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A Subsidiary of Siderúrgica Venezolana SIVENSA S.A.
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IBH REPORTS RESULTS OF SECOND FISCAL QUARTER

CARACAS, MAY 2ND, 2006. International Briquettes Holding, IBH, a subsidiary of Sivensa, recorded sales for US\$ 85.6 million during the term January-March 2006¹, compared with the sales for US\$ 130.7 million obtained in the same quarter of the preceding year. The company had an operating loss of US\$ 15.4, million, compared with the operating profit of US\$ 38.3 million obtained in the term January-March 2005. A net loss of US\$ 23.7 million was recorded, compared with the net profits for US\$ 12.1 million achieved in the preceding comparable term.

The results for this quarter were affected by:

- A lower production volume of Venprecar's plant due to insufficient supply of pellets; later in this report we will explain the measures adopted in order to mitigate the impact of this situation.
- A lower production volume of Orinoco Iron's plant due to the dearth of iron ore. This supply deficit has been corrected recently and the impact it had on the operations was lower than the impact on Venprecar's plant due to the dearth of pellets.
- International prices of briquettes lower than those for the comparable period, although at the end of the quarter, and at the date of issue of this report, there has been a recovery in the prices.
- Anticipated higher costs of raw material, according to accounting standards, due to the net results caused by the following factors:
 - Compensatory effect of the discounts contemplated by the Ministry of Basic Industries and Mining (MIBAM) on the new prices of iron ore. Said discounts will be obtained upon signing the amendment to the supply contracts and the Raw Materials Assurance Agreement (CAMP). The decision to change the conditions in the supply contracts, made by the Executive Branch of the Government in

¹ The amount of the sales reflects the impact of the contract signed with a client in April 2002, with expiration date April 2007, according to which Orinoco Iron C.A. sells to that client approximately 325,000 MT of briquettes per year, at a price negotiated in 2002, which is fixed throughout the term of the contract and ended up being considerably lower than the current price levels in the spot market.

November 2005, was disclosed in the Board of Directors' Report to the shareholders' Meeting of IBH held on January 27, 2006 and in the quarterly report published January 31, 2006.

- Additionally, a reserve was made for the estimated increase in the international price of iron ore as of January 1, 2006.
- Downtime of trains at Orinoco Iron's plant, due to failure in the ore drying grids. This situation was overcome after determining the causes of the failure, conducting special maintenance procedures, and introducing improvements to the refractory drying procedures. There was also achieved a greater precision in temperature controls during the stops and start-ups of this equipment, which is currently in normal operation.

Regarding financing costs, these went from US\$ 19 million in the January-March 2005 quarter, to US\$ 9 million in the comparable quarter of 2006. This variation is due to the lower interest accrued in 2006 due to the reduction of the debt from US\$ 831 million at March 31, 2005, to US\$ 315 million at March 31, 2006. The reduction of the debt was made in August 2005, as part of the agreements with the banks and the merger between Venprecar and Orinoco Iron.

Although the reduction of IBH's operating results with regard to the comparable quarter of the preceding year was of US\$ 54 million, the reduction of the net results was US\$ 36 million. This indicates that the reduction of the financing expenses substantially mitigated the impact of the factors that affected the operations during this term.

TRANSITORY PELLETS IMPORTS

Because the dearth of pellets in Venezuela may continue until late this year, Venprecar has begun conversations with CVG Ferrominera Orinoco, so as to begin the transitory importation of pellets in order to cover the current deficit. Prompt decision is expected in order to apply this measure, which will mitigate this situation until the local production of this input is stabilized. However, considering the high logistic costs of importation, its economic feasibility will be subject to the maintenance of the current prices of briquettes in the international market.

International Market

Briquettes unloaded on barges in the port of New Orleans, U.S.A., recorded an average reference price of US\$233/MT for the January-March 2006 quarter, which is lower than the average of US\$235/MT recorded for the immediately preceding quarter (October-December 2005), and the average of US\$295/MT recorded during the same period in the preceding year (January-March 2005)². During the first three months of 2006, and until the date of issue of this

² Averages calculated by Orinoco Iron as of monthly data published by the CRU-Monitor / Steel, metallics, scrap, DRI & pig iron.

report, the prices of metallics have recovered in the most important markets (U.S., Europe and Asia), and briquettes unloaded on barges in the port of New Orleans are currently priced at about US\$ 270/MT. This increase is the result of the limitations in the collection of scrap, transportation restrictions caused by the winter, the replenishment of inventories of raw materials and steel products at the distribution centers, and the expectations generated in connection with the increase of prices of steel.

Performance Report

Venprecar Plant:

The production of this plant in the quarter under analysis was of 139,562 MT, 54% lower than the 215,327 MT production obtained in the same period of the last fiscal year. As explained above, the production reduction was due to the failure in the supply of pellets.

Orinoco Iron Plant:

This plant produced 281,311 MT in the January-March 2006 period, compared with 329,029 MT in the same term of the preceding fiscal year. The decrease of production is mainly due to the insufficient supply of iron ore and the downtime caused by the failure in the ore drying grids described above.

DRAUGHT OF THE ORINOCO RIVER

As a result of the dredging that is being carried out in the Orinoco River since February this year, the draught level of the river has been improving, which has allowed to slightly increase the accepted load of the vessels that carry briquettes. The “Instituto Nacional de Canalizaciones” has reported that the dredging work will continue until restoring the design capacity of this river route.

MV-YTHAN CASE

In February 2004, the ship MV—YTHAN sank with a cargo of metal fines belonging to Orinoco Iron. As a result of this accident, the vessel's owners requested an arbitration proceeding against the company. In order to guarantee the outcome of the proceeding, they also requested precautionary attachments in England and the United States over assets of Orinoco Iron, C.A. The company filed an opposition in London against the precautionary measure issued by the Royal Court, which decided in its favor in September 2004. Also on that date, the Court in Ohio ordered the raising of the measure of attachment that it had issued against Orinoco Iron C.A. in June 2004. In reply to these decisions, the owners of the vessel filed an appeal that was dismissed by said Court. We are currently awaiting a decision from a Superior court. Also, and

at the request of the owners of the lost ship, a mediation proceeding is under way for the purpose of reaching a settlement that puts an end to this controversy.

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, currently inactive); Brifer (which holds the intellectual property rights for direct reduction technologies); IBMS (company specializing in the marketing of briquettes) and SDP International Corporation (who is in charge of the international procurement management). The labor force of these companies at March 31, 2006, was of 962 workers.

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INTERNATIONAL BRIQUETTES HOLDING
AND ITS SUBSIDIARIES

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

	<u>2006</u>	<u>March 31,</u> <u>2005</u>
<u>Assets</u>		
Current Assets:		
Cash and cash equivalents	24,936	12,843
Restricted cash	9,539	13,465
Temporary investments		
Accounts receivable		
Commercial and other	81,237	148,932
Related companies	5,883	8,107
Inventories	38,043	46,004
Advances to suppliers	4,749	
Pre-paid expenses and other	10,313	2,458
Restricted assets		<u>252,212</u>
Total current assets	174,701	484,022
Property, plant and equipment, net	1,020,154	1,034,564
Deferred taxes	15,930	
Other assets	<u>13,318</u>	<u>6,980</u>
Total assets	<u>1,224,102</u>	<u>1,525,566</u>
<u>Liabilities and shareholders' equity</u>		
Current Liabilities		
Loan assigned by BHPB to lenders	-	393,654
Current portion of bank loan in restructuring process	400	361,300
Accounts payable		
Suppliers	55,115	89,285
Related companies	50,579	45,456
Profit sharing, vacation and other personnel accruals	4,597	3,842
Taxes	156	19,844
Other current liabilities	<u>1,696</u>	<u>9,435</u>
Total current liabilities	112,542	922,817
Long term portion of bank loan in restructuring process	314,462	
Long term loan with financial institution		328,226
Accounts payable to shareholders	28,145	
Suppliers	1,354	49,267
Other liabilities	8,563	6,837
Deferred taxes	130,290	132,253
Other liabilities and long term accruals	<u>43,738</u>	<u>-</u>
Total Liabilities	639,094	1,439,401
Shareholders' equity and minority interests	<u>585,008</u>	<u>86,165</u>
Total liabilities, minority interests and shareholders' equity	<u>1,224,102</u>	<u>1,525,566</u>



**INTERNATIONAL BRIQUETTES HOLDING
AND ITS SUBSIDIARIES**

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

	<u>Quarter ended March 31,</u>	
	<u>2006</u>	<u>2005</u>
Net sales		
Exports	68,966	126,719
Domestic	16,643	3,892
Subproducts	-	82
	85,609	130,694
Cost of sales	(95,419)	(86,428)
Gross profit (loss)	(9,810)	44,265
General, Administrative expenses	(5,549)	(5,938)
Operating profit (loss)	(15,359)	38,327
Total Financing costs	(9,289)	(19,081)
Other income (expense) net	(368)	(218)
Profit (loss) before taxes and minority interests	(25,015)	19,029
Taxes	385	(10,479)
Profit (loss) before minority interests	(24,630)	8,550
Minority interests	914	3,557
Net profit	(23,716)	12,108
Depreciation	(8,446)	(9,260)



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

	<u>Six months ended March 31,</u>	
	<u>2006</u>	<u>2005</u>
Net sales		
Exports	153,358	231,429
Domestic	24,724	3,980
Subproducts	-	82
	<u>178,082</u>	<u>235,491</u>
Cost of sales	(181,942)	(148,230)
Gross profit (loss)	(3,860)	87,262
General, administrative expenses	(12,391)	(13,252)
Operating profit (loss)	(16,251)	-
Total Financing cost	(16,317)	(71,097)
Other income (expense) net	1,211	(3,251)
Profit (loss) before taxes and minority interests	(31,357)	(338)
Taxes	903	(17,785)
Profit (loss) before minority interests	(30,454)	(18,123)
Minority Interests	1,052	38,088
Net profit (loss)	(29,402)	19,965
Depreciation	(16,932)	(15,306)