shares and land	16,742	48,995
Investments accounted for under the equity method	-	40,627
Property, plan and equipment, net	343,995	372,169
Related Companies	1,265	4,104
Deferred taxes	799	3,246
Inventories and other long term assets	20,079	19,091
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Total assets	500,115	614,056
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<u>Liabilities and Shareholders' Equity</u>		
Current Liabilities:		
Bank loans and other	31,560	19,808
Accounts payable		
Suppliers	15,982	18,521
Related Companies	25,895	31,949
Profit sharing, vacations and other personnel accruals	3,035	6,715
Taxes payable	2,224	5,966
Other current liabilities	12,589	9,180
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Total current liabilities	91,285	92,139
Long term loans	232,341	246,742
Accruals for employees termination benefits	6,891	11,106
Other liabilities	3,801	5,718
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Total liabilities	334,318	355,705
Minority interest	83,415	104,152
Shareholders' equity	82,383	154,199
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Total liabilities, minority interest and shareholders' equity	500,115	614,056
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SIDERURGICA VENEZOLANA "SIVENSA", S.A
AND ITS AFFILIATES

CONSOLIDATED STATEMENTS OF OPERATIONS

Thousands of US\$, in conformity with International Accounting Standards (IAS)

	Quarter ended	
	December 2002	December 2001
Net sales:		
Exports	18,944	23,849
Domestic	30,417	47,011
	<u>49,361</u>	<u>70,860</u>
Cost of sales	(43,026)	(65,384)
Gross profit (loss)	6,335	5,476
General and administrative expenses	(4,625)	(7,628)
Operating Loss	<u>1,710</u>	<u>(2,152)</u>
Interest Expense	(5,185)	(7,957)
Exchange gain (loss) net	(1,343)	424
	<u>(6,528)</u>	<u>(7,533)</u>
Other income (expense)	(231)	(280)
Loss before taxes, equity in affiliates and minority interest	<u>(5,049)</u>	<u>(9,965)</u>
Estimated Tax	(638)	(1,390)
Loss before equity in results of affiliates and minority interest	<u>(5,687)</u>	<u>(11,355)</u>
Equity in results of affiliates	-	(13,646)
Minority interest	1,110	5,364
Net Loss	<u>(4,577)</u>	<u>(19,636)</u>