

Siderar S.A.I.C. Announces Results for the First Quarter ended March 31, 2005

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Buenos Aires, May 5, 2005. Siderar S.A.I.C. (Buenos Aires Stock Exchange: ERAR), today announced its results for the first quarter ended March 31, 2005.

Highlights: first quarter ended March 31, 2005

- Net sales of ARP1,183.7 million, up 50% from ARP787.4 million
- Operating income of ARP503.9 million, up 82% from ARP277.3 million
- EBITDA of ARP563.9 million (48% of net sales), up 72% from ARP328.7 million (42% of net sales)
- Net income of ARP417.0 million, up 103% from 205.7 million. Net earnings per share of ARP1.2002 (ARP9.6019 per ADS)

The net result of ARP417.0 million was mainly generated by an operating profit of ARP503.9 million, a financial and holding results, and other ordinary income and expenses gain of ARP73.4 million, an income tax charge of ARP212.2 million, and an equity gain of ARP51.9 million for related companies Ylopa and Amazonia participation in Sidor. In the previous year the net result was ARP205.7 million.

During the period the Argentine economy continued showing positive signs of growth. Industrial activity grew 6.1% in the quarter as measured by the EMI index. In the international scenario, although prices and demand remained basically unchanged, the trend shows some signs of weakening.

Outlook

In the new fiscal year the Company faces important challenges. On one hand, the recent exit from the sovereign debt default establishes the possibility of an economic consolidation of Argentina, that must be followed by a process of investments and industrial development, in which Siderar not only participates, but played and will play a leading role through its SMEs support program, and its continued support to investments in the sector and to customers growth.

Natural gas supply is one of the Company's concerns as the Argentine economy recovery generated a considerable increase in the consumption of natural gas that was not followed by an increase in the offer. Investments in the North and South gas pipelines that are already in execution should help to ease this situation.

With respect to the international markets, the increase in production capacity, mainly in China, has generated recent signs of price weakening in the United States and Europe that resulted in production cuts announcements by the main steel companies, especially in Europe. The increase in raw material prices for the iron ore and coal international markets for the year 2005 is another factor that impels to take actions to maintain the steel price levels.



In this scenario its necessary, on one hand, to closely watch the balance between the offer and the demand of steel products in the different regions, and its ability to absorb this production increases without considerably affecting the level of international prices; on the other hand, it is necessary to generate higher efficiencies in Siderar to partially offset the higher costs of raw materials that the Company will bear this year.

Results for the Quarter ended March 31, 2005 vs. the Quarter ended March 31, 2004

Siderar recorded a net income of ARP417.0 million in the quarter. In the same period the previous year the net income was ARP205.7 million. Earnings per share (EPS) and per ADS were a gain of ARP 1.2002 and ARP9.6019 respectively based on a total of 347,468,771 shares outstanding as of March 31, 2005. Each ADS represents 8 (eight) class "A" shares.

Total shipments were 597 thousand tons, up 7% compared to the same period the previous year as a result of higher production levels.

Thousand tons	Total shipments			Domestic shipments			Export shipments		
	1Q 2005	1Q 2004	Y/Y Chg	1Q 2005	1Q 2004	Y/Y Chg	1Q 2005	1Q 2004	Y/Y Chg
Hot rolled	204.3	175.6	16%	165.5	155.7	6%	38.8	19.9	95%
Cold rolled	179.3	178.7	0%	96.4	100.1	-4%	82.9	78.6	5%
Coated & other	185.2	205.0	-10%	118.1	123.3	-4%	67.1	81.7	-18%
Slabs	28.4	0.0					28.4	0.0	
Total	597.3	559.3	7%	380.0	379.1	0%	217.1	180.2	20%

Domestic market shipments totaled 380 thousand tons, similar to those of the previous year. The auto industry continued showing a significant increase in production in the first quarter, reflecting the recovery of the domestic market and higher exports. New projects announced in this sector lead to the approval of investments in the electro galvanized line in order to increase its production capacity and meet the expected future demand.

Export shipments totaled 217 thousand tons including 28 thousand tons of slabs, an increase of 20% compared to the same period the previous year. Export destinations were as follows:

% finished products	1Q 2005
Europe	50%
Latin America	22%
North America	22%
Asia	4%
Africa	2%
Total	100%

Net sales were ARP1,183.7 million compared to ARP787.4 million in the same period the previous year. This improvement is mainly the result of better steel product prices and higher export shipments.

Cost of sales in the quarter were ARP621.7 million (53% of net sales) compared to ARP462.5 million (59% of net sales) in the same period the previous year. The increase is mainly the result of higher prices for raw materials such as iron ore, coal and coke, and for freights, together with higher domestic



costs such as supplies, energy, services and labor.

Selling, general and administrative expenses in the quarter were ARP58.1 million (5% of net sales), compared to ARP47.6 million (6% of net sales) in the previous year. The increase in expenses is mainly due to higher exports.

Operating profit was ARP503.9 million (43% of net sales) compared to ARP277.3 million (35% of net sales) the previous year.

EBITDA was ARP563.9 million and EBITDA margin was 48% in the period, which compares to an EBITDA margin of 42% in the previous year.

Financial and holding results were a gain of ARP89.1 million. This result includes a gain of ARP4.6 million in net financial income, a loss of ARP7.3 million in net foreign exchange rate differences as a result of the Argentine Peso appreciation, and a gain of ARP91.9 million in net inventory and spare parts holding results, reflecting mainly the increase in the international price of raw materials and some services. This result compares to a gain of ARP61.6 million last year, including a loss of ARP13.1 million in net financial results, a gain of ARP4.8 million in net foreign exchange rate differences, and a gain of ARP69.9 million in net inventory and spare parts holding results. The difference compared to the previous year is mainly a gain of ARP9.9 million in net inventory and spare parts holding results, and a gain of ARP13.5 million due to the lower indebtedness.

Other income and expense represented a net loss of ARP15.7 million in the quarter, compared to a net loss of ARP 8.3 million in the same period the previous year. The increase is mainly the result of a higher contingency provision this year.

The income tax charge of the period was ARP212.2 million, including an income tax provision charge of ARP218.9 million, and a differed tax provision recovery of ARP6.8 million. In the same period the previous year the income tax charge was ARP124.6 million, including an income tax provision charge of ARP110.6 million, and a differed tax provision charge of ARP14.0 million. The tax increase is the result of a higher net income.

Amazonia and Ylopa equity holdings result for the quarter, generated by its participation in Sidor, was a gain of ARP51.9 million compared to a loss of ARP0.3 million in the same period the previous year. This significant improvement was generated by a higher Sidor's operating result. Additionally, as a result of the Venezuelan currency depreciation, the Company registered a negative conversion difference of ARP131.6 million. Siderar's investment in Amazonia and Ylopa was, as of March 31, 2005, ARP436.9 million.

During the period the operating cash flow was ARP570.2 million. The most relevant applications were ARP454.9 million increases in liquidity, ARP78.9 million investments in fixed and intangible assets, and ARP19.2 million increases in inventories.

The ARP78.9 million invested in the period included the expansion of the coke producing facilities with the start up of the #2 battery, and the modernization of the #1 converter of the steel shop. Information technology investments were ARP6.8 million.

On April 18, 2005 the Shareholders Meeting approved a cash dividend distribution of ARP299.9 million, equivalent to ARP0.863 per share (ARP6.904 per ADS), effective May 6, 2005.



Consolidated Statement of Income

ARP million	1Q 2005	1Q 2004
Net sales	1,183.7	787.4
Cost of sales	<u>(621.7)</u>	<u>(462.5)</u>
Gross profit	562.0	324.9
Selling, general and administrative expenses	<u>(58.1)</u>	<u>(47.6)</u>
Operating income	503.9	277.3
Financial income (expense) and holding gain (loss)	89.1	61.5
Other income (expense), net	<u>(15.7)</u>	<u>(8.3)</u>
Income before taxes	577.3	330.5
Tax provision charge	<u>(212.2)</u>	<u>(124.6)</u>
Ordinary income	365.1	205.9
Equity Income	<u>51.9</u>	<u>(0.2)</u>
Net income	417.0	205.7
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FX bank selling rate (Argentine peso / US dollar)	2.92	2.86
Earnings per share	1.2002	0.5919
Earnings per ADS	9.6019	4.7355



Consolidated Balance Sheet

ARP million	March 31, 2005	December 31, 2004
Cash, banks & investments	1,161.7	706.8
Current trade receivables	426.5	428.0
Inventories	788.6	677.8
Other receivables & assets	62.5	55.9
Total current assets	2,439.3	1,868.5
Long-term investments	475.6	479.4
Intangible assets	33.5	30.5
Net fixed assets	1,280.7	1,280.5
Other receivables & assets	38.3	36.7
Total non-current assets	1,828.2	1,827.1
Total assets	4,267.5	3,695.5
Current accounts payable	252.0	241.3
Short-term debt	8.6	14.8
Social security and taxes	543.3	556.8
Provision for contingencies & other	88.7	55.7
Total current liabilities	892.6	868.6
Long term debt	4.2	5.1
Social security and taxes	203.0	13.7
Provision for contingencies & other	44.6	44.5
Total non-current liabilities	251.8	63.3
Total liabilities	1,144.4	932.0
Temporary conversion differences	(122.3)	(64.8)
Shareholders' equity	3,245.3	2,828.3
Total liabilities and shareholder's equity	4,267.5	3,695.5

Consolidated Statement of Cash Flow

ARP million	1Q 2005	1Q 2004
Net income	417.0	205.7
Depreciation of fixed assets	71.8	56.9
Depreciation of intangible assets	3.9	2.8
Income tax provision	212.2	124.6
Equity Income	(51.9)	0.0
Holding results on inventories	(92.8)	(76.4)
Other non cash items	10.0	2.8
Operating activities	570.2	316.4
Trade receivables	2.1	3.4
Other receivables	(11.8)	6.7
Long-term advances for gas purchase	3.4	2.1
Inventories	(19.2)	6.8
Trade payables	10.7	(1.5)
Social security, taxes, other liabilities & provisions for contingencies	(12.8)	0.6
Cash provided by operations	542.6	334.5
Net (incr.) decr. in other non-current investment	(1.9)	0.7
Net (incr.) decr. in funds conveyed to the trust	0.0	5.3
Net (incr.) decr. in fixed & intangible assets	(78.9)	(42.4)
Net decrease in other assets	0.1	0.1
Cash applied to investment activities	(80.7)	(36.3)
Net decrease in short and long-term debt	(7.0)	(190.5)
Cash applied to financing activities	(7.0)	(190.5)
Increase (decrease) in cash	454.9	107.7

Other Information

	1Q 2005	1Q 2004
<u>Financial information</u>		
EBITDA (ARP million)	563.9	328.7
Depreciation and amortization (ARP million)	75.7	59.7
Operating income per ton (ARP / ton)	844	496
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<u>Operating Data</u>		
Domestic Sales (000 tons)	380.0	379.1
Export sales (000 tons)	217.1	180.2
Total sales (000 tons)	597.1	559.3
Employees	4,691	4,688
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<u>Financial Ratios</u>		
Return on equity	12.8%	11.8%
Operating margin	42.6%	35.2%
Total liabilities / total assets	26.8%	40.7%
Current assets / current liabilities	273.3%	268.4%
EBITDA / net sales	47.6%	41.7%