

**REPORT SUBMITTED BY THE BOARD OF DIRECTORS OF SIDERURGICA  
VENEZOLANA "SIVENSA", S.A. TO THE ANNUAL MEETING OF  
SHAREHOLDERS TO BE HELD ON DECEMBER NINE (9) OF YEAR TWO  
THOUSAND ELEVEN (2011)**

To our Shareholders:

Having ended our fiscal year on September 30, 2011, and in compliance with legal and statutory regulations, the Company is pleased to submit to the consideration of its Shareholders the present Report and Financial Statements, along with the Reports of the Internal Comptrollers (*Comisarios*) and the Report of the External Auditors.

1 **PROCESS OF EXPROPRIATION OF THE ASSETS (MOVABLES, REAL PROPERTY AND IMPROVEMENTS) OF SIDERURGICA DEL TURBIO, S.A. "SIDETUR"**

The most significant event occurred during fiscal year 2011<sup>1</sup>, was the public announcement made by the President of the Republic last October 31, 2010 regarding the expropriation of the plants and other industrial assets of our subsidiary Sidetur, as previously pointed out on the Annual Report of the Board of Directors presented to the Shareholders' Meeting for the economic year 2010. Decree No. 7.786 dated November 2, 2010 was published in the Official Gazette No. 39.544 dated November 3, 2010 (the "Expropriation Decree"), which, among other matters: i) orders the forced acquisition of the assets (movables, real property and improvements) owned by Sidetur and its subsidiaries and affiliates, consisting of the two Sidetur steel mills (Casima and Barquisimeto plants), four lamination trains in the Antimano, Barquisimeto,, Lara and Guarenas plants, an electrowelded mesh plant, and 15 ferrous scrap collection and processing centers; ii) states that the expropriated property will be transferred, free of liens or limitations, to the proprietorship of the Bolivarian Republic of Venezuela, for the purpose of carrying out the "Bolivarian Steel Complex;" and (iii) indicates that the Ministry of the People's Power for the Basic Industries and Mining (MIBAM) is in charge of the implementation of the aforesaid decree.

On November 1, 2010, Sidetur's Board of Directors issued a statement regarding the measure announced by the President of the Republic concerning the expropriation of all of its industrial facilities, stating that they will take the proper legal actions to safeguard the rights and interests of their workers, customers, providers and shareholders within the context of the expropriation process announced by the National Executive branch. In particular, Sidetur will take steps to

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<sup>1</sup> The fiscal year 2011 covers the period of twelve months from October 1, 2010 through September 30, 2011. The fiscal year 2010 covers the period of twelve months from October 1, 2009 through September 30, 2010. In this report we refer to these terms interchangeably as period, period or fiscal year.

ensure that the guarantees established in the Constitution of 1999 and in the Law of Expropriation by Reason of Public or Social Utility of 2002 are respected.

On November 2, 2010, the Institute for the Defense of Persons in the Access to Goods and Services (INDEPABIS) issued Administrative Order No. 422, which dictates a preventive measure of “temporary occupation and operability” for the Antimano plant.

On November 3, 2010, the National Securities Superintendence (*Superintendencia Nacional de Valores*, SNV) ordered the temporary suspension of the negotiation of Sivensa shares as a result of the Expropriation Decree of the industrial facilities of subsidiary Sidetur. From that moment on Sivensa’s management has taken all relevant actions and provided the SNV the information Sivensa has deemed appropriate to lift the suspension. On May 17, 2011 by Office DSNV/2062/2011, the SNV ordered the lifting of the above-mentioned suspension.

On November 18, MIBAM informed Sidetur of the creation of a High Level Commission to conduct negotiations pursuant to the provisions of the Expropriation Decree, designating its representatives. On November 19, 2010, Sidetur notified MIBAM the designation of its own representatives in this Commission in order to move forward with said negotiations.

On November 22, 2010, the above mentioned Commission met to discuss, among other matters, several issues related to the properties that were the object of the expropriation measure pursuant to the Expropriation Decree, as well as maintaining production at the plants and various aspects related to raw material supply and labor relations.

Lately on December 2, 2010, the Office of the Attorney General of the Bolivarian Republic of Venezuela, in executing the Expropriation Decree, published a notice in Diario VEA and other printed regional media, which was addressed to the owners, holders and, in general, all persons having any right or interest in the properties that were the object of the forced acquisition as identified in the content of the Expropriation Decree as well as in the notice itself, summoning those persons to appear before said Office within thirty days of the date of publication of the above mentioned notice. The notice indicates that the properties being the object of the forced acquisition are the following: two steel mills producing billets (Casima plant and Barquisimeto plant), four billet lamination trains producing reinforcement bars, beams, angles and flat bars ( Antimano plant , Barquisimeto plant, Lara plant and Guarenas plant), one plant producing electro welded mesh, wire and Sidepanel construction systems (Valencia plant), and fifteen ferrous scrap collection and processing centers.

On December 20, 2010, Sidetur’s Judicial Representation appeared before the Office of the Attorney General of the Bolivarian Republic of Venezuela to file a document in which Sidetur

and its involved affiliated companies adhere to the process of expropriation as parties, together with all the documentation proving the legitimacy of such companies for that purpose

The MIBAM, through Resolution DM / No. 001/2011 published in the Official Gazette of the Bolivarian Republic of Venezuela No. 39,613 dated February 10, 2011, created the Commission for the Supervision, Preservation and Safeguard for the Operation of the Goods and other Assets subject to Expropriation of the corporation Siderurgica del Turbio, S.A. (SIDETUR), its subsidiaries and affiliates (“Comisión de Supervisión, Preservación y Resguardo para la Operación de los Bienes y demás Activos objeto de Expropiación de la sociedad mercantil Siderúrgica del Turbio, S.A. (SIDETUR), sus empresas filiales y afiliadas”). Up to date, the MIBAM supervises all production and sales of Sidetur.

On April 27, 2011, within the time period set forth in the Organic Law of Contentious Administrative Jurisdiction (*Ley Orgánica de la Jurisdicción Contencioso Administrativa*), Sidetur through its judicial attorneys proceeded to file: (i) before the Political Administrative Chamber of the Supreme Court of Justice a judicial recourse for the annulment of the Executive Decree and (II) before the Contentious Administrative Courts a judicial recourse for the annulment of the Administrative Order issued by the Institute for the Defense of Persons in the Access to Goods and Services (INDEPABIS).

In the month of February 2011, the judicial inspections of industrial facilities and other assets owned by the subsidiary Sidetur and its affiliates requested by the Office of the Attorney General began, regarding the determination of existing assets in each of such facilities, as well as to record other factual circumstances. By the end of the fiscal year, judicial inspections in the Antímano plant, Guarenas plant, Valencia plant and some collection and processing centers of ferrous scrap were done. Subsequently judicial inspections in the Barquisimeto plant, Lara plant and Casima plant, and other collection centers were carried out, up to date only two collection centers are pending for review.

On 19 April of the current year, the rating firm Fitch Ratings downgraded the credit ratings of our subsidiary Sidetur from B + to B-, likewise, modified the one related to the bonds issued by a subsidiary thereof, Sidetur Finance BV , B + / RR4 to B-/RR4.

On October 24, 2011, the risk rating firm Standars and Poor's reaffirmed the credit ratings of our subsidiary Sidetur of "B". Additionally, it removed the ratings from review with negative implications and placed a negative outlook.

## 2 DOMESTIC AND INTERNATIONAL ENVIRONMENT<sup>2</sup>

Venezuela's Total GDP during 2011 first semester grew 3,4% in real terms, compared to the same period during 2010. The construction sector decreased 4.3% during the first half of 2011 compared to the same period last year.

According to estimates made by specialized entities of the country, the forecast is that by the end of 2011 the Venezuelan economy will grow around 3.1%. Similarly, they are forecasting a recovery in the construction sector during the second half of 2011, to register a year-end growth of around 1.6% compared with the contraction of 7% observed in 2010.

According to the Chamber of Construction of Venezuela and based on information from the Central Bank of Venezuela (BCV), during the second quarter of 2011 compared to the same period in 2010, the construction sector showed mixed results. The Private construction sector decreased by 14.6% as a result of a slower pace in the execution of works both residential and nonresidential. Construction within the public sector recorded an increase of 1.9% which was determined by the progress in construction of hydrocarbons and residential sites.

On April 2011, through the Venezuelan News Agency (VNA), the Government announced the launch of the Great Mission Housing Venezuela. The National Executive estimated an overall investment of about 30 billion bolivars, to build two million homes in six years. The government goal set for 2011 is the construction of 153,000 homes and 200,000 homes by 2012.

On December 30, 2010, through the Exchange Agreement No. 14 the National Executive agreed with the Central Bank of Venezuela to modify the national exchange rate regime from January 1st 2011 on, from the official fixed exchange rate of 2.60 bolivars per U.S. dollar, reserved for certain economic sectors specified in the exchange Agreement No. 14 dated January 8, 2010, to 4.30 bolivars per U.S. dollar applicable to purchases of foreign currency from the above specified sectors, thus unifying the national exchange rate regime. The Fixation of this new exchange rate resulted in a 65.4% devaluation of the bolivar.

On October 11, 2011 the Central Bank of Venezuela (BCV) issued Resolution No. 10.11.01, which states that the valuation and accounting of securities issued or to be issued by the Bolivarian Republic of Venezuela or State companies denominated in foreign currency shall be made at the average exchange rate for the value date of the last day of each month from operations carried out through the "Transaction System for Foreign Currency Denominated Securities (SITME)" administered by BCV.

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<sup>2</sup> This section has been drawn up based on information and data obtained through Metroeconómica/Ecoanalítica, the Central Bank of Venezuela, The Venezuela Construction Chamber of Commerce and studies of the steel industry elaborated by Sidetur.

The accumulated inflation rate during fiscal year 2011<sup>3</sup> was 26.5%, compared to 27.9% in 2010.

The high financial volatility of the euro zone countries in 2011, has had a negative impact on the productive sectors of these countries, including the steel industry, which in addition continues to suffer the effects of increased raw material prices and declining prices of its steel products. However, steel production in the euro zone has continued its upward trend compared to the previous year.

Figures released by *Worldsteel*<sup>4</sup> indicate that raw steel production worldwide increased by approximately 8%<sup>5</sup> during fiscal year 2011 as compared to production during the prior fiscal year, going from 1.373,3 million metric tons in 2010 to 1.482,7 million metric tons in 2011.

In Latin America, the effects of the crisis in developed countries resulted in a lower consumption of steel during the first 8 months of 2011 compared to the levels originally expected. Earlier this year, a growth rate of 7.1% was estimated for Latin America steel consumption in 2011, but lower economic performance experienced by Latin American countries during the first half of the year, coupled with lower expectations of growth for the second half, led the Latin American Iron and Steel Institute (ILAFIA) to recalculate the growth rate of steel consumption for the region, at a lower 4.7%.

Notwithstanding the above, production of crude steel in Latin America shows a 13% growth during 2011, representing a volume of 46.3 million tonnes in the period from January to August 2011.

### 3 SUBMISSION OF FINANCIAL STATEMENTS

Sivensa submits its consolidated financial statements based on the Standards for Preparation of Financial Statements of Organizations under the Control of the National Securities Commission (currently the SNV, National Securities Superintendence). Consolidated results reviewed in this Report are presented in bolivars, with figures adjusted for inflation at September 30, 2011, in accordance with the above-mentioned standards. The adjustment factor used is the percentage variation for a period of twelve (12) months of the Consumer Prices Index (IPC), which was 26.46%. Sivensa's consolidated results for the years ended September 30, 2011 and September 30, 2010 include the accounts of the subsidiary Sidetur and the subsidiary International Briquettes Holding (IBH) but do not include business

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<sup>3</sup> Inflation rate measured according to the National Consumer Price index (INPC) base 2007. BCV.

<sup>4</sup> Worldsteel Association

<sup>5</sup> Production for the month of September 2011 was estimated based on the monthly percentage variation observed during the same month on 2010.

performance of Orinoco Iron and Venprecar which are in the process of nationalization, and whose results were consolidated until June 30, 2009.

Foreign currency balances as of September 30, 2011, consisting mainly of U.S.A. dollars, are presented at the official exchange rate of Bs 4.30 / U.S. \$ 1 and at the best estimate of cash flows in bolivars 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 SITME rate which was on September 30, 2011 equal to 5.30 Bs / US \$ 1.

#### 4 RESULTS FOR FISCAL YEAR

The most significant aspects of the consolidated statement results are described below:

- a. SALES: Sivensa's sales during the fiscal year totaling Bs. 1,695.2 million were generated in their entirety by the sales of its subsidiary, Sidetur. The 151.1 million bolivars decrease on sales of Sidetur during 2011, is primarily due to the 14.9% fall of total sales volume during the period. Domestic sales of Sidetur in tons, decreased 14.6% over the previous year due to the temporary cessation of activities at the Casima billet steelworks. Sales volume in the export market fell 20.5% over the previous year. The export sales amount represents 3.3% of total sales.
- b. GROSS INCOME: Gross profit for the fiscal year was Bs. 308.3 million, representing a decrease of Bs. 41.9 million as compared to the one obtained during 2010 fiscal year of Bs. 350.2 million
- c. INCOME BEFORE FULL FINANCING INCOME : income before full financing income for the fiscal year was Bs. 130.9 million as compared to the profit of Bs. 99.1 million on the previous year. The Bs. 31.9 million increase compared to fiscal 2010, is primarily due to the positive variation of 46.9 million in "Other operating income (expenses), net" and the decrease of BS. 26.8 million on the "General and administrative expenses". The combined effect of these positive changes was partially offset by the decrease in gross profit discussed above. The positive change for the item "Other income (expense), net" in the year 2011 compared to last year, stems mainly due to: i) income generated from the sale of spare parts inventories of an IBH subsidiary; ii) a reduced loss on the sale of securities, iii) income resulting from the replacement of fully depreciated equipment on the ground received as compensation from an insurance company, all of the above compensated the decrease on income received from commercial services of the IBH subsidiary, that are registered on this account,

- d. FULL FINANCING INCOME: The full financing income during the fiscal year was Bs. 131.3 million as compared to Bs. 94.3 million recorded for the prior year. The Bs. 37.0 million positive variation is primarily due to the increase of Bs. 40.3 million on the item "Exchange rate income net" with respect to the previous year, as a result of the translation into bolivars of assets and liabilities denominated in foreign currency as mentioned above.
- e. TAXES: This expense decreased by Bs. 62.7 million during the year reviewed. The decrease is due to the positive variation of the "Deferred income tax" item, which compensated the increase of Bs.17.7 million of the Income taxes item of the year.
- f. 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 fiscal year 2011, said share in the results from ongoing operations was a loss of Bs. 15.4 million compared to the gain of Bs. 22.5 million registered on the previous period.
- g. NET INCOME FOR THE YEAR: During fiscal year 2011, this result represented a gain of 196.9 million, compared to the gain of Bs. 103.2 million for fiscal year 2010. The variation of Bs. 93.7 million is primarily due to the increase in income before tax and minority interest in subsidiaries of the Company, and the decrease of the "Taxes item" during fiscal year 2011 compared to the previous fiscal year.

## 5 SIDETUR

The Sidetur subsidiary continued its program of investments in different operational centers in order to keep its equipments and facilities up to date. Investments in new fixed assets and maintenance of fixed assets during the year 2011 were approximately Bs.135 million

During fiscal 2011, the "Strategic Alliance Agreement" was signed, between PDVSA Industrial, SA and our subsidiary Sidetur, for the supply of steel reinforcement led to the construction sector (electrowelded mesh, beams and supporting bars). The parties agreed to supply a maximum of 72,000 metric tons of supporting bars, 9,600 tons of beams and 33,180 rolls of mesh over the 12 months following the signing of the agreement. To date, Sidetur has complied with all requests for materials under the agreement with PDVSA Industrial. The materials are delivered to more than 40 Construpatrias that have been established as part of the Great Mission Housing Venezuela.

As previously reported, on March 9th 2011, the steel billet Casima Plant of the Subsidiary Sidetur, located in Puerto Ordaz, halted operations, due to labour issues. On July 19th 2011 operations resumed and are slowly recovering production volumes.

1) WITHDRAWAL OF PUBLIC OFFER OF IBH SHARES

IBH's Extraordinary Meeting of Shareholders Assembly, held on July 6, 2011, approved the request before the National Superintendence of Securities (SNV) of the withdrawal from public offer as well as the termination of the registration in the National Registry of Securities carried by the National Superintendence of Securities of the Bolivarian Republic of Venezuela, of the 20,115,000 common shares comprising the total stock capital of IBH that are listed on such register, including the divestiture of the board of quotes from the Caracas Stock Exchange of those shares. On September 30, 2011, the SNV notified IBH that by Resolution No. 155 of September 21, 2011, had authorized the withdrawal of public offer and cancellation of registration in the National Registry of Securities of IBH's 20,115,000 common shares. Such resolution was published in the Official Gazette of The Bolivarian Republic of Venezuela under No. 39,773 on October 6, 2011. The report presented by IBH's Board of Directors on this point, is available to shareholders on the site [www.ibh.com.ve](http://www.ibh.com.ve).

2) NACIONALIZATION OF VENPRECAR AND ORINOCO IRON SUBSIDIARIES

On the past IBH's Extraordinary Meeting of Shareholders of July 6, 2011, it was reported in detail to the shareholders all steps taken by IBH's management regarding the process of nationalization of Orinoco Iron and Venprecar, since the May 21<sup>st</sup>, 2009 announcement made by the President of the Bolivarian Republic of Venezuela.

As timely reported, on February 5, 2010 the Venezuelan Government took over control of Venprecar and Orinoco Iron, as evidenced in a judicial inspection executed 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 of Venprecar and Orinoco Iron and representatives of trade unions.

The recent actions of management have focused on trying to establish with the MIBAM a work schedule in order to agree on fair compensation, in an expeditious and mutually satisfactory manner. The detailed explanation of all procedures developed by IBH's management in the process of nationalization of Orinoco Iron and Venprecar is available on the site [www.ibh.com.ve](http://www.ibh.com.ve) where you can access all information provided at the Extraordinary Meeting of Shareholders in connection with this matter.

At the date of this report, the Board of Directors and management of IBH continue to

make efforts to resume negotiations with the official sector involved, to achieve an agreement that involves fair compensation for the companies Orinoco Iron and Venprecar, an effort made ever since 2010 and throughout fiscal year 2011.

### 3) OTHER BUSINESS

After the nationalization of the Orinoco Iron and Venprecar affiliates, IBH continued its international marketing business of products for industrial sectors, which have been affected by a reduction in the volume of goods and services sold. During the period covered by this report, IBH closed operations of one of its subsidiaries engaged in the marketing of industrial products and reduced operations at another subsidiary marketer.

## 7 DIVIDENDS DISTRIBUTED

At the Annual Meeting of Shareholders held on January 21<sup>st</sup> 2011, Shareholders approved a cash dividend from available unappropriated earnings for the fiscal year that ended on September 30, 2010, in the amount of fifty two million five hundred twenty-four thousand three hundred seventy six bolivars (Bs. 52,524,376), which was paid (or was available for payment) as of February 15<sup>th</sup>, 2011.

### Subsequent Event

At the Extraordinary Shareholders' Meeting held on October 24, 2011, a cash dividend was approved in the amount of one hundred eighty three million eight hundred thirty five thousand three hundred sixteen bolivars, (Bs.183,835,316), at a rate of Bs 3.50 per outstanding share, charged to available unappropriated earnings, on September 30, 2010, which was paid (or was available for payment) from November 8, 2011.

## 8 CAPITAL AND NET WORTH

As of September 30th 2011, Sivensa's Capital is one hundred five million forty-eight thousand, seven hundred fifty two bolivars (105,048,752.00), represented by fifty-two million five hundred twenty-four thousand three hundred seventy-six (52,524,376) common shares with a par value of two bolivars (Bs 2.00) per share.

As of September 30th, 2011, the Company's consolidated net worth adjusted for inflation at that date is of Bs 4.336,7 millions.

Among the main purposes of Sivensa's corporate governance structure is facilitating the oversight function of the Company's Board of Directors and Management team on their role, in order to protect the interests of shareholders, employees, customers, creditors, and the community at large.

Sivensa's corporate governance structure consists of its Shareholders, followed by the Board of Directors, which delegates certain functions on the Audit, Compensation, and Finance Committees. Pursuant to standards now in force and in accordance with best practices for corporate governance, the Sivensa Board of Directors has a majority of independent directors who do not serve in any administrative position. Integrated by qualified professionals from different business sectors, the Board of Directors is primarily responsible for defining corporate strategies, as well as for overseeing and evaluating operational performance.

**Audit Committee:** In order to ensure transparency and continue to promote the highest level of trust in the company's management process, reduce operational risks and enhance the efficiency of administrative processes, the Audit Committee meets periodically and works closely with the Internal Audit Unit to prepare a plan that allows the company to assess whether the internal control system is performing adequately on behalf of the company and its subsidiaries.

**Compensation Committee:** This team is responsible for establishing the company's compensation and employee benefit policies and approving compensation packages for its executives and directors.

**Finance Committee:** This committee meets periodically to review major related transactions made by the group affecting its overall investment portfolio (liquidity, negotiable shares and business segments). The Committee also reviews the company's capital structure, that is to say, its liabilities in terms of types and terms of debt, in order to assess its financial obligations, as well as the company's capital level and dividend policies to determine equity.

Sivensa complies with all shareholders reporting regulations as required by the National Securities Superintendence, timely informing shareholders about all events that are relevant for the organization. In addition, the company makes quarterly and annual reports, news releases, communication and other information materials available to shareholders through its website, and has a dedicated Department ready to assist shareholders with their needs.

## 10 COMMITMENT TO SOCIAL DEVELOPMENT

Sivensa has always maintained its commitment to Venezuelan society through the development of policies, practices and programs that focus on respect for ethics, people, communities and the environment, which seek to increase the collective benefit. Therefore, Sivensa generates mutually beneficial relationships with employees, customers, suppliers, shareholders and Venezuelan society as a whole. The actions of this commitment have been focused for over 30 years in education and community development. During 2011 fiscal year, Sivensa kept their programs within this area:

- By means of the “Steel with Added Value” program, Sidetur supports the initiatives and proposals for improving areas of organized communities and institutions that promote a better quality of life and a more appropriate local development. In this sense during the fiscal year 2011, the company gave discounts and donations of building materials, aimed at improving housing for workers and communities, as well as roads, streams and other areas of different communities and institutions. In addition, Sidetur was actively involved with other companies in the region in developing the Educational Complex La Trinidad (Valencia, Edo. Carabobo). The educational complex will double the existing student enrollment and solve the lack of appropriate institutions in the region providing as well a space where students will have spacious and comfortable rooms and all the services needed for a proper education.
- Through its “Support with Social Value” program, which promotes initiatives in the areas of education, health care, sports, culture and science, Sidetur continued to support a number of educational projects benefiting children and teens, as well as students of specialized institutes and public and private universities throughout the country. Economic contributions and donations made by Sidetur during 2011, made possible the continuity of the School of minor league baseball (criollitos) SIDURITOS (since 1986), the participation of young people from Fundacodise in the XVII Special Olympics FIDES and editing publications related to ecological activities, among others.
- Through the program "Civic Leaders" Sidetur continued to support the Neighborhood School Venezuela, giving continuity to the formation of values. During this fiscal year, the Barquisimeto plant implemented the project "Community Values and integration" and held the 3rd Antímamo Community Leaders Meeting of the Parish of Antímamo
- The "Sidetur Family" program, contributed to the welfare of company employees and their families through the implementation of internal sports tournaments and workshops for the formation and consolidation of values in young people between 13 and 18 years

of age, children of workers and community leaders. In addition, during 2011 were conducted workshops for the wives of workers to promote family unity through proper communication and respect.

- "Sidetur in the community" is a program that promotes the habit of reading, professionalization and specialization as well as the development of issues of interest to the community through its periodicals, Volume II "Sidetur in the Community" a collectible for free distribution was published during 2011. As well as a collection in digital format of the 53 lectures given in the last 10 years of technical seminars.
- "Open Doors to the community" continued its program of guided tours for students of various educational institutions and the families of workers.

In total, Sidetur programs in the field of social development commitment, benefited in fiscal year 2011, more than 5,000 families in communities across the country.

## FUNDAMETAL

FUNDAMENTAL, a nonprofit institution sponsored by Sivensa and its subsidiaries, has been focused on training human resources in the country for over 35 years. With the support of qualified staff and with a clear vocation of service, during fiscal 2011, produced a series of activities consonant with its mission. Among the most significant include:

- From the National Training Program, 808 young people graduated in various technical and commercial offices, contributing to the formation of the next generation.
- Executed 35 projects of social work an estimated 29,528 hours contribution, through coordinated action by tutors from the institution and the support of young apprentices.
- In partnership with various organizations and coordinated by FUNDAMENTAL, 2,000 hours of theoretical and practical training for the formation of two cohorts of 20 participants each in the trade of Integral Technician in Logistics, were executed, which benefited young people from communities near the premises of the institution.
- Continuing with the activities contemplated in the agreement with Microsoft, young graduates from the National Apprenticeship Program and 180 young people from communities near training centers of the institution, accumulated a total of 99,840 hours of training in the use of IT tools .
- For professional development and continuous improvement 1,931 courses were conducted, with an attendance of about 25,734 people which accounted for 314,656

hours of training. The implementation of these courses involved 500 workers and private companies. The most popular training areas were: quality, productivity, operations, security and operational risks, personal and organizational development, industrial technician.

- The area of Consulting supported the execution of 27 projects for a total of 2,700 hours of consulting.

## 11 CHIROGRAPHIC OBLIGATIONS AND DEBT

Since May 2006, Sidetur restructured its external debt due in the year 2016, at a fixed annual rate of 10%. As of September 2011 the balance of this debt is US\$ 82,5 million.

As of September 30, 2011, Sidetur does not hold any short-term loans with local banks.

## 12 DEBT POLICY

Sivensa's debt policy is oriented to matching the term of its liabilities to the type of asset being financed. The long-term financial debt owed by Sivensa and its subsidiaries is denominated primarily in U.S. Dollars.

## 13 LITIGATION AND CLAIMS

Except for administrative contentious claims instituted on April 27, 2011 which have been explained at the beginning of this report, the Company and its subsidiaries are not involved in any litigation, civil, fiscal, labor or mercantile claim that impacts or may materially impact its economic solvency or financial situation. For additional details, please refer to Note 21 of the *Report of Independent Accountants and Consolidated Financial Statements* as of September 30, 2011.

## 14 CREDIT POLICIES

There were no significant revisions to credit, collections and sales policies during the fiscal year. No customer concentrated more than 20% of Sivensa's sales.

## 15 COMPENSATION

Pursuant to the requirements of the National Securities Commission, it is informed that the content of form CNV-FG-010 "Compensation Paid to Directors and Executives," reflects

payments in the amount of five million four hundred seventy thousand one hundred sixty six bolivars with sixty-six cents (Bs. 5,470,166.66) during the fiscal year reviewed in this Report.

The Board of Directors

Caracas, November 11, 2011.