



Siderúrgica Venezolana "SIVENSA" S.A.  
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**SIVENSA REPORTS RESULTS FOR THE FIRST QUARTER FISCALYEAR 2014**

CARACAS, JANUARY 31, 2014.

As timely reported, on October 31, 2010, the former President of the Republic announced the expropriation of the plants and other industrial assets property of the subsidiary Siderúrgica del Turbio, S.A. (Sidetur). In the Official Gazette No. 39,544 dated November 3, 2010, was issued Decree No. 7.786 dated November 2, 2010.

In late October 2012, as promptly reported the National Executive adopted the following measures: (i) the appropriation and transfer of available funds in bolivars in Sidetur's bank accounts to the account of the State owned company "Complejo Siderúrgico Bolivariano, S.A." at Banco de Venezuela; and (ii) the occupation of the industrial assets of said subsidiary by the aforementioned State owned company. Those measures were taken without considering the provisions of the Law of Expropriation for Public or Social Purpose (*Ley de Expropiación por Causa de Utilidad Pública o Social*) and without any authorization or judicial proceeding.

On November 6, 2012, in the Official Gazette of the Bolivarian Republic of Venezuela No. 40,04 was published Resolution No. 089 of the Ministry of the People's Power for Industries ("MPPI"), dated October 25, 2012, such resolution designates the new members of the Temporary Administrative Board for the subsidiary Sidetur, in execution of the Preventive Measure of "Occupancy and Temporary Operability and Appointment of Administrative Board" issued by the Institute for the Defense of the People's Access to Goods and Services ("INDEPABIS").

On December 6, 2012, the attorneys of the subsidiaries Sidetur and Tenedora de Acciones de Compañías Siderurgicas "Tecoside", S.A. ("Tecoside") proceeded to amend before the Administrative Chamber of the Supreme Court, the judicial recourse for the annulment against the Resolution No. 047 of the MPPI of February 2012, filed In July 2012, to include Resolution No. 089 identified above.

On November 8, 2012, Sidetur informed the Trustee, Deutsche Bank or the representative of the bondholders about the events occurred on October 26, 2012 (order of transfer of Sidetur's funds in its bank accounts to the account of "Complejo Siderúrgico Nacional, S.A."), on October 29, 2012 occupation of Sidetur's industrial plants and collection centers by "Complejo Siderúrgico Nacional, S.A.", not in accordance with the provisions of the Law of Expropriation for Public or Social Purpose and without any court order), and on November 2, 2012 (receipt of a communication from the insurance company notifying the termination of the "all industrial risk" policy that covered Sidetur's industrial assets, under the special termination clause set in said policy, given the two events mentioned above). Sidetur also notified the Trustee that as a result of these events, there had been a default of two covenants set forth in the agreement governing the debt.

On March 21, 2013, the attorneys of Sidetur brought before the Courts for the Contentious Administrative Jurisdiction (*Cortes de lo Contencioso Administrativo*) a lawsuit for the annulment of the *de facto* measures carried out by the State-owned company "Complejo Siderúrgico Nacional, S.A." on October 29, 2012, by occupying and taking possession of the real property and industrial assets that comprise the six (6) industrial plants and the collection centers owned by such subsidiary. The case was assigned for distribution to the Second Administrative Court and was admitted on April 22, 2013.

On April 17, 2013, the attorneys of Sidetur filed a formal complaint (administrative pre-trial) before the Superintendence of the Banking Institutions Sector (*Superintendencia de Instituciones del Sector Bancario "SUDEBAN"*), for damages inflicted to the subsidiary Sidetur as a result of the non-contractual liability of such governmental agency by notifying various financial institutions on October 26, 2012, and instructing them to immediately transfer all cash amounts deposited (as well as any future deposits) in the accounts of the aforementioned subsidiary to a bank account belonging to the State-owned company "Complejo Siderúrgico Nacional, S.A.". As of this date, the Superintendence has not issued any statement regarding the referred claim.

On July 20, 2013, due to the measures taken by the National Executive in October 2012 (the transfer of available funds in bolivars in Sidetur's bank accounts to the account of the State

owned company "Complejo Siderúrgico Nacional, S.A." at Banco de Venezuela, and the occupation of the industrial assets of the said subsidiary by such State owned company) neither Sidetur Finance as issuer nor Sidetur as guarantor of the 2016 bonds, could pay the principal and interest due on the same date.

On July 26, 2013, Deutsche Bank, acting in its trustee capacity, notified the bondholders as well as Sidetur (i) that there had been a default due to the non-payment of the principal installment due on July 20, 2013, (ii) that there had been a default due to the lack of sufficient funds in the Reserve Account, (iii) that the issuer had defaulted in the payment of interest due on July 20, 2013, which will become a default if such payment does not occur within the following 30 days, and (iv) that, for that moment, it would take no further action unless certain holders, defined as "Required Note holders", would require it to take action, noting that acting following any request or instruction, such holders should furnish to the trustee, security or indemnity reasonable satisfactory to it against the cost expenses and liabilities that might be incurred by it.

It should be noted that, to this date, there has been no final decision on the judicial recourse for the annulment of the decree of expropriation of assets and industrial facilities of the subsidiary Sidetur (currently in the evidence substantiation phase), or concerning the appeal of the ruling by the Second Administrative Court which dismissed the judicial recourse filed by the aforementioned subsidiary against the Preventive Measure of "Occupancy and Temporary Operability" issued by the INDEPABIS in November 2010, before the Political and Administrative Chamber of the Supreme Court. Nor has there been any judicial ruling on the case of the petition for annulment regarding the opposition filed by the judicial representative of Sidetur regarding the ratification of the above preventive measure, dictated by the INDEPABIS in December 2011.

In the Official Gazette of the Bolivarian Republic of Venezuela No. 6,119, Extraordinary, dated December 19, 2013, were published the Presidential Decrees of even date, related to the briquette companies Venprecar and Orinoco Iron (both affiliates of the subsidiary International Briquettes Holding (IBH), namely: (i) Decree No. 695, pursuant which the movable assets, real property and improvements used for the operation of the commercial company Venezolana de Prerreducidos Caroni "VENPRECAR" C.A. and its subsidiaries are subject to forced acquisition, as they are considered essential for the carrying out of the Work Strengthening of Iron Ore Transformation and Hot Briquettes Generation that Contribute to the Iron and Steel Industrial Sector; and (ii) Decree No. 697, pursuant to which the movable assets, real property and improvements used for the operation of the commercial company Orinoco Iron, S.C.S. and its subsidiaries are subject to forced acquisition, as they are considered essential for the carrying

out of the Work Strengthening of Iron Ore Direct Reduction and Hot Briquettes Generation that Contribute to the Iron and Steel Industrial Sector.

#### ACCOUNTING TREATMENT OF THE SIDETUR SUBSIDIARY OPERATIONS

The consolidated financial statements of Siderurgica Venezolana "Sivensa" SA, to which this report refers, include the accounts of the Sidetur Subsidiary and its affiliates on a consolidated basis.

The events occurred on late October 2012, specifically the occupation, possession and control by the company "Complejo Siderúrgico Nacional, S. A.", of the industrial assets used by Sidetur to conduct its operations and activities aimed to manufacture and sale steel products, meant that from the date of the occupation, the Sidetur subsidiary has been unable to conduct such operations and activities with the occupied assets. Consequently, the net results of the aforementioned steel operations, from October 1, 2012 to the date in which the assets were occupied, are presented in the consolidated statement under "Net income from discontinued operations" and the remaining operations of Sidetur and its subsidiaries are presented as part of the continuing operations.

The industrial assets that were seized, other seized assets and the liabilities that should be assumed by the state-owned company "Complejo Siderúrgico Nacional, S.A.", correspond to property, plant and equipment, inventory, cash in national currency, commercial accounts receivable, net of accounts payable to providers and other suppliers, advances received from customers, profit sharing bonuses, vacation bonuses, length-of-service benefits and other employee accrual payables. The balances as of the date of the occupation are presented on a consolidated balance sheet account called "Net Assets in expropriation process and other appropriated assets". Also, the remaining assets and liabilities of Sidetur, including the financial debt remain unaltered in Sidetur's balance sheet, which was timely sent to creditors, governmental agencies and regulators, reporting of these events of late October 2012.

#### FINANCIAL STATEMENTS REPORT

The attached consolidated financial statements of Sivensa are prepared and presented based on accounting practices indicated by the National Securities Commission (CNV) currently National Securities Superintendency (SNV), which are based on International Accounting Standards (IAS) and on the International Financial Reporting Standards (IFRS), as provided in Resolution No. 254-2008 issued December 2008 by the Board of the CNV, currently (SNV).

On February 8, 2013 through the Exchange Agreement No. 14, the Executive agreed with the Central Bank of Venezuela to a change in the national currency regime from February 9, 2013 on, passing from an official fixed exchange rate of 4.30 bolivars per dollar of the United States to 6.30 bolivars per U.S. dollar. Likewise, the president of the Banco Central de Venezuela (BCV) announced at a press conference on February 8, 2013, the elimination of the Transaction System for Foreign Currency with Denominated Securities (SITME), measure that became effective since the day of announcement.

During December 2013, the Government of the Bolivarian Republic of Venezuela authorized the Central Bank of Venezuela to publish the resulting average rate of exchange resulting from the SICAD auctions. During the weeks of December 23 and 30, 2013, the Central Bank published on its website the average exchange rate of the auction No. 13 and No. 14 ( 11.30 Bs / U.S. \$). The Company's management is currently evaluating the potential impact of this measure on the consolidated financial statements of Sivensa, which will be recorded in the second quarter of fiscal year ending September 30, 2014.

The inflation adjustment factor used is the percentage variation in the National Consumer Price Index (CPI) which was 12.61% in the period of three (3) months ended December 31, 2013, and 56.19% in the twelve (12) month period ended December 31, 2013.

The consolidated results in bolivars of the periods ended December 31, 2013 and 2012 which are covered in this report were adjusted for inflation as of December, 2013<sup>1</sup>, except for the results of the IBH subsidiary whose functional currency is the U.S. dollar and therefore these results are translated into bolivars using the official exchange rate of Bs 6.30 / US\$ 1, during the first quarter ended on December 31, 2013 and the SITME exchange rate of Bs 5.30/US\$1 during the first quarter of 2012<sup>2</sup>.

Foreign currency balances as of December 31, 2013, mainly consisting of dollars of the United States of America are presented at the exchange rate that best reflects the estimate of cash flows to be spent or received to meet obligations or assets realization, which is the official exchange rate of Bs. 6.30/ US\$1. The foreign currency balances as of December 31, 2012, were translated to bolivars using the exchange rate of the "Transaction System for Foreign Currency Denominated Securities (SITME)" of 5.30/US\$1, and the official exchange rate of Bs 4.30/US\$1

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<sup>1</sup> The fiscal year 2014 covers the period of twelve months from 1 October 2013 until 30 September 2014. The fiscal year 2013 covers the period of twelve months from 1 October 2012 until 30 September 2013. The first quarter of fiscal year 2014 begins on October 1, 2013 and ends on December 31, 2013. The first quarter of fiscal year 2013 begins on October 1, 2012 and ends on December 31, 2012.

<sup>2</sup> The consolidated results translated into bolivars of the subsidiary IBH, and included in the consolidated results of Sivensa for the period of three month ended December 31, 2012, were adjusted for inflation to December 31, 2013 for comparative purposes.

## QUARTER RESULTS ANALYSIS

### Continuing operations:

Sivensa's consolidated results for continuing operations mainly include the operations of the Sidetur Subsidiary and affiliates, the IBH subsidiary, for the periods ended December 31, 2013 and 2012<sup>3</sup>.

Below we describe the most significant aspects of the consolidated results statement:

Operating loss: During the quarter October-December 2013, Sivensa's operating loss was Bs 10.60 million compared to a loss of Bs 13.76 million in the same quarter of 2012. The positive variation of Bs 3.16 million is mainly due to the increase in "Other operating income, net" in Bs 2.47 million in revenue mainly due by commercialization of products.

Loss before income tax: During the first quarter of fiscal year 2014, this loss was Bs 25.15 million compared to a loss of Bs 48.61 million in the same period last year. The decrease in the loss of Bs 23.46 million is mainly explained by: i) the decrease in the operating loss for the quarter mentioned in the previous paragraph, and ii) the positive variation of Bs 20.18 million of monetary loss due to the effect of inflation on the net monetary position Sivensa and its subsidiaries for the quarter ended December 31, 2013, respect to the one sustained during the quarter ended December 31, 2012.

Net loss from continued operations: In the first quarter of fiscal 2014, the loss was Bs 25.13 million compared to a loss of Bs 48.63 million in the same quarter last fiscal year. The decrease in the loss of Bs 23.50 million during the quarter is mainly due to the decrease in loss before taxes mentioned above.

### Discontinued Operation

Sivensa's consolidated results for discontinued operations during the years ended December 31, 2013 and 2012 refer to the results of operations and activities for the manufacture and sale of steel products of the subsidiary Sidetur, until the date they were seized by the state owned company "Complejo Siderúrgico Nacional, S.A.", which are presented in the account "Net income from discontinued operations".

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<sup>3</sup> The consolidated Financial Statements of Sivensa to December 31, 2012 were adjusted for inflation at December 31, 2013 for comparative purposes.

Net income from discontinued operation: In the first quarter of fiscal 2014, no results from discontinued operations are recorded compared to income of Bs 97.05 million recorded in the same quarter last fiscal year.

Net income (loss) for the quarter

This result on the October-December 2013 quarter was a loss of Bs 25.13 million compared to income of Bs 48.42 million in the same quarter last year. The net loss for the quarter includes results from continuing and discontinued operations of Sivensa and its subsidiaries prior to the participation of minority shareholders mainly of IBH in the net results of the subsidiary, for the quarters ended December 31, 2013 and 2012.

Net income (loss) for the quarter attributable to Sivensa's shareholders

This result on the October-December 2013 quarter was a loss of Bs 23.39 million compared to income of Bs 50.46 million recorded in the same quarter last year. This negative variation of Bs 73.85 million is mainly explained because during the quarter reported no results from discontinued operations were recorded compared with the net income recorded in the same quarter of fiscal 2013, of Bs 97.05 million discussed above. Net income (loss) for the quarter attributable to shareholders of Sivensa mainly results from adding or subtracting to the net income (loss) for the quarter the 31.46% participation of minority shareholders of IBH in the net results of the subsidiary by quarters ended December 31, 2013 and 2012. In those quarters, this participation was a loss of Bs 1.74 million and Bs 2.04 million, respectively.

INTERNATIONAL BRIQUETTES HOLDING (IBH)

NACIONALIZATION OF VENPRECAR AND ORINOCO IRON SUBSIDIARIES

From the date of the announcement of the nationalization of corporations Venprecar and Orinoco Iron in 2009 and until mid-2013, the efforts of the Board of Directors and management of IBH to negotiate and reach an agreement with the Government in relation to the fair price of those companies have been unsuccessful. For that reason, On July 9, 2013, the subsidiary International Briquettes Holding (IBH) filed a request for indemnification (compensation) against the Bolivarian Republic of Venezuela, before the Ministry of the People's Power for Industries, as a result of the *de facto* expropriation of the equity interest that such subsidiary holds directly and indirectly (through IBH de Venezuela, C.A.) in the corporations Venprecar and Orinoco Iron, whose operational control and

management were unilaterally and exclusively taken by the Venezuelan state, without complying with the procedure set forth in the Law on Expropriation for Cause of Public Utility, or having paid the timely, fair and integral compensation. As of this date, this Ministry has not issued any statement regarding that request.

As indicated in the first part of this Quarterly Report, In the Official Gazette of the Bolivarian Republic of Venezuela No. 6,119, Extraordinary, dated December 19, 2013, were published decrees issued by the Presidency of the Republic on that date, directly affecting the movable and immovable properties and improvements used for the operation of Venprecar and Orinoco Iron, respectively for the execution of the aforementioned work mentioned on the decree.

#### OTHER BUSINESS

After the nationalization of the Orinoco Iron and Venprecar affiliates, IBH continued its international marketing business of products for industrial sectors.

#### SOCIAL DEVELOPMENT COMMITMENT

During the period October-December 2013, the Center for Applied Knowledge, FUNDAMETAL maintained on all its sites, educational programs designed to improve professional training. During the quarter, the social actions to further contribute to improvements in the quality of life of the communities in which it has influence, remained at the site of Valencia, about 5,600 hours of social action were spent by apprentices of FUNDAMETAL supporting different educational entities located in areas close to the Carabobeña FUNDAMETAL's office.





**SIDERURGICA VENEZOLANA "SIVENSA", S.A AND SUBSIDIARIES**  
**CONSOLIDATED BALANCE SHEET**  
**DECEMBER 31, 2013 AND 2012**

(In thousands of constant bolivars at December 31, 2013)

	<b>2013</b>	<b>2012</b>
<b>Assets</b>		
Non-current Assets		
Available for-sale investment		
Investments in companies under "nationalization"	5.689.288	7.475.600
Net assets in process of expropriation and assets subject to appropriation	2.903.090	2.916.733
Accounts receivable from companies under "nationalization", net	476.300	571.320
Property, plant and equipment, net	135.464	159.732
Other non-current assets	12.434	34.138
	9.216.576	11.157.523
Current assets		
Prepaid expenses and other current assets	1.847	1.727
Inventories	1.391	322
Advances to suppliers	15.474	35.210
Accounts receivables	-	-
Other accounts receivable	321.302	428.977
Related companies	2.568	14.576
Cash and cash equivalents	202.082	260.992
Total current assets	544.664	741.804
Total asstes	9.761.240	11.899.327
<b>Equity and Liabilities</b>		
Equity		
Capital stock		
Nominal	105.049	105.049
Inflation adjustment	3.092.109	3.092.109
Share premium	307.514	307.514
Net effect of combination (merger) of subsidiaries	259.622	405.504
Surplus from revaluation associated with investments in companies under "nationalization"	304.320	475.317
Difference between fair value and cost of shares of subsidiary	723.650	1.130.269
Translation adjustment	554.895	-41.981
Unappropriated earnings	-	-
Legal reserve	320.050	320.050
Available	1.151.564	2.479.248
Total equity of Sivensa shareholders	6.818.773	8.273.079
Non-controlling interests	1.799.242	2.367.394
Total equity	8.618.015	10.640.473
Liabilities		
Non-current liabilities		
Bonds payable	-	475.092
Accrual for length-of-service benefits, net of advances and loans to employees	319	-
Other long-term liabilities and accruals	76.245	134.578
Deferred income tax	254.013	245.777
Total non-current liabilities	330.577	855.447
Current liabilities		
Short term bank loans	37.321	51.590
Bonds payable	462.426	33.581
Profit-sharing, vacation bonus and other employee accruals	1.217	28
Taxes	69.883	107.966
Other liabilities and accruals	228.292	188.132
Account payables	-	-
Suppliers	6.140	14.946
Related companies	7.369	7.164
Total current liabilities	812.648	403.407
Total liabilities	1.143.225	1.258.854
Total equity and liabilities	9.761.240	11.899.327



**SIDERURGICA VENEZOLANA "SIVENSA", S.A AND SUBSIDIARIES**  
**CONSOLIDATED INCOME STATEMENT**  
**QUARTERS ENDED 31 DECEMBER 2013 AND 2012**

(In thousands of constant bolivars at December 31, 2013)

	2013	2012
<b>Continued operations</b>		
General and administrative expenses	(13.259)	(13.942)
Other operating income, net	2.661	183
Operating loss	<u>(10.598)</u>	<u>(13.759)</u>
Interest and other financing cost net	(916)	(1.206)
Exchange gain, net	-	172
Loss from net monetary position	<u>(13.637)</u>	<u>(33.818)</u>
Loss before income tax	<u>(25.151)</u>	<u>(48.611)</u>
<b>Income tax</b>		
Current	(21)	(30)
Deferred	38	9
Net loss from continued operations	<u>17</u>	<u>(21)</u>
	<u>(25.134)</u>	<u>(48.632)</u>
<b>Discontinued operations</b>		
Net income from discontinued operations	-	97.052
Net income (loos) for the quarter	<u>(25.134)</u>	<u>48.420</u>
<b>Net income (loss) for the quarter attributable to Sivensa shareholders</b>		
Continued operations	(23.391)	(46.589)
Discontinued operations	-	97.052
Total Sivensa shareholders	<u>(23.391)</u>	<u>50.463</u>
Non-controlling interest on continued operations	(1.743)	(2.043)
Net income (loss) for the quarter	<u>(25.134)</u>	<u>48.420</u>



SIDERURGICA VENEZOLANA "SIVENSA", S.A AND SUBSIDIARIES  
CONSOLIDATED FINANCIAL INDICATORS  
AS OF DECEMBER 31, 2013

		2013	2012
<b>Solvency</b>	<u>Current assets</u>	0,67	1,84
	Current liabilities		
<b>Working capital</b>	Current assets - Current liabilities (MBs)	(267.984)	338.397
<b>Short term debt</b>	<u>Short term financial liability</u>	0,073	0,010
	Total equity of Sivensa shareholders		
<b>Total debt</b>	<u>Financial liabilities short and long term</u>	0,07	0,07
	Total equity of Sivensa shareholders		
<b>Return over assets</b>	<u>Annualized net income (loss) attributable to Sivensa shareholders</u>	-0,96%	1,70%
	Total assets		
<b>Return over equity</b>	<u>Annualized net income (loss) attributable to Sivensa shareholders</u>	-1,37%	2,44%
	Total equity of Sivensa shareholders		