

From: International Briquettes Holding, IBH
Filial de Siderúrgica Venezolana SIVENSA S.A.
Contact: Antonio Osorio
Telephone: 58-212-707.62.80
Telefax: 58-212-707.63.52
E-mail: antonio.osorio@sivensa.com



FOR IMMEDIATE DISTRIBUTION:

IBH REPORTS RESULTS FOR FIRST FISCAL QUARTER

CARACAS, JANUARY 30, 2007. International Briquettes Holding, IBH, a subsidiary of Sivensa, recorded sales for US\$ 111 million in the term October-December 2006, which are compared with the sales for US\$ 93 million for the same term in the preceding year. The company had an operating loss of US\$ 6 million, compared to the operating loss of US\$ 500 thousand for the term October-December 2005. The net loss was for US\$ 13 million, higher than the net loss of \$6 million recorded for the comparable preceding term.

Following is an explanation of the most significant variations in the Statement of Profit and Loss with regard to the same quarter in the preceding fiscal year:

- **Cost of Raw Material:** The cost of raw material in the form of pellets, fines or lumps of iron ore increased by US\$ 16.1 million with regard to the same quarter of the preceding fiscal year. This amount is the net result of: the increase in international prices of fines (US\$ 9.2 million) and of lumps (US\$ 2.1 million), partially compensatory effect for the reduction of international price of pellets (US\$ 3.5 million less than the previous year), and the incremental cost due to the importation of pellets – which had not been required in the comparable quarter of the preceding year – for US\$ 8.3 million¹.
- **Total Financing Cost:** This item was located at US\$ 13 million, which implies an 85% increase with regard to the same quarter of the preceding year. This variation is due mainly to the late payment interest regarding the delay in the payments of the debt with CVG Ferrominera Orinoco. As set forth in the Annual Report for fiscal year 2006, there are accounts receivable from the Venezuelan Tax Authority for years 2005 and 2006. These accounts receivable, which at December 31, amounted to US\$ 93 million, are tax credits that arise from the payment of Value Added Tax (VAT). The same are denominated in bolivars and do not bear interest. The non-availability of these resources has limited IBH's capacity to pay the invoices of CVG Ferrominera Orinoco in due time.

The second factor that contributed to the increase of the total financing cost was the rise of the interest rate for dollar loans, which is applied to IBH's financial debt.

¹ The prices of iron ore (fines, lumps and pellets) in the quarter October-December 2006 include the automatic benefit of 20% discount on the international price, which arises from the signing of the Raw Materials Assurance Agreement (CAMP), which became effective as of July 31, 2006.

- Sale of Byproducts: For this quarter, a sale of byproducts was recorded for US\$ 5 million. The byproducts (chips, fines and pool muds) are residues of the plants' production process. Certain steel mills that use the high-furnace technology use these byproducts as raw materials. The cost of the byproducts is absorbed by the cost of producing briquettes, and their placement in the market is an extra income for IBH.

INTERNATIONAL MARKET

The average FOB realization price of IBH's briquettes in the Port of Palúa was US\$ 206.6/MT, compared to US\$ 186.3/MT for the same period in fiscal year 2006 (October-December 2005), and to US\$ 232.8/MT² in the immediately preceding quarter (July-September 2006). At the end of the quarter there was an exhaustion of metal inventories in the main steel mills, which has caused an increase in the prices of briquettes as of January 2007. On the other hand, Russia, a traditional exporter of scrap, has ceased placing this product in the international market, for its recent growth requires the feeding of its own steel mills. Another factor that affects the trend of metallic prices is the increase of scrap consumption among the main producers of the Mediterranean and Southeast Asia.

PERFORMANCE ANALYSIS

Venprecar's Plant:

This plant's production in the quarter under analysis was 195,214 MT, compared with 203,278 MT in October-December 2005. Due to the dearth of pellets in the domestic market, Venprecar has had to import this raw material in order to cover the deficit. However, the high costs of importing pellets affect the yields of its operations.

Orinoco Iron's Plant:

This plant produced 323,975 MT in the term October-December 2006, 11% more than the production during the same quarter of the preceding year. The increase in production is due, among other factors, to a greater stability of the plant, achieved as a result of the Screens and Crushing System, which began operating in January 2006, enabling a better control of the granulometrics of the fines used as raw material.

As announced in the Annual Report for fiscal year 2006, during this quarter, Orinoco Iron's plant began a special overhaul program that will add new parts and equipment to trains 1, 2 and 3. This overhaul will allow improving the plant's availability.

² The calculation of these averages does not include byproducts.

STATUS OF SUPPLIES OF RAW MATERIALS FOR VENPRECAR'S PLANT

Given the major impact on the financial results of the following quarter of this fiscal year (January-March 2007), we have deemed it necessary to report on two factors that will affect the supply of pellets and, consequently, the production of Venprecar's plant:

1. Resolution 195

On December 5, 2006, the Venezuelan Ministry of Light Industries and Trade, MILCO, published Resolution 195 in Official Gazette N° 38.577, which sets forth a new list of priority goods that do not require a Certification of Non-Domestic Production from that Ministry in order to obtain dollars at the official exchange rate from the Foreign Currency Administration Commission, CADIVI. Iron pellets, the raw material used by Venprecar's plant, were excluded from this list. As explained in previous reports, in order to cover the dearth of local pellets, Venprecar had begun importing this product in July 2006. In view of Resolution 195, the company suspended the importation of pellets, and at the same time began an administrative proceeding in order to obtain CADIVI's authorization to import pellets at the official exchange rate. We cannot anticipate when a reply to the application filed will be obtained.

2. Temporary reduction of the domestic pellet production

CVG Ferrominera Orinoco has announced a shutdown of its pellet plant for maintenance and expansion purposes, beginning next February 6, until the end of March. While this shutdown will result in a greater capacity for the production of pellets, in the short-term it implies an additional reduction of the volume available for sale to producers of briquettes in Guayana.

The joint effect of the two factors referred to above worsens the pellet supply situation, so Venprecar may see its production even more affected during the current January-March term.

BRIQUETTE SALES CONTRACT

As stated in IBH's Annual Report for fiscal year 2006, next April 30 there will expire the contract signed in 2002 with a client abroad, stipulating the sale of 325,000 metric tons of briquettes per year, at a fixed price that in the last years has been substantially lower than the market price.

SETTLEMENT OF THE MV-YTHAN CASE

As announced in IBH's Annual Report for fiscal year 2006, IBH signed a mediation agreement with the parties involved in the incident with the vessel MV-Ythan, which occurred in 2004. Pursuant to the terms of this agreement, on December 28, 2006, IBH paid \$8 million to the company Ythan Limited, as settlement of the dispute regarding this case. The company

continues its efforts before the insurance companies regarding the claim of the amount agreed upon in the mediation.

EVENT SUBSEQUENT TO THE CLOSING

On January 17, 2007, the Venezuelan tax authority, SENIAT, delivered to Orinoco Iron SCS administrative orders for Bs. 25.8 billion as tax credits for year 2006. Additionally, on January 24, Venprecar received orders for Bs. 32.4 billion, pertaining to tax credits for 2005. These resources will be available in Tax Refund Certificates (CERTs) once ordered by the Ministry of Finance, and will be used mainly to reduce the commercial debt with CVG Ferrominera Orinoco.

SOCIAL RESPONSIBILITY

In the area of Social Responsibility, IBH continued carrying out activities within its cultural, environmental and community programs, among which the most noted are: i) Vaccination and Preventive Medicine Program at Section Core 8 in Puerto Ordaz, in coordination with Misión Barrio Adentro of the Ministry of Health and Social Development, where vaccination and other medical exams, such as eyesight and blood pressure tests were provided. ii) Vaccination and Preventive Medicine Program for the workers of IBH and their families. iii) Through "Fundación de Desarrollo Social de Venezuela," several lectures were given on the prevention of drug consumption among students of the first and second year of the Diversified Cycle at several high schools in Guayana, and iv) in order to strengthen the region's environmental culture, the Ecologic Committee organized the First Environmental Fair, with the participation of Venalum and Carbonorca.

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, and IBMS (company specializing in the marketing of briquettes). The labor force of these companies at December 31, 2006 was of 963 workers.



**INTERNATIONAL BRIQUETTES HOLDING
AND ITS SUBSIDIARIES**

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

	December 31,	
	2006	2005
	<u>Assets</u>	
Current assets:		
Cash and cash equivalents	6,178	12,346
Restricted cash	6,032	10,135
Temporary investments		
Accounts receivable		
Commercial and other	153,665	127,465
Related companies	3,732	5,670
Inventory	29,881	40,910
Advances to suppliers	3,684	4,372
Pre-paid expenses and other current assets	13,602	9,948
Total current assets	216,775	210,847
Property, plant and equipment, net	996,201	1,022,260
Deferred taxes	-	15,930
Other assets	3,125	1,951
Total assets	<u>1,216,101</u>	<u>1,250,987</u>
	<u>Liabilities and shareholders' equity</u>	
Current liabilities		
Short-term portion of bank loan in process of restructuring	-	400
Accounts payable:		
Suppliers	89,182	78,776
Related Companies	91,038	22,647
Profit sharing, vacations and other personnel accruals	3,534	3,112
Taxes	-	10,151
Other current liabilities	1,176	864
Total current liabilities	184,929	115,949
Long-term portion of bank loan in process of restructuring	338,290	307,777
Accounts payable to shareholders	10,779	26,881
Long-term suppliers	45,455	51,994
Other liabilities	11,012	7,965
Deferred taxes	113,043	130,781
Total liabilities	703,509	641,347
Shareholders' equity and minority interests	<u>512,593</u>	<u>609,640</u>
Total liabilities, minority interests and shareholders' equity	1,216,101	1,250,987

**INTERNATIONAL BRIQUETTES HOLDING
AND ITS SUBSIDIARIES**

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

	<u>Quarter ended December 31,</u>	
	<u>2006</u>	<u>2005</u>
Net sales:		
Exports	76,496	84,392
Domestic	29,002	8,082
Subproducts	5,142	918
	110,640	93,392
Cost of sales	(108,400)	(87,030)
Gross profit	2,240	6,362
General, administrative expenses	(8,251)	(6,842)
Operating loss	(6,011)	(480)
Total Financing cost	(12,988)	(7,029)
Other income (expenses) net	3,606	1,167
Loss before taxes and minority interests	(15,392)	(6,341)
Taxes	1,547	518
Loss before minority interests	(13,845)	(5,824)
Minority interests	352	137
Net Loss	(13,494)	(5,686)
Depreciation	(9,719)	(8,487)