



SIDERURGICA VENEZOLANA "SIVENSA", S.A.

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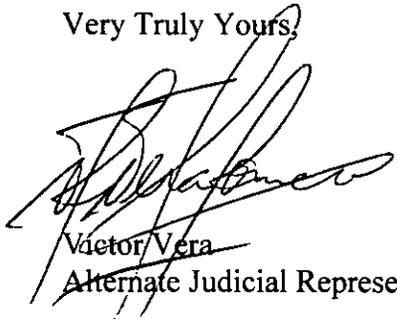
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Very Truly Yours,

  
Victor Vera  
Alternate Judicial Representative

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## **SIVENSA REPORTS RESULTS FOR THE SECOND QUARTER OF THE FISCAL YEAR**

Caracas, April 30, 2008. Siderúrgica Venezolana "SIVENSA" S.A. reported consolidated sales of US\$230 million during the second quarter of the 2008 fiscal year, which ended on March 31, 2008. This figure is 17% higher than the sales recorded for the same quarter of the preceding fiscal year. The operating profit was US\$ 40 million, compared to US\$ 31 million for the January-March 2007 period. The net profit attributable to Sivensa shareholders was US \$ 15 million, compared to a net profit of US\$ 13 million for the same period of the preceding fiscal year.

Sivensa's operating profit increased by US\$ 9 million as compared to the same quarter of the previous year. This increase is mainly explained by the *Other Operating Income, Net* item, which includes the results of Treasury operations.

Interest and other financing expenses decreased by 20% to US\$ 14 million. This difference is the net result of lower interest paid by IBH and higher interest paid by Sidetur, respectively, due to a decrease in debt to banks in the case of IBH, and to a slight increase of debt in the case of Sidetur.

In the balance sheet, long term liabilities show a decrease in Long-Term Loans from US\$ 476 million on March 31, 2007 to US\$ 341 million on the same date in 2008. This net reduction is due to the foreclosure on accounts receivable by Venprecar creditor banks during this quarter, based on guarantees arising from loan contracts granted in 1997.

### **MARKETS**

The Venezuelan construction industry, whose supply is Sidetur's main priority, has shown a steady growth due to public spending based on high oil income, which has allowed the government to increase investments on infrastructure works and low-income

housing programs. Likewise, the private sector has continued developing housing, office and large-scale shopping mall projects.

Prices of long steel products in the international market have been impacted by the high domestic demand, reducing the export capacity of traditional exporters such as Brazil, Russia, Ukraine, Turkey, and China. The recent increase in the price of iron ore has also been a factor behind rising prices, marking the fourth consecutive year the price of this raw material has increased substantially.

The average FOB price of the IBH pre-reduced iron briquette at the Port of Palúa was US\$ 294.79/MT, compared to US\$ 219.02/MT for the same period of the 2007 fiscal year (January-March 2007), and to US\$ 287.09/MT<sup>1</sup> during the preceding quarter (October-December 2007). This increase reflects the restricted supply in the international metallics market (raw materials for steel mills), as well as the pressure that the increasing demand for steel is exerting on markets.

## **ANALYSIS BY BUSINESS SECTOR**

### **Steel**

Sidetur's sales for the January-March 2008 quarter were US\$ 127 million, 14% higher than its sales for the same period of the preceding fiscal year. This increase is primarily due to the impact of international economy on the price of some long steel products, as well as to a steady activity in the domestic construction, manufacturing and infrastructure sectors.

In accordance with the investment program that was announced in previous reports, the shutdown of the Casima steel mill located in Puerto Ordaz began on March 3, in order to install the new emissions control system, as well as other equipment, including a high-performance transformer with greater capacity, a new graphite and oxygen injection system, and a new continuous caster torch cutting system. In addition, major maintenance work will be performed during the shutdown. It is estimated that the plant will be able to resume operations in mid May.

### **Pre-reduced iron**

IBH recorded sales of US\$ 129 million during the January-March 2008 period, compared to sales of US \$98 million for the same period of the preceding year. The combined

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<sup>1</sup> The calculation of these average prices does not include domestic sales or by-products.

production of the Venprecar and Orinoco Iron plants was 434,736 MT, 15% lower than their joint production for the same quarter of the 2007 fiscal year. This decreased production is primarily due to the dearth of pellets for the Venprecar plant. Despite being able to import 31,763 MT of pellets during the quarter, the total volume of pellets received (from both domestic and imported sources) accounted for only 37% of the plant's requirements to produce at full capacity.

As of this date, no short-term solution has been identified to remedy the dearth of pellets. It is important to anticipate that the Venprecar plant will continue to limit its production to a volume representing approximately 60% of its installed capacity while this situation persists.<sup>2</sup>

#### DIVIDEND PAYMENT

As previously reported, at their regular meeting held on November 30, 2007, Sivensa shareholders approved to distribute a dividend in cash and a dividend in kind to the shareholders registered at December 10<sup>th</sup>. Even though the payment of said dividends was scheduled to commence on December 14, only the cash dividend was paid due to the fact that on December 6, the National Securities Commission mandated a suspension of the in kind portion of the dividend to allow for the clarification of certain aspects of said payment. Since that date, the company has been in close contact with the National Securities Commission with the purpose of having said suspension revoked. The company is currently awaiting a decision regarding this matter.

#### SOCIAL RESPONSIBILITY

During the quarter, the Fundametal Center for Applied Knowledge, an educational institution sponsored by Sivensa, developed its Welders Training Program as part of the company's ongoing initiatives to support the country's small and medium-sized industries. On this occasion the program benefited workers of seven companies affiliated to Asociación de Industriales Metalúrgicos y de Minería (AIMM), as well as non-working youths who were nominated for participation by these companies. The 260-hour curriculum requires a leveling phase to complement any experience the students might have already acquired (in the case of active workers) or high school studies (in the case of non-working youths).

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<sup>2</sup> For additional information about IBH results for the quarter, please visit the website at [www.ibh.com.ve](http://www.ibh.com.ve).

As part of its objective to actively contribute to educate and train Venezuelan youths, provide them with the opportunity to learn a trade, achieve professional growth and make a contribution to the development of our country, for the past 32 years Fundametal has run the Apprenticeship Program, which currently has nearly 1,200 students. This Fundametal area carries out administrative and technical training programs in different vocational areas, including electronics, electricity, instrumentation and pneumatics.

Sidetur sponsored the *Eureka Award to the Future Industrial Designer*, an initiative that focuses on industrial design and architecture students enrolled in public and private institutions, in order to promote a spirit of innovation among Venezuelan youths through proposals that combine aesthetics with technical and practicality factors. In addition, the social impact of design in transforming and restoring public spaces is also evaluated. Forty ideas were presented during the event, and five prototypes were selected. There were three winning proposals.

During the quarter under analysis the Orinoco Iron and Venprecar plants awarded scholarships to 282 workers' children, to continue their studies at the elementary, secondary and college levels. As part of its human resources policy, the company also developed and offered the first Windows Applications and Internet courses, also benefiting the company workers' children.

In addition, 20 students of the Rafael Vegas and Gran Sabana de Fe y Alegría schools located in the Core 8 development in Puerto Ordaz, received scholarships as a reward and encouragement for their excellent academic performance.

*Siderúrgica Venezolana SIVENSA S.A. is a Venezuelan corporation comprising two business units: Sidetur, engaged mainly in the manufacture of steel products for the construction, manufacturing and infrastructure industries, and International Briquettes Holding, IBH, whose Venprecar and Orinoco Iron plants produce reduced iron briquettes to be used as a high-quality raw material in the steel industry. At March 31, 2008 Sivensa employed 2,741 workers.*



SIDERÚRGICA VENEZOLANA "SIVENSA", S.A AND ITS SUBSIDIARIES  
CONSOLIDATED BALANCE SHEET  
MARCH 31, 2008

(Thousands of US dollars)

|  | <u>2008</u> | <u>2007</u> |
|--|-------------|-------------|
| <b>Assets</b>  |             |             |
| <b>Current Assets</b>  |             |             |
| Cash and cash equivalents  | 67,888      | 132,897     |
| Restricted cash  | 64,678      | -           |
| Trading securities   | 8,200       | 213         |
| Accounts receivable  |             |             |
| Trade and other  | 133,552     | 178,716     |
| Related companies  | 95          | 159         |
| Advances to suppliers  | 16,569      | 13,800      |
| Inventories  | 122,557     | 123,709     |
| Pre-paid expenses and other  | 18,803      | 10,662      |
|  | <hr/>       | <hr/>       |
| Total current assets   | 432,342     | 460,156     |
| Property, plant and equipment, revalued, net                                       | 1,435,303   | 1,343,786   |
| Investments  | 61,407      | 94,439      |
| Related companies  | 161         | 161         |
| Deferred taxes   | 16,700      | 13,886      |
| Deferred charges and other non-current asset                                       | 8,328       | 8,237       |
|  | <hr/>       | <hr/>       |
| Total assets   | 1,954,241   | 1,920,665   |
| <b>Liabilities and shareholders' equity</b>  |             |             |
| <b>Current Liabilities</b>   |             |             |
| Short-term bank loans  | 20,930      | 3,232       |
| Short-term portion of long-term loans  | 5,000       | 1,866       |
| Accounts payable   |             |             |
| Suppliers  | 105,890     | 115,660     |
| Related companies and shareholders   | 64,004      | 99,003      |
| Advances from suppliers  | 5,032       | 10,806      |
| Profit sharing, vacations, and other personnel accruals                            | 19,532      | 17,143      |
| Taxes  | 15,776      | 9,166       |
| Dividend payable   | 62,737      | -           |
| Other current liabilities  | 41,695      | 22,241      |
|  | <hr/>       | <hr/>       |
| Total current liabilities  | 340,596     | 279,117     |
| Long-term loans  | 341,042     | 475,551     |
| Accounts payable to related companies and shareholders                             | -           | 10,787      |
| Long-term supplier   | -           | 3,110       |
| Accruals for employee termination benefits, net of advances and loans to employees | 17,023      | 16,855      |
| Other long-term liabilities and accruals   | 71,222      | 51,639      |
| Deferred taxes   | 222,057     | 206,115     |
|  | <hr/>       | <hr/>       |
| Total Liabilities  | 991,940     | 1,043,174   |
| Capital Stock  | 312,050     | 311,120     |
| Share premium  | 8,222       | 8,222       |
| Net effect of combination (merger) of subsidiaries                                 | 119,483     | 119,483     |
| Revaluation of fixed assets  | 227,426     | 173,259     |
| Difference between fair value and cost of shares of subsidiaries                   | 130,029     | 130,029     |
| Unrealized gain on available-for-sale investment                                   | -           | 39,846      |
| Unappropriated earnings:   |             |             |
| Legal Reserve  | 31,112      | 30,368      |
| Déficit  | (105,858)   | (156,622)   |
| Effect for translation   | -           | (1,333)     |
|  | <hr/>       | <hr/>       |
| Total shareholders' equity majority  | 722,464     | 654,372     |
| Minority interests   | 239,837     | 223,119     |
|  | <hr/>       | <hr/>       |
| Total shareholders' equity   | 962,301     | 877,491     |
|  | <hr/>       | <hr/>       |
| Total liabilities and shareholders' equity   | 1,954,241   | 1,920,665   |



**SIDERÚRGICA VENEZOLANA "SIVENSA", S.A AND ITS SUBSIDIARIES**  
**CONSOLIDATED STATEMENTS OF RESULTS**  
**QUARTERS ENDED MARCH 31, 2008 AND 2007**

(Thousands of US dollars, except average outstanding shares)

|   | <u>2008 (*)</u> | <u>2007 (*)</u> |
|---|-----------------|-----------------|
| <b>Continuing operations</b>  |                 |                 |
| <b>Net sales</b>  |                 |                 |
| Exports   | 102,080         | 86,563          |
| Domestic  | 128,084         | 110,321         |
|   | 230,164         | 196,884         |
| <b>Cost of sales</b>  | (208,637)       | (161,833)       |
| Gross profit  | 21,527          | 35,051          |
| General, administrative expenses                                    | (14,131)        | (12,882)        |
| Other operating income, net   | 32,734          | 8,652           |
| Operating profit  | 40,130          | 30,821          |
| Interests and other financing costs                                 | (14,291)        | (17,817)        |
| Translation adjustment, net   | (1,338)         | (237)           |
|   | (15,629)        | (18,054)        |
| Profit before taxes   | 24,501          | 12,767          |
| <b>Taxes</b>  | (6,752)         | (3,003)         |
| Net profit from continuing operations                               | 17,749          | 9,764           |
| <b>Discontinued operation</b>                                       |                 |                 |
| Net profit from discontinued operation                              | -               | 2,977           |
| Net profit  | 17,749          | 12,741          |
| <b>Net profit attributable to:</b>                                  |                 |                 |
| <b>Sivensa shareholders</b>   |                 |                 |
| Continuing operations   | 14,908          | 11,620          |
| Discontinued operations   | -               | 1,425           |
|   | 14,908          | 13,045          |
| <b>Minority interests in subsidiaries</b>                           |                 |                 |
| Continuing operations   | 2,841           | (1,856)         |
| Discontinued operations   | -               | 1,552           |
|   | 2,841           | (304)           |
|   | 17,749          | 12,741          |
| <br>  |                 |                 |
| Net profit per share attributable to Sivensa shareholders (in US\$) | 0.299           | 0.267           |
| <br>  |                 |                 |
| Weighted average of outstanding shares (in thousands)               | 49,831          | 48,830          |

(\*) Restated for comparative purposes

**QUIRÚRGICA VENEZOLANA "SIVENSA", S.A AND ITS SUBSIDIARIES****CONSOLIDATED STATEMENTS OF RESULTS****SEMESTERS ENDED MARCH 31, 2008 AND 2007**

(Thousands of US dollars, except average outstanding shares)

|   | <u>2008</u>      | <u>2007 (*)</u>  |
|---|------------------|------------------|
| <b>Continuing operations</b>  |                  |                  |
| <b>Net sales</b>  |                  |                  |
| Exports   | 176,979          | 172,956          |
| Domestic  | 246,207          | 213,091          |
|   | <u>423,186</u>   | <u>386,047</u>   |
| Cost of sales   | <u>(371,363)</u> | <u>(318,942)</u> |
| Gross profit  | 51,823           | 67,105           |
| General, administrative expenses                                    | (35,298)         | (28,348)         |
| Other operating income, net   | 62,922           | 12,717           |
| Operating profit  | <u>79,447</u>    | <u>51,474</u>    |
| Interests and other financing costs                                 | (29,023)         | (34,114)         |
| Translation adjustment, net   | (609)            | (784)            |
|   | <u>(29,632)</u>  | <u>(34,898)</u>  |
| Profit before taxes   | 49,815           | 16,576           |
| Taxes   | <u>(13,601)</u>  | <u>(8,377)</u>   |
| Net profit from continuing operations                               | 36,214           | 8,199            |
| <b>Discontinued operation</b>                                       |                  |                  |
| Net profit from discontinued operation                              | -                | 3,987            |
| Net profit  | <u>36,214</u>    | <u>12,186</u>    |
| <b>Net profit attributable to:</b>                                  |                  |                  |
| <b>Sivensa shareholders</b>   |                  |                  |
| Continuing operations   | 31,424           | 14,740           |
| Discontinued operations   | -                | 1,977            |
|   | <u>31,424</u>    | <u>16,717</u>    |
| <b>Minority interests in subsidiaries</b>                           |                  |                  |
| Continuing operations   | 4,790            | (6,541)          |
| Discontinued operations   | -                | 2,010            |
|   | <u>4,790</u>     | <u>(4,531)</u>   |
|   | <u>36,214</u>    | <u>12,186</u>    |
| Net profit per share attributable to Sivensa shareholders (in US\$) | <u>0.634</u>     | <u>0.342</u>     |
| Weighted average of outstanding shares (in thousands)               | <u>49,552</u>    | <u>48,830</u>    |

(\*) Restated for comparative purposes