

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

**SIVENSA REPORTS RESULTS FOR FIRST QUARTER FISCAL YEAR 2012**

CARACAS, JANUARY 31, 2012.

As timely reported, the most significant event to date was the announcement made by the President of the Republic last October 31, 2010 regarding the expropriation of the plants and other industrial assets property of our subsidiary Siderurgica del Turbio, S.A. (Sidetur). Decree No. 7786 dated November 2, 2010 was published in the Official Gazette No. 39,544 dated November 3, 2010.

On December 15, 2011, our subsidiary Sidetur was notified in its Antímáno Plant of the Administrative Order No. 288 issued by the Institute for the Defense of the People's Access to Goods and Services ("INDEPABIS"), dated December 14, 2011, whereby the preventive measure of "Occupancy and Temporary Operability" issued by such governmental agency through Administrative Order No. 422 dated November 2, 2010, was ratified. On December 19, 2011, the representation of our subsidiaries Tecoside and Sidetur formally opposed to that measure before INDEPABIS.

On December 27, 2011, Decree of the President of the Republic No. 8714 dated December 20, 2011, was published in the Official Gazette No.39,828 of December 26, 2011, in which Presidential Commission, of a temporary character, to be called "Strategic Superior Council on Expropriations Matter" was created. This decree was reprinted because of a material error in the Official Gazette No. 39,839 of January 10, 2012.

According to Resolution No. 254-2008 issued in December 2008 by the Board of the National Securities Commission (CNV), now National Securities Superintendency (SNV), the companies making public offering of securities under the Venezuelan Capital Markets Law must prepare and presents their financial statements according to International Accounting Standards (IAS) and International Financial Reporting Standards (IFRS) mandatory from economic years beginning on January 1, 2011, or in the immediate subsequent

beginning date, as 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 prepared in accordance with IAS and IFRS as set forth in the Resolution referred to in the preceding paragraph, and in conformity with the Regulations on the Economic and Financial Information that must be furnished by the entities subject to the control of the National Securities Superintendency, considering the content of Circular DSNV / CJ 3652, issued by such regulatory agency.

Consolidated results of the Quarters ended on December 31, 2011 and 2010 reviewed on this report, are adjusted for inflation at December 31, 2011. Except for results of the IBH subsidiary, which uses US\$ in which case those results are translated into Bolívares using for each transaction the daily exchange rate. The adjustment factor used is the percentage variation for a period of twelve (12) months of the National Consumer Prices Index (NIPC), which was 5.86% in the three (3) month period ending on December 31, 2011 and of 27.7% in the twelve (12) month period ending on December 2011.

Foreign currency balances as of December 31, 2011 and 2010, consisting mainly of U.S.A. dollars, are presented at the exchange rate that represents the best estimate of cash flows in bolívares to be expended 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. 4.30/ US\$1 and/or the "Transaction System for Foreign Currency Denominated Securities (SITME)" exchange rate which was on December 31, 2011 and 2010 equal to Bs.5.30 / US \$ 1.

In the first quarter of fiscal 2012, ended December 31, 2011, Sivensa reported consolidated sales of Bs 529.7 million, a Bs 124.4 million increase from sales recorded during the same quarter on the previous fiscal year. The Company recorded an operating profit of 39.4 million Bs, compared with an operating profit of Bs 3.7 million during the period October-December 2010. Net income for the quarter was 4.1 million Bs compared to a loss of 25.0 million Bs in the same period last year.

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

## QUARTER RESULTS ANALYSIS

Sivensa's consolidated results, include operations from Sidetur and International Briquettes Holding (IBH) Subsidiaries, for the quarters ended on December 31<sup>st</sup> of 2011 and 2010, but do not include results from Venprecar and Orinoco Iron which are under the nationalization process, and whose results were consolidated until June 30<sup>th</sup> 2009.

Following are the most significant aspects of the consolidated statement of income:

Sales: Total sales for the quarter of Bs. 529,7 million represent an increase of Bs. 124.4 million, compared to the same quarter on the previous year.

Gross Income: Gross income for the period was Bs. 92.9 million, representing an increase of Bs.12.3 million as compared to the Bs.80.7 million generated during the October-December 2010 quarter.

Operating income: Operating income for the quarter was Bs.39.4 million compared to a Bs.3.7 million in the same period last year. This positive variation of Bs.35.6 million over the quarter October-December 2010, is mainly due to: (i) an increase in gross income due to the increase on sales on the quarter ended on 31 December 2011, (ii) a positive variation in the item "Other income (expense), net " due to the loss in fixed assets sale registered during the quarter ended on 31 December 2010 and the increase of commercial product sales revenues net of IBH during the quarter ended on 31 December 2011 and, (iii) the reduction of overhead and administration expenses in the quarter October-December 2011 compared to same period of 2010.

Income (loss) before income taxes and minority interests in subsidiaries: During the first quarter of fiscal 2012, income before income taxes and minority interests in subsidiaries was Bs 20.4 million compared to the loss of Bs 61.8 million in the same period last year. The positive variation of Bs 82.2 million is primarily due to: (i) the increase in operating income discussed above, ii) the favorable variations of Bs 39.9 million for the item Exchange Gain (Loss), net " mainly because there was no net exchange loss for the quarter October-December 2011, in contrast to the exchange loss caused in the same quarter last year as a result of the conversion to bolivars of certain liabilities with suppliers denominated in foreign currency using the SITME exchange rate of Bs 5.30 / U.S. \$, which according to the exchange agreement No.14 dated January 8, 2010 were valued at September 30, 2010, at 2.60 bolivars and 4.30 bolivars per dollar of the United States and, (iii) the decrease of Bs 5.3 million under "monetary loss" for the effect of inflation on the net monetary position held by Sivensa and its subsidiaries for the quarters ended December 31, 2011 and 2010.

Taxes: During the first quarter of fiscal 2012, this expense was Bs 16.9 million compared to an income of Bs 33.5 million in the same period the previous fiscal year. The negative variation of

this item of Bs. 50.4 million is due to the decrease of Bs 52.9 million reflected under the item "Deferred income tax" reflecting the increased deferred tax revenue recorded for the year ended 31 December 2010.

Minority interest in subsidiaries: This account reflects the 31.46% share of IBH minority shareholders in the results from ongoing operations of said subsidiary. During the quarter October-December 2011, said share in the results from ongoing operations was a gain of Bs.0.6 million compared to the gain of Bs. 3.4 million registered on the same period in the previous year.

Net Income (loss) for the quarter: In the first quarter of fiscal 2012, net income was Bs 4.1 million compared to a net loss of Bs 25.0 million the same period of previous fiscal year. The positive variation of Bs 29.1 million is due primarily to increased operating income obtained during the first quarter of fiscal year 2012, compared to the result obtained in the same quarter of previous fiscal year, as explained above.

#### INTERNATIONAL BRIQUETTES HOLDING (IBH)

As timely reported, on February 5, 2010 the Venezuelan Government took over control of Venprecar and Orinoco Iron, as evidenced in a judicial inspection carried out by the First Court of Caroni Municipality for the Second Circuit Judicial District of Bolivar State, at which were present representatives of the Venezuelan State MIBAM, representatives of the Transition Commissions of Venprecar and Orinoco Iron and representatives of trade unions.

During the first quarter of fiscal 2012, as it has done since the nationalization was decreed in 2009, the Board of Directors and management of IBH, continued efforts to ensure that the negotiations with the official sector will be resumed in order to reach an agreement that involves the payment of just compensation for the companies Orinoco Iron and Venprecar by the Venezuelan State.

After taking control of the subsidiaries Venprecar and Orinoco Iron, IBH business continued its international marketing of products for industrial sectors. During the period ended December 31, 2011, IBH net income increased \$ 162 thousand over the same quarter last year.

On September 21, 2011, at the request of the Shareholders of IBH, the SNV authorized the withdrawal of public offer and cancellation of registration in the National Registry of Securities of 20,115,000 common shares of IBH by Resolution No. 155, published in the Official Gazette of the Bolivarian Republic of Venezuela No. 39,773 dated October 6, 2011.

## COMMITMENT TO SOCIAL DEVELOPMENT

During the period October-December 2011, Sivena through its subsidiary Sidetur and through the Applied Knowledge Center, FUNDAMETAL, held a series of programs aimed at promoting a better quality of life for its employees and the community. The main activities undertaken during the period include:

### SIDETUR

#### Communities

By means of the program "Steel with Added Value" through the sale of materials with significant discounts and donations, Sidetur supports the initiatives and proposals of organized communities and institutions in the surrounding communities that promote a better quality of life and better local development. During the quarter October-December 2011, this program benefited communities like the Antímáno parish in Caracas, Río Chico in the state of Miranda and other communities located in the Carabobo and Cojedes States. It continued as well the development of the Trinity Educational Complex in Valencia Carabobo State, jointly sponsored by other companies; this project will double the existing home tuition and optimize educational spaces, and the cultural and sporting existing headquarters. The project up to date is 85% completed and it is estimated to be finalized by the end of next month.

For its part, the program "Civic leaders" started the project "Strengthening Local Territorial Development" with the participation of 30 representatives from Barquisimeto communities representing more than 1,000 people.

#### Education and Sports

The "Steel with Added Value" promoted by Sidetur, has benefited children and students from diverse communities through the sponsorship of sport. During the first quarter of fiscal year 2012, Sidetur gave and contributed funds to sports teams for the registration of children and youth in Criollitos Federation of Venezuela, as well as for the enrollment in the National Sports Institute and registration of Minor League Base of municipalities the Guayos and Valencia. Similarly, during the quarter October-December 2011, Sidetur sponsored a series of events and sports activities involving more than 200 workers at plants Antímáno, Guarenas, Barquisimeto and Valencia.

Through the project "Support for School Excellence" Sidetur, awarded in the quarter October-December 2011, monetary scholarships for fees and books, benefiting workers and children of workers in different plants. Also, the "Open Doors to the Community" offered more than 80 students from various colleges, the opportunity for guided tours of the plants to meet the production process and carry out projects in environmental, metallurgical, mechanical, and quality control.

### FUNDAMETAL

During the quarter October-December 2011, through the National Training Program that offers FUNDAMETAL 859 youth were formed: 509 in Valencia, 196 and 154 in Caracas and Puerto Ordaz.

Also, FUNDAMETAL executed during the first quarter of fiscal 2012, about 7,600 hours of social action to support various educational entities, health centers and nursing homes for elderly and children, located in areas near FUNDAMETAL, in their headquarters in Valencia, Caracas and Guayana.

*Siderúrgica Venezolana S.A SIVENSA is a Venezuelan corporation comprised of two business units: Sidetur, mainly dedicated to the manufacture of steel products for construction industry, manufacturing and infrastructure, and International Briquettes Holding, IBH, that after the announcement of the nationalization of its plants Venprecar and Orinoco Iron, through its subsidiaries, became a trader of products of various kinds aimed at industrial sectors, most notably, machinery, industrial parts, raw materials and intermediate and finished products. SIVENSA workforce at December 31, 2011 was of 1,864 workers.*



**SIDERURGICA VENEZOLANA "SIVENSA", S.A AND ITS SUBSIDIARIES**  
**CONSOLIDATED BALANCE SHEET**  
**DECEMBER 31, 2011 and 2010**

(Thousands constant bolivars at December 31, 2011)

	<u>2011</u>	<u>2010</u>
<b>Assets</b>		
Non-current assets		
Property, plant and equipment, net	1.399.320	1.494.016
Available-for-sale investments		
Investment in preferred shares	-	27.746
Investments in companies under "nationalization"	4.785.813	6.105.265
Accounts receivable from companies under "nationalization"	344.803	448.225
Deferred income tax	95.866	81.525
Other non-current assets	10.480	4.861
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Total non-current assets	6.636.282	8.161.638
Current assets		
Inventories	231.439	339.186
Prepaid expenses and other current assets	13.899	17.239
Accounts receivable		
Trade and other	233.512	329.336
Related companies	10.888	3.025
Advances to suppliers	77.584	119.326
Cash and cash equivalents	289.904	307.416
	<hr/>	<hr/>
Total current assets	857.226	1.115.528
	<hr/>	<hr/>
Total assets	7.493.508	9.277.166
<b>Equity and Liabilities</b>		
Equity		
Capital stock		
Nominal	105.049	105.049
Inflation adjustment	1.600.347	1.600.364
Share premium	164.031	164.031
Net effect of combination (merger) of subsidiaries	259.622	331.200
Revaluation of fixed assets	757.998	842.632
Difference between the fair value and cost of shares of subsidiary	723.650	923.160
Unappropriated earnings		
Legal reserve	170.718	170.721
Available	1.124.803	1.916.475
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Total equity	4.906.218	6.053.632
Minority interests in subsidiaries	1.518.527	1.945.615
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Total equity	6.424.745	7.999.247
Liabilities		
Non-current liabilities		
Bonds payable	325.153	434.567
Accrual for employee termination benefits, net of advances and loans to employees	35.204	13.526
Other long-term liabilities and accruals	80.333	108.531
Deferred income tax	262.284	285.755
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Total non-current liabilities	702.974	842.379
Current liabilities		
Current portion of bonds payable	21.500	27.428
Profit sharing, vacation and other employee accruals	39.737	35.435
Income tax	17.346	19.905
Other liabilities and accruals	157.187	145.640
Accounts payable		
Suppliers	123.934	201.705
Related companies	6.085	5.427
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Total Current Liabilities	365.789	435.540
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Total liabilities	1.068.763	1.277.919
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Total equity and liabilities	7.493.508	9.277.166



**SIDERURGICA VENEZOLANA "SIVENSA", S.A AND ITS SUBSIDIARIES**  
**CONSOLIDATED INCOME STATEMENT**  
**QUARTERS ENDED DECEMBER 31, 2011 AND 2010**

(Thousands of constant bolivars at December 31, 2011)

	<u>2011</u>	<u>2010</u>
Net sales	529.737	405.332
Cost of sales	(436.786)	(324.631)
Gross income	92.951	80.701
General and administrative expenses	(59.108)	(67.537)
Other operating income (expense), net	5.555	(9.422)
Operating Income	39.398	3.742
Interest and other financial expense, net	(2.478)	(3.817)
Exchange gain (loss), net	36	(39.937)
Loss from net monetary position	(16.522)	(21.846)
	(18.964)	(65.600)
Income (loss) before tax and minority interests in subsidiaries	20.434	(61.858)
<b>Income tax</b>		
Current	(18.632)	(21.177)
Deferred	1.679	54.643
	(16.953)	33.466
Income (loss) before minority interests in subsidiaries	3.481	(28.392)
Minority interests in subsidiaries	583	3.390
Net income (loss) for the quarter	4.064	(25.002)