

**Siderúrgica Venezolana
“Sivensa”, S.A. and Affiliates
Preliminary Unaudited Consolidated
Financial Statements
September 30, 2010 and 2009**

(The accompanying financial statements were submitted to the National Securities Superintendency (SNV) on Tuesday, November 2, 2010, in compliance with the provisions of Article 6 of the “Standards for Submission of Periodic or Occasional Information by Persons Subject to the Control of the National Securities Commission”, as provided by the National Securities Commission, currently the National Securities Superintendency.)

On October 31, 2010, subsequent to the closing date of the financial statements of Siderúrgica Venezolana “Sivensa”, S.A. and its affiliates, the President of the Bolivarian Republic of Venezuela, Hugo Chávez Frías, ordered the “expropriation” of all industrial facilities operated by Siderúrgica del Turbio, S.A. “Sidetur”, an affiliate of Siderúrgica Venezolana “Sivensa”, S.A., and, consequently, the accompanying financial statements do not reflect the potential effects, if any, as a result of said announcement.

The above mentioned Financial Statements have been designated as “Preliminary” due to the fact that the applicable closing and audit processes have not yet been completed for the fiscal year that ended on September 30, 2010.

**SIDERURGICA VENEZOLANA "SIVENSA", S.A AND ITS SUBSIDIARIES****CONSOLIDATED BALANCE SHEET (NON AUDITED AND PRELIMINARY)****SEPTEMBER 30, 2010 AND 2009**

(Thousand of constant bolivars at September 30, 2010)

	<u>2010</u>	<u>2009</u>
Assets		
Current Assets		
Cash and cash equivalents	285.418	437.208
Trading investments	-	27.087
Accounts receivable		
Trade and other	205.284	208.424
Related companies and shareholders	284.868	151.242
Advances to suppliers	62.461	87.925
Inventories	203.698	226.576
Prepaid expenses and other current assets	20.198	1.967
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Total current assets	1.061.927	1.140.429
Property, plant and equipment, net	1.140.936	1.253.394
Available-for-sale investments		
Investments in preferred stock	21.750	59.159
Investments in companies under "nationalization"	3.036.141	3.041.204
Accounts receivable from related company	-	-
Deferred income tax	63.906	51.988
Other non-current assets	3.312	4.495
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Total assets	5.327.972	5.550.669
Liabilities and Equity		
Current liabilities		
Short-term bank loans	20.000	74.480
Current portion of bonds payable	21.500	13.431
Accounts payable		
Suppliers	131.233	164.992
Related companies and shareholders	4.033	10.739
Profit sharing, vacation and other employee accruals	58.864	53.436
Income tax	363	48.176
Other liabilities and accruals	57.886	57.254
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Total current liabilities	293.879	422.508
Bonds payable	345.868	226.519
Accrual for employee termination benefits, net of advances and loans to employees	23.247	29.736
Other long-term liabilities and accruals	88.443	114.421
Deferred income tax	478.900	327.095
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Total liabilities	1.230.337	1.120.279
Minority interests in subsidiaries	881.787	933.737
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Capital stock		
Nominal	105.049	105.890
Inflation adjustment	1.168.865	1.169.374
Treasury stock	-	(15.826)
Share premium	122.530	136.977
Net effect of combination (merger) of subsidiaries	499.300	514.874
Result from holding nonmonetary assets	(824.729)	(819.348)
Difference between fair value and cost of shares of subsidiary	1.559.059	1.607.688
Unappropriated earnings		-
Legal reserve	127.525	127.525
Available	458.249	669.499
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Total equity	3.215.848	3.496.653
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Total liabilities, minority interests and equity	5.327.972	5.550.669



SIDERURGICA VENEZOLANA "SIVENSA", S.A AND ITS SUBSIDIARIES
CONSOLIDATED INCOME STATEMENT (NON AUDITED AND PRELIMINARY)
QUARTERS ENDED SEPTEMBER 30, 2010 AND 2009

(Thousand of constant bolivars at September 30, 2010)

	<u>2010</u>	<u>2009</u>
Continuing operations		
Net sales	355.705	401.498
Cost of sales	(252.293)	(314.995)
Gross income	103.412	86.503
General and administrative expenses	(51.293)	(64.362)
Other operating income (expense), net	(7.357)	24.177
Income before full financing income	44.762	46.318
Full financing income (expense)		
Interest and other financial expense, net	(4.731)	(23.791)
Exchange loss, net	(36.683)	(1.579)
Gain (loss) from net monetary position	134.406	(20.098)
	92.992	(45.468)
Income before tax and minority interests in subsidiaries	137.754	850
Income tax		
Current	(10.089)	(30.029)
Deferred	(55.362)	16.585
	(65.451)	(13.444)
Income before minority interests in subsidiaries	72.303	(12.594)
Minority interests in subsidiaries	(6.909)	22.037
Net income from continuing operations	65.394	9.443
Net income (loss) from discontinued operation	-	(38.495)
Net income (loss)	65.394	(29.052)



SIDERURGICA VENEZOLANA "SIVENSA", S.A AND ITS SUBSIDIARIES
CONSOLIDATED INCOME STATEMENT (NON AUDITED AND PRELIMINARY)
YEARS ENDED SEPTEMBER 30, 2010 AND 2009

(Thousand of constant bolivars at September 30, 2010)

	<u>2010</u>	<u>2009</u>
Continuing operations		
Net sales	1.459.965	1.956.584
Cost of sales	<u>(1.183.025)</u>	<u>(1.561.120)</u>
Gross income	276.940	395.464
General and administrative expenses	(181.223)	(182.454)
Other operating income (expense), net	<u>(338)</u>	<u>303.249</u>
Income before full financing income	<u>95.379</u>	<u>516.259</u>
Full financing income (expense)		
Interest and other financial expense, net	(12.497)	(73.942)
Exchange gain (loss), net	15.412	(1.972)
Gain (loss) from net monetary position	<u>61.787</u>	<u>(114.026)</u>
	<u>64.702</u>	<u>(189.940)</u>
Income before tax and minority interests in subsidiaries	<u>160.081</u>	<u>326.319</u>
Income tax		
Current	(49.381)	(92.053)
Deferred	<u>(37.604)</u>	<u>17.063</u>
	<u>(86.985)</u>	<u>(74.990)</u>
Income before minority interests in subsidiaries	73.096	251.329
Minority interests in subsidiaries	<u>14.895</u>	<u>37.273</u>
Net income from continuing operations	87.991	288.602
Net loss from discontinued operation	<u>-</u>	<u>(14.108)</u>
Net income	<u>87.991</u>	<u>274.494</u>



SIDERÚRGICA VENEZOLANA "SIVENSA", S.A. AND ITS SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY (NON AUDITED AND PRELIMINARY)
YEAR ENDED SEPTEMBER 30, 2010

(Thousand of constant bolivars at September 30, 2010)

	<u>Capital stock</u>				Result from holding nonmonetary assets	Net effect of combination (merger) of subsidiaries	Difference between fair value and cost of shares of subsidiary	<u>Unappropriated earnings</u>		Total
	Nominal	Inflation adjustment	Treasury stock	Share premium				Legal reserve	Available	
Balances at September 30, 2009	105.890	1.169.374	(15.826)	136.977	(819.348)	514.874	1.607.688	127.525	669.499	3.496.653
Net income	-	-	-	-	-	-	-	-	87.991	87.991
Capital decrease and shares solded	(841)	(509)	15.826	(14.447)	-	-	-	-	-	29
Result from holding nonmonetary asests	-	-	-	-	(56.364)	-	-	-	-	(56.364)
Amortization of the result from holding nonmonetary assets	-	-	-	-	50.983	-	-	-	(50.983)	-
Dividends declared	-	-	-	-	-	-	-	-	(248.258)	(248.258)
Deferred tax on shares of companies under "nationalization	-	-	-	-	-	(15.574)	(48.629)	-	-	(64.203)
Balances at September 30, 2009	105.049	1.168.865	-	122.530	(824.729)	499.300	1.559.059	127.525	458.249	3.215.848



SIDERÚRGICA VENEZOLANA "SIVENSA", S.A. AND ITS SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY (NON AUDITED AND PRELIMINARY)
YEAR ENDED SEPTEMBER 30, 2009

(Thousand of constant bolivars at September 30, 2010)

	<u>Capital stok</u>				Result from holding nonmonetary assets	Net effect of combination (merger) of subsidiaries	Difference between fair value and cost of shares of subsidiary	<u>Unappropriated earnings</u>		Total
	Nominal	Inflation adjustment	Treasury stock	Share premium				Legal reserve	Available	
Balances at September 30, 2008	105.890	1.169.374	(12.128)	136.992	(561.884)	526.593	1.662.212	127.525	739.135	3.893.709
Net income	-	-	-	-	-	-	-	-	274.494	274.494
Result from holding nonmonetary assets	-	-	-	-	(297.444)	-	-	-	-	(297.444)
Amortization of the result from holding nonmonetary assets	-	-	-	-	39.980	-	-	-	(39.980)	-
Repurchased shares	-	-	(3.698)	(15)	-	-	-	-	-	(3.713)
Dividends declared	-	-	-	-	-	-	-	-	(304.150)	(304.150)
Deferred tax on shares of companies under "nationalization"	-	-	-	-	-	(11.719)	(54.524)	-	-	(66.243)
Balances at September 30, 2009	105.890	1.169.374	(15.826)	136.977	(819.348)	514.874	1.607.688	127.525	669.499	3.496.653



SIDERÚRGICA VENEZOLANA "SIVENSA", S.A. AND ITS SUBSIDIARIES
CONSOLIDATED CASH FLOW STATEMENT (NON AUDITED AND PRELIMINARY)
YEARS ENDED SEPTEMBER 30, 2010 AND 2009

(Thousand of constant bolivars at September 30, 2010)

	2010	2009
Cash flows from operating activities		
Net income	87.991	274.494
Adjustments to reconcile net income to net cash provided by operating activities		
Gain (loss) from net monetary position	(61.787)	114.026
Minority interests in subsidiaries	(14.895)	(37.273)
Equity in the results of the discontinued operation, net of minority interest	-	3.515
Deferred income tax	37.604	(17.063)
Depreciation	98.759	98.601
Increase (decrease) in the provision for doubtful accounts	-	(1.213)
Amortization of Reestructuration costs	-	785
Accrual for employee termination benefits	(553)	4.529
	<u>147.119</u>	<u>440.401</u>
Net change in operating assets and liabilities		
Receivables-trade, related companies and other	17.926	(89.415)
Inventories	22.878	13.044
Advances to suppliers, prepaid expenses, deferred charges and other assets	(10.425)	(32.478)
Accounts payable, accrued expenses and other liabilities	(14.002)	68.997
Net cash provided by operating activities	<u>163.496</u>	<u>400.549</u>
Cash flows from investing activities		
Net purchase of investments	52.342	(27.087)
Additions to property, plant and equipment, net	13.699	(25.629)
Net cash used in investing activities	<u>66.041</u>	<u>(52.716)</u>
Cash flows from financing activities		
New loans	(40.254)	254.666
Short-term loans repaid	(18.812)	(280.693)
Long-term loans repaid and bonds payable in cash		(13.431)
Shares repurchased	29	(3.713)
Dividends paid	(248.258)	(304.151)
Net cash used in financing activities	<u>(307.295)</u>	<u>(347.322)</u>
Effect of inflation on the purchasing power of cash and cash equivalents	(74.032)	(105.434)
Cash from discontinued operation	-	(200.790)
Cash and cash equivalents		
Decrease for the year	(151.790)	(305.713)
At the beginning of the year	437.208	742.921
At the end of the year	<u>285.418</u>	<u>437.208</u>