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## **SIVENSA ANNOUNCES RESULTS FOR FIRST QUARTER FISCAL YEAR 2004**

CARACAS, JANUARY 30, 2004. Siderúrgica Venezolana Sivensa S.A. reported consolidated sales of US\$ 84.3 million for the first quarter of fiscal 2004 ended December 31 last year, an increase of 70.6% over the sales of US\$ 49.4 million in the same quarter of fiscal 2003. Operating profit was US\$ 12.6 million, compared with US\$ 2.4 million in the October-December 2002 period. The company reported a net profit of US\$ 6.3 million, versus a net loss of US\$ 4.1 million in the same period of the previous fiscal year.

The increase in sales was mainly due to the comparison of this quarter with October-December 2002, when economic activities were affected by the national strike in December. The factors that favored Sivensa's sales in the period were: on the international market, the higher prices for reduced-iron briquettes and steel; and on the domestic market, increased public spending and a strengthening of consumption of local goods fuelled by the expansion of liquidity.

### **ANALYSIS BY BUSINESS SECTOR**

#### **Steel Sector**

Sidetur's sales in the October-December 2003 quarter were US\$ 39.1 million, 84% higher than in the same period of the previous fiscal year. Sales improved in various product segments related to construction and manufacturing in the domestic market, along with export sales, especially to Colombia.

The improvement in sales is attributable to: 1) the comparison with the quarter of 2002 affected by the political events; 2) an increase in investment in public works and the expansion of liquidity in bolivars, as mentioned above; and 3) the recent rise in steel prices on the international market.

#### **Pre-Reduced Sector**

International Briquettes Holding reported sales of US\$ 26.2 million in October-December 2003 in comparison with US\$ 14.1 million in the same period of 2002. Venprecar's production in the

quarter was 197,951 MT compared with 141,401 MT in the same period of the last fiscal year, when Venprecar's operations were affected by interruptions in the gas supply.

Briquette prices on international markets rose substantially in the period. The price of briquettes on-barge, Port of New Orleans, United States, averaged US\$ 174.7/MT in the October-December 2003 quarter, compared with US\$ 113.3/MT in the same period of the year before<sup>1</sup>. The higher prices were caused by stronger demand for metallics in Asia, particularly China, and the shortage of scrap on the US, European and Asian markets.

#### Orinoco Iron Plant

The Orinoco Iron plant produced 174,890 MT in the October-December 2003 period, compared with 142,534 MT in the same period of previous year when the plant was affected by interruptions in the gas supply<sup>2</sup>.

#### **Wire Sector**

Vicson's sales of wire and wire products, including the Proalco subsidiary with operations in Colombia, totaled US\$ 18.2 million, 37% more than in the October-December 2002 period. The increase in sales is basically in response to the conditions in the Venezuelan economy already commented on.

#### **Appointments**

On October 1, 2003, Armando Rondón, with 25 years' experience in Sivensa and its subsidiary companies, moved to the post of general manager of Vicson. He has held various positions in company management, occupying at the date of his recent appointment the position of corporate planning manager in Sivensa. At the end of fiscal 2003, Alejandro Sanáñez, who was general manager of the Vicson division, moved to take up an important position in Bekaert Group - Sivensa's partner in Vicson.

Neil Malloy, who since 2000 has held the post of executive president of IBH, will also assume, from February 1 this year, the positions of executive president of Orinoco Iron, and general director of Venprecar. He has held various management posts in Sivensa companies since 1977, and was responsible for the design of the financing structures for the direct-reduction projects.

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<sup>1</sup> Average calculations by Orinoco Iron based on monthly data published by the CRU-Monitor / Steel, metallics, scrap, DRI & pig iron.

<sup>2</sup> Further details regarding IBH results, are available in the IBH First Quarter Report, fiscal year 2004, at [www.ibh.com.ve](http://www.ibh.com.ve).

Alberto Hassan expressed his wish to leave the posts of executive president of Orinoco Iron and general director of Venprecar from February 1 this year. Starting in 1980, Alberto Hassan has had a long career in IBH. He made an important contribution to the operation of the Fior plant, the construction and successful start-up of the Venprecar plant, and the construction and operation of the Orinoco Iron plant.

### **Restructuring of the Sivensa debt and other financial aspects**

As we have reported on previous occasions, Sivensa and its wholly-owned subsidiary Sidetur restructured their financial debt in May 2002. Payment of the restructured liabilities will be financed mostly from Sidetur's operating cash flows. The restructuring agreement on the bank debt of Sivensa and Sidetur, whose terms and conditions were approved by the Shareholders' Meeting of January 2002, establishes, among other conditions, restrictions on dividend declarations and payments until the full amount of the debt is paid, as well as possible additional capitalizations by the creditor banks. Also, the IBH and Venprecar subsidiaries have issued guarantees in favor of the creditor financial institutions of Orinoco Iron related to a loan received by the latter company to finance its industrial facilities. This loan is in process of restructuring. More details of the restructuring of the Sivensa debt and the guarantees issued by IBH and Venprecar, aspects that are an essential part of the analysis of the company's financial situation, can be found in the notes to the Sivensa audited financial statements at September 30, 2003 (see [www.sivensa.com.ve](http://www.sivensa.com.ve)).

Siderúrgica Venezolana SIVENSA S.A. is a Venezuelan corporation composed of three divisions: Sidetur, producer of billets for the rolling industry and finished steel products for the construction and infrastructure industry; International Briquettes Holding, IBH, which, through its direct reduction plant, Venprecar, produces iron briquettes for sale on international markets as high-quality raw material for steel mills; and Vicson, producer of wire and wire products for the manufacturing, construction, agriculture and infrastructure sectors. Sivensa's partners are: in the Vicson division: Bekaert Corporation; and in the IBH division: CVG Ferrominera Orinoco and BHP Billiton. At December 31, 2003 the Sivensa workforce was 2,615.

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

CONSOLIDATED BALANCE SHEET

(Thousands of US dollars)

According to International Accounting Standards (IAS)

	<u>2003</u>	December 31, <u>2002*</u>
<u>Assets</u>		
Current Assets:		
Cash and cash equivalents	27,500	36,523
Accounts receivable:		
Customers and others	59,998	30,380
Related Companies	8,031	2,584
Advances to suppliers	7,965	7,394
Inventories	49,736	38,257
Prepaid expenses and other assets	2,553	2,097
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Total current assets	155,783	117,235
Investments in shares and lands	12,468	11,670
Investments in affiliates accounted for under the equity method	-	-
Property, plant and equipment	361,456	370,795
Related companies	161	1,265
Deferred taxes	755	799
Spare parts and other long term assets	17,805	20,079
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Total assets	<u>548,428</u>	<u>521,843</u>
<u>Liabilities and shareholders' equity</u>		
Current liabilities		
Bank loans and other	9,656	31,560
Accounts payable:		
Suppliers	25,085	15,982
Related companies	29,630	25,895
Profit sharing, vacations and other personnel accruals	4,729	3,035
Taxes	3,361	2,224
Other current liabilities	14,080	12,589
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Total current liabilities	86,541	91,285
Long term loans	237,947	232,341
Accrual for employee termination benefits, net	7,780	6,891
Other liabilities	7,085	3,801
Deferred taxes	23,823	33,835
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Total liabilities	<u>363,176</u>	<u>368,153</u>
Minority interest	79,360	77,225
Shareholders' equity	105,893	76,465
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Total liabilities, minority interests and shareholders' equity	<u>548,428</u>	<u>521,843</u>

\*For comparative purposes, the financial statements of the year 2002, were restated to retroactively reflect the appraisals made by independent appraisers, in 2003, to buildings, machinery and equipment.

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

CONSOLIDATED STATEMENT OF OPERATIONS

(Thousands of US dollars)  
According to International Accounting Standards (IAS)

	Quarter ended December 31,	
	<u>2003</u>	<u>2002*</u>
Net sales:		
Exports	37,524	18,944
Local	46,762	30,417
	<u>84,286</u>	<u>49,361</u>
Cost of sales	<u>(67,030)</u>	<u>(42,332)</u>
Gross income (loss)	17,256	7,030
General, administrative expenses	<u>(4,646)</u>	<u>(4,625)</u>
Operating income (loss)	<u>12,610</u>	<u>2,405</u>
Interest and other financial expenses	(4,034)	(5,185)
Exchange gain (loss), net	<u>(459)</u>	<u>(1,343)</u>
	<u>(4,493)</u>	<u>(6,528)</u>
Other income (expenses) net	278	(231)
Income (loss) before taxes and minority interest	8,395	(4,355)
Taxes	<u>(377)</u>	<u>(638)</u>
Income (loss) before minority interest	<u>8,018</u>	<u>(4,993)</u>
Minority Interest	<u>(1,749)</u>	937
Net profit (loss)	<u>6,269</u>	<u>(4,055)</u>

\*For comparative purposes, the financial statements of the year 2002, were restated to retroactively reflect the appraisals made by independent appraisers, in 2003, to buildings, machinery and equipment.