

Siderar S.A.I.C. Announces Results for the Nine Months and Third Quarter ended September 30th, 2005

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Buenos Aires, October 28th, 2005. Siderar S.A.I.C. (Buenos Aires Stock Exchange: ERAR), today announced its results for the nine months and third quarter ended September 30, 2005.

Highlights: nine months ended September 30th, 2005

- Net sales of ARP3,335.8 million, up 32% from ARP2,522.5 million the same period last year
- Operating income of ARP1,145.3 million, up 19% from ARP964.0 million
- EBITDA of ARP1,329.3 million (40% of net sales), up 18% from ARP1,124.6 million (45% of net sales)
- Net income of ARP932.3 million, up 9% from 856.8 million. Net earnings per share of ARP2.6830 (ARP21.4642 per ADS)
- Investment in a 29.29% participation in Hylsamex, an integrated steel manufacturer in Mexico with industrial facilities in the cities of Monterrey and Puebla

During the period steel demand in the Argentine domestic market remained stable at good levels. In the international scenario, although world steel demand grew 7% in the period, prices weakened as a result of the increase in world steel production capacity. In particular in the US and Europe the deceleration of steel consumption contributed to price corrections in the second quarter of the year, compared to the high levels seen during the second half of last year and first quarter this year. The supply cuts implemented by leading steel producers in these markets contributed to the stabilization of prices toward the end of the third quarter and to generate favorable perspectives for the rest of the year.

Outlook

In the domestic Argentine market, steel products demand conditions remained stable; an increase in demand is expected in the fourth quarter as a result of higher activity levels in the construction and industrial sectors.

With respect to the international markets, prices stabilized under a positive trend as a result of the above mentioned factors, and of the increase in raw material prices for the iron ore and coal international markets that act as a containment factor for steel prices, and favor the reduction of inefficient production capacity.

In this scenario it is necessary, on one hand, to closely watch the demand growth for steel products, and the steel industry's ability to orderly generate the additional offer, 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 evidenced from the second quarter of this year.



Results for the Nine Months ended September 30th, 2005 vs. the Nine Months ended September 30th, 2004

Siderar recorded a net income of ARP932.3 million in the period. In the same period the previous year the net income was ARP856.8 million. The improvement was mainly due to a higher operating result. Earnings per share (EPS) and per ADS were a gain of ARP2.6830 and ARP21.4642 respectively based on a total of 347,468,771 shares outstanding as of September 30th, 2005. Each ADS represents 8 (eight) class "A" shares.

Total shipments were 1,723 thousand tons, up 9% compared to those of the previous year, as a result of higher production levels, mainly due to the simultaneous operation of the two blast furnaces.

Thousand tons	Total shipments			Domestic shipments			Export shipments		
	9M 2005	9M 2004	Y/Y Chg	9M 2005	9M 2004	Y/Y Chg	9M 2005	9M 2004	Y/Y Chg
Hot rolled	620.1	548.9	13%	506.1	516.3	-2%	114.0	32.6	250%
Cold rolled	483.3	457.4	6%	292.1	303.4	-4%	191.2	154.0	24%
Coated & other	564.0	539.7	5%	354.9	360.8	-2%	209.1	178.9	17%
Slabs	55.6	28.3					55.6	28.3	
Total	1,723.0	1,574.4	9%	1,153.2	1,180.5	-3%	569.9	393.8	45%

Domestic market shipments totaled 1,153 thousand tons, down 2% compared to those of the previous year. Export shipments totaled 570 thousand tons including 56 thousand tons of slabs, an increase of 45% compared to the same period the previous year. Export destinations were as follows:

% finished products	9M 2005
Europe	42%
Latin America	28%
North America	20%
Asia	9%
Africa	1%
Total	100%

Net sales were ARP3,335.8 million compared to ARP2,522.5 million in the same period the previous year. This significant improvement is the result of higher prices and higher export shipments.

Cost of sales was ARP1,982.5 million (59% of net sales) compared to ARP1,412.2 million (56% of net sales) the previous year. Besides the increase in shipments, prices were higher for raw materials (such as iron ore, metallurgical coal and coke), freights and domestic costs (supplies, energy, services and labor).

Selling, general and administrative expenses in the period were ARP208.0 million (6% of net sales), compared to ARP146.2 million (6% of net sales) in the previous year. The increase is mainly due to higher export related expenses, higher salaries, and higher taxes on financial transactions due to the impact of the dividend, income tax, and of the financial debt disbursement related to the acquisition of Hylsamex.

Operating profit was ARP1,145.3 million (34% of net sales) compared to ARP964.0 million (38% of net



sales) the previous year. EBITDA was ARP1,329.3 million and EBITDA margin was 40% in the period, which compares to an EBITDA margin of 45% in the previous year.

Financial and holding results were a gain of ARP161.7 million. This result includes a loss of ARP9.2 million in net financial results, a loss of ARP18.7 million in foreign exchange rate differences as a result of the Argentine Peso appreciation, and a gain of ARP189.6 million in net inventory and spare parts holding results, reflecting a higher international price of raw materials and some services. This result compares to a gain of ARP143.9 million the previous year. The difference is mainly due to a gain of ARP39.9 million in net inventory and spare parts holding results, a gain of ARP18.2 million due to the lower net indebtedness, and a loss of ARP40.2 million in foreign exchange rate differences as a result of the Argentina Peso appreciation.

Other income and expenses represented a net loss of ARP45.3 million, compared to a net loss of ARP31.8 million the previous year. The increase was mainly the result of higher contingency provision charges, and a lower recovery of doubtful account provisions.

The income tax of the period was ARP506.6 million, including an income tax provision charge of ARP493.5 million, and a deferred tax provision charge of ARP13.1 million. In the previous year the income tax was ARP396.5 million, including an income tax provision charge of ARP402.6 million and a deferred tax provision recovery of ARP6.1 million. The tax increase is due to higher results.

Amazonia and Ylopa equity holdings result for the period, generated by their participation in Sidor, was a gain of ARP177.3 million. The result in the same period last year was a gain of ARP177.2 million. Additionally, as a result of the depreciation of the Venezuelan Bolivar, Siderar recorded a negative conversion difference of ARP131.5 million. Siderar's investment in Amazonia and Ylopa as of September 30, 2005 amounted to ARP494.5 million.

Siderar's investment in Hylsamex as of September 30, 2005 amounted to ARP1,275.8 million.

During the period the operating cash flow was ARP1,513.8 million and the increase in financial debt was ARP 1,100.1 million. The most relevant uses were ARP 1,273.1 million increases in investments related to the acquisition of Hylsamex, ARP757.4 million increases in investments in fixed and intangible assets including ARP497.6 million in goodwill in Hylsamex, ARP557.2 million income tax payments for fiscal year 2004, ARP299.9 million dividend payments, and ARP278.7 million increases in inventories.

The ARP218.0 million invested in the period included the expansion of the coke producing facilities with the start up of the #2 battery and the construction of the new #5 battery, the new transverse cutting line, the fifth heating furnace in the hot rolling mill, the second exit of the continuous casting mill, and the #1 boiler. Information technology investments were ARP20.1 million.

On August 22nd, 2005 Siderar, together with its controlled company Inversiones Basilea S.A. and its controlling shareholder I.I.I., completed the acquisition of Mexican steel manufacturer Hylsamex for a total amount of US\$ 2,095 million. Siderar and Basilea contributed an amount of US\$ 618 million. Siderar obtained a financing facility for an amount of US\$ 380 million which was fully destined to this transaction.

As a result of the transaction, 70.00% of the equity of Hylsamex is now owned by I.I.I., 25.26% by Siderar, 4.03% by Basilea, and 0.71% by minority shareholders. In accordance with the terms of the tender offer and with the applicable Mexican legislation, Hylsamex's shares will be delisted from the Bolsa Mexicana de Valores.

Hylsamex is the Latin steel producer with the highest vertical integration, with industrial facilities in the cities of Monterrey and Puebla, México. Its activities include from mining to the production of high value added products. It has an annual steel rolling capacity of 2.2 million tons of flat products, and of 1.0 million tons of long products.



On May 19th, 2005, Siderar and Acindar signed a letter of intent with the purpose of regulating an evaluation and analysis procedure that could conclude in Siderar's acquisition of facilities and other assets for the production of steel tubes and shapes for a total amount of USD55 million, subject to possible adjustments. The facilities are located in Rosario, Santa Fe Province, and in San Luis Province. The facilities that Siderar would be incorporating to its industrial system have a combined 140 thousand tons production capacity of structural tubes for the construction, agricultural and metal mechanic sectors. The realization of the transaction is subject to the result of the negotiation of the terms and conditions of the agreement, and its approval by the Comisión Nacional de Defensa de la Competencia (National Antitrust Commission).

Results for the Third Quarter ended September 30th, 2005 vs. the Third Quarter ended September 30th, 2004

Siderar recorded a net income of ARP173.8 million in the quarter. In the same period the previous year the net income was ARP288.2 million. The decrease was mainly due to a lower operating result. Earnings per share (EPS) and per ADS were a gain of ARP0.5002 and ARP4.0015 respectively based on a total of 347,468,771 shares outstanding as of September 30th, 2005. Each ADS represents 8 (eight) class "A" shares.

Total shipments were 520 thousand tons, up 7% compared to the same period the previous year as a result of higher production levels, mainly due to the simultaneous operation of the two blast furnaces.

Thousand tons	Total shipments			Domestic shipments			Export shipments		
	3Q 2005	3Q 2004	Y/Y Chg	3Q 2005	3Q 2004	Y/Y Chg	3Q 2005	3Q 2004	Y/Y Chg
Hot rolled	205.4	172.6	19%	166.7	167.7	-1%	38.7	4.9	690%
Cold rolled	131.7	111.1	19%	92.0	96.3	-4%	39.7	14.8	168%
Coated & other	182.9	175.1	4%	119.4	121.9	-2%	63.5	53.2	19%
Slabs	0.0	28.3					0.0	28.3	
Total	520.1	487.1	7%	378.1	385.9	-2%	141.9	101.2	40%

Domestic market shipments totaled 378 thousand tons, down 2% compared to the same quarter last year.

Export shipments totaled 142 thousand tons, an increase of 40% compared to the same period the previous year. Export destinations were as follows:

% finished products	3Q 2005
Europe	43%
Latin America	30%
North America	12%
Asia	14%
Africa	1%
Total	100%

Net sales were ARP974.3 million compared to ARP881.5 million in the same period the previous year. This significant improvement is mainly the result of higher export shipments.

Cost of sales in the quarter were ARP642.4 million (66% of net sales) compared to ARP470.0 million (53% of net sales) in the same period the previous year. Besides the increase in shipments, in the period prices were higher for raw materials (such as iron ore, metallurgical 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 ARP74.6 million (8% of net sales), compared to ARP49.8 million (6% of net sales) in the previous year. The increase was mainly due to higher salaries and non recurring items such as a higher tax on financial transactions related to the increase in financial debt (ARP6.6 million), certain expenses related to the investment in Hylsamex (ARP3.0 million) and other expenses (ARP8.1 million).

Operating profit was ARP257.4 million (26% of net sales) compared to ARP361.7 million (41% of net sales) the previous year. EBITDA was ARP318.3 million and EBITDA margin was 33% in the period, which compares to an EBITDA margin of 48% in the previous year.

Financial and holding results were a loss of ARP23.3 million. This result includes a loss of ARP18.5 million in net financial expense, a loss of ARP6.9 million in net foreign exchange rate differences as a result of the Argentine Peso appreciation, and a gain of ARP2.2 million in net inventory and spare parts holding results. This result compares to a loss of ARP3.1 million last year. The difference compared to the previous year is mainly a gain of ARP5.3 million in net inventory and spare parts holding results, a loss of ARP14.2 million due to a higher indebtedness related to the acquisition of Hylsamex, and a loss of ARP11.3 million in net foreign exchange rate differences as a result of the Argentine Peso appreciation.

Other income and expenses represented a net loss of ARP13.9 million in the quarter, compared to a net loss of ARP 10.1 million in the same period the previous year, mainly due to higher severance payments.

The income tax of the period was ARP98.0 million, including an income tax provision charge of ARP106.4 million, and a deferred tax provision recovery of ARP8.4 million. In the same period the previous year the income tax was ARP127.9 million, including an income tax provision charge of ARP124.3 million, and a deferred tax provision charge of ARP3.6 million. The tax decrease is the result of a lower net income.

Amazonia and Ylopa equity holdings result for the quarter, generated by their participation in Sidor, was a gain of ARP51.7 million compared to a gain of ARP67.6 million in the same period the previous year.



Consolidated Statement of Income

ARP million	9M 2005	9M 2004	3Q 2005	3Q 2004
Net sales	3,335.8	2,522.5	974.3	881.5
Cost of sales	<u>(1,982.5)</u>	<u>(1,412.2)</u>	<u>(642.3)</u>	<u>(470.0)</u>
Gross profit	1,353.3	1,110.3	332.0	411.5
Selling, general and administrative expenses	<u>(208.1)</u>	<u>(146.2)</u>	<u>(74.7)</u>	<u>(49.8)</u>
Operating income	1,145.3	964.0	257.3	361.7
Financial income (expense) and holding gain (loss)	161.7	143.9	(23.3)	(3.1)
Other income (expense), net	<u>(45.3)</u>	<u>(31.8)</u>	<u>(13.9)</u>	<u>(10.1)</u>
Income before taxes	1,261.6	1,076.2	220.1	348.5
Tax provision charge	<u>(506.6)</u>	<u>(396.5)</u>	<u>(98.0)</u>	<u>(127.8)</u>
Ordinary income	755.0	679.7	122.1	220.7
Equity Income	<u>177.3</u>	<u>177.2</u>	<u>51.7</u>	<u>67.6</u>
Net income	932.3	856.8	173.8	288.3
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FX bank selling rate (Argentine peso / US dollar)	2.91	2.98	2.91	2.98
Earnings per share	2.6830	2.4660	0.5002	0.8295
Earnings per ADS	21.4642	19.7278	4.0015	6.6362

Consolidated Balance Sheet

ARP million	September 30, 2005	December 31, 2004
Cash, banks & investments	246.2	706.8
Current trade receivables	261.1	428.0
Inventories	948.2	677.8
Other receivables & assets	<u>59.6</u>	<u>55.9</u>
Total current assets	1,515.1	1,868.5
Long-term investments	1,809.0	479.4
Intangible assets	534.2	30.5
Net fixed assets	1,304.8	1,280.5
Other receivables & assets	<u>28.1</u>	<u>36.7</u>
Total non-current assets	3,676.1	1,827.1
Total assets	5,191.2	3,695.5
Current accounts payable	244.7	241.3
Short-term debt	233.7	14.8
Social security and taxes	322.3	556.8
Provision for contingencies & other	<u>86.2</u>	<u>55.8</u>
Total current liabilities	886.8	868.6
Long term debt	886.3	5.1
Social security and taxes	34.0	13.7
Provision for contingencies & other	<u>46.2</u>	<u>44.5</u>
Total non-current liabilities	966.5	63.3
Total liabilities	1,853.3	932.0
Temporary conversion differences	(122.3)	(64.8)
Minority interest	0.1	0.0
Shareholders' equity	3,460.2	2,828.3
Total liabilities and shareholder's equity	5,191.2	3,695.5

Consolidated Statement of Cash Flow

ARP million	9M 2005	9M 2004	3Q 2005	3Q 2004
Net income	932.3	856.8	173.8	288.2
Depreciation of fixed assets	215.4	181.1	70.2	66.0
Depreciation of intangible assets	14.0	11.2	4.7	4.5
Income tax provision	506.6	396.5	98.0	127.9
Equity Income	(177.3)	(177.2)	(51.7)	(67.6)
Holding results on inventories	4.6	8.5	93.3	71.6
Other non cash items	18.2	9.2	4.7	5.4
Operating activities	1,513.8	1,286.1	393.0	496.0
Trade receivables	168.4	20.8	106.6	0.3
Other receivables	(5.4)	11.9	11.1	3.4
Long-term advances for gas purchase	10.2	7.3	3.4	4.4
Inventories	(278.7)	(255.8)	(124.4)	(214.0)
Trade payables	3.4	(1.3)	(71.7)	(16.2)
Social security, taxes, other liabilities & provisions for contingencies	(704.9)	(167.6)	(109.9)	(8.3)
Cash provided by operations	706.9	901.5	208.1	265.6
Net decrease in investments	(1,273.1)	0.0	(1,274.4)	0.0
Collection of dividends	65.2	22.6	0.0	0.0
Net (incr.) decr. in other non-current investment	(2.1)	(3.8)	1.6	(4.3)
Net (incr.) decr. in funds conveyed to the trust	0.0	(6.9)	0.0	(3.0)
Net (incr.) decr. in fixed & intangible assets	(757.4)	(197.7)	(568.9)	(71.7)
Net decrease in other assets	0.1	0.1	0.0	0.0
Cash applied to investment activities	(1,967.2)	(185.6)	(1,841.7)	(79.0)
Net decrease in short and long-term debt	1,100.1	(772.4)	1,030.6	(255.5)
Distribution of profits	(300.4)	(58.9)	0.0	0.0
Cash applied to financing activities	799.7	(831.4)	1,030.6	(255.5)
Increase (decrease) in cash	(460.6)	(115.4)	(603.0)	(68.9)

Other Information

	9M 2005	9M 2004	3Q 2005	3Q 2004
<u>Financial information</u>				
EBITDA (ARP million)	1,329.3	1,124.6	318.3	422.0
Depreciation and amortization (ARP million)	229.4	192.3	74.9	70.5
Operating income per ton (ARP / ton)	665	612	495	743
<u>Operating Data</u>				
Domestic Sales (000 tons)	1,153.2	1,180.5	378.1	385.9
Export sales (000 tons)	569.8	393.8	141.9	101.2
Total sales (000 tons)	1,723.0	1,574.3	520.0	487.1
Employees	4,741	4,688	4,741	4,688
<u>Financial Ratios</u>				
Return on equity	26.9%	36.6%	5.0%	12.3%
Operating margin	34.3%	38.2%	26.4%	41.0%
Total liabilities / total assets	35.7%	23.9%	35.7%	23.9%
Current assets / current liabilities	170.9%	228.0%	170.9%	228.0%
EBITDA / net sales	39.8%	44.6%	32.7%	47.9%