



Siderúrgica Venezolana "SIVENSA" S.A.
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SIVENSA REPORTS RESULTS FOR THE THIRD QUARTER FISCALYEAR 2013

CARACAS, JULY 31, 2013.

As timely reported, on October 31, 2010 the President of the Republic announced the expropriation of the plants and other industrial assets property of Siderurgica del Turbio, S.A. (Sidetur) subsidiary. 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 informed the National Executive adopted the following measures: (i) the appropriation and 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 illegitimate occupation of the industrial assets of the 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, 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. 40,04 Resolution No. 089 of the MPPI, dated October 25, 2012, was published, 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 INDEPABIS.

On December 6, 2012, the attorneys of the subsidiaries Sidetur and the shareholders Holding

Companies of the steelmakers "Tecoside", S.A. ("Tecoside") proceeded to file an amendment complaint 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 July 2012, to include Resolution No. 089 identified above.

As a result of the aforementioned events that occurred on late October 2012 the legal counsel 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 Sivena shares due to the uncertainty created by such events.

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 confirmed 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.

As timely reported, late in the first quarter of fiscal year 2013, the risk rating firms, Fitch Ratings and Standard & Poor's downgraded the corporate credit rating of Sidetur, to "CCC" compared to the pre-qualification "B-" and "CCC-" compared to the pre-qualification of "B-", respectively.

On November 8, 2012, Sidetur informed the trustee or representative of its bondholders about the events that occurred on October 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 scrap 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 January 21, 2013, Sidetur instructed the trustee to pay to the amount of principal and interest due 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 a default as a result of the failure to replace the funds used to pay the amounts due in the Reserve Account and (ii) 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.

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 scrap collection centers owned by such subsidiary.

On April 17, 2013, the attorneys of Sidetur filed a formal complaint (administrative pre-trial) before the Superintendency 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.".

On April 22, 2013, the Company received a communication from the SNV, dated April 17 of that same year, in which the regulatory body of the stock market, notified the Company of its decision to lift the trading suspension of its shares on the Caracas Stock Exchange.

On April 22, 2013, Sidetur instructed the trustee to make the corresponding payment of the portion of principal and interest payable on the same date, charging the Reserve Account at Deutsche Bank, thereby exhausting such account.

On June 3, 2013 a hearing was held in the trial for annulment before the Political Administrative Chamber of the Supreme Court against the Resolutions numbers 047 and 089 of the Ministry of the People's Power of Industries, responsible for designating the members of the Temporary Administration Board of Sidetur.

SUBSEQUENT EVENTS

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 of Industries, as a result of the *de facto* expropriation of the equity interest that such subsidiary holds in the corporations Prerreducidos Venezuelan Caroni "Venprecar", CA and Orinoco Iron SCS, Limited Partnership, 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.

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 Siderurgico Nacional, S.A." at Bank of 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.

ACCOUNTING TREATMENT OF THE SIDETUR SUBSIDIARY OPERATIONS

The consolidated financial statements of Siderúrgica Venezolana "Sivensa", SA, included in this report include the accounts of the subsidiary Sidetur and its subsidiaries 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. Also, for comparative purposes, the net results of steel operations of the Sidetur subsidiary for the period ended June 30, 2012, have been reclassified to the "Net income from discontinued 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 must be realized or settled by Sidetur, which has sent communications 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 based on the accounting practices indicated by the SNV, which are based on IAS and IFRS, as set forth in Resolution No. 254-2008 issued on December 2008 by the Board of the National Securities Commission, currently SNV, and are presented in accordance with the "Standards for economic and financial information to be furnished by persons under the control of the National Superintendency of Securities" considering the provisions of Circular DSNV / CJ 3652, issued by the regulator said in August 2011.

On February 8, 2013 through the Exchange Agreement No. 14, the National Executive agreed with the Central Bank of Venezuela to a change in the national exchange rate regime from February 9, 2013 on, from the official fixed exchange rate 4.30 bolivars per U.S. dollar to 6.30 bolivars per U.S. dollar. Furthermore, the President of the Central Bank of Venezuela (BCV) announced at a press conference on February 8, 2013, the elimination of Transaction System for Foreign Currency Denominated Securities (SITME), which became effective as from the day of announcement.

The consolidated results in bolivars of the periods ended June 30, 2013 and 2012 which are

covered in this report were adjusted for inflation as of June 30, 2013¹, 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, during January and the official exchange rate of 6.30/US\$1 for the next months, and the SITME exchange rate of Bs 5.30/US\$1 during the third quarter of the previous year².

The adjustment factor used is the Consumer Price National Index (INPC), for the three (3) month period ended on June 30, 2013, was 15.8%, 34.6% during the nine (9) month period, ended June 30, 2013; and 39.6% for the twelve (12) month period ended on June 30, 2013

Foreign currency balances as of June 30, 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, using the legal mechanisms permitted by the State or laws of the Bolivarian Republic of Venezuela like the official exchange rate of Bs. 6.30/ US\$1. The foreign currency balances as of June 30, 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

QUARTER RESULTS ANALYSIS

Continuing operations

Sivensa's consolidated results for continuing operations mainly include the operations of the Sidetur and IBH subsidiaries, for the quarters ended June 30, 2013 and 2012³.

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

Operating Income (loss):

In the quarter April to June 2013, the operating income of Sivensa was Bs 11.53 million compared to a loss of Bs 12.62 million in the same quarter of 2012. The positive variation of Bs 24.15 million is due to the increase in "Other income (expense), net" by Bs 38.65 million mainly due to the gain on the sale of a land lot, this variation was partially affected by the

¹ The fiscal year 2013 covers the period of twelve months from 1 October 2012 until 30 September 2013. The fiscal year 2012 covers the period of twelve months from 1 October 2011 until 30 September 2012. The third quarter of fiscal year 2013 begins on April 1, 2013 and ends on June 30, 2013. The third quarter of fiscal year 2012 begins on April 1, 2012 and ends on June 30, 2012. In this report for comparative purposes we refer to these terms as either period or fiscal year.

² 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 June 30, 2012, were adjusted for inflation to June 30, 2013 for comparative purposes.

³ The consolidated financial statements of Sivensa as of June 30, 2012 were adjusted for inflation as of June 30, 2013 for comparative purposes.

increase in general and administrative expenses by Bs 14.49 million during the reported quarter compared with the same quarter 2012.

Income (Loss) before tax: During the third quarter of fiscal 2013, there was a loss of Bs 16.57 million compared to a loss of Bs 18.25 million in the same period last year. The decrease in the loss of Bs 1.68 million is mainly explained by the quarter operating profit discussed in the previous paragraph, affected partially by the negative variation of Bs 23.30 million monetary loss, caused by the effect of inflation on the net monetary position of Sivensa and its subsidiaries for the quarter ended June 30, 2013, compared to that maintained during the quarter ended June 30, 2012.

Net income (loss) from continuing operations: In the third quarter of fiscal 2013, there was a loss of Bs 15.43 million compared to a loss of Bs 19.14 million in the same quarter of the previous fiscal year. The decrease in the loss of Bs 3.71 million during the quarter is mainly due to the decrease in pre-tax loss mentioned above.

Discontinued operations

Sivensa' s consolidated results for discontinued operations during the quarters ended June 30, 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 (loss) from discontinued operations".

Net income (loss) from discontinued operation: In the third quarter of fiscal 2013, net income from discontinued operations was Bs 8.09 million compared to a gain of Bs 69.32 million in the same quarter of the previous fiscal year. The decrease on income of Bs. 61.23 million is because during the quarter ended June 30, 2013 Sidetur did not manufacture or marketed steel products.

Net income (loss) for the quarter

This result in the quarter April-June 2013 was a loss of Bs 7.34 million compared to gains of Bs 50.17 million recorded in the same quarter last year. The net loss in the quarter includes the results of continuing and discontinued operations prior to participation of the minority shareholders of IBH in the net results of this subsidiary for the quarters ended June 30, 2013 and 2012.

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

This result in the quarter April-June 2013 was a loss of Bs 5.69 million compared to gains of Bs 51.86 million recorded in the same quarter last year. This negative variation of Bs 57.55 million is mainly due to: (i) the decrease of Bs 61.23 million of net income in the quarter of discontinued operations discussed above, which was partially offset by the decrease in Bs 3.67 million net loss from continuing operations attributable to shareholders of Sivensa. The quarter's net loss attributable to shareholders of Sivensa results after adding or subtracting to income (loss) for the quarter, 31.46% stake of the minority shareholders of IBH in the net results of this subsidiary for the quarters ended June 30, 2013 and 2012. In those quarters, this share was a loss of Bs 1.65 million and Bs 1.69 million, respectively.

INTERNATIONAL BRIQUETTES HOLDING (IBH)

During the third quarter of fiscal year 2013, despite 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 April - June 2013, the Center for Applied Knowledge, FUNDAMETAL maintained in all its sites, educational programs aimed at improving professional training. During the quarter, 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 and Guyana, about 1,600 hours were devoted by social action trainees from FUNDAMETAL to support various educational entities, health centers and child and elderly care homes, located in areas close to their headquarters



**SIDERURGICA VENEZOLANA "SIVENSA", S.A AND SUBSIDIARIES
CONSOLIDATED GENERAL BALANCE
AS OF 30 DE JUNE 2013 AND 2012**

(In thousand constant bolivars as of June 30, 2013)

	2013	2012
Assets		
Non-current assets		
Available- for-sale investment		
Investment in preferred shares	-	-
Investments in companies under "nationalization"	5.689.288	6.681.696
Net Assets in expropriation process and other appropriated assets	2.317.502	-
Accounts receivable from companies under "nationalization", net	455.340	464.117
Property, plant and equipment, net	110.145	2.027.934
Deferred Income Tax	-	134.301
Other fixed assets	43.318	31.906
	8.615.593	9.339.954
Total non-current assets		
Current assets		
Prepaid expenses and other current assets	44.814	24.865
Inventories	258	336.215
Advances to suppliers	24.657	219.978
Account receivable		
Trade and others	320.226	479.786
Related companies	3.762	16.082
Cash and cash equivalents	186.927	439.458
	580.644	1.516.384
Total current assets	580.644	1.516.384
Total Assets	9.196.237	10.856.338
Equity and Liabilities		
Equity		
Capital stock		
Nominal	105.049	105.049
Inflation adjustment	2.454.472	2.454.472
Share premium	246.184	246.184
Net effect of combination (merger) of subsidiaries	259.622	362.471
Surplus from revaluation of fixed assets associated with investments in companies under "nationalization"	304.321	1.089.911
Difference between fair value and cost of shares of subsidiary	723.650	1.010.323
Translation adjustment	577.046	(23.856)
Unappropriated earnings		
Legal reserve	256.220	256.220
Available	1.353.247	1.590.895
	6.279.811	7.091.669
Total equity of Sivensa shareholders	6.279.811	7.091.669
Non-controlling interests	1.800.283	2.118.956
	8.080.094	9.210.625
Total equity	8.080.094	9.210.625
Liabilities		
Non-current liabilities		
Bonds payable	430.926	439.391
Accrual for length-of-service benefits, net of advances and loans to employees	429	111.648
Other long-term liabilities and accruals	86.163	111.195
Deferred income tax	197.480	382.012
	714.998	1.044.246
Total non-current liabilities	714.998	1.044.246
Current Liabilities		
Short term bank loans	37.321	-
Current portion of bonds payable	31.500	30.017
Profit-sharing, vacation bonus and other employee accruals	2.059	113.063
Taxes	110.891	38.959
Other liabilities and accruals	190.793	214.242
Accounts payable		
Suppliers	21.154	195.596
Related companies	7.427	9.590
	401.145	601.467
Total current liabilities	401.145	601.467
Total liabilities	1.116.143	1.645.713
Total Equity & Liabilities	9.196.237	10.856.338

**SIDERURGICA VENEZOLANA "SIVENSA", S.A AND SUBSIDIARIES****CONSOLIDATED INCOME STATEMENT****QUARTERS ENDED 30 JUNE 2013 AND 2012**

(In thousands constant bolivars as of June 30, 2013)

	2013	2012
Continuing operations		
General and Administrative Expenses	(21.502)	(7.010)
Other operating income (expenses) net	33.037	(5.614)
Operating profit (loss)	<u>11.535</u>	<u>(12.624)</u>
Interest and other financing costs, net	604	(2.405)
Exchange gain (loss), net	(1.926)	258
Monetary loss	<u>(26.784)</u>	<u>(3.481)</u>
Loss before Taxes	<u>(16.571)</u>	<u>(18.252)</u>
Income tax		
Current	(3)	(112)
Deferred	1.141	(780)
Net Loss from continuing operations	<u>1.138</u>	<u>(893)</u>
Net Loss from continuing operations	<u>(15.433)</u>	<u>(19.145)</u>
Discontinued Operations		
Net income from discontinued operations	8.089	69.318
Net income (loss) for the Quarter	<u>(7.344)</u>	<u>50.173</u>
Net income (loss) for the quarter attributed to:		
Sivensa's Shareholders		
Continuing operations	(13.780)	(17.454)
Discontinued operations	8.089	69.318
Total Sivensa's shareholders	<u>(5.691)</u>	<u>51.864</u>
Non-controlling interests from continuing operations	(1.654)	(1.691)
Net income (loss) for the quarter	<u>(7.344)</u>	<u>50.173</u>



SIDERURGICA VENEZOLANA "SIVENSA", S.A AND SUBSIDIARIES
CONSOLIDATED INCOME STATEMENT
PERIODS ENDED 30 JUNE, 2013 AND 2012

(In thousands constant bolivars as of June 30, 2013)

	2013	2012
Continuing operations		
General and Administrative Expenses	(65.101)	(44.241)
Other operating income (expenses) net	35.143	(9.397)
Operating loss	<u>(29.958)</u>	<u>(53.638)</u>
Interest and other financing costs, net	(2.893)	(8.488)
Exchange gain (loss), net	(91.088)	(3.778)
Monetary loss	(63.303)	(24.615)
	<u>(157.284)</u>	<u>(36.880)</u>
Loss before Taxes	<u>(187.242)</u>	<u>(90.519)</u>
Income tax		
Current	(28)	(1.117)
Deferred	(1.191)	(1.840)
	<u>(1.219)</u>	<u>(2.957)</u>
Net Loss from continuing operations	<u>(188.461)</u>	<u>(93.476)</u>
Discontinued Operations		
Net income from discontinued operations	81.815	169.263
Net income (loss) for the period	<u>(106.646)</u>	<u>75.787</u>
Net income (loss) for the period attributed to:		
Sivensa's Shareholders		
Continuing operations	(183.733)	(90.424)
Discontinued operations	81.815	169.263
Total Sivensa's shareholders	<u>(101.918)</u>	<u>78.839</u>
Non-controlling interests from continuing operations	(4.728)	(3.052)
Net income (loss) for the period	<u>(106.646)</u>	<u>75.787</u>



SIDERURGICA VENEZOLANA "SIVENSA", S.A AND SUBSIDIARIES
CONSOLIDATED FINANCIAL INDICATORS
AS OF JUNE 30, 2013 - 2012

		2013	2012
Solvency	<u>Current Assets</u> Current Liabilities	1,45	2,52
Working Capital	Current Assets - Current Liabilities (MBs)	179.499	914.917
Short Term Debt	<u>Short Term financial liability</u> Sivensa's shareholders total equity	0,011	0,004
Total Debt	<u>Financial Liabilities short and long term</u> Sivensa's shareholders total equity	0,08	0,07
Return over Assets	<u>Annualized net income attributable to shareholders of Sivensa</u> Total Assets	-1,48%	0,97%
Return over Equity	<u>Annualized net income attributable to shareholders of Sivensa</u> Sivensa's shareholders total equity	-2,16%	1,48%