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### **IBH REPORTS RESULTS FOR THIRD FISCAL QUARTER**

CARACAS, JULY 31, 2006. International Briquettes Holding, IBH, a subsidiary of Sivensa, recorded sales for US\$ 100 million in the last term April-July 2006<sup>1</sup>, compared to the sales for US\$ 115 million obtained in the same quarter of the preceding year. The company had an operating loss of US\$ 31 million, compared to the operating profit for US\$ 31 million recorded in the term April-June 2005. The net loss was of US\$ 37 million, in contrast with the net profit of US\$ 53 million for the comparable term in the previous year.

The results for this quarter were affected due to not having available the discounts on the prices of raw material provided for in the Agreement for the Assurance of Raw Materials (CAMP). If the agreement had been signed, the operating loss for this term would have been US\$ 8 million and the net loss US\$ 14 million. Given the restrictions related to the IBH financing agreements, a negotiation process was required in order to authorize the signing of the CAMP and the amendments of the supply agreements. Finally, today, July 31, 2006, this agreement has been signed, wherefore Venprecar and Orinoco Iron expect to obtain the discounts contemplated in the CAMP.

As has been explained in previous quarterly reports, Venprecar and Orinoco Iron have long-term contracts for the supply of iron ore. According to such contracts, the price of raw materials should have been calculated based on the price of iron ore in the international market, with some elements in the calculation formula that prevented the price from increasing more than an international index of inflation for the producer. In 2005, the prices of iron ore grew much more than said index, wherefore the prices of raw material in Venezuela were significantly lower than the references of the international market. In November 2005, the Ministry of Basic Industries and Mining (MIBAM) announced that starting on December 2005, there would apply a price representing 100% of the international price of this raw material, and it set as condition for applying a discount in the range between 20% and 30%, that Venprecar and Orinoco Iron sign the relevant amendments of the current supply agreements, as well as an Agreement for the Assurance of Raw Materials (CAMP), which is applicable to every Venezuelan briquettes producer.

Additionally, this year there was a new increase in the reference price, wherefore both effects are felt in this quarter. Thus, the change of the clauses of the supply agreement by the supplier, plus

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<sup>1</sup> The amount of sales reflects the impact of the contract signed with a client in April 2002, which terminates in April 2007, according to which Orinoco Iron C.A. sells to that client about 325,000 MT of briquettes per year at the price that was negotiated in 2002, which is fixed for the entire term of the contract and ended up being substantially lower than the current price levels in the spot market.

the increase in the international price, explain the following cost increases regarding the same quarter of the preceding fiscal year: fines: 169%; pellets: 54%, and lumps: 107%.<sup>2</sup> The impact of such increases on IBH's costs was of US\$ 43 million.

On the other hand, the average realization prices for IBH during this quarter were US\$ 206/MT, which is lower than the price of US\$256/MT obtained in the quarter April-June 2005. Regarding March this year, the prices of briquettes in the international market underwent an increase in the quarter April-June. These better prices will be reflected in IBH's sales invoices for the next quarter (July-September 2006)<sup>3</sup>.

### **Performance Analysis**

#### **Venprecar Plant:**

This plant's production for the quarter under analysis was 167,076 MT, which is higher than the production of 155,256 MT obtained in the same term of the last fiscal year. This difference is mainly due to the May 2005 shutdown of the plant for maintenance, replacement of equipment and technological update. The production volume of the period analyzed in this report (April-June 2006) was affected by the lack of pellets, which prevented it from reaching optimum production levels.

#### **Orinoco Iron Plant:**

The plant produced 365,022 MT in the term April-June 2006, compared with 353,854 MT for the same term of the previous fiscal year. Although the production for the reported quarter was affected by failures in the supply of iron ore, the figure reached is a historical record for the Orinoco Iron plant.

### **MV-YTHAN CASE**

In February 2004, the vessel MV-YTHAN sank with a cargo of fines belonging to Orinoco Iron. As a result of this accident, the owners of the vessel filed for an arbitration proceeding against the company. To guarantee the outcome of the proceeding, they also requested the enforcement in England and the United States of preventative attachments over property of Orinoco Iron C.A. the company filed an opposition in London against the measure accorded by the Royal Court, which decided in its favor in September 2004. On the same date, the Court of Ohio ordered the lifting of the attachment it had issued against Orinoco Iron C.A. in June 2004; in response, the owners of the vessel filed an appeal against this decision, which was dismissed by the Court. Currently, the company awaits a decision by the Superior Court. As mentioned in the preceding quarterly report, at the request of the owners of the capsized vessel, a mediation proceeding began, which has

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<sup>2</sup> Orinoco Iron's plant uses fines. Venprecar's plant uses a mixture of pellets and lumps.

<sup>3</sup> In order to facilitate the analysis of the results, IBH has adopted the criterion of reporting the actual sales price of its briquettes in US\$ per metric ton. The company will not use in the future the average reference price of the briquette unloaded on barges in the port of New Orleans.

progressed during this quarter. An agreement is expected to be shortly reached between the parties as a result of this mediation.

#### EVENT SUBSEQUENT TO THE REPORTED QUARTER

As reported in the quarterly letter for the term January-March, the production of Venprecar's plant has been affected by the failures in the pellets supply. To alleviate this situation, Venprecar has started to import pellets for its operations. The first pellets shipment was received on July 1<sup>st</sup>, which allowed the plant to produce at full capacity. Since the pellets shortage in Guayana is deemed to continue until the end of this fiscal year, regular imports of this raw material have been programmed until December. However, considering the high import costs, the economic feasibility thereof will be subject to the prices of briquettes in the international market.

*International Briquettes Holding, IBH, consolidates the financial results of the following companies: Venprecar and its subsidiary Orinoco Iron S.C.S, with a joint production capacity of 3,015,000 MT per year; IBH de Venezuela (holding company); Operaciones RDI (former Fior plant, presently inactive); Brifer (holder of intellectual property rights to direct reduction technologies); IBMS (company specializing in the briquettes' market) and SDP International Corporation (in charge of the international procurement management). The labor force of these companies at June 30, 2006 was of 959 workers.*

*THIS PRESS NOTICE CONTAINS STATEMENTS ON FUTURE FINANCIAL EVENTS AND RESULTS. THESE STATEMENTS MAY BE IDENTIFIED BY THE USE OF TERMS SUCH AS "IT IS EXPECTED" "IT IS ESTIMATED" OR NEGATIVE EXPRESSIONS OF THESE TERMS AND SIMILAR TERMS. THESE DECLARATIONS INVOLVE RISKS THAT ARE BOTH KNOWN AND UNKNOWN, UNCERTAINTIES AND OTHER FACTORS THAT MAY CAUSE THE ACTUAL RESULTS, ACTIVITY LEVELS OR PERFORMANCE TO VARY SUBSTANTIALLY FROM THOSE DESCRIBED IN THESE STATEMENTS. ALTHOUGH WE BELIEVE THAT THE EXPECTATIONS REFLECTED IN THIS PRESS NOTICE ARE REASONABLE, WE CANNOT GUARANTEE FUTURE RESULTS, ACTIVITY LEVELS, PERFORMANCE OR ACHIEVEMENTS. WE RECOMMEND NOT UNDULY RELYING ON DECLARATIONS ABOUT FUTURE EVENTS, WHICH REFLECT OUR ANALYSIS AND MAY ONLY BE TAKEN UP TO THE DATE HEREOF. WE ASSUME NO OBLIGATION ON THE UPDATING OF THE INFORMATION SET FORTH IN DECLARATIONS ABOUT FUTURE EVENTS.*



INTERNATIONAL BRIQUETTES HOLDING  
AND ITS SUBSIDIARIES

CONSOLIDATED BALANCE SHEET  
ACCORDING TO INTERNATIONAL FINANCIAL REPORTING STANDARDS (IFRS)  
(Thousands of US dollars)

	<u>2006</u>	<u>June 30,</u> <u>2005</u>
<b><u>Assets</u></b>		
Current assets:		
Cash and cash equivalents	13,914	14,421
Restricted cash	9,539	6,654
Accounts receivable		
Commercial and other	103,992	81,619
Related companies	5,398	8,957
Inventory	37,403	54,502
Advances to suppliers	9,976	7,216
Pre-paid expenses and other	12,517	6,705
Restricted Assets		394,009
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<b>Total accounts receivable</b>	<b>192,740</b>	<b>574,084</b>
Property, plant and equipment, net	1,014,740	1,033,309
Deferred taxes	15,930	
Other assets	14,311	9,287
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<b>Total assets</b>	<b>1,237,721</b>	<b>1,616,680</b>
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<b><u>Liabilities and shareholders' equity</u></b>		
Current liabilities		
Loan assigned by BHPB to lenders	-	399,209
Current portion of bank loan in restructuring process	400	365,803
Accounts payable		
Suppliers	82,223	83,882
Related companies	77,016	53,141
Profit sharing, vacation, and other personnel accruals	6,229	5,255
Taxes	297	4,366
Other current liabilities	1,424	964
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<b>Total current liabilities</b>	<b>167,590</b>	<b>912,620</b>
Long term portion of bank loan in restructuring process	322,018	
Long term loan with financial institution		387,146
Accounts payable to shareholders	17,365	28,363
Suppliers	1,354	7,938
Other liabilities	8,949	7,432
Deferred taxes	129,799	131,762
Other liabilities and long term accruals	43,738	-
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<b>Total liabilities</b>	<b>690,812</b>	<b>1,475,261</b>
<b>Shareholders' equity and minority interests</b>	<b>546,908</b>	<b>141,418</b>
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<b>Total liabilities, minority interests and shareholders' equity</b>	<b>1,237,721</b>	<b>1,616,680</b>
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CONSOLIDATED STATEMENT OF OPERATIONS  
ACCORDING TO INTERNATIONAL FINANCIAL REPORTING STANDARDS (IFRS)  
(Thousands of US dollars)

	<u>Quarter ended June 30,</u>	
	<u>2006</u>	<u>2005</u>
Net sales		
Exports	74,334	99,814
Domestic	24,923	14,704
Sub-products	434	246
	<b>99,690</b>	<b>114,764</b>
Cost of sales	(124,373)	(77,831)
<b>Gross profit (loss)</b>	<b>(24,683)</b>	<b>36,933</b>
General, administrative expenses	(6,670)	(6,373)
<b>Operating profit (loss)</b>	<b>(31,353)</b>	<b>30,560</b>
Total financing cost	(8,992)	2,987
Other income (expenses) net	1,754	2,542
<b>Profit (loss) before taxes and minority interests</b>	<b>(38,591)</b>	<b>36,089</b>
Taxes	491	19,319
<b>Profit (loss) before minority interests</b>	<b>(38,100)</b>	<b>55,408</b>
Minority interests	1,465	(2,225)
<b>Net profit (loss)</b>	<b>(36,635)</b>	<b>53,183</b>
Depreciation	(10,605)	(9,433)

CONSOLIDATED STATEMENT OF OPERATIONS  
ACCORDING TO INTERNATIONAL FINANCIAL REPORTING STANDARDS (IFRS)  
(Thousands of US dollars)

	<u>Nine months ended June 30,</u>	
	<u>2006</u>	<u>2005</u>
Net sales:		
Exports	227,691	331,243
Domestic	49,647	18,685
Sub-products	434	328
	<u>277,772</u>	<u>350,256</u>
Cost of sales	<u>(306,315)</u>	<u>(226,060)</u>
<b>Gross profit (loss)</b>	<b>(28,543)</b>	<b>124,195</b>
General, administrative expenses	<u>(19,061)</u>	<u>(19,625)</u>
<b>Operating Profit</b>	<b>(47,604) -</b>	<b>104,570</b>
Total financing cost	(25,310)	(68,110)
Other income (expenses) net	2,966	(709)
<b>Profit (loss) before taxes and minority interests</b>	<b>(69,948)</b>	<b>35,751</b>
Taxes	<u>1,394</u>	<u>1,534</u>
<b>Profit (loss) before minority interests</b>	<b>(68,554)</b>	<b>37,285</b>
Minority interests	<u>2,516</u>	<u>35,863</u>
<b>Net profit</b>	<b>(66,038)</b>	<b>73,148</b>
Depreciation	<u>(27,537)</u>	<u>(24,739)</u>