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

Caracas, July 29, 2005. International Briquettes Holding, IBH, a subsidiary of Sivensa, reported sales for US\$ 114.8 million in the April-June 2005 period, which are compared to the US\$ 34.0 million sales obtained in the same quarter of 2004<sup>1</sup>. During the quarter an operating profit of US\$ 30.6 million and a net profit of US\$ 53.2 million was obtained, which are compared to the amounts of US\$ 13.6 million and US\$ 12.9 million respectively, reported in the equivalent quarter of fiscal year 2004.

### International Market

The average reference price of the reduced iron briquettes unloaded on barge in the port of New Orleans, United States of America, was US\$276.0/MT during the quarter April-June 2005, compared to US\$295.0/MT in the immediately preceding quarter (January-March 2005), and to US\$271.7/MT in the same period of the previous year (April-June 2004).<sup>2</sup> Towards the end of the quarter, metallic prices showed a pronounced tendency to drop, mainly as a result of a decrease in the European industrial activity and the high inventories of scrap in the United States. During the month of July and to the date of publication of this report, a slight price recovery has been observed.

### Performance Analysis

#### **Venprecar:**

Venprecar's production for the analyzed quarter was 155,256 MT, which is compared to the production of 192,717 MT obtained in the same period of fiscal year 2004. The production decrease was due to the shutdown during the month of May for the annual maintenance, equipment replacement and technological upgrading.

According to the program announced in prior reports, during the May shutdown a device to improve the gas and mineral flow in the reactor was installed. As a result of this modification, the iron ore lumps proportion was elevated in the reactor feeding, in relation to the pellets proportion. Given the pellets shortage in the Guayana region, this change of proportions in the mixture of Venprecar's raw material, has allowed the plant to continue to produce without interruptions.

#### **Orinoco Iron:**

The Orinoco Iron plant produced 353,834 MT during the period April-June 2005, a volume 57% higher than that obtained in the same period of the previous fiscal year. As a result of an improved operating

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<sup>1</sup> As of November 5, 2004 IBH began to consolidate Orinoco Iron in its results. The substantial differences between the third quarter results for the 2005 and 2004 fiscal years observed in the financial statements subject of this report, are due mainly to the fact that they show IBH, Venprecar and Orinoco Iron consolidated results in the April-June 2005 quarter, compared with the results of IBH and its affiliate Venprecar, without including Orinoco Iron, in the April-June 2004 period.

<sup>2</sup> Averages calculated by Orinoco Iron from the monthly data published by the CRU-Monitor/Steel, metallics, scrap, dri & pig iron.

stability, the four production trains obtained a higher daily average production and daily and monthly production records were achieved.

As it was previously announced, the company has a project in progress to control the size of the particles of the iron ore it uses as raw material in the reduction process. The beginning of operations of the screening system has been rescheduled for September and the crushing system for November. In the last months temporary screening and crushing equipment has been used, which has resulted in a higher homogeneity to the mineral, which has positively reflected in the reactors performance.

#### ORINOCO RIVER DRAFT PROBLEMS

As well as other exporter companies of Guayana, IBH has expressed to the responsible authorities its concern over the Orinoco River draft low level, due to the lack of dredging. Such situation has caused that the draft be extremely low during the rainy season, when it is usually high. In response to such conditions, the vessels have started to limit the tonnage of transported briquettes, thus affecting Venprecar and Orinoco Iron exports.

#### LITIGATION

The arbitration procedure against Orinoco Iron which was requested in London by the owners of the Y-Than vessel continues, a case that has been previously reported. On May 19, the company filed the Points of Reply to Defence to Counterclaim. As to the pre-judgment attachments requested by the owner of the vessel in the United States, the Ohio Court of Appeals set the hearing for August 18, 2005 so Orinoco Iron may present her objection arguments to the appeal filed by Y-Than.

#### VENPRECAR AND ORINOCO IRON MERGER

On May 24, IBH subsidiaries, Orinoco Iron and Venprecar, held extraordinary shareholders' meetings where the merger of both companies was approved. The surviving company shall be Venezolana de Prerreducidos Caroní "Venprecar" C.A. who shall absorb Orinoco Iron assets and liabilities. According to the Venezuelan Commercial Law, the merger will become effective after the elapsing of a three-month period, starting from the date on which the merger was published, and during such period, will be subject to the rules set forth on such law.

#### DEBT RESTRUCTURING WITH CVG FERROMINERA ORINOCO AND CVG EDELCA

On May 27, 2005 Orinoco Iron signed a restructuring agreement of its commercial debt with CVG's subsidiaries, Ferrominera Orinoco and Edelca. In said agreement, the debt was divided in two blocks: the first block, for US\$ 30.1 million, accumulates interest at the Libor rate plus 4%, shall be paid in Bolívares in accordance with the official exchange rate in force, and its payment schedule is associated to the company's cash generation, by sharing this cash in equal parts with creditor banks. The second block, for Bs. 21 billion, causes interest at the market rate in force and its interest shall be paid in accordance with excess cash flow generation. The entire capital of this block denominated in Bolívares was paid in June 2005.

On the same date, Venprecar also signed a restructuring agreement of its commercial debt for US\$ 18.8 million with Ferrominera Orinoco and Edelca. This debt has a cost of Libor plus 4% and its payments are associated with the same conditions of the dollar tranche of the aforementioned commercial debt of Orinoco Iron.

#### ASPECTS RELATED TO THE CONSOLIDATION OF ORINOCO IRON

As in the prior quarter, we have deemed it necessary to explain certain aspects related with the consolidation of Orinoco Iron in the financial statements of IBH, as of November 5, 2004 when the termination agreement was signed between IBH and BHP Billiton. As it may be noted in the balance sheet, certain entries have been recorded which require an explanation for the analysis of the company's financial situation:

Under the assets there is an item of *restricted accounts receivable* for the execution of guaranties in an amount of US\$ 394.0 million<sup>3</sup>, which correspond to the amount of enforcement of security over accounts receivable of Orinoco Iron and Venprecar, which the banks have made as a result of the default situation of Orinoco Iron under its financing agreement. In a net indebtedness financial analysis of the company, such amount shall be subtracted from the debt.

Under the liabilities it is noted: a) *bank loans in process of restructuring* for US\$365.8 million. Management continues negotiating with the creditor banks of Orinoco Iron with a plan for paying such amount on a long term schedule; b) *loan of BHP assigned to the creditor banks* for US\$399.2 million, which is part of a settlement agreement with BHP Billiton and the present negotiations, and c) In *long term loans with financial institution* there are US\$ 387.1 million on new loans obtained by Orinoco Iron and Venprecar, valued with a conservative criteria, with the highest case of the different payment options established for these loans.

In addition, it is important to point out that within the terms reached in the settlement agreement as a result of the formal separation of BHP Billiton and IBH, which were announced on November 4, 2004, it is established that an amount equivalent to the Orinoco Iron debt with BHP Billiton, assigned to the banks, may be neutralized in the future, subject to the compliance of certain conditions. At the Shareholders' Extraordinary Meeting of Orinoco Iron held on last May 24, a mechanism for such neutralization was approved.

The termination agreement with BHP Billiton, the Venprecar-Orinoco Iron merger, the restructuring of the commercial debt with Ferrominera Orinoco and Edelca, as well as the approval of the mechanism for the neutralization are the basis for reaching a restructuring of the financial debt of Orinoco Iron. The parties continue progressing in their negotiations.

*International Briquettes Holding, IBH, consolidates the financial results of Venprecar, Orinoco Iron, Operaciones RDI, IBMS and Brifer. The work force of these companies to June 30, 2005 was of 1,048 workers.*

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<sup>3</sup> As part of such executions, in the third quarter of the 2005 fiscal year, balances for US\$78.8 millions and US\$ 63.0 millions were enforced in accounts receivable of Orinoco Iron and Venprecar respectively.

**INTERNATIONAL BRIQUETTES HOLDING AND ITS SUBSIDIARIES**  
**CONSOLIDATED BALANCE SHEET**  
**ACCORDING TO INTERNATIONAL FINANCIAL REPORTING STANDARDS**  
(Thousand of US dollars)

	<u>2005</u>	<u>June 30,</u> <u>2004*</u>
<b><u>Assets</u></b>		
Current Assets:		
Cash and cash equivalents	20,326	14,836
Temporary investments	750	
Accounts receivable		
Commercial and other	88,835	39,289
Related Companies	8,957	11,102
Inventories	54,502	7,637
Prepaid expenses and other current assets	6,705	1,472
Restricted accounts receivable	394,009	-
	<b>574,084</b>	<b>74,336</b>
<b>Total current assets</b>		
Property, plant and equipment	1,033,309	141,053
Spare parts and other	9,287	1,077
	<b>1,616,680</b>	<b>216,466</b>
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<b><u>Liabilities and Shareholders' equity</u></b>		
Current Liabilities		
Bank loan in restructuring process	365,803	
Loans assigned by BHP Billiton to financial creditors	399,209	
Accounts payable		
Suppliers	83,882	7,494
Related Companies	53,141	29,924
Profit sharing, vacations and other personnel accruals	5,255	815
Taxes	4,366	6,658
Other current liabilities	964	116
	<b>912,620</b>	<b>45,007</b>
<b>Total current liabilities</b>		
Long term loan with financial institution	387,146	
Restructured loan with suppliers	36,301	
Other liabilities	7,432	811
Deferred taxes	131,762	21,535
	<b>1,475,262</b>	<b>67,353</b>
<b>Total liabilities</b>		
Minority Interests	(56,298)	6,149
Shareholders' equity	197,716	142,963
	<b>1,616,680</b>	<b>216,466</b>
<b>Total liabilities, minority interests and shareholders' equity</b>	<b>1,616,680</b>	<b>216,466</b>

\* It does not include Orinoco Iron

**INTERNATIONAL BRIQUETTES HOLDING  
AND ITS SUBSIDIARIES  
CONSOLIDATED STATEMENT OF OPERATIONS  
ACCORDING TO INTERNATIONAL FINANCIAL REPORTING STANDARDS  
(Thousand of US dollars)**

	<b>Quarter ended June 30,</b>	
	<b><u>2005</u></b>	<b><u>2004*</u></b>
Net sales		
Exports	99,814	34,034
Domestic	14,704	-
Subproducts	246	-
	<u>114,764</u>	<u>34,034</u>
Cost of sales	<u>(77,831)</u>	<u>(19,918)</u>
<b>Gross income</b>	<b>36,933</b>	<b>14,116</b>
General, administrative expenses	<u>(6,373)</u>	<u>(563)</u>
<b>Operating profit</b>	<b><u>30,560</u></b>	<b><u>13,553</u></b>
	-	
Financing costs	2,987	(1,015)
Other income (expenses) net	2,542	4,416
	<b>36,089</b>	<b>16,954</b>
<b>Profit before taxes and minority interests</b>	<b>36,089</b>	<b>16,954</b>
Taxes	<u>19,319</u>	<u>(3,780)</u>
<b>Profit before minority interests</b>	<b>55,408</b>	<b>13,174</b>
Minority interests	<u>(2,225)</u>	<u>(251)</u>
<b>Net profit</b>	<b><u>53,183</u></b>	<b><u>12,923</u></b>
Depreciation	<u>(9,433)</u>	<u>(2,395)</u>

\*It does not include Orinoco Iron

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CONSOLIDATED STATEMENT OF OPERATIONS  
ACCORDING TO INTERNATIONAL FINANCIAL REPORTING STANDARDS**  
(Thousand of US dollars)

	<b>Nine months ended June 30,</b>	
	<b><u>2005</u></b>	<b><u>2004*</u></b>
Net sales		
Exports	331,243	82,321
Domestic	18,685	586
Subproducts	328	
	350,256	82,907
Cost of sales	(226,060)	(53,460)
<b>Gross income</b>	<b>124,195</b>	<b>29,447</b>
General, administrative expenses	(19,625)	(2,122)
<b>Operating profit</b>	<b>104,570</b>	<b>27,325</b>
Financing costs	(68,110)	(4,547)
Other income (expenses) net	(709)	5,163
<b>Profit (loss) before taxes and minority interests</b>	<b>35,751</b>	<b>27,941</b>
Taxes	1,534	(5,794)
<b>Profit (loss) before minority interests</b>	<b>37,285</b>	<b>22,147</b>
Minority interests	35,863	(470)
<b>Net profit</b>	<b>73,148</b>	<b>21,677</b>
Depreciation	(24,739)	(6,601)

\*It does not include Orinoco Iron