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

Caracas, January 31, 2005.

Dear Shareholders:

Due to the relevance of the agreement reached by IBH and BHP Billiton, in which the latter releases its interests in Orinoco Iron, Operaciones RDI, Brifer and IBMS, and by virtue of the impact of this agreement on the balance sheet and the financial statements of IBH, we have deemed it necessary to begin this quarterly report with a summary of the agreement and its scope, which were announced on November 5, 2004, and confirmed in the Report rendered by the Board of Directors of IBH for the Annual Shareholders Meeting.

Pursuant to the abovementioned agreements, on November 5, 2004, BHP-Billiton, who as of that date owned 50% of the capital stock of Orinoco Iron, 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 in Orinoco Iron, as well as a credit it held against Orinoco Iron for approximately US\$382 million.

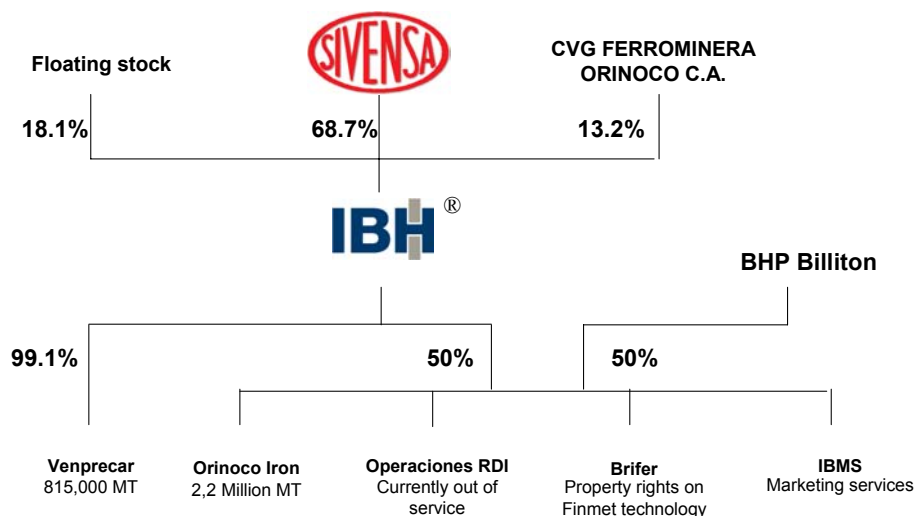
Consequently, since November 5, 2004:

1. IBH owns 51% of the capital of Orinoco Iron.
2. IBH assumed the operating control of Orinoco Iron.
3. The total amount of Orinoco Iron's financial debt, which is currently due and payable, remained unchanged.

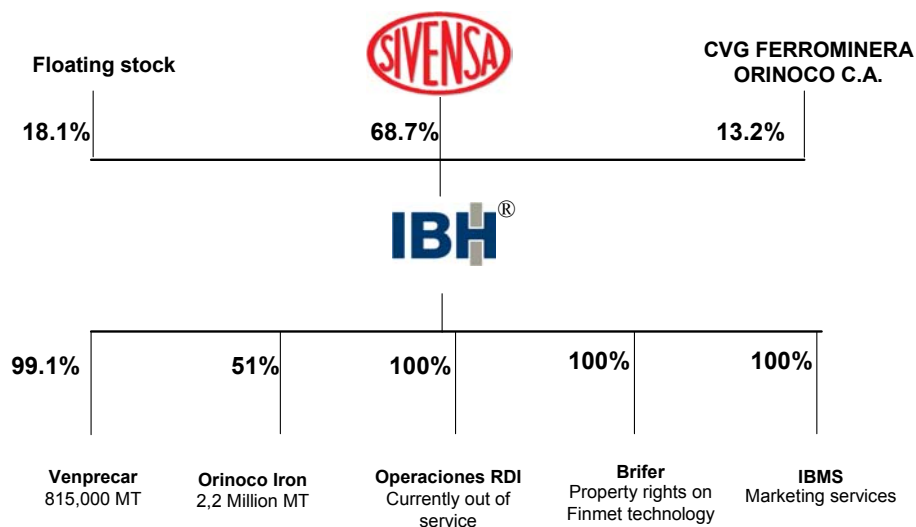
BHP Billiton also assigned to IBH all the shares it held in Operaciones RDI, IBMS and Brifer. Therefore, IBH has the control of all the capital stock of these companies. As part of this agreement, Orinoco Iron undertook to pay BHP Billiton a settlement amount of US\$30 million and exempted BHP Billiton from the remaining payment that was due to Brifer for the use of the Finmet Technology at the Port Hedland Plant, owned by BHP Billiton.

Additionally, by reason of the settlement agreement (i) an approximate amount equivalent to 50% of Orinoco Iron's matured debt, arising from the financing agreement signed in 1997, may eventually be neutralized in the future, subject to the satisfaction of certain conditions, so as to avoid any impact on the current shareholding structure of Orinoco Iron, or on the economic and political rights of IBH as shareholder of Orinoco Iron; and (ii) certain political rights are conferred upon certain of Orinoco Iron's shareholders other than IBH.

### IBH Shareholding Structure before November 5, 2004



### IBH Shareholding Structure after November 5, 2004



According to the applicable accounting standards IBH began to consolidate the results of Orinoco Iron as of the date of the agreement, notwithstanding that it had made reserves in 2002 for its investment in this company. The material differences between fiscal years 2004 and 2003 that are noted in the financial statements under analysis are mainly due to the fact that they present the results of Venprecar and Orinoco Iron consolidated for the October-December 2004 quarter, as of November 5, versus the results of Venprecar only for the term October-December 2003.

We would like to point out that the financial risk for IBH regarding Orinoco Iron's financial performance has not changed as a result of the settlement agreement with BHP Billiton or as a result of the consolidation of the accounts of Orinoco Iron into the Financial Statements of IBH. This is due to the

fact that the guarantees in favor of the creditor banks of Orinoco Iron were granted in 1997 by IBH and its affiliate Venprecar when the financing agreements were signed for the construction of Orinoco Iron's briquette plant, which has been reported in the Financial Statements of the company and the notes thereon, as well as in the quarterly financial reports and the Board of Directors' Report for the Annual Shareholders Meeting.

On the other hand, the figures presented in this report have been prepared according to International Financial Reporting Standards (IFRS), pursuant to the decision adopted in September 2004 and explained in the Report submitted by IBH's Board of Directors to the Shareholders' Meeting for the last fiscal year. Therefore, the financial statements of the comparable quarter (October-December 2003), which were submitted in due time according to Accounting Principles Generally Accepted in the U.S. (US GAAP), have been converted to IFRS for comparative purposes in this report.

#### International Market

The briquettes unloaded on barges in the port of New Orleans, U.S.A., reached an average price of US\$341.7/MT in the quarter October-December 2004, compared with US\$323,3/MT in the immediately preceding quarter (July-September 2004), and with US\$174.7/MT in the same term for the preceding year (October-December 2003)<sup>1</sup>. In the quarter subject to this report, the price of metallics reached its maximum historical peak in October, weakening in November and December. The recent price reduction is mainly due to seasonal factors and a decrease in the demand for steel products in the international market.

#### Results

In the first quarter of this fiscal year, IBH reported sales for US\$104.7 million, compared to the sales for US\$26.0 million recorded in the same term of 2003. The increase in the value of sales is due to the consolidating of Orinoco Iron in the results, and the higher price of briquettes in the international market.

An operating profit of US\$35.7 million was reported, vis-à-vis an operating profit of US\$6.0 million in the October-December 2003 quarter. The sales cost in the period under analysis was affected by the change in policy on the way to account for purchases and use of inventory of spare parts and supplies with a turnover of less than one year in Orinoco Iron. The effect of this change resulted in an increase of said costs by approximately US\$10.0 million.

As part of the agreements mentioned at the beginning of this letter, during this quarter the following financial expenses were recorded:

- Adjustment for US\$21.1 million in the Value of the Long-Term Loans with a financial institution, with maturity in 2015. This amount represents the greater value that may result in the payment mode options for such loans assumed by Venprecar and Orinoco Iron to fund their operations.

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<sup>1</sup> Averages calculated by Orinoco Iron based on monthly data published by CRU-Monitor / Steel, metallics, scrap, dri & pig iron.

- A non-recurring expense for US\$ 26.3 million, equal to the present value of the obligations of Orinoco Iron with BHP Billiton as part of the agreements reached in November 5, 2004.

IBH's aggregate financial cost of US\$52.0 million recorded in the October-December 2004 quarter, is made up mainly by the two items referred to above and by the US\$8.2 million interest on the debt of Orinoco Iron with its creditor banks, BHP Billiton and other financial institutions, offset by financial income for US\$ 3 million.

The minority interests of IBH of US\$34.5 million reflect the portion of the losses after taxes that IBH shares with its partners according to its shareholding percentage. Given that now IBH has a majority shareholding in Orinoco Iron (51%), it must consolidate the latter's results and acknowledge the existing minority shareholding percentage (49%).

IBH's net profit was US\$7.9 million, 43% higher than the net profit of US\$ 5.5 million recorded for the same period in the last fiscal year.

**Analysis of Venprecar's Performance:**

Venprecar's production in the quarter under analysis was of 209,295 MT, higher than the 197,951 MT produced in the same term in the preceding fiscal year. Due to the insufficiency of pellets, the plant operated at 90% of its installed capacity in the quarter reported.

Venprecar's sales totaled US\$ 62.9 million, 139% higher than the sales for the quarter October-December 2003. The operating profit was of US\$ 44.2 million and the net profit of US\$ 49.9 million.

**Analysis of Orinoco Iron's Performance**

Orinoco Iron's HBI plant produced 243,954 MT during the quarter October-December 2004, compared with 174,890 MT in the same term of the preceding fiscal year. In the quarter under analysis, train 2 of the Orinoco Iron plant was out of service due to major repairs required to replace the pipes of the recycling gas furnace. It is deemed that this train will resume operations at the beginning of April 2005.

Regarding the screening system and crusher, whose acquisition was announced in the Board of Directors' Report to the Shareholders' Meeting of IBH published last December 28, it is estimated that they will start operating next May. With the installation of this system, it is expected to achieve a grading of the iron ore used as raw material for the reduction process and, consequently, a better performance of the reactors' cyclones.

Orinoco Iron's sales in this quarter were for US\$ 51.8 million, which reflects an increase of 110% vis-a-vis the same quarter in the preceding fiscal year. The amount of sales was affected by the long-term agreement signed with a client in April 2002, which will expire next April 2007, according to which Orinoco Iron will sell this client about 325,000 MT of briquettes per year at a fixed price negotiated in 2002, which is considerably lower than the current prices in the spot market.

The operating loss of Orinoco Iron was US\$9.2 million and the net loss was of US\$78.8 million. These results are mainly due to the high production costs, the low availability of production trains, and the financial expenses related to the debt of Orinoco Iron and the release of the association between BHP Billiton and IBH explained above.

#### RESTRUCTURING OF ORINOCO IRON'S DEBT

As mentioned in prior reports addressed to the shareholders, in 1997, IBH and its subsidiary Venprecar issued guarantees in favor of the financial institution creditors of Orinoco Iron in relation to a loan received by the latter to fund its industrial facilities.

Due to operating and market reasons, Orinoco Iron's plant had negative results since the beginning of its operations in 2000. In April 2001, Orinoco Iron defaulted on its payment obligations under the loan agreements and the creditor banks declared the entire outstanding balance due and payable. Thereafter, BHP Billiton declared this investment as a loss and paid the creditor banks of Orinoco Iron the amount pertaining to its 50% interests set in the common guaranty agreement for the debt assumed to build the plant. This made BHP Billiton a creditor of Orinoco Iron for the amount pertaining to this portion, thus becoming a debt subrogated to the same rights as its initial creditors and subordinated to the payments of the creditor banks.

At the closing of fiscal year 2002, IBH recognized a reserve for loss for the total amount of the investment in Affiliates, as well as accounts receivable from the companies that make up the association with BHP Billiton (Orinoco Iron, Operaciones RDI and Brifer).

Since 2001, Orinoco Iron and IBH have been negotiating a restructuring of the financial debt with the creditor bank. Since no agreement has been reached, in June 2004 the creditor banks began enforcing certain guaranties set in the loan agreement. As part of these measures, in the first quarter of fiscal year 2005, there were foreclosed balances of Orinoco Iron for US\$ 41.2 million in accounts receivable and US\$ 3.4 million in cash, and balances of Venprecar for US\$ 64.3 million in accounts receivable.

Considering the liabilities represented by the portion of Orinoco Iron's debt guaranteed by IBH and Venprecar, the future performance of IBH as a company depends on reaching a solution for the financial status of Orinoco Iron. After the agreement with BHP Billiton for the release of the association, currently the negotiations are focused in restructuring the debt of Orinoco Iron with the creditor banks. The parties continue advancing in their conversations.

*International Briquettes Holding, IBH, consolidates the financial results of Venprecar, Orinoco Iron Operaciones RDI, IBMS and Brifer. The labor force of these companies at December 31, 2004 is of 980 workers.*

**INTERNATIONAL BRIQUETTES HOLDING AND ITS SUBSIDIARIES**

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

	<u>31/12/ 2004</u>	<u>31/12/ 2003*</u>
	<b><u>Assets</u></b>	
Current assets:		
Cash and cash equivalents	38,714	6,779
Short-term investments	544	
Accounts receivable:		
Commercial and other	106,095	30,663
Related companies	4,078	5,308
Inventories	34,533	4,794
Pre-paid expenses and other	2,114	1,828
Restricted accounts receivable	173,692	
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<b>Total current assets</b>	<b>359,769</b>	<b>49,372</b>
Property, plant and equipment	1,042,397	145,430
Spare parts and other	7,188	1,623
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<b>Total assets</b>	<b>1,409,355</b>	<b>196,425</b>
	<b><u>Liabilities and shareholders' equity</u></b>	
<b>Current liabilities:</b>		
Bank loan in restructuring process	359,175	
Accounts payable:		
Suppliers	81,539	8,094
Related Companies	70,569	27,590
Profit sharing, vacation and other personnel accruals	2,804	540
Taxes	8,956	182
Other current liabilities	3,388	2,959
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<b>Total current liabilities</b>	<b>526,432</b>	<b>39,365</b>
Long-term loan with financial institution	234,930	
Long-term loans assigned by BHP Billiton to financial creditors	387,960	
Restructured suppliers debt	41,622	
Other liabilities	7,285	856
Deferred taxes	132,745	
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<b>Total liabilities</b>	<b>1,330,974</b>	<b>40,221</b>
Minority Interests	(54,517)	5,356
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<b>Shareholders' equity</b>	<b>132,898</b>	<b>150,848</b>
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<b>Total liabilities, minority interests and shareholders' equity</b>	<b>1,409,355</b>	<b>196,425</b>

\* It does not include Orinoco Iron

**INTERNATIONAL BRIQUETTES HOLDING  
AND ITS SUBSIDIARIES**

**CONSOLIDATED STATEMENT OF OPERATIONS  
ACCORDING TO INTERNATIONAL ACCOUNTING STANDARDS**

(Thousands of US dollars)

	<u>Quarter ended</u> <u>31-Dec-04</u>	<u>Quarter ended</u> <u>12/31/2003*</u>
Net Sales:		
Exports	104,709	25,974
Domestic	6	273
Subproducts	82	
	<u>104,798</u>	<u>26,247</u>
Cost of sales	<u>(61,802)</u>	<u>(19,206)</u>
Gross income (loss)	42,996	7,041
General, administrative expenses	<u>(7,314)</u>	<u>(950)</u>
<b>Operating income</b>	<b><u>35,683</u></b>	<b><u>6,091</u></b>
Total Financing costs	(52,017)	(830)
Other income (expenses)	(3,033)	387
<b>Profit (loss) before taxes and minority interests</b>	<b>(19,367)</b>	<b>5,648</b>
Taxes	<u>(7,307)</u>	<u>-</u>
<b>Profit (loss) before minority interests</b>	<b>(26,674)</b>	<b>5,648</b>
Minority interests	<u>34,531</u>	<u>(127)</u>
<b>Net profit (loss)</b>	<b><u>7,857</u></b>	<b><u>5,521</u></b>
Depreciation	<u>(6,046)</u>	<u>(2,103)</u>

\* It does not include Orinoco Iron