

**REPORT SUBMITTED BY THE BOARD OF DIRECTORS OF SIDERÚRGICA
VENEZOLANA "SIVENSA" S.A. TO THE CONSIDERATION OF THE SPECIAL
SHAREHOLDERS' MEETING TO BE HELD ON JULY 28, 2008
(REPURCHASE PROGRAM OF THE COMPANY'S SHARES)**

Ladies and Gentlemen:

The Venezuelan capital market continues giving a low value to the Company's shares, sometimes with negative fluctuations that do not result from any adverse event that may have affected its performance and/or that of its subsidiaries. To the contrary, the equity of the Company and that of its subsidiaries has been gaining strength by reason of the greater income obtained due to the increase in sales, the sustained price increase in international markets for the exports of its subsidiaries, and the reduction of its debt, all of which will enable it to continue meeting the capital requirements of its current business and those that may be executed in the near future.

In seeking to consolidate such strong equity position, the Board of Directors of the Company has proposed a growth strategy for the following years, and the implementation of a series of measures for optimizing the synergies between subsidiaries and the use of the financial resources available, thus allowing to improve the financial and operating indexes of said companies. By virtue thereof, the Board of Directors believes that investing in its own shares is an attractive opportunity in the short and medium term, so it would need the authorization of the Shareholders' Meeting to acquire shares in the Company.

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 July 28, 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 a Repurchase Program of the Company's Shares, to be implemented in various phases. In this regard, the Board of Directors requests authorization to carry out such Repurchase Program by phases, during each of which the Company may acquire 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 First 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 First Phase of the Repurchase Program shall be valid for six (6) months following the date of the Shareholders' Meeting (July 28, 2008), after which term such authorization will no longer be effective.

2. Authorize the Board of Directors so that, within the two (2) years following the acquisition of the shares referred to above, it agrees, at its own discretion and without the need to previously call a Shareholders' Meeting, to dispose of such shares according to the provisions of Article 63 of the Capital Markets Law, including the eventual redemption of the shares, in which case it is also

authorized to make any amendments to the Articles of Incorporation/Bylaws of the Companies, accordingly.

Caracas, July 3, 2008

THE BOARD OF DIRECTORS