

**REPORT SUBMITTED BY THE BOARD OF DIRECTORS OF SIDERURGICA
VENEZOLANA "SIVENSA" S.A. TO THE CONSIDERATION OF THE SPECIAL
SHAREHOLDERS' MEETING TO BE HELD ON DECEMBER 5th, 2008
(SECOND PHASE OF THE REPURCHASE PROGRAM
OF THE COMPANY'S SHARES)**

Dear Shareholders,

Notwithstanding the recent financial crisis that is also affecting the steel sector, the Board of Directors considers that investing in the Company's shares still represents an attractive opportunity in the short and medium term; therefore, it will seek the authorization of the Shareholders' Meeting to implement the Second Phase of the Repurchase Program of the Company's Shares, approved by the Special Shareholders' Meeting of July 28th, 2008, which first phase will end on January 28th, 2009.

For the abovementioned purposes, the Board of Directors has decided to submit the following items to the consideration of the Special Shareholders' Meeting to be held on December 5th, 2008:

1. According to the provisions of Articles 55 et seq. of the Capital Markets Law, to authorize the Board of Directors so the Company may carry out the Second Phase of the Repurchase Program of the Company's Shares, approved by the Special Shareholders' Meeting of July 28th, 2008. In this regard, the Board of Directors requests authorization to carry out such Second Phase, during which the Company may purchase its own shares through any Stock Exchange, at the times it deems advisable, within the terms and based on the conditions set forth below:

(A) In exercising the authorization conferred upon it, the Board of Directors may agree, at its discretion, that the Company acquire up to FIFTEEN PERCENT (15%) of the common shares representing its subscribed and paid in capital, including the treasury stock within such percentage.

(B) For the Second Phase of the Repurchase Program, the price per share to be paid by the Company shall adjust to market conditions and shall be determined by the Board of Directors or by the Company's body upon which it decides to delegate this responsibility, and in no event will exceed Eighty Bolivars (Bs. 80) per share.

(C) The authorization to carry out the Second Phase of the Repurchase Program shall be valid during the period starting on January 29th, 2009 and ending on June 4th, 2009 (both dates included). After such period shall have elapsed, the authorization will no longer be effective.

2. Authorize the Board of Directors to (i) dispose of the shares within the two (2) years following their acquisition, according to the provisions of Article 63 of the Capital Markets Law, including the reduction of the paid-in capital through the redemption and annulment of the acquired shares, if such acquisition shall have been made with funds from earned surplus; or (ii) reduce the paid-in capital of the Company through the redemption and annulment of the acquired shares, within the six (6) following months to the date of the Shareholders' Meeting, if the acquisition shall have been made with funds other than funds from earned surplus. In any event of reduction of the paid-in capital through the redemption or annulment of the shares acquired in implementation of the Second Phase of the Repurchase Program of the Company's Shares, the Board of Directors is fully authorized to implement such reduction without the need to previously call a Shareholders' Meeting, as well as to make any amendments to Article Fourth of the Articles of Incorporation/Bylaws of the Company, titled "Capital and Shares".

Caracas, November 19th, 2008

THE BOARD OF DIRECTORS