

**REPORT SUBMITTED BY THE BOARD OF DIRECTORS OF SIDERURGICA
VENEZOLANA "SIVENSA", S.A. TO THE ANNUAL MEETING OF
SHAREHOLDERS TO BE HELD ON JANUARY TWENTY-FIRST (21) OF
YEAR TWO THOUSAND ELEVEN (2011)**

To our Shareholders:

Having ended our fiscal year on September 30, 2010, 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"**

On October 31, 2010, the President of the Republic publicly announced the expropriation of the plants and other industrial assets owned by Sidetur. Subsequently, on November 3, 2010, Decree No. 7.786 dated November 2, 2010 (the "Expropriation Decree") was published in the Official Gazette No. 39.544, which, among other matters: (1) 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 Lara, Antimano 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 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. At the present time, INDEPABIS and MIBAM monitor, on a daily basis, the production and sales of such plant.

On November 3, 2010, the National Securities Superintendency (*Superintendencia Nacional de Valores*) ordered the temporary suspension of the negotiation of Sivensa shares until the scope of the Expropriation Decree can be ascertained. On the issuance date of this Report, said suspension is still in place.

On November 18, MIBAM informed Sidetur regarding 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 regarding the designation of its own representatives in said Commission in order to move forward with said negotiations.

On November 22, 2010, the above mentioned Commission met to discuss, among other matters, various matters 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.

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 (Lara plant, Antimano Plant and Guarenas plant), one plant producing electrowelded mesh, wire and Sidepanel construction systems (Valencia plant), and fifteen ferrous scrap collection and processing centers.

The announcement and beginning of the process of expropriation of the Sidetur properties described in this section are events that took place after the closing of the fiscal year reviewed

in this Report¹. However, in accordance with International Accounting Standard No. 10 (NIC 10), these events must be disclosed in the notes to the financial statements.

2 DOMESTIC AND INTERNATIONAL ENVIRONMENT²

The variation of the GDP during fiscal year 2010 was -3.4%³ in real terms, compared to the 0.8% drop for fiscal year 2009.

The crisis in the energy sector whose effects became evident during the fourth quarter of 2009 led the Government to institute a rationing for the industrial and business sectors as of December 21, 2009 through a resolution that was published in Official Gazette No. 39.332, which contemplates energy consumption reductions of at least 20% compared to energy consumption for the same month of the prior year. As a consequence of this measure, companies experienced a drop in their production during the first nine months of 2010.

On January 8, 2010, a multiple exchange regime was established. The official fixed rate of 2.15 bolívares per U.S. dollar was replaced by rates of 2.60 and 4.30 bolívares per U.S. dollar; the application of each of these rates for foreign exchange purchase transactions was defined for each economic sector. The institution of these rates brought about a devaluation of the bolívar ranging from 20.9 % to 100.0%.

In June 2010, the new Transaction System for Foreign Currency Denominated Securities (SITME) operated by the Central Bank of Venezuela (BCV) was implemented for foreign currency purchase transactions through operations with Securities. From June 9 to September 30, 2010, SITME has negotiated a daily average of US\$ 31.2 million at an implicit average exchange rate of Bs. 5.3 per U.S. dollar, according to the information published by the Central Bank of Venezuela.

The accumulated inflation rate⁴ during fiscal year 2010 was 27.9%, compared to the same rate of 27.3% in 2009. According to the General Report published by Metroeconómica in June 2010, the effects of the devaluation and drop in domestic production as a result of the energy savings

¹ Fiscal year 2010 comprises the twelve-month period from October 1, 2009 to September 30, 2010. Fiscal year 2009 comprises the twelve-month period from October 1, 2008 to September 30, 2009. In this Report, we may refer indistinctly to these terms as period, fiscal year, fiscal period or economic year.

² This section has been drawn up based on information and data obtained through Metroeconómica, Ecoanalítica, the Central Bank of Venezuela and the International Monetary Fund.

³ The GDP for fiscal year 2010 was calculated based on figures published by the Central Bank of Venezuela for Q4 2009, Q1, Q2 and Q3 2010.

⁴ Inflation rate measured according to the 2007 base National Consumer Prices Index (INPC). Central Bank of Venezuela.

plans described above were the most significant factors affecting the inflation rate recorded for the period.

In January 2010, the National Assembly approved an amendment to the Law for the Defense of Persons in the Access to Goods and Services, granting the Executive branch more power to expropriate properties and services it considers of public use. In this manner, during the first nine months of 2010, the Government continued to expropriate companies as a measure to prices control and certain sectors deemed as strategic.

During fiscal year 2010, the construction sector experienced a 6.0%⁵ contraction, compared to the 1.7% growth recorded for the same period in 2009. According to the Central Bank of Venezuela, the lower level of activity in this sector was due, among other factors, to issues with the provision of basic supplies, which were in turn associated with the generation of energy, as well as with delays in the contracting and payment of construction works due to administrative and operational restrictions among agencies of the central Government. According to the Central Bank of Venezuela, during the second quarter of 2010 construction demand in the public sector grew 2.5% as a result of a higher number of works carried out by public companies (8.3%) primarily related to the generation of thermoelectric energy by PDVSA and the power companies. This behavior was mitigated by a lower number of works contracted by the central Government of -3.8%.

On the other hand, demand in the private construction sector decreased by 25% both for residential and non-residential building projects. According to information supplied by the Venezuelan Construction Chamber, the number of housing projects that were completed during the first semester of 2010 was 26,006, representing a drop of 63.7% as compared to the same period in 2009. The Chamber estimates that by the end of 2010 the number of completed housing projects will be 50,000, as compared to 98,343 projects completed in 2009.

Figures released by *Worldsteel*⁶ indicate that raw steel production worldwide increased by approximately 20.6% during fiscal year 2010 as compared to production during the prior fiscal year, going from 1,139.9 million metric tons in 2009 to 1,373.7 million metric tons in 2010.

According to information supplied by the Latin American Institute of Iron and Steel (ILAFA), nearly 61.9 million metric tons of raw steel were produced in Latin America during the fiscal year reviewed in this Report, which translates into an increase of approximately 7.3% as

⁵ The GDP in the construction sector for fiscal year 2010 was calculated based on figures published by the Central Bank of Venezuela for Q4 2009, Q1, Q2 I and Q3 2010.

⁶ Worldsteel Association

compared to the prior year. Production in Brazil, Mexico and Argentina, the main producers of raw steel in the region, grew an average of 11% as compared to the prior year; the production of raw steel in Venezuela decreased by 45% as compared to the 2009 fiscal year, going from nearly 4.2 million metric tons produced during fiscal year 2009 to nearly 2.3 million metric tons in fiscal year 2010. Venezuela was the only steel producer in Latin America that recorded a negative growth in production during the fiscal year.

3 SUBMISSION OF FINANCIAL STATEMENTS

Sivensa is submitting its consolidated financial statements based on Standards for Preparation of Financial Statements of Organizations under the Control of the National Securities Commission (currently the SNV, National Securities Superintendency). Consolidated results reviewed in this Report are presented in bolivares, with figures adjusted for inflation at September 30, 2010, in accordance with the above mentioned standards.⁷ The adjustment factor used is the percentage variation for a period of twelve (12) months of the Consumer Prices Index (IPC) for the Caracas metropolitan area until September 30, 2009, and the National Consumer Prices Index (INPC) as of October 2009, published by the Central Bank of Venezuela. Sivensa's consolidated results for the year that ended September 30, 2010 include the accounts of Sidetur and IBH, and Sivensa's consolidated results for the year that ended on September 30, 2009 include the results of the companies that are undergoing the nationalization process for the nine-month period that ended on June 30, 2009.

4 RESULTS FOR FISCAL YEAR

Ongoing operations

Sivensa's consolidated results include primarily Sidetur's accounts and IBH's ongoing operations for the fiscal year that ended on September 30, 2010. Sivensa's consolidated results for fiscal year 2009 include the results of Venprecar and Orinoco Iron, which are undergoing the nationalization process, that were reclassified for comparison purposes and are presented under the "Net loss for year from discontinued operations" account.

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

- a. SALES: Sivensa's sales during the quarter totaling Bs. 1,460.0 million were generated in their entirety by the sales of its subsidiary, Sidetur. The 496.6 million

⁷ Results in bolivares for fiscal year 2009 were adjusted for inflation at September 30, 2010.

reduction in Sidetur's sales in bolivares during 2010 is due to the combined effects of the decreased sales volume and the drop in the price of reinforcement bars in real terms, which could not be adjusted during this fiscal year due to the regulation of the price of this product that has been in place since December 5, 2006, as jointly established by the Ministries of Light Industries and Commerce, Infrastructure, and Housing and Habitat.

In terms of volume, Sidetur's domestic sales decreased by 33.7 % as compared to the same period of the preceding year. This decrease is primarily explained by the drop in demand as a result of the 6% GDP contraction in the construction industry. The sales volume in the export market decreased by 13.2% as compared to the prior year.

- b. GROSS PROFIT: The gross profit for the fiscal year was Bs. 276.9 million, representing a decrease of Bs. 118.5 million as compared to the profit of Bs. 395.4 million during fiscal year 2009.
- c. PROFIT BEFORE INTEGRATED FINANCING BENEFIT: Profit before integrated financing benefit for the fiscal year was Bs. 78.3 million as compared to the profit of de Bs. 516.2 million for the prior year. This variation of Bs. 437.9 million with respect to fiscal year 2009 is due to a reduction in the gross profit for the Company and to a drop of Bs. 320.6 million in the "Other operating income (expenses), net" item as compared to the prior year, primarily as a result of transactions involving securities.
- d. INTEGRATED FINANCING BENEFIT (COST): The integrated financing benefit during the fiscal year was Bs. 74.6 million as compared to the integrated financing cost of Bs. 189.9 million recorded for the prior year. The positive change of Bs. 264.5 million is primarily due to: the favorable variation in the monetary result due to the impact of inflation on the net monetary position of Sivensa and its subsidiaries (the Company) of Bs. 177.1 million; to lower Interest and other financing costs, net, of Bs. 62.0 million; and to the net currency exchange gain of Bs. 25.4 million as a result of the application of the rates established by the new exchange regime as described above, to the items denominated in U.S. dollars.
- e. TAXES: This expense increased by Bs. 14.1 million during the year reviewed in this Report, going from Bs. 75.0 million for the prior year to Bs. 89.1 million for fiscal year 2010. The variation is due to the increase in the "Deferred income tax" item, which was partially offset by a lower income tax reserve for Sidetur as a result of the decrease in the net income of this subsidiary.
- 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 2010, said share in the results from ongoing operations was a gain of Bs. 17.8 million, which is lower than the Bs. 37.3 million recorded for the prior year.

- g. NET LOSS FROM DISCONTINUED OPERATIONS FOR THE YEAR: This account reflects the results of the companies undergoing the nationalization process for the year 2009 for comparison purposes, since as of July 2009 Management decided that IBH would stop consolidating the results for Venprecar and Orinoco Iron. During fiscal year 2010, no results are reported for this item.
- h. NET PROFIT FOR THE YEAR: During fiscal year 2010, this result represented a gain of. 81.6 million, compared to the gain of Bs. 274.5 million for fiscal year 2009. The variation of Bs. 192.9 million is primarily due to the drop in profit before integrated financing benefit, which was partially offset by the increase in the integrated financing benefit obtained during fiscal year 2010, as described above.

5 RELEVANT ASPECTS IN THE STEEL SECTOR

As reported in our letter of May 4, 2010, on March 12, 2010, the representatives of one of the two labor unions that now exist at the Casima billets plant located in Puerto Ordaz, which is owned by Sidetur, stopped all activity at the plant claiming certain alleged deficiencies in industrial security and hygiene conditions. On July 8, Sidetur and union representatives reached an agreement that provided the conditions to restart operations. Under said agreement, both parties committed to, among other things, cease and desist from any legal actions and to restart production once the National Institute for Prevention, Labor Health and Security (INPSASEL) approved labor conditions, which would bring things back to normal and restore peace of mind for all workers and their families.

During the period from July 12 to date, INPSASEL has conducted five inspections at the plant and invited all parties to participate in said inspections. The INPSASEL inspection report dated October 6 states that after a review of Casima facilities, it had not found anything that could pose a threat to the safety of workers, and, therefore, authorized the operation of the plant.

The plant restarted operations on November 11, 2010, and on the date of this Report is moving toward regular production.

Sidetur continued to drive its investment program at its various operational centers in order to keep updated equipment, increase operational reliability, and fill the demand from the Venezuelan market. Investments in fixed assets during fiscal year 2010 totaled Bs.24.6 million

6 OTHER LINES OF BUSINESS

As stated in the 2009 Annual Report submitted by the Board of Directors to the Annual Meeting of Shareholders held on November 24, 2009, the most relevant occurrence that affected the Company during that fiscal year was the announcement on May 21, 2009, regarding the “nationalization” of Venprecar and Orinoco Iron by the Government, together with the remainder of the private companies that are part of the steel sector in the country (iron briquettes manufacturers). To this end, the National Executive branch issued Decree No. 6.796 of July 14, 2009, published in Official Gazette No. 39,220 of the Bolivarian Republic of Venezuela on the same date, ordering, among other things, the acquisition of assets owned by the above mentioned companies which manufacture iron briquettes (including Venprecar and Orinoco Iron).

With respect to the implementation of the above mentioned Decree in connection with Venprecar and Orinoco Iron, the most relevant event that took place was the transfer of control over the operations and management of these companies to the Bolivarian Republic of Venezuela through the Transition Commissions for said companies, which occurred on February 5, 2010. As stated in the Record of the Judicial Inspection carried out to that effect, the Republic, represented by said Commissions, took over, in a unilateral, exclusive and total manner, the operational control and management of Venprecar and Orinoco Iron as ongoing companies (in every aspect concerning commercial, financial, labor, fiscal and legal matters), as well as any risks related to or arising from the movable assets, real property and intangible assets of each of the above mentioned companies and their respective industrial exploitations. Consequently, control over the movable assets, real property and intangible assets, as well as the management, operation, security and industrial exploitation of each of Venprecar and Orinoco Iron became the exclusive responsibility of the Government, without prejudice of the reserved rights of partners, shareholders and interested parties, both direct and indirect, of said mercantile companies.

On May 15, 2010, during a public address, the President of the Republic provided information about the “nationalization” process of the companies manufacturing iron briquettes in the country, including Venprecar and Orinoco Iron. The National Executive branch indicated that the Transition Commissions had worked in two directions: continuing to operate the plants and negotiating the prices of said nationalized companies. In the case of Venprecar and Orinoco Iron, the President of the Republic indicated that the price of the two plants proposed by the National Government would range from US\$600 million and US\$800 million.

On the date of this Report, the IBH Board of Directors and senior management are still involved in efforts to arrive at an agreement concerning the fair price of Venprecar and Orinoco Iron.

As a result of the “nationalization” of Venprecar and Orinoco Iron, IBH maintained its line of business based on international sales of products for industrial sectors, which were impacted by the slowdown in the demand of commercial products and services.

7 DIVIDENDS DISTRIBUTED

At the Annual Meeting of Shareholders held on November 24, 2009, the Shareholders approved a cash dividend from undistributed profits for the fiscal year that ended on September 30, 2009, in the amount of two hundred four million eight hundred thirty-three thousand six hundred nineteen bolivares and ninety cents (Bs. 204,833,619.90), which was paid (or was available for payment) as from December 11, 2009.

8 CAPITAL AND NET WORTH

At the Special Board of Directors Meeting held on July 13, 2010, carrying out the delegation of power conferred upon it by the Shareholders at the Special Meeting of Shareholders held on July 28, 2008, the Board of Directors resolved to redeem and void the four hundred twenty thousand six hundred and nine (420,609) shares acquired during the First Phase of the Company’s Share Repurchase Program. No shares were acquired during the Second and Third Phases of said Repurchase Program. Consequently, the Company’s capital decreased by eight hundred forty-one thousand two hundred eighteen bolivares (Bs. 841,218.00), calculated by multiplying the par value of Company shares of Bs. 2.00 per share, by the number of shares redeemed and voided as stated above.

At September 30, 2010, Sivensa’s capital is one hundred five million forty-eight thousand seven hundred fifty-two bolivares (Bs 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 bolivares (Bs 2.00) per share.

At September 30, 2010 the Company’s consolidated net worth adjusted for inflation at that date is three thousand two hundred nine million four hundred thirty-five thousand five hundred eighty bolivares (Bs. 3,209,435,580).

9 CORPORATE GOVERNANCE

The main purposes of Sivensa's corporate governance structure include facilitating oversight by the Company's Board of Directors and Management team as part of 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, Finance, and Planning 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.

Planning Committee: This committee assists the Board of Directors with its assessments of the environment and its impact on corporate plans, in order to recommend actions to adapt or update strategies.

Sivensa complies with all shareholder reporting regulations as required by the National Securities Superintendency, 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 understands its commitment to the Venezuelan society as its integrated set of policies, practices and programs focusing on respect for ethics, people, communities and the environment, seeking to increase collective wellbeing. Exercising its corporate values and social solidarity, Sivensa generates mutually beneficial relationships with its workers, customers, providers, shareholders and the Venezuelan society at large. For over 30 years, the Company's commitment to social development and its actions in this area have been focused on education and community development.

During fiscal year 2010, the Company, the Fundametal Center for Professional Training and Consulting, and our subsidiary, Sidetur, continued to advance programs aimed at achieving the goals that were set in this area. The main activities undertaken during the period are as follows:

- 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.
- In partnership with Asociación Civil Eureka, Sidetur supports innovation and the creativity of youths throughout the country, benefiting nearly 3,000 students from basic schools, specialized institutes, and public and private institutions.
- During fiscal year 2010, thorough its *Steel with Added Value* program, which supports self-management activities, Sidetur made contributions and sales of materials at discounted prices to institutions and organized communities in Antimano Parish, benefiting nearly 400 families in the area.
- Sidetur promotes community involvement through the *Civic Leaders* program developed in partnership with Escuela de Vecinos de Venezuela. During 2010, 12 training workshops were offered with the participation of 80 community leaders.
- Sidetur promotes reading, as well as professional advancement and specialization, and develops content that is of interest to the community through its periodical publications. During fiscal year 2010, Sidetur continued to publish "*Acero al día*" ("*Steel Today*"), which

includes topics related to the steel industry, and *Sidetur en la comunidad* ("*Sidetur in the Community*"), with content based on suggestions provided by the community.

- During the fiscal year, nearly 150 visitors participated in the *Open Doors to the Community* program consisting on guided visits for training purposes with students, children of workers and other persons interested in learning more about the processes involved in the steel business.
- Sidetur is a leader in ferrous material recycling activities, strategically promoting environmental conservation. During fiscal year 2010, the subsidiary acquired approximately 60,000 tons of recyclable ferrous scrap in Caracas. In addition, Sidetur maintained its long-term commitment to environmental protection in terms of optimizing processes and protecting the environment through its technology upgrade programs.
- Sivenza's activities in the area of social responsibility are consistent with its Human Resources policies aimed at promoting the wellbeing of workers and their families. During fiscal year 2010, three collective bargaining agreements were negotiated and agreed upon with our workers. Within the framework of this policy, Sidetur also carried out the *Value of Family Living* and *Youths Building Values* programs. A number of workshops were also offered to foster assertive communication and organizational values for company workers.

Fundametal

During fiscal year 2010, the Fundametal Professional Training and Consulting Center, which has been dedicated to the development of human talent for over 30 years, provided a number of services within its social role and framework, including:

- 882 youths graduated from the *Apprentice Training Program* after completing their training for various technical and business careers.
- 48 Social Action Projects involving a total of 37,120 hours of work were carried out with the participation of the Apprentices under the guidance of institute instructors, in order to support the communities that benefited from these programs.
- With the *Integrated Training for Work*, under the accelerated training modality, Fundamental has supported a number of organizations and public entities in the execution of training activities. During this period, 530 participants graduated from the program.
- As part of the *Professional Development Courses*, a total of 19,823 workers from over 400 public and private companies participated in the various professional update, development and specialization courses.
- Consulting services supported the execution of 44 projects for a total of 6,790 hours, as well as 2,330 participants in training sessions and coaching activities.
- Under the *Microsoft Agreement*, joining forces to develop human talent, Microsoft and Fundametal subscribed a Cooperation Agreement to support the use of computer tools in

the towns that are most vulnerable from a socioeconomic point of view. During fiscal year 2010, 882 apprentices were trained for a total of 114,660 hours; on the other hand, 120 youths from the community also trained for a total of 960 hours.

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%. The current balance of this debt is US\$ 86.25 million.

At September 30, 2010, Sidetur owes Bs. 20 million in 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

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 22 of the *Report of Independent Accountants and Consolidated Financial Statements* at September 30, 2010.

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 three million nine hundred eighty-eight thousand six hundred fifty-one bolivars with eighty-four cents (Bs. 3,988,651.84) during the fiscal year reviewed in this Report.

The Board of Directors

Caracas, December 15, 2010.