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### **IBH REPORTS RESULTS FOR THE FIRST QUARTER OF THE FISCAL YEAR**

CARACAS, JANUARY 30, 2009. International Briquettes Holding, IBH, a subsidiary of Sivenসা, reported sales for US\$ 135 million for the period from October to December 2008, an amount that is similar to the US\$ 134 million in sales reported for the same quarter of the preceding year. The company's operating profit was US\$ 6 million, compared to US\$ 15 million for the October-December 2007 period. The net loss was US\$ 20 million, compared to the net profit of US\$ 12 million reported for the same quarter of the prior fiscal year.

As stated in the report submitted by the Board of Directors to the Shareholders at their Regular Meeting held on January 22, as of the month of August 2008 the demand of iron briquettes has decreased due to the financial crisis and the growth deceleration experienced by major economies around the world. The results analyzed in this Report reflect the change in market conditions in terms of the volume of briquette sales as compared to the same quarter of the previous fiscal year.

### **IBH BRIQUETTE PRICES**

The average price of IBH briquettes, excluding by-products, was US\$ 547.63/MT, compared to US\$ 283.57/MT during the same period of the prior fiscal year (October-December 2007) and US\$ 619.10/MT during the preceding quarter (July-September 2008). The calculation of the average briquette price for the quarter analyzed in this Report includes sales that were negotiated prior to the drop in briquette prices, which partially offset the impact of sales in the spot market, which did reflect the impact of the price reduction.

### **ANALYSIS OF RESULTS FOR THIS QUARTER**

The most significant aspects of the results are described below:

**Sales:** Despite a 51% reduction in briquette shipments during the quarter as compared to the preceding year, the amount of sales in U.S. dollars was similar for both periods

(\$134 million compared to \$135 million for the prior quarter), as a result of higher prices. The decrease in briquette sales volume was due to a significant decline in international demand during the October-December 2008 period.

Cost of Sales: The cost of sales decreased by 9% from US\$ 126 million to US\$ 115 million. While sales dropped 51% as compared to the prior year, the cost of sales did not decrease by the same proportion due to the fact that the unit cost was affected by the higher prices of iron ore, the inflation in Venezuela that impacted costs in bolivares, and a higher absorption of fixed costs per ton.

Operating Profits: Operating profits were US\$ 6 million, compared to operating profits of US\$ 15 million reported for the October-December 2007 quarterly period.

Total Financing Cost: Total Financing Cost was US\$ 27 million, compared to US\$ 3 million reported for the October-December 2007 quarterly period. This variation was due to the provision made during the quarter for the valuation of a loan in U.S. dollars from a related company, as part of agreements reached in June 2008 regarding the reduction of the IBH debt.

Net Profit (Loss): The net loss was US\$ 20 million, compared to the profit of US\$ 12 million reported for the October-December 2007 period.

## LOAN

During the quarter, due to conditions in the international market, IBH did not make the payments that were scheduled pursuant to its financing agreement with a Sivensa subsidiary. Both companies agreed on an waiver in connection with this situation.

## **PLANT PERFORMANCE ANALYSIS**

### Venprecar Plant:

Production at the Venprecar plant during the quarter under analysis was 71,231 MT, 26% lower than the plant's production during the October-December 2007 period. This variation was primarily due to a decision made by management to reduce production in response to the decreased demand for briquettes.

### Orinoco Iron Plant:

This plant produced 124,363 MT during the October-December 2008 period, 51% less than the production achieved for the same quarter of the preceding year, which was

254,187 MT. As in the case of the Venprecar plant, the drop in production at the Orinoco Iron plant resulted from a decision made by management due to market conditions. During the quarter, the plant took advantage of the downtime to perform major maintenance work needed in train #2 such as replacing the plenum chamber and the new reactor cyclones.

#### DIVIDEND

At the Annual IBH Shareholders Meeting held on January 22, 2009, the shareholders approved the distribution of a dividend in the amount of Bs. 19,897,520.00 out of distributable profits as reflected on the financial statements at September 30, 2008, payable in cash at the rate of Bs. 1.00 per share. The Shareholders also delegated upon the Board of Directors the task of setting a date for the payment of said dividend.

#### SOCIAL RESPONSIBILITY

During the quarter, IBH subsidiaries continued to advance their existing programs aimed at promoting the wellbeing of workers, their families, and the community at large. The activities undertaken during this period included the following:

- In the community of Urimán, in Gran Sabana, the construction of residential quarters for the students of Escuela Granja, where 260 children are studying under the direction of the sisters of the Divino Maestro congregation, was completed. Additionally, the Agricultural Program kicked off at the Urimán community in order to train approximately 200 youths of the Pemón ethnic group on crop growing, irrigation and worm cultivation techniques. Similarly, first steps were taken toward the implementation of a Feeding Program that will build the infrastructure required to raise hogs and chickens. Orinoco Iron and Venprecar also provided medical and computer equipment for out-patient clinics. Together with the population of La Esperanza (Sifontes municipality) and Kamarata, the population of Urimán is benefiting from the healthcare, education and development programs IBH has been spearheading since 2006 in indigenous communities located in remote and hard to reach areas of Bolivar state.
- The activities advanced by Venprecar and Orinoco Iron volunteers included the organization of campaigns to distribute school supplies to underserved

communities and toys for school children in the Sierra El Pao and Valle Hondo areas. Volunteers also offered drug prevention talks for parents of preschool children enrolled at the “Nuestros Niños” Pre-School located in Unare II.

#### AWARD

In the month of December, the Chamber of Industry and Commerce of the Municipality of Caroní granted Venprecar and Orinoco Iron the “Socially Responsible Company of the Year 2008” Award in recognition of the activities the companies have conducted to benefit the community of Puerto Ordaz and the indigenous communities of the Great Savannah.

*International Briquettes Holding, IBH, consolidates financial results for companies engaged in the production of reduced iron briquettes used as raw materials for steel production. Venprecar, an IBH subsidiary, operates a Midrex technology plant with a production capacity of 900,000 MT/year. Orinoco Iron S.C.S., a Venprecar subsidiary, operates a Finmet technology plant with a production capacity of 2,200,000 MT/year. IBH also consolidates results for Operaciones RDI (the former Fior plant, currently inactive) and Brifer (which, jointly with VAI, holds intellectual property rights on the FINMET® technology). At December 31, 2008, these companies employed 980 workers.*



INTERNATIONAL BRIQUETTES HOLDING AND ITS SUBSIDIARIES

CONSOLIDATED BALANCE SHEET

(Thousands of US dollars)

	<u>2008</u>	<u>December</u> <u>2007</u>
<b>Assets</b>		
Current Assets:		
Cash and Cash equivalents	34,109	10,598
Accounts receivable	91,302	167,123
Related Companies	26,106	6,706
Inventory	42,700	33,904
Advances to suppliers	8,475	2,530
Pre-paid expenses and other current assets	6,811	10,387
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<b>Total Current Assets</b>	<b>209,503</b>	<b>231,249</b>
Property, plant and equipment, net	1,165,475	1,190,265
Other assets	12,917	6,966
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<b>Total Assets</b>	<b>1,387,896</b>	<b>1,428,479</b>
<b>Liability and shareholders' equity</b>		
Current Liabilities		
Short term portion of loan from related company	6,977	0
Accounts payable:		
Suppliers	91,189	76,471
Shareholders and related companies	49,417	72,475
Profit sharing, vacations and other personnel accruals	6,328	5,574
Taxes	1,011	409
Other Liabilities	70,143	2,938
<b>Total Current Liabilities</b>	<b>225,066</b>	<b>157,867</b>
Long term loans in process of restructuring and other		370,932
Long-term accounts payable		
Related Companies	26,009	-
Accrual for employee termination benefits, net of advances	16,277	12,213
Deferred tax	58,651	172,942
Other liabilities and long-term accruals		47,300
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<b>Total Liabilities</b>	<b>326,003</b>	<b>761,255</b>
Shareholders' equity:		
Capital Stock	201	201
Share premium	107,202	228,735
Revaluation of fixed assets	199,806	168,502
Net effect of combination (merger) of subsidiaries	176,181	176,229
Difference between fair value and cost of shares of subsidiaries	491,073	191,784
Retained earnings (deficit)		
Legal Reserve	6,093	6,093
Deficit	46,453	(137,749)
<b>Total shareholders' equity</b>	<b>1,027,010</b>	<b>633,795</b>
Minority Interests	34,883	33,429
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<b>Total shareholders' equity</b>	<b>1,061,893</b>	<b>667,224</b>
<b>Total liabilities and shareholders' equity</b>	<b>1,387,896</b>	<b>1,428,479</b>



INTERNATIONAL BRIQUETTES HOLDING AND ITS SUBSIDIARIES

CONSOLIDATED STATEMENT OF OPERATIONS

(Thousands of US dollars)

	<u>Quarter ended December 31,</u>	
	<u>2008</u>	<u>2007</u>
Net sales		
Exports	84,378	70,178
Domestic	41,372	61,472
Sales of subproducts	8,788	2,272
	<u>134,538</u>	<u>133,922</u>
Cost of Sales	(114,940)	(126,537)
<b>Gross Profit</b>	<b>19,598</b>	<b>7,385</b>
General, administrative expenses	(12,697)	(9,388)
Other operating income (loss) net	(701)	17,266
<b>Operating Income</b>	<b>6,200</b>	<b>15,263</b>
Total Financing Cost	(26,571)	(2,657)
<b>Profit (loss) before taxes</b>	<b>(20,370)</b>	<b>12,606</b>
Taxes	-	(106)
<b>Net profit (loss)</b>	<b>(20,370)</b>	<b>12,499</b>
<b>Attributable to:</b>		
IBH shareholders	(19,486)	13,055
IBH shareholders, for 39.14% interest subject to put option	-	-
Total IBH shareholders	<u>(19,486)</u>	<u>13,055</u>
Minority Interests	(884)	(556)
Total Minority Interests	<u>(884)</u>	<u>(556)</u>
	<u>(20,370)</u>	<u>12,499</u>
Net profit (loss) per share	<u>(1.0192)</u>	<u>0.6254</u>
Weighted average of outstanding shares	<u>19,987,467</u>	<u>19,987,467</u>