

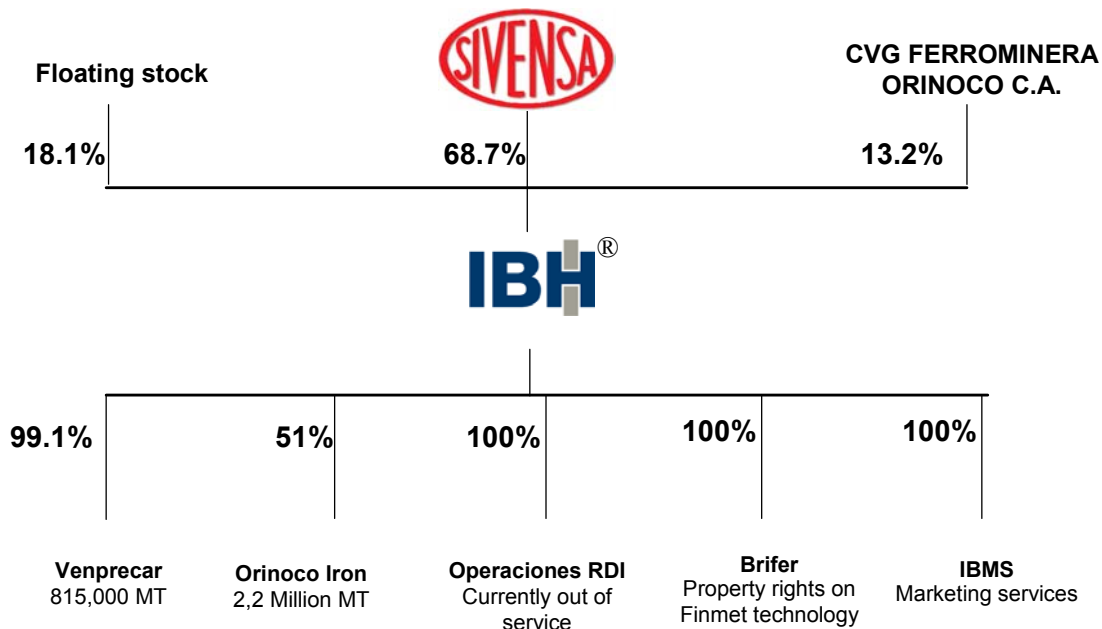


International Briquettes Holding

ANNUAL REPORT 2004

International Briquettes Holding, IBH, is a world-class company with its main office located in Venezuela that groups companies engaged in the production of briquettes that are used as raw material for steel mills. Its main clients are steel industries in the U.S. and Europe. International Briquettes Holding, IBH, consolidates the financial statements of Venprecar, whose plant has an installed capacity of 815,000 MT per year, and since November 2004 it also consolidates those of Orinoco Iron, Operaciones RDI (former Fior Plant), Brifer, which latter company holds the intellectual rights to the FINMET® technology, and IBMS, specializing in the marketing of briquettes.

IBH Shareholding Structure after November 5, 2004



BOARD OF DIRECTORS

Oscar Augusto Machado

CHAIRMAN

Alejandro Salcedo T

Arnold H. Volkenborn E.

Carlos M. Áñez

César A. Bertani F.

José María Fragachán

Reinaldo Cervini

Héctor Peña

Luis A. Romero M.

Executive President of IBH

Neil Malloy

**REPORT BY THE BOARD OF DIRECTORS OF INTERNATIONAL BRIQUETTES
HOLDING (IBH) TO THE ANNUAL SHAREHOLDERS' MEETING TO BE HELD ON
JANUARY TWENTY-SEVEN (27), TWO THOUSAND AND FIVE (2005)**

Ladies and Gentlemen:

Upon having completed another fiscal year of this Company last September 30, 2004, we hereby submit to the consideration of this Shareholders' Meeting, pursuant to the statutory regulations, this Report and accounts, as well as the Report prepared by the Statutory Auditors and the Auditors of the Company.

1. **FINANCIAL STATEMENTS**

International Briquettes Holding, IBH, is a company organized in the Cayman Islands in 1997. Since its inception, and due to the fact that the affiliates and subsidiaries of IBH have significant export sales, costs, assets and debts in United States dollars, IBH considers the U.S. dollar to be its currency of account.

On the other hand, Siderúrgica Venezolana "SIVENSA" S.A., which is the holder of 68.7% of IBH's equity, decided to present, since 2002, its consolidated financial statements in accordance with the International Accounting Standards (IAS), deeming that the same reflect more accurately its financial condition, in line with a world trend towards adopting these standards for submitting financial statements of companies.

For practical purposes of consolidating the financial statements of IBH with those of its parent company, Sivenza, at the closing of fiscal year 2004, IBH decided to present its financial statements according to International Accounting Standards (IAS). The financial statements referred to in this report, pertaining to fiscal year 2004, compared with fiscal year 2003, have been prepared and presented pursuant to the IAS.

The shares of IBH are listed in the Caracas Stock Exchange, therefore, the company is subject to the Venezuelan Capital Markets Law and the regulations issued by the Venezuelan National Securities Commission ("*Comisión Nacional de Valores*" - "CNV"). According to a communication sent to this company by the CNV on June 3, 2004, in addition to the financial statements in dollars, IBH must submit financial statements

translated into bolivars, for which it must apply to each item of the financial statements in dollars, the rate of exchange in force on the date they are submitted, setting forth that such financial statements are a “translation for convenience of the balance in U.S. dollars into bolivars.”

It is also stated that, IBH being a company organized in the Cayman Islands, it is governed by the laws of said territory and presents its financial statements in U.S. dollars as basis for declaring and paying dividends. The company will not distribute dividends on the results of fiscal year 2004 because the net profits obtained in this period do not offset the losses of previous years.

2. RESTRUCTURING OF ORINOCO IRON'S DEBT

In 1997, IBH and its subsidiary Venprecar issued guaranties in favor of the financial institutions creditors of Orinoco Iron in connection with a loan received by this latter company for the financing of its industrial facilities.

Since it began operations in 2000, the financial results of Orinoco Iron have been affected by factors such as delays in the start-up of the plant, failures in certain equipment that were later replaced by the manufacturers, high production costs and, until 2002, the low international prices of briquettes.

In March 2001, BHP Billiton, IBH's partner in Orinoco Iron, announced that it would declare its investment in Orinoco Iron as a loss and that it would cease making additional contributions to the project. In April 2001, Orinoco Iron defaulted on its payment obligations under the loan agreements and, the creditor banks declared the entire outstanding balance to be due and payable. Immediately thereafter, BHP Billiton paid the creditor banks of Orinoco Iron the amount pertaining to its 50% participation established in the common guaranty agreement relating to the debt assumed for the construction of the plant. This made BHP Billiton a creditor of Orinoco Iron for the amount of said portion, which became a debt subrogated to the same rights of its initial creditors and subject to settlement with the creditor banks.

At the closing of fiscal year 2002, IBH recognized a reserve for loss for the total value of Investments in Affiliates, as well as that of accounts receivable from companies that make up the association with BHP Billiton (Orinoco Iron, Operaciones RDI and Brifer), due to the losses incurred by these affiliates and because a negotiation for the restructuring of the debts of affiliate Orinoco Iron had not been achieved.

As explained in the Board of Director's Report to the Shareholders' Meeting held on January 29, 2004, and in the Opinion and Notes to the Financial Statements of IBH at September 30, 2003, and confirmed in the quarterly reports of IBH, since 2001, Orinoco Iron has not been able to comply with the payment conditions and certain covenants set in the debt contracts. Throughout that period, Orinoco Iron and IBH have held conversations with the creditor banks, BHP Billiton and Corporación Venezolana de Guayana (CVG), major shareholder of the companies that supply the iron ore and electricity, in order to refinance Orinoco Iron's financial and commercial debt.

In June 2004, the creditor banks began to enforce certain guaranties established in the loan agreement, and, at September 30, 2004, have foreclosed cash balances for US\$23.2 million and commercial accounts receivable for US\$68.2 million, of which US\$8.7 million and US\$32.2 million, respectively, were owned by subsidiary Venprecar. Other foreclosures have been recorded by Venprecar, such as accounts receivable from Orinoco Iron. In September 2004, Orinoco Iron assumed debts of Venprecar for US\$15.5 million and Bs. 42.795 million (equivalent to US\$22.3 million), whereby it offset part of the account receivable held by Venprecar against Orinoco Iron as a result of the foreclosures referred to above.

Events Subsequent to the Closing of the Fiscal Year

On November 5, 2004, BHP-Billiton, holder of 50% of the capital stock of affiliate Orinoco Iron, agreed to terminate the Association and made the following assignments: (1) to IBH, 2% of its shares in Orinoco Iron (representing 1% of the capital stock of this company), and (2) to certain financial creditors of Orinoco Iron, its remaining shares, as well as the credit it held against Orinoco Iron for about US\$ 382 million. The outstanding amount of this financial debt remains unchanged as well as the net amount to this date and the conditions of the balance of the financial debt that Orinoco Iron has pending with creditor banks for US\$290 million, which debt is currently due and payable, but subject to negotiations in search of a restructuring thereof.

BHP Billiton also assigned to IBH, or to its wholly-owned subsidiaries, all of its shares in Operaciones RDI, IBMS and Brifer. Therefore, IBH became, directly or indirectly, the holder of 100% of the capital stock of these companies. As part of this arrangement, Orinoco Iron undertook to pay BHP Billiton a settlement amount of US\$30 million and

BHP Billiton was exempted from the balance payment due to Brifer as royalties due for the use of the Finmet technology at the Port Headland plant, owned by BHP Billiton.

Consequently, as of November 5, 2004, 51% of the capital of Orinoco Iron is owned by IBH. IBH has fully assumed the shareholding and operating control of Orinoco Iron, whereby, according to the applicable rules, IBH, in spite of having made reserves for its investment in Orinoco Iron, as of that date must begin to consolidate its accounting with the results of Orinoco Iron¹. By reason of the settlements referred to above: (i) BHP Billiton will receive a maximum amount of US\$30 million; (ii) an amount equivalent to approximately 50% of the matured debt of Orinoco Iron, arising from the financing agreements signed in 1997, will be eventually neutralized in the future, subject to the meeting of certain conditions, so that this does not cause an impact on the current shareholding structure of Orinoco Iron, or affect the economic and political rights that IBH currently has as shareholder of Orinoco Iron; and (iii) additional rights, including some political rights, were granted to certain shareholders of Orinoco Iron other than IBH.

Considering the contingent liabilities represented by the portion of Orinoco Iron's debt guaranteed by IBH, the future performance of IBH as a company depends on reaching a solution for Orinoco Iron's financial condition. Presently, the negotiations are focused on restructuring Orinoco Iron's debts with the creditor banks. The parties continue to make progress in their conversations.

3. INTERNATIONAL MARKET

During the fiscal year, an increase was recorded in the prices of metallics (scrap, pig iron and briquettes) in the global market. The price of briquettes unloaded over barges in the Gulf Coast (Port of New Orleans) had an increase of 86% after going from an average of US\$138.6/MT during the term October 2002-September 2003 to US\$258.3/MT during the term October 2003-September 2004², having reached unprecedented prices in the history of the marketing of this product. The factors that caused this increase were, basically, the increase in the world's steel production, driven by, among other forces, by the economic growth of China, a firm demand in the U.S. and Europe, the insufficient

¹ In Note 15 to the audited Financial Statements, see Pro-Forma Financial Statements assuming that this agreement with BHP-Billiton and the creditor banks occurred at the beginning of the year ended on September 30, 2004, and, therefore, Orinoco Iron would have been consolidated as of October 2003.

² Percentages calculated by Orinoco Iron on the basis of the monthly data published by CRU Monitor, Steel, Metallics, Scrap and Pig Iron.

supply of high-quality scrap, and the dearth of coke, which in turn caused a higher demand for scrap and its substitutes by integrated steel mills.

4. ISSUES RELATED TO THE EXCHANGE CONTROL SYSTEM

As mentioned in the Board of Director's Report for the preceding year, on February 5, 2003, the Venezuelan Government, by means of Exchange Agreement No. 1, entered into between the Central Bank of Venezuela ("BCV") and the Ministry of Finance, agreed to implement an exchange control system whereby the BCV was empowered to centralize the purchase and sale of foreign currency in the country. Said Agreement also provided that as of that date the BCV, in coordination with the Executive Branch of the Government, would fix the rate of exchange for the purchase and sale of foreign currency, which rate would be adjusted whenever it was deemed convenient.

By virtue of this decision, on February 5, 2003, the Foreign Currency Administration Commission (*Comisión de Administración de Divisas*) - (CADIVI) was created, having among its powers the setting of requirements for the registration of users, and the authorization to acquire foreign currency for the payment of goods, services and other uses, according to the availability determined. The measure provided for the obligation to sell to the BCV all the foreign currency that entered the country as a result of the exportations of goods and services.

Since the implementation of the foreign currency administration system until January 2004, the exchange rate set by the BCV was of Bs. 1,596.00 /US\$ for purchases and Bs. 1,600.00/US\$ for sales. As of February 5, 2004, the BCV fixed the official exchange rate at Bs. 1,915.20/US\$ for purchases and Bs. 1,920.00/US\$ for sales of foreign currency, which have remained in force up to the closing of the fiscal year.

As a result of the changes in the exchange control system and following the guidelines of CADIVI, Venprecar and Orinoco Iron were duly registered as users in year 2003.

At September 30, 2004, Venprecar had obtained from CADIVI approximately US\$ 3.0 million, there remaining to be received as of this date approximately US\$ 0.6 million. In turn, the affiliate Orinoco Iron has obtained from CADIVI foreign exchange for about US\$21.2 million, there pending to be received about US\$ 8.1 million.

The affiliate Orinoco Iron complied with the requirements demanded by CADIVI for the registration of its foreign currency debt at January 22, 2003, which was then US\$728 million; of this amount, it has already obtained the approval for registration of US\$268 million and the remaining amount is still in the process of approval.

During 2004, subsidiary Venprecar assumed new long-term debt denominated in foreign currency, for a balance at September 30, 2004 of US\$ 18.4 million. For these debts, Venprecar has not requested approval and registration with CADIVI in order to be able to acquire foreign currency to repay them at the official rate of exchange; however, these debts may be paid in bolivars at the creditor's option. The equivalent amount due in bolivars would be determined on the basis of the highest exchange rate from among three options: (i) the official exchange rate, if any; (ii) the free exchange rate, if any; or (iii) a referential rate determined on the basis of the market value of the shares and the ADRs of CANTV. At September 30, 2004, these promissory notes are adjusted at the highest value resulting from the options referred to above and the effect of this valuation is included in the year's results.

5. IBH'S RESULTS IN FISCAL YEAR 2004

IBH's balance sheet at September 30, 2004 contains several line items that reflect the impact of the events related to the guaranty granted by IBH for the construction of Orinoco Iron's plant. These line items are commented on below:

- a. Under current assets, Accounts Receivable for EIGHTY-SEVEN MILLION FIFTY-EIGHT THOUSAND UNITED STATES DOLLARS (US\$87,058,000) at September 30, 2004, compared with TWENTY-TWO MILLION SEVEN HUNDRED TWELVE THOUSAND UNITED STATES DOLLARS (US\$22,712,000) reflected at September 30, 2003. The increase in this line item is mainly due to the accounts receivable from Orinoco Iron for the short-term financing for its operations (US\$29.4 million), the increase in commercial terms for collection (US\$24 million), and the late collection of Value Added Tax.
- b. Under Long-Term Assets, as Accounts Receivable from related company: TWO HUNDRED NINE MILLION TWO HUNDRED FORTY-ONE THOUSAND UNITED STATES DOLLARS (US\$209,241,000) at September 30, 2004, compared with NINE MILLION EIGHT HUNDRED EIGHTEEN THOUSAND UNITED STATES DOLLARS (US\$9,818,000) at September 30, 2003. Of the amount pertaining to

year 2004, US\$190 million refer to the present value of the estimated reimbursement that Orinoco Iron shall make to IBH in the amount of US\$220 million, for the guaranty that Venprecar will pay to the banks.

- c. Under current liabilities, EIGHTY-FIVE MILLION UNITED STATES DOLLARS (US\$85,000,000), as short-term portion of the contingency provision regarding the guaranty granted, at September 30, 2004. This amount pertains to the current portion of the contingency provision for the guaranty that Venprecar acknowledged in 2004, having an estimated present value of US\$190,000,000, referred to in subparagraph 5b above.
- d. Under long-term liabilities, THIRTY MILLION SEVEN HUNDRED NINETEEN THOUSAND UNITED STATES DOLLARS (US\$30,719,000) as long-term loans with financial institution, at September 30, 2004. This amount is made up of a dollar-denominated promissory note equivalent to US\$23,309,000 and another bolivar-denominated promissory note equivalent to US\$ 7,410,000. The US dollar denominated promissory notes may be paid in bolivars at the creditor's option, and the bolivar-denominated promissory notes may be paid in U.S. dollars, at the creditor's option. Said promissory notes were issued by Venprecar in favor of a financial institution in September 2004 and mature in year 2015.
- e. Also under long-term liabilities, ONE HUNDRED FIVE MILLION UNITED STATES DOLLARS (US\$105,000,000) as contingency provision for guaranty granted, at September 30, 2004. This amount is the long-term portion of the contingency provision for guaranty granted that is explained in subparagraphs 5b and 5c above. Based on Orinoco Iron's cash flow projections, the Board of Directors of IBH believes that all the accounts receivable of Orinoco Iron are recoverable.

In the Statement of Profit and Loss, the following variations are noted with regard the results of the preceding fiscal year:

- f. Sales for ONE HUNDRED TEN MILLION NINE HUNDRED THIRTY-THREE THOUSAND UNITED STATES DOLLARS (US\$110,933,000), as compared with sales for SEVENTY MILLION EIGHTY-NINE THOUSAND UNITED STATES

DOLLARS (US\$70,089,000), recorded for the preceding year³. This increase was due to the increase in the international price of briquettes and a greater sales volume for Venprecar, as compared with fiscal year 2003. 99% of the total sales of Venprecar were sent to the export market.

- g. Operating Profit for THIRTY MILLION NINE HUNDRED FORTY-NINE THOUSAND UNITED STATES DOLLARS (US\$30,949,000) as compared with NINE MILLION NINE HUNDRED EIGHTY-SEVEN THOUSAND UNITED STATES DOLLARS (US\$9,987,000) recorded for the preceding fiscal year. The material increase in the operating profit is due mainly to the greater sales volume and the increase of prices referred to in the preceding subparagraph.
- h. Exchange gain for TWO MILLION NINE HUNDRED SEVENTY-NINE THOUSAND UNITED STATES DOLLARS (US\$2,979,000), as compared with the exchange loss for EIGHTY-NINE THOUSAND UNITED STATES DOLLARS (US\$89,000) in the preceding fiscal year. The exchange gain is due to the impact of the exchange rate fluctuation on the net monetary liabilities denominated in bolivars, and is included in the results for the fiscal year. According to the provisions set by the BCV, the U.S. dollar was revaluated by 20% vis-à-vis the bolivar, going from Bs. 1,600/US\$ to Bs. 1.920/US\$ in February 2004. The inflation rate for the term October 2003-September 2004 was 20.8%⁴.
- i. Adjustment of the value of long-term loans with a financial institution for FOUR MILLION FOUR HUNDRED THIRTY-FIVE THOUSAND UNITED STATES DOLLARS (US\$4,435,000). This item is included in fiscal year 2004 to reflect the adjustment to the highest value at September 30, 2004 that could result from the options regarding the mode of payment of the long-term promissory notes referred to in 5(d).
- j. Reserves for investments and accounts receivable from affiliates for ELEVEN MILLION SEVEN HUNDRED FORTY-FIVE THOUSAND UNITED STATES DOLLARS (US\$11,745,000) compared with ONE MILLION FIVE HUNDRED SIXTEEN THOUSAND UNITED STATES DOLLARS (US\$1,516,000), IN FISCAL

³ Bear in mind that IBH only consolidates the results of subsidiary Venprecar. The company Orinoco Iron is presented as an affiliate and, consequently, its results are not consolidated into IBH.

⁴ Source: Banco Central de Venezuela.

YEAR 2003. The significant increase in this reserve is due to the acknowledgment by IBH of the equity deficit of the companies that make up the Association and because IBH has guaranteed Orinoco Iron's financial debt.

- k. Tax for SEVENTEEN MILLION EIGHTY-SEVEN THOUSAND UNITED STATES DOLLARS (US\$17,087,000), compared with a tax benefit for TWO MILLION FOUR HUNDRED FORTY THOUSAND UNITED STATES DOLLARS (US\$2,440,000) in the preceding fiscal year. The major increase in taxes is due to the increase in the taxable income for 2004 compared with that for 2003 (Bs.45.551 million and Bs. 2,005 million in 2004 and 2003 respectively).
- l. Net profits for THIRTY-NINE THOUSAND UNITED STATES DOLLARS (US\$39,000), compared with a net profit of SEVEN MILLION TWO HUNDRED SEVENTY-EIGHT THOUSAND UNITED STATES DOLLARS (US\$7,278,000) for fiscal year 2003.

6. ANALYSIS OF THE PERFORMANCE OF SUBSIDIARY VENPRECAR

Venprecar's production was 746,599 MT, compared with 557,009 MT recorded in fiscal year 2003. The largest production during fiscal year 2004 is mainly due to the better performance of Venprecar's gas reformer resulting from the installation of pipes and catalyzers in March 2003.

Venprecar's sales during fiscal year 2004 were for US\$110.9 million, 66% higher than those for the preceding fiscal year, due to a greater sales volume and the increase of international prices of briquettes explained in paragraph 3 of this report.

As set forth in the pertinent quarterly reports for 2004, the company has been progressing in the program for certain modification in the inner part of the reduction furnace in order to achieve greater stability in its operations. The shutdown required to make said modifications has been scheduled to take place during the first half of 2005.

The operating profit recorded by Venprecar was of US\$ 32 million, compared with an operating profit of US\$ 10.5 million in fiscal year 2003. This improvement was mainly due to the increase in the prices and in the sales volume of briquettes.

Sales Cost

The total sales cost increased by 35% as compared with fiscal year 2003, mainly due to the 33% sales volume increase. The unit costs were moderately affected by: (i) the change in the pellet-mineral loading pattern, which went from 94% pellets and 6% lumps in 2003 to 98% pellets and 2% lumps in 2004; ii) additional costs associated to problems with the heat recuperator and the conveyer belt between November 2003 January 2004, offset by, iii) the reduction of costs regarding the shutdown of the plant that was not performed during 2004. As a percentage of sales, the sales costs were reduced, going from 81% in 2003 to 69% in fiscal year 2004.

Additionally, during fiscal year 2004, Venprecar adopted a change of policy regarding the manner to account for purchases and consumptions of inventories of spare parts and supplies with a turnover of less than one year. This change resulted in an increase of about US\$4.5 million (7%) in the cost of sales for 2004 vis-à-vis fiscal year 2003. If Venprecar should have elected to apply this change of policy retroactively, the equity for 2003 would have diminished by US\$4.2 million and the net profit for 2004 would have increased by US\$4.2 million.

Administrative Expenses

Venprecar's administrative expenses in the results shown reflect an increase of 18% vis-à-vis the preceding fiscal year, reaching US\$3.4 million as a net effect of the change in the salary structure and the salary increase (redistribution of the total compensation), increase in the reserve for labor indemnities, and a greater outsourcing of services. As a sales percentage, the administrative expenses went down from 4% in fiscal year 2003 to 3% in 2004.

Adjustment of the Value of Long-Term Loans with Financial Institutions

This item reflects US\$4.4 million as an adjustment to the highest value, at September 30, 2004, as a result of the options regarding the form of payment of the long-term promissory notes referred to in subparagraph 5(d) above.

Tax Expense

Tax expense for SEVENTEEN MILLION EIGHTY-SEVEN THOUSAND UNITED STATES DOLLARS (US\$17,087,000), compared with a tax benefit of TWO MILLION FOUR HUNDRED FORTY THOUSAND UNITED STATES DOLLARS (US\$2,440,000) in the preceding fiscal year. This substantial tax increase is a result of the increase in the taxable income for 2004, compared with 2003 (Bs. 45,551 million and Bs. 2,005 million in

2004 and 2003, respectively) and to the recognition according to IAS of the effect of the deferred taxes on certain income for 2004 that will be levied in the future.

Net Profits

As a result of the factors explained above, the net profit of Venprecar for this fiscal year was US\$20 million, compared with the net profit of US\$16.4 million reported in the preceding fiscal year.

7. PERFORMANCE ANALYSIS OF AFFILIATE COMPANIES

a. ORINOCO IRON

Orinoco Iron's Plant produced 841,593 MT in fiscal year 2004, compared with 603,549 MT for the preceding fiscal year. This variation is due mainly to the availability of Train 3 during this fiscal year and the starting of operations of Train 4 at the end of May 2004⁵. The number of train/days actually operated in the term October 2003 –September 2004 was of 717 days, as compared with the 462 train/days operated in the term October 2002- September 2003.

The sales of Orinoco Iron during the fiscal year were of US\$139.6 million, higher than those reported for the preceding fiscal year: US\$68.6 millions. This increase in sales was due to the increase of international prices of briquettes and a greater volume of products available for sale as a result of the incorporation of production trains 3 and 4 to the plant's operations. However, the amount of sales was affected by the long-term contract signed with a client in April 2002, effective until April 2007, according to which Orinoco Iron sells to this client approximately 325,000 MT of briquettes per year at a fixed price negotiated in 2002, which is considerably lower than the current price levels in the spot market.

The term of the runs of the trains and the effective daily production is still below expectations, due to:

- I. Inefficiencies in the process and plugging of the cyclones of the reactors mainly due to the grading of the iron ore. The company is in the process of acquiring a screen system and crusher so as to control the size of the ore particles used as raw material for the process. It is expected to begin operations with this equipment at the end of the first calendar semester of 2005.

⁵ We remind you that due to market reasons, neither of these trains was in operation during fiscal years 2002 and 2003.

- II. Difficulty regarding the availability of spare parts, which will be delivered to the company by the end of this calendar year.

- III. Leakages in the recycling gas furnaces occurring at since the end of the fiscal year. In order to restart operations of the trains that had this problem, the company had to replace the pipes in the furnaces, which process was completed in October for the three trains currently in operation. Train 2 is currently undergoing pipe replacement and is expected to resume operations during the second quarter of fiscal year 2005. Additionally, the company is conducting an investigation to determine the exact causes of this failure.

Orinoco Iron's sales cost was of US\$149.0 million, compared with US\$75.6 million for fiscal year 2003. This item continues to be high vis-à-vis the costs anticipated for the operations of Orinoco Iron, and this is due mainly to the impact of the high prices of natural gas during the year and to the effect of the fixed costs in the operations, by not having reached higher production volumes in trains 1, 2 and 3, which, in spite of being fit for operations during the fiscal year under study, had limited availability due to the causes referred to above.

Administrative expenses increased by 74%, amounting to US\$16.0 million, as a result of higher disbursements related to the restructuring of the debt, reserves for labor indemnities and an increase in the labor expenses.

As a result of the factors explained, Orinoco Iron's operating loss for the fiscal year was of US\$26.4 million, higher than the operating loss of US\$10.9 million recorded for the term from October 2002 to September 2003.

Additionally, Orinoco Iron reports net interest expenses for US\$46.3 million, as compared with the interest expenses for US\$38.7 million in fiscal year 2003.

The above factors explain the net loss of affiliate Orinoco Iron for US\$77.4 million reported in the fiscal year, higher than the loss of US\$33.5 million.

b. OPERACIONES RDI

Operaciones RDI operates the former Fior briquette plant. In 2001, due to the high investments required and the low prices of briquettes, the IBH-BHP Billiton

association decided to suspend the operations of said plant for an indefinite term. Major investments will be needed to reactivate the plant. The management of RDI is assessing the alternatives, and is concurrently negotiating with Orinoco Iron the terms and conditions for the sale of certain of RDI's assets that are not required. At September 30, 2004, Operaciones RDI has assets for a total of US\$4.8 million and an equity deficit of US\$4.5 million.

c. BRIFER

Brifer Internacional Ltd. (Brifer), which owns the intellectual property rights regarding the improved process for the reduction of iron ore fines in fluidized bed (the Improved Fior process) and also owns jointly with Voest Alpine Industrialeagenbau (VAI) the rights to the Finmet technology, did not have any sales income in fiscal year 2004.

As part of the event subsequent to the closing of the fiscal year, referred to in paragraph 2 of this report, Brifer released BHP Billiton from its obligations regarding the latter portion of the royalties due by the latter for the use of the Finmet technology at its Port Headland plant.

d. IBMS

International Briquettes Marketing Services (IBMS) provides briquette marketing services to Venprecar and the affiliate companies of IBH pursuant to contracts signed with such companies.

8. AVAILABILITY OF GAS, PELLETS AND IRON ORE.

During the fiscal year ended in September 2004, there were no limitations as to the availability of gas or iron ore or pellets for the plants of Venprecar and Orinoco Iron.

The dearth of gas could affect the operations of Orinoco Iron and Venprecar, while the limitations in the supply of iron ore fines and pellets could affect the operations of Orinoco Iron and Venprecar, respectively. We cannot assure that there will be no limitations in the supply of these inputs during fiscal year 2005.

9. QUALITY: ISO 9001-2000

As a result of the efforts made by the IBH group of companies to adjust the new quality standards of processes during the fiscal year ended September 30, the following certifications were obtained:

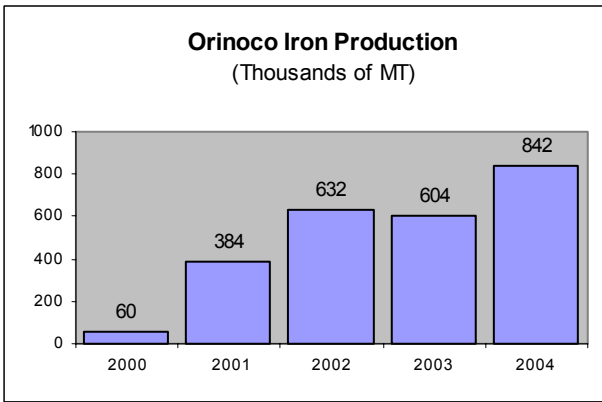
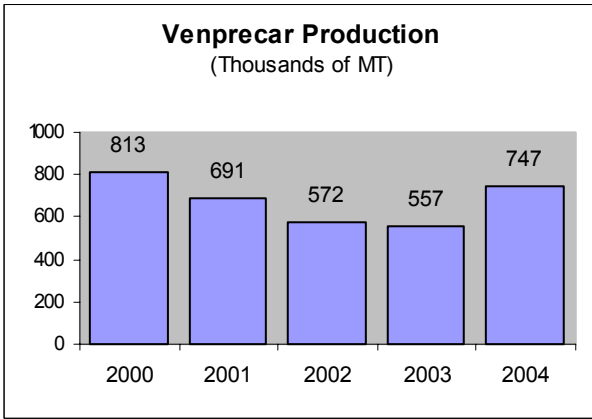
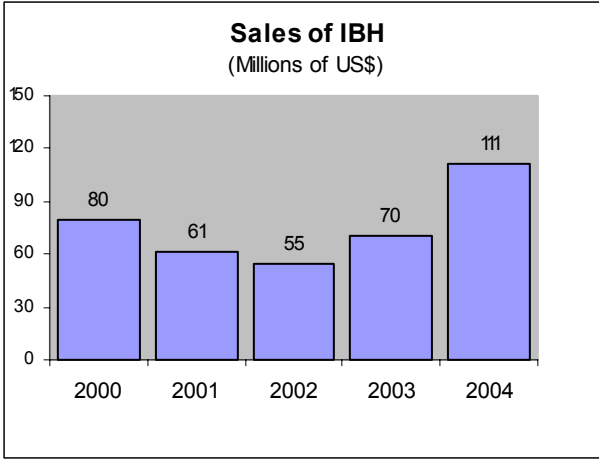
- a. The Venezuelan Autonomous Service for Standardization, Quality, Metrology and Technical Regulations (*"Servicio Autónomo Nacional de Normalización, Calidad, Metrología y Reglamentos Técnicos"*), SENCAMER, certified the quality systems of the laboratories of Venprecar and Orinoco Iron.
 - b. The Fund for Standardization and Quality Certification (*"Fondo para la Normalización y Certificación de Calidad"*), FONDONORMA, awarded to Venprecar and Orinoco Iron the certification of the ISO 9001:2000 Quality System.
10. Except for the issues referred to in paragraph 2 of this Report, as of this date we are not aware of any litigation, civil, tax or commercial claims that have or may have a material adverse impact on the financial condition of IBH, except for a request for arbitration against Orinoco Iron filed by the owners of the vessel MV-YTHAN, which sunk on February 28, 2004, with a cargo of briquette fines. Orinoco Iron filed an opposition against said request for arbitration on December 2, 2004. Additionally, the owner of the vessel requested the execution of precautionary attachments over property of Orinoco Iron in the United States and England to guarantee the outcome of the arbitration proceeding. The company opposed the precautionary measure accorded by the Royal Court of London, which decided in its favor on September 3, 2004, revoking the measure accorded. In October 2004, the District Court of Ohio (U.S.A.) decided in favor of Orinoco Iron, lifting the measure in the aforementioned jurisdiction. That month, the owner of the vessel filed an appeal against this decision, and Orinoco Iron must submit its answer to said appeal by February 17, 2005. The lawyers of the company, both in London and in the U.S. are currently preparing the defense of Orinoco Iron's interests.
11. During this fiscal year, a client concentrated 79% of the exports of subsidiary Venprecar. This client was granted a credit term of 110 days. Except for this case, during this fiscal year there were no major changes in the credit, collection and sales policies.
12. The commercial debts of subsidiary Venprecar are denominated in bolivars. This subsidiary is in the process of completing the documentation for the agreements reached on the terms for the payment of the debts pending with Ferrominera Orinoco, which imply, among other aspects, the denomination of this debt in dollars during 2004. Venprecar recorded an additional liability to acknowledge this effect, of approximately Bs. 6,032 million.

The obligations arising from the guaranties granted by IBH by reason of the financing of Orinoco Iron's project are denominated in dollars.

13. Pursuant to requirements by the CNV, we advise you that the contents of form CNV-FG-010 "Remunerations Paid to Directors and Executives" reflects, during the fiscal year under analysis, the amount of ONE BILLION ONE HUNDRED SIXTY MILLION NINE HUNDRED SIXTY-FIVE THOUSAND SIX HUNDRED THREE BOLIVARS (Bs. 1,160,965,603). This figure is made up of: THREE HUNDRED THIRTEEN MILLION NINE HUNDRED FORTY-SIX THOUSAND NINE HUNDRED BOLIVARS (Bs. 313,946,900) pertaining to Venprecar, and EIGHT HUNDRED FORTY-SEVEN MILLION EIGHTEEN THOUSAND SEVEN HUNDRED THREE BOLIVARS (Bs.847,018,703) pertaining to Orinoco Iron.

The Board of Directors

Caracas, November 25, 2004.



INVESTOR RELATIONS

Investor Relations	Corporate Financial Department Av. Venezuela Edificio Torre América Piso 12. Urbanización Bello Monte. Caracas, Venezuela Telephones: (58212) 707.61.27 /707.62.80 Telefax: (58212) 762.99.38 E-mail: antonio.osorio@sivensa.com
Transfer Agent	Planivensa Av. Venezuela. Edificio. Torre América. Piso 12. Urb. Bello Monte. Caracas, Venezuela. Telephones: (58212) 707.64.68 / 707.64.66. Telefax: (58212) 707.64.56 E-mail: peggy.medina@sivensa.com
Auditors	Espiñeira, Sheldon y Asociados (Member of PricewaterhouseCoopers) Av. Principal de Chuao, Edif. del Río, Caracas, Venezuela Telephone: (58212) 700.62.91 Telefax: (58212) 993.63.41 E-mail: carlos.g.gonzalez@ve.pwc.com