



Siderúrgica Venezolana "SIVENSA" S.A.  
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FOR IMMEDIATE DISTRIBUTION

**SIVENSA REPORTS RESULTS FOR THE FIRST QUARTER FISCALYEAR 2013**

CARACAS, JANUARY 31, 2013

As we have been reporting, on October 31, 2010, the President of the Republic announced the expropriation of plants and other industrial assets owned by the subsidiary Siderúrgica del Turbio, S.A. "Sidetur" ("Sidetur"). In the Official Gazette No. 39544, dated November 3, 2010, Presidential Decree No. 7786 dated November 2, 2010 was published.

On October 26, 2012, the Superintendence of the Banking Institutions Sector (*Superintendencia de Instituciones del Sector Bancario* "SUDEBAN"), in compliance with the instructions of the Ministry of Popular Power for Industries (Ministerio del Poder Popular para Industrias) MPPI, issued a communication to various banks in Venezuela where Sidetur had funds deposited in bolivars to transfer such funds to an account of the State owned company "Complejo Siderúrgico Nacional, S.A." at Banco de Venezuela, and to ensure that all future deposits be transferred to the said State owned company. In the subsequent few days, the banks that received such communication proceeded to make the transfers of funds, leaving our subsidiary Sidetur without any availability of funds in bolivars.

On October 29, 2012, the "Complejo Siderúrgico Nacional, S.A." proceeded to occupy the movables, real estate and improvements that comprise the industrial plants and collection centers of Sidetur, taking unilateral and exclusive possession and control of them. Also, the aforementioned Stated owned company took possession and control of inventory and other elements of working capital associated with the operation of such industrial assets. From that date, the "Complejo Siderúrgico Nacional, S.A.", by virtue of the provisions set forth in the labor

legislation, became the new employer of workers who labored in the above plants and collection centers.

The measures taken by the National Executive in late October 2012, specifically (i) the 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 the said subsidiary by the aforementioned State owned company were conducted without being subject to the provisions of the Law of Expropriation for Public or Social Purpose (*Ley de Expropiación por Causa de Utilidad Pública o Social*) and, in any case, without a court order or any authorization or judicial proceeding.

On November 6, 2012, in the Official Gazette of the Bolivarian Republic of Venezuela No. 40,044 Resolution No. 089 of the MPPI, dated October 25, 2012, was published, which 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 INDEPABIS.

On December 6, 2012, the attorneys of the subsidiaries Sidetur and Tecoside proceeded to file an amendment, before the Administrative Chamber of the Supreme Court, to the judicial recourse for the annulment against the Resolution No. 047 of the MPPI of February 2012, filed in the month of July 2012, to include Resolution No. 089 identified above.

As a result of the aforementioned events that occurred on October 26 and 29, the judicial representation of the Company, in execution of the decision adopted by the Board of Directors in a specially convened meeting, requested before the National Securities Superintendence (*Superintendencia Nacional de Valores* ("SNV")) and the Caracas Stock Exchange (*Bolsa de Valores de Caracas* ("BVC")), the trading suspension of the Sivensa shares due to the uncertainty created by such events.

On the same date of the aforementioned request (29-10-12), the BVC through a communication signed by its President, notified the Company that the Board of Directors of said institution based on the applicable regulations, agreed to temporarily suspend trading of said shares until the SNV confirms or revokes the measure.

On November 8, 2012, the Company was notified of the resolution of the SNV, dated November 2 of that same year, in which such governmental agency which regulates the securities market agency ratified the trading suspension of the Company's shares agreed by the BVC. Subsequently, on November 19, 2012, the Company sent a communication to the SNV

explaining the reasons why, according to Company's management, the trading suspension measure should be maintained for a reasonable period of time.

On November 9, 2012, the risk rating firm Fitch Ratings downgraded the corporate credit rating of Sidetur to "CCC" compared to the previous B-rating.

On December 4, 2012, the risk rating firm Standard & Poor's issued a corporate credit rating of Sidetur, giving a rating of "CCC-" compared to the rating assigned on July 10, 2012 that was B-.

On November 8, 2012, Sidetur informed the trustee or representative of the bondholders about the events that occurred on October 26, 2012 (order of transfer 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." without complying 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 forth in said policy, given the two events mentioned above). Sidetur also notified the fiduciary that as a result of these events, there had been a default of two covenants set forth in the agreement governing the debt.

On December 4, 2012, the Fiduciary reported 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 the fiduciary.

#### SUBSEQUENT EVENTS

On January 21, 2013, Sidetur directed the trustee to pay the amount of principal and interest of the installment due and payable on that date, charging the Reserve Account in the Deutsche Bank. As of January 30, 2013, the aforementioned bank, acting as trustee, notified bondholders and Sidetur (i) that there had been an event of default as a result of the failure to replace the funds used to pay the aforesaid installment in the Reserve Account and (ii) that, for that moment, it would take no further action unless certain holders, defined as "Required Noteholders", 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 the trustee.

It should be noted that the terms and conditions of the debt could be affected in the future by such events and their consequences.

#### ACCOUNTING TREATMENT OF THE SIDETUR SUBSIDIARY OPERATIONS

The consolidated financial statements of Siderúrgica Venezolana "Sivensa", S.A., included in this report include the accounts of the subsidiary Sidetur and its subsidiaries on a consolidated basis.

The events occurred on October 26 and 29, specifically the occupation, possession and control by the company Complejo Siderúrgico Nacional, S. A., of the industrial assets with which Sidetur conducted its operations and activities of manufacturing and sale of steel products, has caused, that from the date of the occupation, the Sidetur subsidiary be unable to conduct such operations and activities with the occupied assets; nevertheless this does not mean that Sidetur has ceased to exist as an ongoing business. Consequently, from October 1, 2012 until the date Sidetur's industrial assets were occupied, the net results of main operations, as mentioned above, are presented in the consolidated statement of income under "Net income from discontinued operations". Also, for comparative purposes, the net results of main operations of the Sidetur subsidiary for the quarter ended on December 31, 2011, have been reclassified to the same account.

The industrial assets that were seized, and the obligations assumed by the state-owned company Complejo Siderúrgico Nacional, S.A., correspond to property, plant and equipment; cash in national currency, commercial accounts receivable and inventories, net of accounts payable to suppliers and others, advances received from customers, profit sharing bonuses, vacation bonuses, length-of-service benefits and other employee accrual payables. The balance, as of the date of the occupation, of such accounts are presented on a consolidated balance sheet account called "Net Assets in expropriation process". Also, the remaining assets and liabilities of Sidetur, including the financial debt must be realized or settled by Sidetur, which has sent communications to its creditors, governmental agencies and regulators, reporting of these events of late October 2012.

#### FINANCIAL STATEMENTS REPORT

According to Resolution No. 254-2008 issued on December 2008 by the Directors of the National Securities Commission (Comisión Nacional de Valores), now National Securities Superintendence, the companies making public offering of securities under the

Law of Capital Markets (currently "Law of Securities Markets") shall prepare and submit financial statements adjusted according to International Accounting Standards (IAS) and International Financial Reporting Standards (IFRS) mandatory from fiscal years beginning on January 1, 2011, this shall be the only accepted accounting presentation, being the date of adoption for Sivensa the year beginning on October 1, 2011<sup>1</sup>. Accordingly, Sivensa's attached consolidated financial statements are based on the accounting practices identified in the Standards for the Preparation of Financial Statements of the entities under the control of the National Securities Commission, (currently SNV), which are based on IAS and IFRS, as set forth in the abovementioned Resolution, and are presented in accordance with the "Rules for Economic and Financial Information that must be provided by Persons under the control of the National Securities Superintendence", considering the provisions of Circular DSNV / CJ 3652, issued by the regulator in August 2011.

The consolidated results in bolivars of the periods ended December 31, 2012 and 2011 which are covered in this report were adjusted for inflation as of December 31, 2012, 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 exchange rate of Bs 5.30 / \$ 1, in both periods<sup>2</sup>. The adjustment factor used is the Consumer Price National Index (INPC), for the three (3) month period ended on December 31, 2012, which was 7.7% and 20.1% during the Twelve (12) month period, ended December 31, 2012.

Foreign currency balances as of December 31, 2012 and 2011, consisting mainly of dollars of the United States of America are presented at the exchange rate that reflects the best estimate of bolivars cash flows to be spent or received, to meet obligations or assets realization, like the official exchange rate of Bs. 4.30/ US\$1 and/or the exchange rate of the "Transaction System for Foreign Currency Denominated Securities (SITME)" of 5.30/US\$1, both as of December 31, 2012 and 2011.

## QUARTER RESULTS ANALYSIS

### Ongoing operations

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<sup>1</sup>The fiscal year 2012 covers the period of twelve months from 1 October 2011 until 30 September 2012. The fiscal year 2011 covers the period of twelve months from 1 October 2010 until 30 September 2011. The first quarter of fiscal year 2013 begins on October 1, 2012 and ends on December 31, 2012. The first quarter of fiscal year 2012 begins on October 1, 2011 and ends on December 31, 2011. In this report we refer to these terms as either period or fiscal year period. The financial statements at December 31, 2012 were adjusted for inflation as of December 31, 2012 for comparative purposes.

<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, and the quarter both ended December 31, 2011, were adjusted for inflation to December 31, 2012 for comparative purposes.

Sivensa's ongoing business consolidated results mainly include the ongoing operations of the Sidetur and IBH subsidiaries, for the quarters ended December 31, 2012 and 2011<sup>3</sup>.

Here are the most significant aspects of the consolidated results statement:

Operating loss: On the October-December quarter of 2012, Sivensa's operating loss was Bs 8.81 million compared to a loss of Bs 15.69 million in the same quarter of 2011. The decrease of Bs 6.88 million is due to the net effect of: i) the decrease of general and administrative expenses of Bs 8.63 million and, ii) the decrease in "Other income, net" of Bs 1.75 million during the reported quarter compared with the same quarter 2011.

Loss before taxes: During the first quarter of fiscal 2013, the loss before taxes was Bs 31.12 million compared to a loss of Bs 63.07 million in the same period the previous year. The decrease of Bs 31.95 million of the loss is mainly due to the decrease in Bs 24.60 million of the monetary loss due to the effect of inflation on the net monetary position held by Sivensa and its subsidiaries for the quarter ended on December 31, 2012, compared to that maintained during the quarter ended December 31, 2011.

Net loss of ongoing business: In the first quarter of fiscal 2013, the net loss from continuing operations was Bs 31.14 million compared to a loss of Bs 63.76 million in the same quarter of the previous fiscal year. The decrease of Bs 32.62 million in this item during the quarter is mainly due to the loss before taxes discussed above. This result does not include participation of minority shareholders of IBH in the net results of the subsidiary for the quarters ended December 31, 2012 and 2011.

#### Discontinued operations

Sivensa's consolidated results for discontinued operations during the quarters ended December 31, 2012 and 2011 refer to the results of operations and activities for the manufacture and sale of steel products of the subsidiary Sidetur, which are presented in the account "Net income from discontinued operations".

Net income from discontinued operation: In the first quarter of fiscal 2013, net income from discontinued operations was Bs 62.14 million compared with a net income of Bs 67.94 million in the same quarter of the previous fiscal year.

#### Quarter net income

Net income for the quarter October-December, 2012 was a profit of Bs. 31.00 million compared to a profit of Bs 4.18 million recorded in the same quarter last year. Net income for the quarter includes the results of continuing and discontinued operations and excludes the participation of

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<sup>3</sup> The consolidated financial statements of Sivensa as of December 31, 2011 were adjusted for inflation as of December 31, 2012 for comparative purposes.

minority shareholders of IBH in the net results of the subsidiary for the quarters ended December 31, 2012 and 2011.

#### Profit for the quarter attributed to Sivensa's shareholders

This result for the quarter October-December, 2012 was a profit of Bs 32.31 million compared to a profit of Bs 4.88 million recorded in the same quarter last fiscal year. This increase of Bs 27.43 million is due to the net effect of: i) the decrease of Bs 33.23 million of the net loss from continuing operations attributable to Sivensa 's shareholders is mainly due to the decrease in the loss before taxes mentioned above and ii) the decrease of Bs 5.80 million of the net income for the quarter from the discontinued operations of the Sidetur subsidiary. Net income for the quarter attributable to shareholders of Sivensa includes the 31.46% stake of minority shareholders of IBH in the net results of the subsidiary for the quarters ended December 31, 2012 and 2011. In those quarters, such participation was a profit of Bs1.31 million and Bs 700 thousand, respectively.

#### INTERNATIONAL BRIQUETTES HOLDING (IBH)

During the first quarter of fiscal year 2013, despite IBH management's efforts to continue negotiations with the public sector involved in the process of nationalization of Venprecar and Orinoco Iron, it has not been possible to date, to establish a work schedule with the Government in order to negotiate a fair price for the assets subject to nationalization. The Board of Directors and management of IBH continue to evaluate various scenarios and courses of action for the above purposes.

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 from October to December 2012, the Center for Applied Knowledge, FUNDAMETAL maintained in all its sites, educational programs aimed at improving professional training and social action to further contribute to improvements in the quality of life of communities in which it has influence. Around 3720 hours were devoted to social action by FUNDAMETAL learners to support various educational entities, health centers and child and elderly care homes, located in areas close to their headquarters in Valencia, Caracas and Guyana.



**SIDERURGICA VENEZOLANA "SIVENSA", S.A AND ITS SUBSIDIARIES**  
**CONSOLIDATED BALANCE SHEET**  
**DECEMBER 31, 2012 AND 2011**

(Thousands of constant bolivars at december 31, 2012)

|   | <u>2012</u> | <u>2011</u> |
|---|-------------|-------------|
| <b>Assets</b>   |             |             |
| Non-current assets  |             |             |
| Available-for-sale-investments  |             |             |
| Investment in companies under "nationalization"   | 4.786.222   | 5.746.326   |
| Net assets in expropriation process   | 1.867.426   | -           |
| Accounts receivable from companies under "nationalization", net                           | 365.785     | 414.005     |
| Property, plant and equipment, net  | 102.268     | 1.680.164   |
| Deferred income tax   | -           | 115.106     |
| Other non-current assets  | 21.858      | 12.579      |
|   | 7.143.559   | 7.968.180   |
| Total non-current assets  |             |             |
| Current assets  |             |             |
| Prepaid expenses and other current assets   | 1.106       | 16.689      |
| Inventories   | 206         | 277.889     |
| Advances to suppliers   | 22.543      | 93.155      |
| Accounts receivable   |             |             |
| Trade and other   | 274.651     | 291.905     |
| Related companies   | 9.332       | 1.547       |
| Cash and cash equivalents   | 167.099     | 348.088     |
|   | 474.937     | 1.029.273   |
| Total current assets  |             |             |
|   | 7.618.496   | 8.997.453   |
| Total assets  |             |             |
| <b>Equity and Liabilities</b>   |             |             |
| Equity  |             |             |
| Capital stock   |             |             |
| Nominal   | 105.049     | 105.049     |
| Inflation adjustment  | 1.942.644   | 1.942.644   |
| Share premium   | 196.954     | 196.954     |
| Net effect of combination (merger) of subsidiaries  | 259.622     | 311.728     |
| Surplus from revaluation associated with investments in companies under "nationalization" | 304.320     | 365.397     |
| Difference between fair value and cost of shares of subsidiary                            | 723.650     | 868.887     |
| Translation adjustment  | (26.878)    | (17.996)    |
| Unappropriated earnings   |             |             |
| Legal reserve   | 204.983     | 204.983     |
| Available   | 1.586.461   | 1.913.250   |
| Total equity of Sivensa shareholders  | 5.296.805   | 5.890.896   |
| Non-controlling interests   | 1.515.714   | 1.823.295   |
|   | 6.812.519   | 7.714.191   |
| Total equity  |             |             |
| Liabilities   |             |             |
| Non-current liabilities   |             |             |
| Bonds payable   | 304.176     | 390.411     |
| Accrual for length-of-service benefits, net of advances and loans to employees            | -           | 42.269      |
| Other long-term liabilities and accruals  | 86.163      | 96.456      |
| Deferred income tax   | 157.358     | 314.924     |
|   | 547.697     | 844.060     |
| Total non-current liabilities   |             |             |
| Current liabilities   |             |             |
| Short-term bank loans   | 33.030      | -           |
| Current portion of bonds payable  | 21.500      | 25.815      |
| Profit-sharing, vacation bonus and other employee accruals                                | 18          | 47.712      |
| Taxes   | 69.125      | 20.827      |
| Other liabilities and accruals  | 120.451     | 188.734     |
| Accounts payables   |             |             |
| Suppliers   | 9.569       | 148.808     |
| Related companies   | 4.587       | 7.306       |
|   | 258.280     | 439.202     |
| Total current liabilities   |             |             |
|   | 805.977     | 1.283.262   |
| Total liabilities   |             |             |
|   | 7.618.496   | 8.997.453   |
| Total equity and liabilities  |             |             |





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

**CONSOLIDATED INCOME STATEMENT**

**QUARTERS ENDED DECEMBER 31, 2012 AND 2011**

(Thousands of constant bolivars at december 31, 2012)

|  | <u>2012</u>     | <u>2011</u>     |
|--|-----------------|-----------------|
| <b>Ongoing operations</b>                            |                 |                 |
| General and administrative expenses                  | (8.926)         | (17.557)        |
| Other operating income, net                          | 117             | 1.862           |
| Operating loss                                       | <u>(8.809)</u>  | <u>(15.695)</u> |
| Interest and other financial expense, net            | (772)           | (1.165)         |
| Exchange gain, net                                   | 110             | 43              |
| Loss from net monetary position                      | <u>(21.652)</u> | <u>(46.250)</u> |
| Loss before taxes                                    | <u>(31.123)</u> | <u>(63.067)</u> |
| <b>Income tax</b>                                    |                 |                 |
| Current  | (19)            | (303)           |
| Deferred   | 6               | (391)           |
| Net loss of ongoing business                         | <u>(31.136)</u> | <u>(63.761)</u> |
| <b>Discontinued operations</b>                       |                 |                 |
| Net income from discontinued operations              | <u>62.137</u>   | <u>67.941</u>   |
| Quarter net income                                   | <u>31.001</u>   | <u>4.180</u>    |
| <b>Profit (loss) for the quarter attributed to:</b>  |                 |                 |
| Sivensa's shareholders                               |                 |                 |
| Ongoing operations                                   | (29.828)        | (63.061)        |
| Discontinued operations                              | <u>62.137</u>   | <u>67.941</u>   |
| Total Sivensa's shareholders                         | 32.309          | 4.880           |
| Non-controlling interests from continuing operations | <u>(1.308)</u>  | <u>(700)</u>    |
| Quarter net income                                   | <u>31.001</u>   | <u>4.180</u>    |



SIDERURGICA VENEZOLANA "SIVENSA", S.A AND ITS SUBSIDIARIES  
CONSOLIDATED FINANCIAL RATIOS  
DECEMBER 31, 2012 AND 2011

|                              |  | 2012    | 2011    |
|------------------------------|--|---------|---------|
| <b>Current ratio</b>         | <u>Current assets</u><br>Current liabilities   | 1.84    | 2.34    |
| <b>Working capital</b>       | Current assets - Current liabilities (Thousand of Bs)  | 216.657 | 590.071 |
| <b>Short term debt ratio</b> | <u>Short term financial liabilities</u><br>Total equity of Sivensa shareholders                          | 0.010   | 0.004   |
| <b>Total debt ratio</b>      | <u>Short and long term financial liabilities</u><br>Total equity of Sivensa shareholders                 | 0.07    | 0.07    |
| <b>Return on Assets</b>      | <u>Anualized net profit attributed to Sivensa's shareholders</u><br>Total assets                         | 1.70%   | 0.22%   |
| <b>Return on Equity</b>      | <u>Anualized net profit attributed to Sivensa's shareholders</u><br>Total equity of Sivensa shareholders | 2.44%   | 0.33%   |