



International Briquettes Holding, IBH
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IBH THIRD QUATER RESULTS REPORT FOR FISCAL YEAR 2011

CARACAS, July 29, 2011.

As Previously reported, after the May, 2009 "nationalization" announcement of Venprecar and Orinoco Iron subsidiaries, assets, liabilities and operational results for Venprecar and Orinoco Iron were consolidated within the International Briquette Holding (IBH) financial statements up until June 30, 2009. Operational results of those subsidiaries until that date and for all previous periods were reclassified and presented within the "Net Loss from Discontinued Operations" line.

Effective February 5, 2010, in execution of the provisions in Article 5 of Presidential Decree No. 6.796 of July 14, 2009, the Venezuelan State assumed exclusive Administrative and operational control of Orinoco iron and Venprecar.

QUARTER RESULTS ANALYSIS

Ongoing Operations

As a result of the accounting treatment agreed due to the announcement of Venprecar and Orinoco Iron "nationalization", business lines reflected by IBH are only linked to commercialization services.

Income from commercial services: During the third quarter of 2011 fiscal year, ending on June 30th 2011, IBH registered a net income of US\$ 255 thousand for commercial services which represents a 61% decrease compared to the same quarter of the previous fiscal year. Such net income reduction is due to a decrease in volume of commercialized goods and services.

Operating Loss: IBH had an operating loss of US\$ 561 thousand during the April-June 2011 quarter, compared with an operating loss of US\$ 154 during the same quarter on 2010 fiscal. The US\$ 407 thousand increase on operating losses during the reported quarter is primarily due to a decrease of commercial services income as well as a decrease of other operations net income. The effect of income decrease was partially compensated by a US\$ 83 thousand reduction of general and administrative expenses during the third quarter of 2011 fiscal year, compared to that same quarter on 2010. During the third quarter of 2011 fiscal, IBH closed operations of one subsidiary engaged in the commercialization of industrial products and reduced operations at another of its subsidiaries.

Interest expense, other financial costs and net exchange rate differential: During the third quarter of 2011 fiscal year, IBH had a net financial income of US\$ 37 thousand, compared to US\$ 723 thousand during the same period on 2010 fiscal year. The US\$ 686 thousand decrease is due to non-current financial operations income occurred during the same quarter on 2010, concerning the valuation of some suppliers trade accounts payable in euros.

Ongoing Operations net loss: The Ongoing Operations net loss of the third quarter of 2011 fiscal year, was US\$ 524 thousand, compared to a US\$ 569 thousand gain during the same quarter of the previous fiscal year.

Discontinued Operations:

Discontinued operations net gain: As mentioned at the beginning of this letter, the results of companies in the process of "nationalization" are accounted until June 30, 2009, accordingly results for the current quarter April-June 2011 are not included in this account.

Third Quarter Net Loss: During the third Quarter of 2011 fiscal year, IBH had combined ongoing and discontinued operations net loss of US\$ 524 thousand compared to a US\$ 569 thousand gain during the same period on 2010 fiscal year. This performance exclusively reflects the ongoing operations results of the company during the April-June 2011 Quarter, since as already mentioned above, during that period results from discontinued operations are not reported.

VENPRECAR AND ORINOCO IRON NATIONALIZATION

As mentioned in the Annual Report of Fiscal Year 2009 and subsequent quarterly letters submitted by the Board of Directors to the shareholders, the most significant event that affected the Company since 2009 has been the nationalization of its Venezuelan subsidiaries Venprecar and Orinoco Iron. On May 21, 2009, the President of the Bolivarian Republic of Venezuela announced the "nationalization" of the then subsidiaries Venezolana de Prerreducidos Caroní "Venprecar", C.A. (Venprecar) and Orinoco Iron, S.C.S. (Orinoco Iron) together with other private companies part of the briquette industry of the country. Subsequently, on May 25, 2009, the Ministry of People's Power for Basic Industries and Mining (MIBAM) informed Venprecar and Orinoco Iron's management, the creation and conformation, for each of the companies, of the so-called "Commissions of Transition." Later, in Official Gazette No. 39,220 dated July 14, 2009, Decree No. 6796, was issued, which mandates, among other matters: i) The acquisition of Venprecar and Orinoco Iron's assets ii) The formation of: a) "transitional committees" that will immediately assume operational control to ensure the transfer and continuity of the companies activities and b) a "Technical Committee" composed of business representatives and government representatives for the purpose to agree on fair compensation, thus was established for a period of 60 days, extendable by the parties for an additional 60 days.

Throughout 2009, Orinoco Iron and Venprecar's management hired the services of accredited independent appraisers who performed valuations of Venprecar and Orinoco Iron's machinery and facilities, in order to determine depreciated replacement value of assets as of June 30, 2009. Additionally, the management of Venprecar and Orinoco Iron calculated the use value of property, plant and equipment for each of the companies as of June 30, 2009. Which involved discounted cash flow (DCF) analysis, to determine the present value of expected discounted future cash flows, generated either by the use or divestiture of assets. Both valuations methods, the depreciated replacement value of assets as well as the discounted cash flow analysis showed that the companies' value was higher than the book value of net assets.

On November 2009, negotiations began on the fair price of Orinoco Iron and Venprecar with industry representatives appointed by the MIBAM officer for that purpose, however to date these negotiations proceed slowly.

On February 5, 2010 the Venezuelan Government took over control of Venprecar and Orinoco Iron, throughout and act of judicial inspection executed by the First Court of Caroni municipality for the Second Circuit Judicial District of Bolivar State, at which were present representatives of the Venezuelan State MIBAM, representatives of the Commissions of Transition of Venprecar and Orinoco Iron and representatives of trade unions. By this act the Venezuelan Government took over, unilaterally, exclusive and total operational control and management of such

companies as well as ongoing concerns (in all matters relating to business affairs, finance, labor, tax and legal), as well as the risks resulting from property, real estate and intangible assets of Venprecar and Orinoco Iron and their respective industrial operations. Consequently, it is under the sole responsibility of the state the control of property, real estate and intangible assets, management, operation, security and industrial exploitation of Orinoco Iron and Venprecar, without prejudice to the rights reserved for the partners, shareholders or owners of interests, direct or indirect, of such companies.

On May 15, 2010, in public speech, the President of the Republic, said in relation to the “nationalization” process of the country’s Briquette companies, including Venprecar and Orinoco Iron, that transitional committees had worked in two directions (i) provide continuity to plants operations, and (ii) price negotiation of nationalized companies. For Venprecar and Orinoco Iron, the President of the Republic indicated that the National Government proposed price for both plants would be between \$ 600 million and \$ 800 million.

On July 6, 2011, an Extraordinary Assembly took place, in which it was reported in detail to the shareholders of the Company the steps taken by IBH ‘s management regarding the process of nationalization of Orinoco Iron and Venprecar,

The recent actions of management have focused on trying to establish with the MIBAM a work schedule in order to agree on fair compensation, in an expeditious and mutually satisfactory manner. The detailed explanation of all procedures developed by IBH’s management in the process of nationalization of Orinoco Iron and Venprecar is available on the site www.ibh.com.ve where you can access all information provided at the Extraordinary Assembly regarding this matter.

Throughout 2010 and up to date, the Board of Directors and IBH’s management continue to make every effort to reach an agreement for fair compensation for the nationalization of Orinoco Iron and Venprecar.

PUBLIC OFFERING OF SHARES WITHDRAWAL

Additionally The Extraordinary Assembly held on July 6, 2011 approved the withdrawal of public offered shares as well as the termination of the registration in the National Registry of Securities carried by the National Superintendence of Securities of the Bolivarian Republic of Venezuela, of all common shares comprising the capital of the Company that are listed on such register, including cancellation of the inscription on the Caracas stock Exchange. The report presented by the Board on this point, is available to shareholders on the site www.ibh.com.ve.

International Briquettes Holding, IBH, consolidates companies engaged in the commercialization and marketing of various kinds of products aimed at industrial sectors, most notably, machinery, industrial parts, raw materials, intermediate and finished products.

INTERNATIONAL BRIQUETTES HOLDING AND SUBSIDIARIES

CONSOLIDATED BALANCE

	<u>As of June 30th 2011</u>	<u>As of June 30th 2011</u>	<u>As of June 30th 2010</u>	<u>As of June 30th 2010</u>
	(*)	(*)	(*)	(*)
	(Convenience Bolivar Fuente)	(US\$ Thousand)	(Convenience Bolivar Fuente)	(US\$ Thousand)
Assets				
Current Assets				
Cash	4.773.000	1.110	15.987.400	3.718
Escrow deposit	-	-	6.690.800	1.556
Accounts receivable				
Trade	4.502.100	1.047	10.689.800	2.486
Related Companies	36.051.200	8.384	33.978.600	7.902
Inventory	23.637.100	5.497	46.620.600	10.842
Advances to Suppliers	838.500	195	292.400	68
Prepaid expenses and other current assets	8.600	2	12.900	3
Total Current Assets	69.810.500	16.235	114.272.500	26.575
Property, Plant and Equipment net	124.700	29	5.981.300	1.391
Investments in Companies under "Nationalization"	3.882.831.200	902.984	3.898.943.300	906.731
Other Assets	769.700	179	2.936.900	683
Total assets	3.953.536.100	919.427	4.022.134.000	935.380
Liabilities and shareholders' equity				
Current liabilities				
Accounts payable				
Suppliers	5.779.200	1.344	5.203.000	1.210
Shareholders and related companies	48.418.000	11.260	42.772.100	9.947
Dividends payable	408.500	95	16.752.800	3.896
Profit sharing, vacation and other employee accruals	215.000	50	-	-
Other current liabilities and accruals	382.700	89	1.879.100	437
Total current liabilities	55.203.400	12.837	66.607.000	15.490
Other long term liabilities and accruals	-	-	7.310.000	1.700
Total Liabilities	55.203.400	12.837	73.917.000	17.190
Shareholders' Equity				
Capital stock	855.700	199	855.700	199
Share premium	460.968.600	107.202	460.968.600	107.202
Discontinued operations fixed assets appreciation	888.005.900	206.513	888.005.900	206.513
Net effect of combination (merger) of subsidiaries	757.578.300	176.181	757.578.300	176.181
Difference between fair value and cost of subsidiary's shares	2.111.613.900	491.073	2.111.613.900	491.073
Retained Earnings (deficit)	-	-	-	-
Legal Reserve	26.199.900	6.093	26.199.900	6.093
Cash and borrowings (deficit)	(346.889.600)	(80.672)	(297.005.300)	(69.071)
Total Equity	3.898.332.700	906.589	3.948.217.000	918.190
Total liability and shareholders' equity	3.953.536.100	919.427	4.022.134.000	935.380

Note (*): Converted at VEF 4,30 per US\$ exchange rate

INTERNATIONAL BRIQUETTES HOLDING AND SUBSIDIARIES

Consolidated Operating Statement

	<u>Three months ended June 30th</u>		<u>Three months ended June 30th</u>	
	<u>2011</u>		<u>2010</u>	
	(Covenience Bolivar Fuertes) (*)	(US\$ Thousand)	(Covenience Bolivar Fuertes) (*)	(US\$ Thousand)
Ongoing operations				
Income from Commercial services	1.096.500	255	2.812.200	654
General and administrative Expense	(3.508.800)	(816)	(3.865.700)	(899)
Other net operating income (expense)	-	-	391.300	91
Operating income (loss)	(2.412.300)	(561)	(662.200)	(154)
Interest expense, other financial expense and exchange rate diferencial, net	159.100	37	3.108.900	723
Net ongoing operations income (loss)	(2.253.200)	(524)	2.446.700	569
Taxes	-	-	-	-
Discontinued Operations				
Net discontinued operations income (loss)	-	-	-	-
Net income (loss)	(2.253.200)	(524)	2.446.700	569
Net income (loss) per share		(0,026)		0,029
Weighted average of outstanding shares		19.897.520		19.897.520

Note (*): Converted at VEF 4,30 per US\$ exchange rate

INTERNATIONAL BRIQUETTES HOLDING AND SUBSIDIARIES

Consolidated Operating Statement

	<u>Nine months ended June 30th</u> <u>2011</u>		<u>Nine months ended June 30th</u> <u>2010</u>	
	(Covenience Bolivar Fuertes) (*)	(US\$ Thousand)	(Covenience Bolivar Fuertes) (*)	(US\$ Thousand)
Ongoing operations				
Income from Commercial services	1.079.300	251	18.438.400	4.288
General and administrative Expense	(13.261.200)	(3.084)	(15.062.900)	(3.503)
Other net operating income (expense)	(4.300)	(1)	1.337.300	311
Operating income (loss)	(12.186.200)	(2.834)	4.712.800	1.096
Interest expense, other financial expense and exchange rate diferencial, net	(821.300)	(191)	30.151.600	7.012
Net ongoing operations income (loss)	(13.007.500)	(3.025)	34.864.400	8.108
Taxes	-	-	-	-
Discontinued Operations				
Net discontinued operations income (loss)	-	-	-	-
Net income (loss)	(13.007.500)	(3.025)	34.864.400	8.108
Net income (loss) per share		(0,152)		0,407
Weighted average of outstanding shares		19.897.520		19.897.520

Note (*): Converted at VEF 4,30 per US\$ exchange rate