

**SIDERAR SOCIEDAD ANONIMA  
INDUSTRIAL Y COMERCIAL**

**FINANCIAL STATEMENTS  
AT SEPTEMBER 30, 1999**

# **SIDERAR SOCIEDAD ANONIMA INDUSTRIAL Y COMERCIAL**

## **FINANCIAL STATEMENTS AT SEPTEMBER 30, 1999**

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## **SIDERAR SOCIEDAD ANONIMA INDUSTRIAL Y COMERCIAL**

### **SUMMARY INFORMATION**

In accordance with the regulations of Resolution No. 290/97 of the National Securities Commission the Board of Directors has approved the following information corresponding to the period begun on July 1, 1999 and ended on September 30, 1999.

#### **1. ACTIVITIES OF THE COMPANY**

The result for the first quarter of the year has been a loss of \$ 6,559,604. Negative results from related companies and the level of shipments to the domestic market have been the main factors leading to this result.

During the quarter shipments to the domestic market have gradually increased, so that while the total for the quarter was 29% below that for the same period of the previous year, shipments for September 1999 were only 9% below those one year previously.

Total shipments were similar to those recorded in the same period of the previous year (+2%), made possible by a rise of 89% in exports.

Excluding the loss of \$ 10,472,687 in related companies, the Company recorded a profit of \$ 3,913,083 and an ordinary operating profit before interest, taxes, depreciation and amortization of \$ 37,216,052, 49% lower than that corresponding to the same quarter of the previous year.

Industrial production levels for the various lines have continued to be adapted to market demand. Labor productivity has been maintained, and in Siderar in September a level of 4.2 man-hours per ton of liquid steel was recorded.

As a result of the cost reduction program implemented the average cost of sales was 9% lower than that corresponding to the same quarter of the previous year.

The Company has experienced no difficulties in financing its operations and during the course of the quarter it has been possible to extend the average term of debt through the replacement of shorter-term lines by \$ 30 million financed over 3 years. Total debt fell during the quarter by \$ 22,394,132, 75% of this reduction being commercial debt and the remainder financial debt. The Company continues to hold a liquidity reserve.

Other key events during the period have been:

On September 30, 1999 the Shareholders' Meeting of Siderar S.A.I.C. approved the proposed distribution of earnings and voted to make payment of the cash dividend amount of \$ 13,898,751 as from October 18.

With regard to the year 2000 information technology problem, the Company has completed the correction and testing of all its systems critical to operations, and is in a position to carry out the change of year from 1999 to 2000 without difficulty.

A 5-year contract has been signed with a consortium formed by Tecpetrol, YPF, Energy Development Corp. and Petrolera Santa Fe for the supply of natural gas for Ensenada, and a further 3.5 year contract was signed with another consortium formed by Tecpetrol, Mobil Argentina S.A. and Compañía General de Combustibles for the supply of gas to the General Savio Steel Center.

Sidor and Amazonia continue to negotiate with creditor banks to refinance their financial liabilities.

## 2. CONSOLIDATED EQUITY STRUCTURE (compared to the periods ended September 30, 1995, 1996, 1997 and 1998 - Amounts stated in thousands of pesos)

	<b>9.30.99</b>	<b>9.30.98</b>	<b>9.30.97</b>	<b>9.30.96 (1)</b>	<b>9.30.95 (1)</b>
Current assets	496,505	539,104	494,589	432,981	544,593
Non-current assets	875,504	938,201	787,829	706,465	701,588
Total	1,372,009	1,477,305	1,282,418	1,139,446	1,246,181
Current liabilities	367,528	435,565	432,550	281,462	626,026
Non-current liabilities	378,646	368,751	245,983	299,581	118,903
Sub-total	746,174	804,316	678,533	581,043	744,929
Minority interest in subsidiaries	53	101	74	-	-
Shareholders' equity	625,782	672,888	603,811	558,403	501,252
Total	1,372,009	1,477,305	1,282,418	1,139,446	1,246,181

(1) In previous periods the Company did not hold investments in subsidiaries requiring consolidation.

## 3. CONSOLIDATED INCOME STRUCTURE (compared to the periods ended September 30, 1995, 1996, 1997 and 1998 - Amounts stated in thousands of pesos)

	<b>7.1.99 to 9.30.99</b>	<b>7.1.98 to 9.30.98</b>	<b>7.1.97 to 9.30.97</b>	<b>7.1.96 to 9.30.96 (1)</b>	<b>7.1.95 to 9.30.95 (1)</b>
Result from ordinary operations	18,240	52,085	64,848	51,048	29,724
Financial result	(9,220)	(8,033)	(7,929)	(8,202)	(8,811)
Other income and expenses	(4,799)	(4,360)	(3,980)	(555)	(685)
Minority interest in subsidiaries	(1)	(6)	(4)	-	-
Result before tax - Carried forward	4,220	39,686	52,935	42,291	20,228

	<b>7.1.99 to 9.30.99</b>	<b>7.1.98 to 9.30.98</b>	<b>7.1.97 to 9.30.97</b>	<b>7.1.96 to 9.30.96 (1)</b>	<b>7.1.95 to 9.30.95 (1)</b>
Brought forward	4,220	39,686	52,935	42,291	20,228
Taxes	(307)	(14,300)	(18,540)	(13,440)	(7,200)
Ordinary result	3,913	25,386	34,395	28,851	13,028
Result from investments in related companies	(10,473)	1,571	1	-	-
Other income and expenses	-	-	-	(4,944)	-
Net result for the period	(6,560)	26,957	34,396	23,907	13,028

(1) In previous periods the Company did not hold investments in subsidiaries requiring consolidation.

#### 4. CONSOLIDATED STATISTICAL DATA (compared to the periods ended September 30, 1995, 1996, 1997 and 1998 - Amounts stated in thousands of tons)

	<b>7.1.99 to 9.30.99</b>	<b>7.1.98 to 9.30.98</b>	<b>7.1.97 to 9.30.97</b>	<b>7.1.96 to 9.30.96 (1)</b>	<b>7.1.95 to 9.30.95 (1)</b>
Shipments (2)	563	551	578	525	399
Domestic market	292	408	431	378	239
Exports	271	143	147	147	160
Production					
Hot rolled steel	550	483	541	502	454
Cold rolled steel	359	352	360	326	330

(1) In previous periods the Company did not hold investments in subsidiaries requiring consolidation.

(2) Includes 37.2, 44.7, 37.5 and 32.2 thousand tons of pig iron bars for the years 96/97, 97/98, 98/99 and 99/00, respectively.

#### 5. CONSOLIDATED RATIOS (compared to the periods ended September 30, 1995, 1996, 1997 and 1998)

	<b>9.30.99</b>	<b>9.30.98</b>	<b>9.30.97</b>	<b>9.30.96 (1)</b>	<b>9.30.95 (1)</b>
Liquidity	1.35	1.24	1.14	1.54	0.87
Indebtedness	1.19	1.20	1.12	1.04	1.49

(1) In previous periods the Company did not hold investments in subsidiaries requiring consolidation.

**6. OUTLOOK**

During the course of the quarter various economic indicators began to experience a positive change. The widespread nature of these positive developments and the elimination of the uncertainty of the pre-election period are factors that will contribute to ensuring that the Argentine economy can pull out of the recession it has been experiencing.

The Company estimates that a recovery in domestic market shipments will take place gradually and a significant improvement will only be seen in the third quarter of the fiscal year.

Buenos Aires, November 5, 1999

THE BOARD OF DIRECTORS

**SIDERAR SOCIEDAD ANONIMA INDUSTRIAL Y COMERCIAL**

**FINANCIAL STATEMENTS** for the three-month period ended September 30, 1999

Fiscal year No. 39 beginning on July 1, 1999

Legal address: Leandro N. Alem 1067, Buenos Aires

Main activity: Promotion, construction and operation of steel mills, production and marketing of steel, iron and steel products

From the by-laws and articles of incorporation:

Date of registration in the National Commercial Court of Record of First Instance: March 7, 1962

From the amendments:

Dates of registration in the National Commercial Court of Record of First Instance:

November 10, 1966;

October 10, 1967;

June 11, 1969;

June 9, 1971;

June 24, 1976;

July 1, 1977;

October 5, 1977;

June 26, 1980;

October 13, 1980;

March 29, 1982;

April 27, 1983;

April 11, 1984;

April 2, 1985;

May 7, 1986;

June 30, 1987;

August 10, 1992;

September 16, 1992;

July 28, 1993;

May 6, 1994;

January 5, 1995;

November 7, 1995;

May 28, 1996; and

March 11, 1997

**SIDERAR SOCIEDAD ANONIMA INDUSTRIAL Y COMERCIAL****FINANCIAL STATEMENTS** for the three-month period ended September 30, 1999

Registration number with the Superintendency of Corporations: 14510

Duration of the Company: Up to April 2, 2090

Capital: Par value shares of 1 peso and one vote each

<b>Class</b>	<b>No. of votes per share</b>	<b>Subscribed and paid-in</b>
		<b>\$</b>
Common "A" shares outstanding	1	310,891,625
Common "B" shares outstanding	1	36,577,146
		<u>347,468,771</u>

## SIDERAR SOCIEDAD ANONIMA INDUSTRIAL Y COMERCIAL

Registration number with the Superintendency of Corporations: 14510

**BALANCE SHEET** at September 30, 1999, compared to the same period of the previous year

	<b>9.30.99</b>	<b>9.30.98</b>		<b>9.30.99</b>	<b>9.30.98</b>
	<b>\$</b>	<b>\$</b>		<b>\$</b>	<b>\$</b>
<b>ASSETS</b>			<b>LIABILITIES</b>		
<b>CURRENT ASSETS</b>			<b>CURRENT LIABILITIES</b>		
Cash and banks (Note 4 a))	5,827,889	4,356,837	Accounts payable (Note 4 h))	88,107,179	112,706,544
Other investments (Exhibit D)	25,868,978	24,726,695	Short-term debt (Note 4 i))	218,174,867	216,711,795
Trade receivables (Note 4 b))	177,586,239	150,850,771	Social security and taxes (Note 4 j))	41,698,493	49,656,618
Other receivables (Note 4 c))	44,169,767	56,122,817	Other liabilities (Note 4 k))	16,261,489	34,200,096
Inventories (Exhibit F)	238,054,796	285,883,768	Provision for contingencies (Exhibit E)	3,129,954	2,060,646
Other assets (Note 4 d))	1,603,771	-			
Total current assets	<u>493,111,440</u>	<u>521,940,888</u>	Total current liabilities	<u>367,371,982</u>	<u>415,335,699</u>
<b>NON-CURRENT ASSETS</b>			<b>NON-CURRENT LIABILITIES</b>		
Trade receivables (Note 4 e))	953,144	2,959,970	Accounts payable (Note 4 l))	11,922,660	18,811,617
Other receivables (Note 4 f))	26,148,468	3,698,562	Long-term debt (Note 4 m))	348,430,006	320,541,714
Investments (Exhibit C)	67,708,932	181,470,583	Social security and taxes (Note 4 n))	4,302,048	10,979,939
Other investments (Exhibit D)	39,255,249	41,265,061	Other liabilities	362,174	-
Intangible assets (Exhibit B)	5,505,275	8,571,072	Provision for contingencies (Exhibit E)	13,629,420	8,786,000
Fixed assets (Exhibit A)	735,796,283	681,293,102			
Other assets (Note 4 g))	3,321,650	6,143,870	Total non-current liabilities	<u>378,646,308</u>	<u>359,119,270</u>
Total non-current assets	<u>878,689,001</u>	<u>925,402,220</u>	Total liabilities	<u>746,018,290</u>	<u>774,454,969</u>
			<b>SHAREHOLDERS' EQUITY</b> (as per respective statement)	<u>625,782,151</u>	<u>672,888,139</u>
Total assets	<u><u>1,371,800,441</u></u>	<u><u>1,447,343,108</u></u>	Total liabilities and Shareholders' equity	<u><u>1,371,800,441</u></u>	<u><u>1,447,343,108</u></u>

The accompanying notes 1 to 14 and exhibits A to I are an integral part of these financial statements.

The report on limited review is issued as a separate document.

## SIDERAR SOCIEDAD ANONIMA INDUSTRIAL Y COMERCIAL

Registration number with the Superintendency of Corporations: 14510

**STATEMENT OF INCOME** for the three-month period ended September 30, 1999, compared to the same period of the previous year

	<b>9.30.99</b>	<b>9.30.98</b>
	<b>\$</b>	<b>\$</b>
Net income from sales	240,961,856	283,490,158
Cost of sales (Exhibit F)	(197,026,498)	(206,609,873)
Gross profit	43,935,358	76,880,285
Selling expenses (Exhibit H)	(7,553,343)	(6,423,329)
Administrative expenses (Exhibit H)	(18,850,260)	(19,119,709)
Financial and holding results		
Generated by assets (Exhibit H)	1,439,269	4,821,967
Generated by liabilities (Exhibit H)	(10,675,211)	(12,712,457)
Other ordinary income and expenses (Exhibit H)	(4,798,355)	(2,782,536)
Net income before taxes	3,497,458	40,664,221
Income tax provision charge	(300,000)	(13,500,000)
Ordinary income	3,197,458	27,164,221
Result from investments in subsidiaries and related companies (Note 8 e))	(9,757,062)	(207,539)
Net (loss) income for the period	(6,559,604)	26,956,682

The accompanying notes 1 to 14 and exhibits A to I are an integral part of these financial statements.

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## SIDERAR SOCIEDAD ANONIMA INDUSTRIAL Y COMERCIAL

Registration number with the Superintendency of Corporations: 14510

**STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY** for the three-month period ended September 30, 1999, compared to the same period of the previous year

Item	Capital stock			Non-capitalized contributions	Retained earnings			Unappropriated retained earnings	9.30.99	9.30.98
	Shares outstanding	Capital adjustment	Total	Premium on issue of shares	Legal reserve	Reserve for future dividends	Free reserve		Total shareholders' equity	Total shareholders' equity
	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$
Balances at the beginning of the period	347,468,771	27,348,487	374,817,258	21,194,650	19,576,821	210,342,728	20,000,000	609,049	646,540,506	679,240,990
Approved by the Shareholders' Ordinary Meeting on September 30, 1998										
- Distribution of profits										
Hnos. Agustín y Enrique Rocca Foundation	-	-	-	-	-	-	-	-	-	(300,000)
Cash dividends	-	-	-	-	-	-	-	-	-	(33,009,533)
Approved by the Shareholders' Ordinary Meeting on September 30, 1999										
- Release of the reserve for future dividends	-	-	-	-	-	(13,620,154)	-	13,620,154	-	-
- Distribution of profits										
Legal reserve	-	-	-	-	30,452	-	-	(30,452)	-	-
Hnos. Agustín y Enrique Rocca Foundation	-	-	-	-	-	-	-	(300,000)	(300,000)	-
Cash dividends	-	-	-	-	-	-	-	(13,898,751)	(13,898,751)	-
Result for the period as per statement of income	-	-	-	-	-	-	-	(6,559,604)	(6,559,604)	26,956,682
Balances at September 30, 1999	347,468,771	27,348,487	374,817,258	21,194,650	19,607,273	196,722,574	20,000,000	(6,559,604)	625,782,151	
Balances at September 30, 1998	347,468,771	27,348,487	374,817,258	21,194,650	19,576,821	210,342,728	20,000,000	26,956,682		672,888,139

The accompanying notes 1 to 14 and exhibits A to I are an integral part of these financial statements.

The report on limited review is issued as a separate document.

## SIDERAR SOCIEDAD ANONIMA INDUSTRIAL Y COMERCIAL

Registration number with the Superintendency of Corporations: 14510

**STATEMENT OF SOURCES AND USES OF FUNDS** for the three-month period ended September 30, 1999, compared to the same period of the previous year

	<b>9.30.99</b>	<b>9.30.98</b>
	<b>\$</b>	<b>\$</b>
<b>CHANGES IN FUNDS</b>		
Funds at the beginning of the period (1)	20,899,186	5,901,151
Increase in funds	10,797,681	23,182,381
Funds at the end of the period (1)	<u>31,696,867</u>	<u>29,083,532</u>
<b>CAUSES OF CHANGES IN FUNDS</b>		
Ordinary income	3,197,458	27,164,221
Add items not representing funds disbursements		
Depreciation of fixed assets	18,875,612	16,903,816
Depreciation of other non-current investments	-	14,267
Depreciation of other current assets	13,118	-
Amortization of intangible assets	626,916	698,904
Allowance for doubtful accounts	794,074	450,000
Income tax provision charge	300,000	13,500,000
Board of Directors' and Surveillance Committee's fees provision	308,000	308,000
Provision for contingencies	70,503	1,264,057
Funds generated by ordinary operations	<u>24,185,681</u>	<u>60,303,265</u>
Holding result in subsidiaries and related companies	(9,757,062)	(207,539)
Add items not representing funds disbursements		
Holding result in subsidiaries and related companies	9,757,062	207,539
Funds generated (applied) to remaining operations	<u>-</u>	<u>-</u>
Funds generated by operations	24,185,681	60,303,265
Other causes of sources of funds		
Net decrease (increase) in inventories	19,441,906	(2,577,988)
Net decrease (increase) in other assets	624,265	(2,054,143)
Net increase (decrease) in social security and taxes	4,083,687	(6,177,714)
Total sources of funds - Carried forward	<u>48,335,539</u>	<u>49,493,420</u>

(1) Cash and banks plus other current investments

**SIDERAR SOCIEDAD ANONIMA INDUSTRIAL Y COMERCIAL**

Registration number with the Superintendency of Corporations: 14510

**STATEMENT OF SOURCES AND USES OF FUNDS** for the three-month period ended September 30, 1999, compared to the same period of the previous year

	<b>9.30.99</b>	<b>9.30.98</b>
	<b>\$</b>	<b>\$</b>
CAUSES OF CHANGES IN FUNDS (Contd.)		
Brought forward	48,335,539	49,493,420
Other causes of uses of funds		
Net (increase) decrease in trade receivables	(2,196,888)	6,566,681
Net (increase) decrease in other receivables	(8,231,247)	3,178,397
Net increase in investments	-	(794,504)
Net (increase) decrease in other non-current investments	(1,144,061)	12,649,749
Net increase in fixed assets	(4,474,106)	(18,771,732)
Net decrease in trade payables	(16,788,638)	(20,774,456)
Net decrease in short and long-term debt	(4,501,862)	(7,013,761)
Net decrease in other liabilities	(114,231)	(1,272,303)
Decrease in provisions for contingencies	(86,825)	(79,110)
Total uses of funds	<u>(37,537,858)</u>	<u>(26,311,039)</u>
Increase in funds	<u>10,797,681</u>	<u>23,182,381</u>

The accompanying notes 1 to 14 and exhibits A to I are an integral part of these financial statements.

The report on limited review is issued as a separate document.

## **SIDERAR SOCIEDAD ANONIMA INDUSTRIAL Y COMERCIAL**

Registration number with the Superintendency of Corporations: 14510

### **NOTES TO THE FINANCIAL STATEMENTS at September 30, 1999**

#### **NOTE 1 - MERGER**

On May 3, 1999 the Board of Directors of the Company approved the merger through absorption of Comesi S.A.I.C. by Siderar S.A.I.C. as the successor company, effective April 1, 1999.

This merger was approved by the respective Extraordinary Shareholders' Meeting held on June 15, 1999. On August 2, 1999 a final merger agreement was signed and on September 30, 1999 it was registered at the Public Registry of Commerce.

#### **NOTE 2 - BASES FOR THE PREPARATION OF FINANCIAL STATEMENTS**

The financial statements have been prepared in accordance with General Resolution No. 290/97 of the National Securities Commission.

#### **NOTE 3 - ACCOUNTING STANDARDS**

The most significant accounting standards are as follows:

##### **3.1. Comparative information**

The financial statements are presented in pesos in two columns in comparative form with those of the same period of the previous year. The balances at September 30, 1998 correspond to the financial statements of Siderar S.A.I.C. at that date; those at September 30, 1999 correspond to the merged company as mentioned in Note 1 to the financial statements.

##### **3.2. Recognition of the effects of inflation**

The financial statements have been prepared in constant currency, reflecting the overall effects of inflation through August 31, 1995. In accordance with General Resolution No. 290/97 of the National Securities Commission, restatement of the financial statements has been discontinued as from September 1, 1995.

**SIDERAR SOCIEDAD ANONIMA INDUSTRIAL Y COMERCIAL**

Registration number with the Superintendency of Corporations: 14510

**NOTES TO THE FINANCIAL STATEMENTS at September 30, 1999 (Contd.)****NOTE 3 - ACCOUNTING STANDARDS (Contd.)**

## 3.3. Valuation criteria

These financial statements have been prepared applying the valuation criteria established by General Resolution No. 290/97 of the National Securities Commission, as explained below:

- a) Assets and liabilities in local currency without adjustment clauses are stated at their nominal value plus the accrued financial results up to the end of the period.
- b) Assets and liabilities in foreign currency have been valued at the corresponding exchange rates in effect at the end of the period plus the accrued financial results up to that date.
- c) Export reimbursements have been valued at the rates of exchange for the US dollar in force at the end of the period applied on par values in foreign currency and included in the Trade receivables - export reimbursement caption.
- d) Advances to suppliers are stated at their current value.
- e) Inventories have been valued at their replacement cost at the end of the period, applying the direct industrial cost method and including the indirect manufacturing expenses, except fixed assets depreciation and general expenses.

Materials have been valued at their replacement cost at the end of the period.

- f) Property included under Other current assets has been valued at acquisition cost. Depreciation has been calculated by the straight-line method, using annual rates sufficient to extinguish their values by the end of their estimated useful lives.

Other non-current assets are valued at construction cost and include real property for sale to personnel.

- g) Steel spares and supplies, included in fixed assets, have been valued at the lowest of their restated cost value or recoverable value. The recoverable value has been calculated on the basis of the values of last purchases or quotations from suppliers on dates close to the end of the period.

Fixed assets at the Ensenada Plant which had been technically appraised (based on the valuation carried out at June 30, 1990) were restated for inflation as mentioned in Note 3.2.

**SIDERAR SOCIEDAD ANONIMA INDUSTRIAL Y COMERCIAL**

Registration number with the Superintendency of Corporations: 14510

**NOTES TO THE FINANCIAL STATEMENTS at September 30, 1999 (Contd.)****NOTE 3 - ACCOUNTING STANDARDS (Contd.)**

## 3.3. Valuation criteria (Contd.)

The remaining fixed assets have been valued at their restated cost. Depreciation of fixed assets has been calculated according to the straight-line method by applying annual rates sufficient to extinguish their values by the end of their estimated useful lives.

The aggregate net value of fixed assets does not exceed recoverable value.

- h) The participation in other companies has been valued at proportional equity value based on the financial statements mentioned in Exhibit C to the financial statements, except for the investment in FO.GA.BA. S.A.P.E.M., which is valued at acquisition cost. In addition, the accounting standards adopted by subsidiaries and related companies have been unified with the accounting criteria followed by Siderar S.A.I.C. For purposes of translation into pesos of the financial statements of Prosid Investments Inc., the criteria established by Technical Pronouncement No. 13 of the Argentine Federation of Professional Councils in Economic Sciences were used.
- i) Compañía Afianzadora de Empresas Siderúrgicas S.G.R. risk fund, recorded by Siderar S.A.I.C. under Other investments, corresponds to the portion attributable to that company considering the percentage contributions paid by the protecting partners of Sociedad de Garantía Recíproca and the value of the fund at September 30, 1999 (see Note 8.a) to the financial statements).
- j) Plant reorganization and project analysis expenses are amortized by the straight-line method over the terms established for each of those items, none of which exceeds six years.

The goodwill (Comesi S.A.I.C.) corresponds to the difference between the value paid for the shares of Comesi S.A.I.C. and the proportional equity value at the date of purchase once the accounting values of the assets of the issuer have been adjusted by their respective current values. Goodwill is amortized by the straight-line method, over a maximum term of five years as from April 1997.

- k) The Company has capitalized the financial costs from the projects for the modernization of its fixed assets.

To calculate the capitalizable financial charge the Company's financing cost has been estimated by computing the results generated by all items making up its financing structure.

The abovementioned capitalization is made until the works-related assets giving rise to it become operative, and will be amortized applying the same criteria used for the assets constructed.

**SIDERAR SOCIEDAD ANONIMA INDUSTRIAL Y COMERCIAL**

Registration number with the Superintendency of Corporations: 14510

**NOTES TO THE FINANCIAL STATEMENTS at September 30, 1999 (Contd.)****NOTE 3 - ACCOUNTING STANDARDS (Contd.)**

## 3.3. Valuation criteria (Contd.)

Financial costs capitalized in the period amounted to \$ 212,497.

- l) The implicit financial components included in the assets, liabilities and income balances have been segregated, if significant.
- m) The Company has set up the allowances and provisions considered necessary so that the value assigned to assets does not exceed their recoverable value and that the value assigned to liabilities is not lower than the value which may be claimable by third parties.

The provisions disclosed in current and non-current liabilities for a total of \$ 16,759,374 were set up to meet potential contingencies.

- n) As from August 1, 1995, the Company implemented a retirement benefit plan in favor of certain officials. Since that date the resulting liabilities are being accrued during the remaining years of service of the beneficiaries involved. At the end of the period in progress these liabilities are shown under "Social security and taxes" as a non-current liability, no debt being claimable as at that date.

In addition, the Company has taken out endowment policies which could be used to provide partial or total cover for these benefits.

- o) Non-current credits and liabilities accrue interest at normal market rates.
- p) The Company calculates income tax by applying a 35% rate on taxable profits. The tax on minimum notional income is applicable to the potential income from certain productive assets at the rate of 1% and supplements income tax, so that the Company's tax liability will be equivalent to the higher of those taxes. However, if the tax on minimum notional income exceeds income tax in a given fiscal year, that surplus can be computed as payment on account of income tax in excess of the tax on minimum notional income arising in any of the following four fiscal years. At the end of the period, the Company did not set up any provision for tax on minimum notional income as it estimates that at the end of the year the charge for income tax will be higher than that for tax on minimum notional income.
- q) The Company's Board of Directors considers that aggregate valuation of assets captions is less than their recoverable value.

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**NOTES TO THE FINANCIAL STATEMENTS at September 30, 1999 (Contd.)****NOTE 4 - COMPOSITION OF BALANCE SHEET ITEMS**

	<b>9.30.99</b>	<b>9.30.98</b>
	<b>\$</b>	<b>\$</b>
<b>CURRENT ASSETS</b>		
a) Cash and banks		
Cash	198,830	947,110
Checks to be deposited	2,088,542	652,302
Banks	3,540,517	2,757,425
	<u>5,827,889</u>	<u>4,356,837</u>
b) Trade receivables		
Accounts receivable	108,839,622	91,677,562
Related companies Sect. 33 - Law No. 19550 and amendments	1,317,956	3,711,717
Export reimbursements	3,880,796	1,539,384
Notes receivable	72,919,637	65,156,527
Discounted notes	-	(746,549)
Allowance for doubtful accounts (Exhibit E)	(7,624,730)	(7,700,254)
Unearned interest	(1,747,042)	(2,787,616)
	<u>177,586,239</u>	<u>150,850,771</u>
c) Other receivables		
Related companies Sect. 33 - Law No. 19550 and amendments	4,619,625	42,046,106
Advances and loans to personnel	3,038,593	4,667,174
Other receivables from personnel from sale of property	209,001	-
Solidarity contribution	69,346	64,734
Tax credits	20,744,359	343,820
Advances to suppliers	1,357,229	1,709,938
Expenses paid in advance	2,135,659	1,599,567
Sundry receivables	11,995,955	5,691,478
	<u>44,169,767</u>	<u>56,122,817</u>
d) Other assets (residual value)		
Real property	1,603,771	-
	<u>1,603,771</u>	<u>-</u>

The depreciation of the period amounted to \$ 13,118 (Exhibit H).

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**NOTES TO THE FINANCIAL STATEMENTS at September 30, 1999 (Contd.)****NOTE 4 - COMPOSITION OF BALANCE SHEET ITEMS (Contd.)**

	<b>9.30.99</b>	<b>9.30.98</b>
	<b>\$</b>	<b>\$</b>
<b>NON-CURRENT ASSETS</b>		
e) Trade receivables		
Notes receivable	1,036,144	3,273,970
Allowance for doubtful accounts (Exhibit E)	(83,000)	(314,000)
	<u>953,144</u>	<u>2,959,970</u>
f) Other receivables		
Advances and loans to personnel	1,630,777	2,093,978
Other receivables from personnel from sale of property	5,518,912	-
Solidarity contribution	7,105	-
Advances to suppliers	-	463,607
Expenses paid in advance	3,140,806	939,320
Financial receivables	14,915,064	-
Sundry receivables	935,804	201,657
	<u>26,148,468</u>	<u>3,698,562</u>
g) Other assets		
Real property	3,321,650	6,143,870
	<u>3,321,650</u>	<u>6,143,870</u>
<b>CURRENT LIABILITIES</b>		
h) Accounts payable		
Ordinary suppliers	49,220,199	49,769,436
Related companies Sect. 33 - Law No. 19550 and amendments	1,990,957	1,195,834
Notes payable	35,480,098	61,977,117
Unearned interest	(1,370,683)	(3,131,904)
Advances from customers	2,786,608	2,896,061
	<u>88,107,179</u>	<u>112,706,544</u>

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**NOTES TO THE FINANCIAL STATEMENTS** at September 30, 1999 (Contd.)**NOTE 4 - COMPOSITION OF BALANCE SHEET ITEMS (Contd.)**

	<b>9.30.99</b>	<b>9.30.98</b>
	<b>\$</b>	<b>\$</b>
<b>CURRENT LIABILITIES (Contd.)</b>		
i) Short-term debt		
Financial	-	2,054,460
Import/export financing	237,411,884	241,063,131
Unearned interest	(19,237,017)	(26,405,796)
	<u>218,174,867</u>	<u>216,711,795</u>
j) Social security and taxes		
Provision for income tax	18,502,082	53,340,000
Income tax withholding and solidarity contribution	(11,723,347)	(23,919,520)
Income tax advances	(6,778,735)	(26,813,105)
VAT provision	-	26,224
Provision for turnover tax	293,408	332,725
Wages and social security	36,783,349	42,019,411
Others sundry	4,621,736	4,670,883
	<u>41,698,493</u>	<u>49,656,618</u>
k) Other liabilities		
Related companies Sect. 33 - Law No. 19550 and amendments	-	50,000
Dividends payable	13,898,751	33,009,533
Sundry	2,362,738	1,140,563
	<u>16,261,489</u>	<u>34,200,096</u>

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**NOTES TO THE FINANCIAL STATEMENTS at September 30, 1999 (Contd.)****NOTE 4 - COMPOSITION OF BALANCE SHEET ITEMS (Contd.)**

	<b>9.30.99</b>	<b>9.30.98</b>
	<b>\$</b>	<b>\$</b>
<b>NON-CURRENT LIABILITIES</b>		
l) Accounts payable		
Notes payable	13,730,088	20,111,538
Unearned interest	(1,807,428)	(1,299,921)
	<u>11,922,660</u>	<u>18,811,617</u>
m) Long-term debt		
Import/export financing	282,302,402	256,534,484
Negotiable Corporate Bonds	110,000,000	110,000,000
Unearned interest	(43,872,396)	(45,992,770)
	<u>348,430,006</u>	<u>320,541,714</u>
n) Social security and taxes		
Provision for income tax	300,000	13,500,000
Income tax with holding and solidarity contribution	(300,000)	(5,500,291)
Sundry	4,302,048	2,980,230
	<u>4,302,048</u>	<u>10,979,939</u>

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**NOTES TO THE FINANCIAL STATEMENTS** at September 30, 1999 (Contd.)**NOTE 5 - RECEIVABLES AND PAYABLES: DUE DATES AND RATES**

Captions	Up to 3 months	Between 3 and 6 months	Between 6 and 9 months	Between 9 and 12 months	Between 1 and 2 years	Between 2 and 3 years	Between 3 and 4 years	Over 4 years	Total at 9.30.99	Total at 9.30.98
	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$
<b>Over due</b>										
Trade receivables - fixed rate	2,480,367	1,000,423	794,781	244,910	1,438,532	1,208,390	543,930	1,154,166	8,865,499	11,626,946
Total at 9.30.99	2,480,367	1,000,423	794,781	244,910	1,438,532	1,208,390	543,930	1,154,166	8,865,499	
Total at 9.30.98	1,909,471	3,882,663	30,102	162,483	1,051,718	699,924	2,715,029	1,175,556		11,626,946
<b>Not yet due</b>										
Deposits of funds - fixed rate	25,868,978	-	-	-	-	-	-	-	25,868,978	24,726,695
Deposits of funds - floating rate	-	-	-	-	-	-	-	5,279,020	5,279,020	4,054,049
Trade receivables - fixed rate	148,689,483	11,529,385	10,623,941	1,621,865	949,144	87,000	-	-	173,500,818	148,658,665
Trade receivables - without rate	3,880,796	-	-	-	-	-	-	-	3,880,796	1,539,384
Other receivables - fixed rate	9,298,946	1,245,707	631,372	557,226	1,502,040	851,872	614,617	4,851,599	19,553,379	46,305,361
Other receivables - floating rate	748,044	15,750	15,750	2,135,893	63,000	63,000	63,000	14,978,064	18,082,501	4,322,369
Other receivables - without rate	17,959,038	722,805	361,379	10,477,857	1,354,623	1,019,736	504,604	282,313	32,682,355	9,193,649
Total at 9.30.99	206,445,285	13,513,647	11,632,442	14,792,841	3,868,807	2,021,608	1,182,221	25,390,996	278,847,847	
Total at 9.30.98	193,005,539	7,113,109	11,627,034	16,027,909	4,171,638	1,644,854	763,107	4,446,982		238,800,172
Accounts payable - fixed rate	40,046,389	3,872,688	6,453,602	6,441,273	1,567,895	1,238,415	1,238,415	1,218,515	62,077,192	82,181,177
Accounts payable - floating rate	1,041,762	-	832,427	-	1,664,855	1,664,855	1,664,855	1,664,855	8,533,609	10,277,564
Accounts payable - without rate	28,270,907	1,128,095	20,036	-	-	-	-	-	29,419,038	39,059,420
Short and long-term debt - fixed rate	32,068,310	133,504,241	43,260,707	2,393,009	76,603,510	14,935,031	15,895,258	3,869,153	322,529,219	350,335,064
Short and long-term debt - floating rate	3,573,289	1,003,349	1,834,020	537,942	29,663,448	144,663,448	59,088,514	3,711,644	244,075,654	186,888,373
Short and long-term debt - without rate	-	-	-	-	-	-	-	-	-	30,072
Social security and taxes - without rate	26,973,561	9,803,473	36,322	4,885,137	-	-	-	4,302,048	46,000,541	60,636,557
Other debt - without rate	15,953,489	-	-	308,000	362,174	-	-	-	16,623,663	34,200,096
Total at 9.30.99	147,927,707	149,311,846	52,437,114	14,565,361	109,861,882	162,501,749	77,887,042	14,766,215	729,258,916	
Total at 9.30.98	234,328,930	72,405,256	90,262,929	16,277,938	25,840,839	103,741,590	130,794,754	89,956,087		763,608,323

- The allowances for doubtful accounts and existing guarantees are sufficient to cover overdue trade receivables.
- The other receivables - fixed rate caption includes \$ 480,402 to be restated according to the firm gas transportation tariff.
- Interest rates are not lower than market rates.

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**NOTES TO THE FINANCIAL STATEMENTS at September 30, 1999 (Contd.)****NOTE 6 - CHANGES IN ACCOUNTING PROCEDURES**

The Company has followed the same criteria adopted in the previous year as regards valuations, depreciations and other items.

**NOTE 7 - ENCUMBERED AND RESTRICTED ASSETS AND SURETIES GRANTED**

Pledges have been set up on Company assets in guarantee of debts incurred as a result of the purchase of pledged assets amounting to US\$ 2,773,371.

In accordance with the contracts signed as a result of the incorporation of Consorcio Siderurgia Amazonia Ltd., guarantees were granted as mentioned in Note 8.d) to the financial statements.

At period-end, the Company had become the guarantor of obligations for US\$ 3,120,934.

**NOTE 8 - INVESTMENTS IN OTHER COMPANIES**

## a) Compañía Afianzadora de Empresas Siderúrgicas S.G.R.

The Company has a 39.0539% interest in the capital stock of Compañía Afianzadora de Empresas Siderúrgicas S.G.R. in its capacity as protecting partner. The main purpose of this company is to grant guarantees to participating partners to facilitate or enable their access to the bank credit line for the purchase of national steel raw material and to provide technical, economic and financial advice to them. To do so, the Company has made a net contribution of \$ 36,000,000 to the risk fund (see Exhibit D to the financial statements). The purpose of the risk fund is to realize guarantees to be granted to participating partners.

## b) Ecocemento S.A.

On September 16, 1996 the Company and Compañía Argentina de Cemento Portland S.A. formed Ecocemento S.A., the purpose of which is the production and sale of blast furnace slag Portland cement, lime and related products. The shareholding is 15%, represented by 1,800 Class "B" shares of one vote and one peso par value each. Until the end of the period the Company had made contributions for \$ 2,848,547. On March 1999, Ecocemento S.A. inaugurated its industrial plant.

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**NOTES TO THE FINANCIAL STATEMENTS at September 30, 1999 (Contd.)****NOTE 8 - INVESTMENTS IN OTHER COMPANIES (Contd.)**

## c) Comesi San Luis S.A.I.C.

On April 14, 1997, the Company acquired all of the shares held by the minority shareholders of Comesi San Luis S.A.I.C., 98% of which was held by Comesi S.A.I.C. at that date. The principal activity of Comesi San Luis S.A.I.C. is the production of cold or hot strip mill sheets either pre-painted or not, formed and/or skelped. The price paid for the 22,000 shares of par value \$ 0.0001 each representing 2% of the capital stock of Comesi San Luis S.A.I.C. amounted to US\$ 130,720. As a result of the merger with Comesi S.A.I.C. (see Note 1 to the financial statements), the Company acquired 100% of the shares of Comesi San Luis S.A.I.C. and consequently on June 29, 1999 Siderar S.A.I.C. sold the 1% equity participation for a total value of \$ 42,900.

## d) Prosid Investments Inc. - Consorcio Siderurgia Amazonia Ltd.

## d.1) Prosid Investments Inc.

On June 30, 1998 Prosid Investments Inc. was incorporated in the British Virgin Islands with a capital of US\$ 50,000 subscribed by the Company, for the purpose of making financial investments of all kinds and any other activity permitted under the laws of the Virgin Islands.

On November 11, 1998 the procedures were completed for the transfer of the 105,000,000 shares of Consorcio Siderurgia Amazonia Ltd. (Amazonia) to Prosid Investments Inc. for a value of US\$ 122,626,393, equivalent to the equity value of the shares contributed at that date, the capital of the latter company being increased to US\$ 120,000,000, the balance of US\$ 2,626,393 corresponding to the capital surplus account. As a result, the participation of the Company in Amazonia is indirect through the wholly-owned subsidiary Prosid Investments Inc.

The 105,000,000 shares in Amazonia are pledged in guarantee of the bank loan obtained by the latter to acquire its participation in Siderúrgica del Orinoco C.A. (Sidor).

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**NOTES TO THE FINANCIAL STATEMENTS** at September 30, 1999 (Contd.)**NOTE 8 - INVESTMENTS IN OTHER COMPANIES (Contd.)**

d) Prosid Investments Inc. - Consorcio Siderurgia Amazonia Ltd. (Contd.)

d.2) Amazonia

On November 13, 1997 Consorcio Siderurgia Amazonia Ltd. was set up, in which Siderar S.A.I.C. held a 17.5% share (subsequently transferred to Prosid Investments Inc. - see Note 8.d.1)). Amazonia was set up to participate in the bid for Venezuelan company Siderúrgica del Orinoco C.A., which was privatized by the government of Venezuela.

On December 18, 1997 Amazonia was declared the winner in the bid for Sidor, which manufactures flat and non-flat steel products.

The offer for 70% of its shares was US\$ 1,202,020,202, paid on January 27, 1998 with funds contributed by each consortium member in proportion to their participation (US\$ 702,020,202) and bank financing obtained by Amazonia (US\$ 500,000,000) guaranteed by the shares of Amazonia and those acquired from Sidor. For this reason Siderar S.A.I.C. made a capital contribution of US\$ 122,853,535. According to the terms of the share purchase agreement an audit of the financial statements of Sidor was performed on January 27, 1998, as a result of which Corporación Venezolana de Guayana refunded to Amazonia on August 10, 1998 the sum of US\$ 150 million, the maximum amount payable under the contract as an adjustment to the bid value.

Since the date of payment Siderar S.A.I.C. has become the guarantor of financial liabilities entered into by Sidor in proportion to its holding in Amazonia which to date amount to approximately US\$ 3,500,000. In addition, Sidor is committed to the payment of other financial liabilities falling due between December 18, 1999 and June 18, 2007 which may be prepaid. If at December 18, 1999 Sidor were not to have repaid these liabilities, Siderar S.A.I.C. will become the guarantor of these liabilities in proportion to its participation for approximately US\$ 105,500,000 in Amazonia.

Furthermore, the regulations regarding the privatization of Sidor contained requirements regarding the consummation of the transaction for the sale of shares and obligations in the hands of Sidor and Amazonia. A guarantee has been granted in favor of Fondo de Inversiones

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**NOTES TO THE FINANCIAL STATEMENTS at September 30, 1999 (Contd.)****NOTE 8 - INVESTMENTS IN OTHER COMPANIES (Contd.)**

d) Prosid Investments Inc. - Consorcio Siderurgia Amazonia Ltd. (Contd.)

d.2) Amazonia (Contd.)

de Venezuela and Corporación Venezolana de Guayana for a total aggregate amount of US\$ 150,000,000 regarding compliance with the conditions and obligations established in the Sidor share purchase agreement for a period of five years as from the date of purchase of its shares.

A surety has been issued through Banco Santander for a term of five years covering the obligations assumed by Amazonia with regard to:

- continuation of the operations of the flat and non-flat product lines of Sidor for 5 years as from the date of purchase at a production level equal to or exceeding 2,400,000 tons;
- the investment by Sidor of US\$ 300,000,000 over three years as from the date of purchase, in addition to the investments that Sidor will be required to make for environmental matters;
- the retaining by the shareholders of Amazonia for a term of 5 years as from the date of purchase, directly or through wholly-owned subsidiaries, of at least 51% of the shares of Sidor granting them control over that company. For the same period at least one of the steel-manufacturing partners will have to maintain ownership of at least 10% of the shares in Amazonia, directly or through wholly-owned subsidiaries of such partner.

The value of this surety is reduced to US\$ 125,000,000 and US\$ 75,000,000 for the fourth and fifth years as from the date of purchase, respectively, as long as the creditor were not to have required the execution of any part of the bond in the immediately preceding year.

In turn, Siderar S.A.I.C. is the guarantor of compliance with all the obligations of the share purchase agreement. The agreements between the shareholders of Amazonia contemplate the limitation of these responsibilities in proportion to their respective shareholdings in the Company. For this reason the maximum risk guaranteed by Siderar S.A.I.C. (on the basis of

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**NOTES TO THE FINANCIAL STATEMENTS at September 30, 1999 (Contd.)****NOTE 8 - INVESTMENTS IN OTHER COMPANIES (Contd.)**

d) Prosid Investments Inc. - Consorcio Siderurgia Amazonia Ltd. (Contd.)

d.2) Amazonia (Contd.)

its indirect shareholding in Amazonia) which continues in force at the date of these financial statements has been reduced to US\$ 26,250,000.

d.3) Current situation of Sidor

The worldwide crisis of the steel industry, as well as the profound recession of the Venezuelan economy, the conditions on international financial markets, the strengthening of the bolívar against the US dollar and other adverse factors have led to Amazonia and Sidor incurring in substantial losses and technical non-compliance with their loan agreements, as well as delaying certain payments under these agreements.

Sidor is continuing to take measures to face the adverse conditions on both Venezuelan and export markets. Sidor and Amazonia have entered into negotiations with their creditor banks with the aim of refinancing their debt, and the Company considers that such refinancing is feasible. Any refinancing of financial maturities could require concomitant contributions and/or guarantees in addition to their credits by Sidor, Siderar S.A.I.C. (through its subsidiary Prosid Investments Ltd.) and the remaining shareholders of Amazonia and Sidor.

The worsening of the described conditions or the inability to reach a satisfactory agreement with financial creditors could lead to an acceleration of lending terms and therefore of a greater or total reduction in the valuation of the investment in Amazonia and the assuming of all the responsibilities accruing to the Company under the commitments assumed. However, most of the shareholders of Amazonia are putting together a program to provide financing to Sidor through loans that could eventually be capitalized. As part of this program, Siderar disbursed approximately US\$ 14,572,411 (the amount shown in Note 4.f) to the financial statements - Financial receivables includes interest).

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**NOTES TO THE FINANCIAL STATEMENTS at September 30, 1999 (Contd.)****NOTE 8 - INVESTMENTS IN OTHER COMPANIES (Contd.)**

e) Result from investments in subsidiaries and related companies:

	<b>9.30.99</b>	<b>9.30.98</b>
	<u>\$</u>	<u>\$</u>
Subsidiaries		
e.1.) Participation in the results of subsidiaries		
Comesi San Luis S.A.I.C.	130,089	7,503
Prosid Investments Inc. (See Note to Exhibit C)	(10,386,453)	-
Comesi S.A.I.C. (2)	-	2,413,855
e.2.) Depreciation and inventory valuation adjustment		
Comesi San Luis S.A.I.C. inventory valuation adjustment	585,536	-
Comesi S.A.I.C. fixed assets (2)	-	(472,462)
Goodwill (Comesi S.A.I.C.) (2)	-	(2,391,623)
Comesi S.A.I.C. inventory valuation adjustment (2)	-	(1,335,601)
	<u>(9,670,828)</u>	<u>(1,778,328)</u>
Related companies		
Compañía Afianzadora de Empresas Siderúrgicas S.G.R.	42,641	(631)
Ecocemento S.A.	(128,875)	-
Consorcio Siderurgia Amazonia Ltd. (1)	-	1,571,420
	<u>(86,234)</u>	<u>1,570,789</u>
	<u>(9,757,062)</u>	<u>(207,539)</u>

(1) Results prior to the transfer of the shares to Prosid Investments Inc. (See Note 8.d.1) to the financial statements.)

(2) No period-end balances are shown as a result of the merger between Siderar S.A.I.C. and Comesi S.A.I.C. (See Note 1 to the financial statements).

**NOTE 9 - RESTRICTIONS ON THE DISTRIBUTION OF PROFITS**

In compliance with the Corporations Law, the By-laws and Resolution No. 290/97 of the National Securities Commission, 5% of the profit for the year should be transferred to the Legal Reserve after absorbing the negative results unappropriated at the beginning of the year, until such Reserve reaches 20% of the restated capital.

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**NOTES TO THE FINANCIAL STATEMENTS at September 30, 1999 (Contd.)****NOTE 10 - GLOBAL PROGRAM FOR NEGOTIABLE CORPORATE BONDS**

On exercising the mandate and authorization granted by the Shareholders' Ordinary and Extraordinary Meeting held on September 29, 1994, the Board of Directors approved the Offering Circular of the global program for the issue of Negotiable Corporate Bonds for US\$ 250,000,000, which has been authorized by the National Securities Commission.

On October 18, 1995 the first tranche of these Negotiable Corporate Bonds was issued for a total of US\$ 60,000,000 to mature in two years, at a fixed annual interest rate of 11%. On October 20, 1997 all the notes issued were redeemed.

On July 31, 1998 a new tranche was issued for a total of US\$ 110,000,000 with six-monthly maturities in January and July 2002 and 2003, at an interest rate of Libo plus a rising spread of 0.9% and 1,15% for the first and second years, respectively. Interest will be payable quarterly.

Funds from this issue were used as follows:

	<u>US\$</u>
Settlement of bank and financial debt	109,130,000
Corporate Bonds issuing expenses	870,000
Total issued	<u><u>110,000,000</u></u>

**NOTE 11 - COMMITTED INVESTMENTS**

The Company has entered into agreements for future purchases of fixed assets for an amount of US\$ 16,516,764.

**NOTE 12 - RESOLUTION OF THE YEAR 2000 PROBLEM - INFORMATION NOT COVERED BY THE REPORT ON LIMITED REVIEW**

Certain application software, operating systems, hardware components and other technological devices powered by microprocessors currently used by the Company were designed to support only two-digit date fields representing the year. This results in the year 1999 (i.e. 99) being the maximum date value that these systems will be able to process accurately, and problems could arise when operations dated as from January 1, 2000 start to be processed. In order to resolve these problems, the Company is now instrumenting a combined strategy including replacement

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**NOTES TO THE FINANCIAL STATEMENTS** at September 30, 1999 (Contd.)

of certain systems by vendor software, on the one hand, and adaptation of the remaining systems as considered necessary, on the other.

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**NOTES TO THE FINANCIAL STATEMENTS** at September 30, 1999 (Contd.)**NOTE 12 - RESOLUTION OF THE YEAR 2000 PROBLEM - INFORMATION NOT COVERED BY THE REPORT ON LIMITED REVIEW (Contd.)**

In the case of information systems, the affected programs have been corrected and in April all Y2K-compatible base software (operating systems, data base administrators, etc.). At June 30, 1999 unit tests were completed within the terms scheduled and most integration tests were concluded. The remaining tests are expected to be completed in November, 1999. To cover information needs related to supplies, sales administration and dispatch and accounting processes, a SAP software solution was acquired from SAP AG. In addition, the adjustment of most industrial equipment that could be affected by the change of millennium was completed. Tests of critical suppliers are being carried out and contingency plans are being instrumented. The Company therefore considers that the change of millennium will not have an effect on its information systems.

**NOTE 13 - STATUS OF CAPITAL**

The status of capital at September 30, 1999 is \$ 347,468,771, which has been subscribed, paid-in and registered at the Public Registry of Commerce.

The last capital increase amounting to \$ 35,666,000 was approved by the Shareholders' Ordinary and Extraordinary Meeting held on December 29, 1994 and registered at the Public Registry of Commerce on November 7, 1995.

The shareholders' equity at the end of the period amounted to \$ 625,782,151 and the capital stock outstanding at that date to \$ 347,468,771. Accordingly, the proportional equity value for each share of 1 peso par value amounts to \$ 1.80 (one peso and eighty cents).

**NOTE 14 - EVENTS SUBSEQUENT TO PERIOD END**

After September 30, 1999, no events, situations or circumstances which are not publicly known have occurred, which affect or could significantly affect the Company's equity and financial position.

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**FIXED ASSETS**

Main account	9.30.99										9.30.98	
	Values at the beginning of the period	Increases	Decreases	Reclassification	Values at the end of the period	D e p r e c i a t i o n				Residual value	Residual value	
						Accumulated at the beginning of the period	Deletions for the period	For the period (1)	Accumulated at the end of the period			
	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$	
Land	22,961,059	-	-	-	22,961,059	-	-	-	-	22,961,059	22,252,962	
Industrial buildings and facilities	696,998,939	-	-	1,456,685	698,455,624	271,449,943	-	13,105,533	284,555,476	413,900,148	402,743,230	
Machinery and equipment	367,711,602	-	-	1,663,287	369,374,889	245,421,063	-	5,117,313	250,538,376	118,836,513	98,928,056	
Vehicles and means of transport	14,216,698	133,943	212,289	-	14,138,352	9,233,401	112,883	277,696	9,398,214	4,740,138	5,063,701	
Furniture, general machinery and office supplies	16,499,713	-	-	-	16,499,713	12,443,312	-	375,070	12,818,382	3,681,331	4,633,620	
Steel spares and supplies	76,953,687	-	1,931,491	-	75,022,196	-	-	-	-	75,022,196	75,320,382	
Fixed assets in transit	2,705,376	11,770	-	-	2,717,146	-	-	-	-	2,717,146	2,622,364	
Work in progress	88,213,233	6,450,412	-	(3,119,972)	91,543,673	-	-	-	-	91,543,673	66,591,892	
Advances to suppliers	2,485,201	-	91,122	-	2,394,079	-	-	-	-	2,394,079	3,136,895	
Total at September 30, 1999	1,288,745,508	6,596,125	2,234,902	-	1,293,106,731	538,547,719	112,883	18,875,612	557,310,448	735,796,283		
Total at September 30, 1998	1,096,330,259	26,729,441	8,228,935	-	1,114,830,765	416,905,073	271,226	16,903,816	433,537,663		681,293,102	

(1) See Exhibit H to the financial statements.

Note: The Company has considered as original value of technically appraised assets at June 30, 1990 the technical value restated as indicated in Note 3.2. As a result, the depreciation rates of the different assets are not included as these vary according to the different remaining useful lives assigned in that technical appraisal.

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**INTANGIBLE ASSETS**

Main account	9.30.99								9.30.98	
	Balance at the beginning of the period	Increases	Decreases	Balance at the end of the period	A m o r t i z a t i o n				Residual value	Residual value
					Accumulated at the beginning of the period	Deletion for the period	For the period (1)	Accumulated at the end of the period		
	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$
Reorganization plant and project analysis related costs	44,691,428	-	-	44,691,428	44,446,984	-	91,666	44,538,650	152,778	1,077,576
Goodwill (Comesi S.A.I.C.)	21,843,233	-	-	21,843,233	15,955,486	-	535,250	16,490,736	5,352,497	7,493,496
Total at September 30, 1999	66,534,661	-	-	66,534,661	60,402,470	-	626,916	61,029,386	5,505,275	
Total at September 30, 1998	66,534,661	-	-	66,534,661	54,873,062	-	3,090,527	57,963,589		8,571,072

(1) See Exhibit H to the financial statements.

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**INVESTMENTS**

Securities issued in series and investments in other companies

Denomination and type of shares	Issuer	Class	Par value	Amount	Percentage participation in capital stock	Restated cost value	Proportional equity value	Amount recorded at 9.30.99	Amount recorded at 9.30.98
						\$	\$	\$	\$
NON-CURRENT INVESTMENTS									
Corporations Sect. 33 - Law No. 19550 and amendments									
<b>Subsidiaries</b>									
Shares	Comesi San Luis S.A.I.C.	Ordinary, one vote each	0.0001	1,089,000	99.0000	4,542,925	5,213,857	5,213,857	204,156
Shares	Prosid Investments Inc.	Ordinary, one vote each	1.0000	120,000,000	100.0000	122,626,393	60,161,294	60,161,294	50,000
Shares	Comesi S.A.I.C. (1)	-	-	-	-	-	-	-	40,165,273
<b>Related companies</b>									
Shares	Compañía Afianzadora de Empresas Siderúrgicas S.G.R.	Ordinary, one vote each	1.0000	355,000	39.0539	355,000	356,630	356,630	354,455
Shares	Ecocemento S.A.	Ordinary, one vote each	1.0000	1,800	15.0000	2,848,547	2,719,551	2,719,551	1,425,118
Shares	Consorcio Siderurgia Amazonia Ltd.	-	-	-	-	-	-	-	122,626,393
Shares	FO.GA.BA. S.A.P.E.M.	Ordinary, one vote each	1.0000	10,000	0.0031	10,000	-	10,000	-
<b>Others</b>									
Comesi S.A.I.C. fixed assets valuation adjustment (1)						-	-	-	27,090,225
Comesi S.A.I.C. inventory valuation adjustment (1)						-	-	-	(11,025,177)
Comesi San Luis S.A.I.C. inventory valuation adjustment						-	(752,400)	(752,400)	-
Irrevocable contributions to Ecocemento S.A.						-	-	-	580,140
						130,382,865	67,698,932	67,708,932	181,470,583

(1) No balances at the end of the period are shown as a result of the merger of Siderar S.A.I.C. and Comesi S.A.I.C. (see Note 1 to the financial statements).

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**INVESTMENTS**

Securities issued in series and investments in other companies

Denomination and type of shares	Issuer	Principal activity	Information about the issuer					
			Latest financial statements					
			Date	Period	Capital stock	Results	Shareholders' equity	Date of approval by Board of Directors
NON-CURRENT INVESTMENTS (Contd.) Corporations Sect. 33 - Law No. 19550 and amendments (Contd.) <b>Subsidiaries</b>					\$	\$	\$	
Shares	Comesi San Luis S.A.I.C.	Production of cold or hot rolled, pre-painted, formed and skelped steel sheets	9.30.99	3 months	110	131,403	5,266,522	11.5.99
Shares	Prosid Investments Inc. (1)	Financial investments of any type and any other activity permitted by laws applicable in British Virgin Islands	9.30.99	3 months	120,000,000	(10,386,453)	60,161,294	10.29.99
<b>Related companies</b>								
Shares	Compañía Afianzadora de Empresas Siderúrgicas S.G.R.	Granting of guarantees to participating partners to facilitate or permit access to credits for the purchase of national steel raw material through the signing of contracts regulated by Law No. 24467	6.30.99	12 months	909,000	4,137	40,913,174	9.14.99
Shares	Ecocemento S.A.	Production and sale of Portland cement with blast furnace slag, lime and by-products	6.30.99	12 months	12,000	(859,169)	18,130,337	8.17.99
Shares	FO.GA.BA. S.A.P.E.M.	Granting of guarantees to PYMES operating in the province of Buenos Aires	12.31.98	12 months	3,238,400	(705,439)	51,618,948	3.17.99

(1) The criterion of the Company has been to calculate the value of its investment in Amazonia on the basis of the financial statements of the latter with a lag of three months. Nevertheless, for a better reflection of the economic reality of these financial statements, the equity and results of the Company have been adjusted for the estimated effect of the results of Amazonia for the period July 1 to September 30, 1999, for the reasons indicated in Note 8.d.3).

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**OTHER INVESTMENTS**

Main account	9.30.99			9.30.98	
	Balance at the beginning of the period	Increases	Deletions	Balance at the end of the period	Balance at the end of the period
	\$	\$	\$	\$	\$
<b>OTHER CURRENT INVESTMENTS</b>					
Sight deposits	4,607,663	8,445,787	-	13,053,450	24,726,695
Time deposits	12,597,455	218,073	-	12,815,528	-
Total at the end of the period	17,205,118	8,663,860	-	25,868,978	24,726,695
<b>NON-CURRENT INVESTMENTS</b>					
Financial investments in insurance companies	4,134,959	1,144,061	-	5,279,020	4,054,049
Guarantee fund Compañía Afianzadora de Empresas Siderúrgicas S.G.R.					
Net contributions	36,000,000	-	-	36,000,000	36,000,000
Allowance for doubtful accounts (Exhibit E) (1)	-	(2,122,000)	-	(2,122,000)	-
Real property	98,229	-	-	98,229	1,211,012
Total at the end of the period	40,233,188	(977,939)	-	39,255,249	41,265,061

(1) Customers of Compañía Afianzadora de Empresas Siderúrgicas S.G.R. in collection process.

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**Exhibit E****SIDERAR SOCIEDAD ANONIMA INDUSTRIAL Y COMERCIAL**

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**ALLOWANCES AND PROVISIONS**

<b>Items</b>	<b>Balance at the beginning of the period</b>	<b>Increases and recoveries (1)</b>	<b>Uses</b>	<b>Balance at the end of the period</b>
	<b>\$</b>	<b>\$</b>	<b>\$</b>	<b>\$</b>
<b>Deducted from current assets</b>				
- For doubtful accounts	8,567,166	(940,362)	2,074	7,624,730
Total at 9.30.99	8,567,166	(940,362)	2,074	7,624,730
Total at 9.30.98	7,096,416	460,000	(143,838)	7,700,254
<b>Deducted from non-current assets</b>				
- For doubtful accounts	470,564	(387,564)	-	83,000
- For risk fund uncollectibility	-	2,122,000	-	2,122,000
Total at 9.30.99	470,564	1,734,436	-	2,205,000
Total at 9.30.98	324,000	(10,000)	-	314,000
<b>Included in current liabilities</b>				
- For contingencies	3,135,616	81,163	86,825	3,129,954
Total at 9.30.99	3,135,616	81,163	86,825	3,129,954
Total at 9.30.98	1,553,699	586,057	79,110	2,060,646
<b>Included in non-current liabilities</b>				
- For contingencies	13,640,080	(10,660)	-	13,629,420
Total at 9.30.99	13,640,080	(10,660)	-	13,629,420
Total at 9.30.98	8,108,000	678,000	-	8,786,000

(1) See Exhibit H to the financial statements.

The report on limited review is issued as a separate document.

**Exhibit F****SIDERAR SOCIEDAD ANONIMA INDUSTRIAL Y COMERCIAL**

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**COST OF SALES**

	<b>9.30.99</b>		<b>9.30.98</b>	
	<b>\$</b>	<b>\$</b>	<b>\$</b>	<b>\$</b>
1) Inventory at the beginning of the period				
Finished products	97,421,969		98,021,298	
Production in process	61,517,796		86,029,429	
Raw material	35,012,397		29,391,398	
Materials	61,600,587		68,622,396	
Advances to suppliers	1,943,953	257,496,702	1,241,259	283,305,780
2) Purchases of the period		84,194,281		124,075,548
3) Manufacturing expenses (Exhibit H)		97,085,947		85,112,313
Subtotal		438,776,930		492,493,641
4) Holding results (Exhibit H)		(3,695,636)		-
Subtotal		435,081,294		492,493,641
5) Inventory at the end of the period				
Finished products	83,199,489		99,836,893	
Products in process	55,241,865		82,291,476	
Raw material	36,859,569		35,744,592	
Materials	60,514,628		65,881,027	
Advances to suppliers	2,239,245	238,054,796	2,129,780	285,883,768
Cost of sales		197,026,498		206,609,873

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**Exhibit G**

**SIDERAR SOCIEDAD ANONIMA INDUSTRIAL Y COMERCIAL**

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**FOREIGN CURRENCY ASSETS AND LIABILITIES**

Items	9.30.99				9.30.98		
	Foreign currency (1)	Amount in foreign currency	Exchange rate used	Amount in local currency	Foreign currency (1)	Amount in foreign currency	Amount in local currency
			\$	\$			\$
ASSETS							
CURRENT ASSETS							
Cash and banks							
Cash	US\$	23,250	1.000000	23,250	US\$	14,781	14,781
Checks to be deposited	US\$	125,618	1.000000	125,618	-	-	-
Banks	US\$	10,786	1.000000	10,786	US\$	99,929	99,929
Other investments							
Sight deposits	US\$	13,053,450	1.000000	13,053,450	US\$	24,726,695	24,726,695
Time deposits	US\$	12,815,528	1.000000	12,815,528	-	-	-
Trade receivables							
Accounts receivable	US\$	108,839,622	1.000000	108,839,622	US\$	91,677,562	91,677,562
Related companies Sect. 33 - Law No. 19550 and amendments	US\$	1,317,956	1.000000	1,317,956	US\$	3,711,717	3,711,717
Export reimbursements	US\$	3,880,796	1.000000	3,880,796	US\$	1,539,384	1,539,384
Notes receivable	US\$	46,727,103	1.000000	46,727,103	US\$	63,766,177	63,766,177
Receivables with exchange insurance in US\$	-	-	-	-	Lit	391,882,450	236,697
Discounted notes	-	-	-	-	Lit	2,023,952,632	1,153,653
Allowance for doubtful accounts (Exhibit E)	-	-	-	-	US\$	(746,549)	(746,549)
Unearned interest	US\$	(7,624,730)	1.000000	(7,624,730)	US\$	(7,700,254)	(7,700,254)
Other receivables	US\$	(1,747,042)	1.000000	(1,747,042)	US\$	(2,787,616)	(2,787,616)
Related companies Sect. 33 - Law No. 19550 and amendments	US\$	4,619,625	1.000000	4,619,625	US\$	42,046,106	42,046,106
Advances to suppliers	US\$	486,167	1.000000	486,167	US\$	943,903	943,903
Expenses paid in advance	US\$	2,135,659	1.000000	2,135,659	US\$	1,599,567	1,599,567
Sundry receivables	US\$	9,025,680	1.000000	9,025,680	US\$	3,824,014	3,824,014
Total current assets - Carried forward				193,689,468			224,105,766

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**FOREIGN CURRENCY ASSETS AND LIABILITIES**

Items	9.30.99				9.30.98		
	Foreign currency (1)	Amount in foreign currency	Exchange rate used	Amount in local currency	Foreign currency (1)	Amount in foreign currency	Amount in local currency
			\$	\$			\$
Brought forward				193,689,468			224,105,766
<b>NON-CURRENT ASSETS</b>							
Trade receivables							
Notes receivable	US\$	1,036,144	1.000000	1,036,144	US\$	3,273,970	3,273,970
Allowance for doubtful accounts	US\$	(83,000)	1.000000	(83,000)	US\$	(314,000)	(314,000)
Other receivables							
Advances to suppliers	-	-	-	-	US\$	463,607	463,607
Expenses paid in advance	US\$	3,140,806	1.000000	3,140,806	US\$	939,320	939,320
Financial receivables	US\$	14,915,064	1.000000	14,915,064	-	-	-
Sundry receivables	US\$	924,171	1.000000	924,171	US\$	184,157	184,157
Other investments							
Investments in insurance companies	US\$	5,279,020	1.000000	5,279,020	US\$	4,054,049	4,054,049
Guarantee fund Compañía Afianzadora de Empresas Siderúrgicas S.G.R.							
Net contributions	US\$	36,000,000	1.000000	36,000,000	US\$	36,000,000	36,000,000
Allowance for doubtful accounts (Exhibit E)	US\$	(2,122,000)	1.000000	(2,122,000)	-	-	-
Fixed assets							
Advances to suppliers	US\$	855,603	1.000000	855,603	US\$	987,894	987,894
	DM	243,853	0.544689	132,824	DM	436,533	260,005
	Lit	1,133,945,455	0.000550	623,670	Lit	594,000,000	358,776
	FF	883,990	0.162271	143,446	FF	442,518	78,755
	FB	1,909,428	0.026399	50,407	-	-	-
	-	-	-	-	S	278,366	23,626
	-	-	-	-	Skr	747,708	94,781
Total non-current assets				60,896,155			46,404,940
Total assets				254,585,623			270,510,706

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**FOREIGN CURRENCY ASSETS AND LIABILITIES**

Items	9.30.99				9.30.98		
	Foreign currency (1)	Amount in foreign currency	Exchange rate used	Amount in local currency	Foreign currency (1)	Amount in foreign currency	Amount in local currency
			\$	\$			\$
<b>LIABILITIES</b>							
<b>CURRENT LIABILITIES</b>							
Accounts payable							
Ordinary suppliers	US\$	2,707,451	1.000000	2,707,451	US\$	4,015,945	4,015,945
Related companies Sect. 33 - Law No. 19550 and amendments	US\$	1,990,957	1.000000	1,990,957	US\$	1,195,834	1,195,834
Notes payable	US\$	34,001,554	1.000000	34,001,554	US\$	59,717,316	59,717,316
	Lit	234,123,188	0.000552	129,236	Lit	266,339,934	161,402
	DM	1,847,700	0.546343	1,009,478	DM	2,378,162	1,420,871
	£	49,147	1.647600	80,974	£	29,274	49,707
	S	1,665,874	0.077827	129,650	S	2,727,129	232,785
	FF	302,104	0.163394	49,362	FF	101,444	18,173
	Skr	370,502	0.123562	45,780	-	-	-
	EURO	27,096	1.064500	28,844	-	-	-
	¥	554,081	0.009421	5,220	-	-	-
					Pt	40,894,103	288,467
					SFR	20,424	14,806
					FB	2,531,302	73,590
Unearned interest	US\$	(1,370,683)	1.000000	(1,370,683)	US\$	(3,131,904)	(3,131,904)
Advances from customers	US\$	2,786,608	1.000000	2,786,608	US\$	2,896,061	2,896,061
Short-term debt							
Financial	-	-	-	-	US\$	16,504	16,504
Import/export financing	US\$	150,107,155	1.000000	150,107,155	US\$	66,364,220	66,364,220
	¥	26,163,040	0.009421	246,482	¥	228,541,894	1,674,755
	DM	57,070	0.546343	31,180	DM	104,334	62,336
Debt with exchange insurance in US\$	¥	7,651,704,435	0.008411	64,358,486	¥	21,564,874,219	172,475,864
	DM	340,655	0.713267	242,978	DM	681,310	485,956
	EURO	21,043,350	1.065686	22,425,603	-	-	-
Unearned interest	US\$	(16,791,730)	1.000000	(16,791,730)	US\$	(24,722,732)	(24,722,732)
	¥	(21,178,856)	0.009421	(199,526)	¥	(122,369,678)	(896,725)
	-	-	-	-	DM	(14,756)	(8,816)
Unaccrued interest with exchange insurance in US\$	¥	(134,092,242)	0.008456	(1,133,884)	¥	(99,135,917)	(777,523)
	EURO	(1,043,344)	1.065686	(1,111,877)	-	-	-
Carried forward				259,769,298			281,626,892

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**FOREIGN CURRENCY ASSETS AND LIABILITIES**

Items	9.30.99				9.30.98		
	Foreign currency (1)	Amount in foreign currency	Exchange rate used	Amount in local currency	Foreign currency (1)	Amount in foreign currency	Amount in local currency
Brought forward			\$	\$			\$
Other liabilities				259,769,298			281,626,892
Related companies Sect. 33 - Law No. 19550 and amendments	-	-	-	-	US\$	50,000	50,000
Total current liabilities				259,769,298			281,676,892
<b>NON-CURRENT LIABILITIES</b>							
Accounts payable							
Notes payable	US\$	13,730,088	1.000000	13,730,088	US\$	20,111,538	20,111,538
Unearned interest	US\$	(1,807,428)	1.000000	(1,807,428)	US\$	(1,299,921)	(1,299,921)
Long-term debt							
Import/export financing	US\$	221,713,521	1.000000	221,713,521	US\$	194,713,167	194,713,167
	¥	49,269,186	0.009421	464,165	¥	188,420,852	1,380,748
	DM	228,274	0.546343	124,716	DM	330,715	197,591
Debt with exchange insurance in US\$	¥	7,042,253,521	0.008520	60,000,000	¥	8,141,112,619	60,000,000
	-	-	-	-	DM	340,655	242,978
Negotiable Corporate Bonds	US\$	110,000,000	1.000000	110,000,000	US\$	110,000,000	110,000,000
Unearned interest	US\$	(43,408,231)	1.000000	(43,408,231)	US\$	(44,576,850)	(44,576,850)
	¥	(49,269,186)	0.009421	(464,165)	¥	(188,420,852)	(1,380,748)
	-	-	-	-	DM	(58,869)	(35,172)
Total non-current liabilities				360,352,666			339,353,331
Total liabilities				620,121,964			621,030,223

(1) US\$: United States Dollars; S: Austrian Schillings; Lit: Italian Lire; £: Pounds Sterling; DM: Deutsche Marks; FF: French Francs; ¥: Yens; FB: Belgian Francs; Pt: Pesetas; Skr: Swedish Kronor; SFR: Swiss Francs.

The report on limited review is issued as a separate document.

**Exhibit H**

**SIDERAR SOCIEDAD ANONIMA INDUSTRIAL Y COMERCIAL**

Registration number with the Superintendency of Corporations: 14510

**INFORMATION REQUIRED BY SECTION 64, SUB-SECTION I b) OF CORPORATIONS LAW No. 19550 AND AMENDMENTS THERETO** for the three-month period ended September 30, 1999, compared to the same period of the previous year

Items	Manufacturing expenses	Selling expenses	Administrative expenses	Financial and holding results			Total for the period ended	
				Generated by assets	Generated by liabilities	Other income and expenses	9.30.99	9.30.98
				\$	\$	\$	\$	\$
Surveillance Committee's and Directors' fees	-	-	308,000	-	-	-	308,000	308,000
Salaries, wages and social security	32,735,389	2,553,912	8,800,870	-	-	-	44,090,171	44,157,086
Office expenses	483,718	154,229	554,667	-	-	-	1,192,614	1,475,427
Maintenance expenses and security services for buildings, installation and equipment	17,930,288	20,337	798,406	-	-	-	18,749,031	14,404,335
Fees for technical assistance and external advice	52,468	236,450	346,020	-	-	-	634,938	508,246
Taxes, tariffs and contributions	-	-	1,492,097	-	-	-	1,492,097	1,770,543
Third party services	15,780,416	212,482	2,613,837	-	-	-	18,606,735	17,575,740
Operating IT services	-	25	1,757,975	-	-	-	1,758,000	1,412,058
Canteen and refreshment	778,251	24,298	40,232	-	-	-	842,781	848,580
Rents	61,318	-	44,006	-	-	-	105,324	95,327
Personnel transportation	768,685	-	54,060	-	-	-	822,745	727,148
Publicity and advertising	10,738	352,993	61,429	-	-	-	425,160	315,786
Sundry expenses and commissions	-	660,633	-	-	-	-	660,633	194,175
Charge for provision for contingencies	-	-	-	-	-	70,503	70,503	1,264,057
Charge for allowance for doubtful accounts	-	794,074	-	-	-	-	794,074	450,000
Freight and transportation	5,873,964	1,964,124	3,339	-	-	-	7,841,427	2,791,515
Major work not capitalizable	3,933,132	-	-	-	-	-	3,933,132	5,101,633
Depreciation of other assets	-	-	-	-	-	13,118	13,118	-
Depreciation of other non-current investments	-	-	-	-	-	-	-	14,267
Amortization of intangible assets	91,666	-	-	-	-	535,250	626,916	698,904
Depreciation of fixed assets	18,875,612	-	-	-	-	-	18,875,612	16,903,816
Recovery from sale of scrap	(5,224,052)	-	-	-	-	-	(5,224,052)	(5,321,348)
External warehouse expenses	446,944	-	-	-	-	-	446,944	427,457
Other ordinary income and expenses	4,487,410	579,786	1,975,322	-	-	4,179,484	11,222,002	7,315,135
Interests and other financing expenses	-	-	-	(5,105,045)	10,607,299	-	5,502,254	7,722,379
Exchange differences	-	-	-	(29,860)	67,912	-	38,052	168,111
Holding results on other non-monetary assets	-	-	-	3,695,636	-	-	3,695,636	-
Total at September 30, 1999	97,085,947	7,553,343	18,850,260	(1,439,269)	10,675,211	4,798,355	137,523,847	
Total at September 30, 1998	85,112,313	6,423,329	19,119,709	(4,821,967)	12,712,457	2,782,536		121,328,377

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	<b>Sales and sundry services</b>	<b>Purchases and services received</b>	<b>Remuneration protector partner Compañía Afianzadora de Empresas Siderúrgicas S.G.R.</b>	<b>Interests</b>	<b>Total at 9.30.99</b>	<b>Total at 9.30.98</b>
	<b>\$</b>	<b>\$</b>	<b>\$</b>	<b>\$</b>	<b>\$</b>	<b>\$</b>
Subsidiaries						
Comesi San Luis S.A.I.C.	1,508,954	(105,758)	-	-	1,403,196	(73,792)
Comesi S.A.I.C.	-	-	-	-	-	16,734,686
Subtotal	1,508,954	(105,758)	-	-	1,403,196	16,660,894
Related companies						
Siderca S.A.I.C.	8,030,725	(711,407)	-	-	7,319,318	7,096,944
Compañía Afianzadora de Empresas Siderúrgicas S.G.R.	125,000	-	595,156	-	720,156	902,547
Ecocemento S.A.	180,191	-	-	-	180,191	-
Inversora Siderúrgica Argentina S.A.	-	-	-	32,137	32,137	-
Consorcio Siderurgia Amazonia Ltd.	-	-	-	-	-	385,800
Subtotal	8,335,916	(711,407)	595,156	32,137	8,251,802	8,385,291
Total at September 30, 1999	9,844,870	(817,165)	595,156	32,137	9,654,998	
Total at September 30, 1998	30,804,832	(6,988,161)	692,547	536,967		25,046,185

Amounts in brackets represent losses or disbursements.

The report on limited review is issued as a separate document.

# **SIDERAR SOCIEDAD ANONIMA INDUSTRIAL Y COMERCIAL**

Legal address: Leandro N. Alem 1067, Buenos Aires

## **COMPLEMENTARY ACCOUNTING INFORMATION**

### **CONSOLIDATED FINANCIAL STATEMENTS FOR THE THREE-MONTH PERIOD ENDED SEPTEMBER 30, 1999**

#### **CONTENTS**

Consolidated financial statements at September 30, 1999  
Consolidated balance sheet  
Consolidated statement of income  
Consolidated statement of sources and uses of funds  
Notes to the consolidated financial statements

## SIDERAR SOCIEDAD ANONIMA INDUSTRIAL Y COMERCIAL

Registration number with the Superintendency of Corporations: 14510

### CONSOLIDATED BALANCE SHEET at September 30, 1999, compared to the same period of the previous year

	9.30.99	9.30.98		9.30.99	9.30.98
	\$	\$		\$	\$
<b>ASSETS</b>			<b>LIABILITIES</b>		
<b>CURRENT ASSETS</b>			<b>CURRENT LIABILITIES</b>		
Cash and banks (Note 4.a)	6,254,493	5,365,910	Accounts payable (Note 4.n)	88,109,693	116,726,081
Other investments (Note 4.b)	25,873,246	29,034,523	Short-term debt (Note 4.o)	218,246,237	227,535,259
Trade receivables (Note 4.c)	178,533,472	168,671,531	Social security and taxes (Note 4.p)	41,737,126	53,074,518
Other receivables (Note 4.d)	45,134,822	25,777,906	Other liabilities (Note 4.q)	16,265,385	34,255,731
Inventories (Note 4.e)	239,104,721	308,772,801	Provision for contingencies	3,169,409	3,973,339
Other assets (Note 4.f)	1,603,771	1,481,477			
<b>Total current assets</b>	<b>496,504,525</b>	<b>539,104,148</b>	<b>Total current liabilities</b>	<b>367,527,850</b>	<b>435,564,928</b>
<b>NON-CURRENT ASSETS</b>			<b>NON-CURRENT LIABILITIES</b>		
Trade receivables (Note 4.g)	953,144	3,011,693	Accounts payable (Note 4.r)	11,922,660	18,811,617
Other receivables (Note 4.h)	26,148,468	3,811,688	Long-term debt (Note 4.s)	348,430,006	321,431,890
Investments (Note 4.i)	63,247,475	124,996,106	Social security and taxes (Note 4.t)	4,302,048	11,438,939
Other investments (Note 4.j)	39,255,249	41,265,061	Other liabilities	362,174	-
Intangible assets (Note 4.k)	5,505,275	8,571,072	Provision for contingencies	13,629,420	17,068,904
Fixed assets (Note 4.l)	737,073,188	750,401,444			
Other assets (Note 4.m)	3,321,650	6,143,870	<b>Total non-current liabilities</b>	<b>378,646,308</b>	<b>368,751,350</b>
<b>Total non-current assets</b>	<b>875,504,449</b>	<b>938,200,934</b>	<b>Total liabilities</b>	<b>746,174,158</b>	<b>804,316,278</b>
			Minority interest in subsidiaries	52,665	100,665
<b>Total assets</b>	<b>1,372,008,974</b>	<b>1,477,305,082</b>	<b>SHAREHOLDERS' EQUITY</b>	<b>625,782,151</b>	<b>672,888,139</b>
			<b>Total liabilities and Shareholders' equity</b>	<b>1,372,008,974</b>	<b>1,477,305,082</b>

The accompanying notes 1 to 6 are an integral part of these consolidated financial statements.

The report on limited review is issued as a separate document.

## SIDERAR SOCIEDAD ANONIMA INDUSTRIAL Y COMERCIAL

Registration number with the Superintendency of Corporations: 14510

**CONSOLIDATED STATEMENT OF INCOME** for the three-month period ended September 30, 1999, compared to the same period of the previous year

	<b>9.30.99</b>	<b>9.30.98</b>
	<b>\$</b>	<b>\$</b>
Net income from sales	241,890,403	291,522,242
Cost of sales	(197,190,176)	(212,686,256)
Gross profit	44,700,227	78,835,986
Selling expenses	(7,573,507)	(6,707,228)
Administrative expenses	(18,886,733)	(20,044,099)
Financial and holding results		
Generated by assets	1,485,522	5,060,866
Generated by liabilities	(10,705,106)	(13,094,051)
Other ordinary income and expenses	(4,798,630)	(4,359,531)
Minority interest in subsidiaries	(1,314)	(6,050)
Income before taxes	4,220,459	39,685,893
Income tax provision charge	(307,376)	(14,300,000)
Ordinary income	3,913,083	25,385,893
Result from investments in related companies	(10,472,687)	1,570,789
Net (loss) income for the period	(6,559,604)	26,956,682

The accompanying notes 1 to 6 are an integral part of these consolidated financial statements.

The report on limited review is issued as a separate document.

## SIDERAR SOCIEDAD ANONIMA INDUSTRIAL Y COMERCIAL

Registration number with the Superintendency of Corporations: 14510

**CONSOLIDATED STATEMENT OF SOURCES AND USES OF FUNDS** for the three-month period ended September 30, 1999, compared to the same period of the previous year

	<b>9.30.99</b>	<b>9.30.98</b>
	<b>\$</b>	<b>\$</b>
<b>CHANGES IN FUNDS</b>		
Funds at the beginning of the period (1)	21,121,695	11,449,806
Increase in funds	11,006,044	22,950,627
Funds at the end of the period (1)	32,127,739	34,400,433
<b>CAUSES OF CHANGES IN FUNDS</b>		
Ordinary income	3,913,083	25,385,893
Add items not representing funds disbursements		
Depreciation of fixed assets	18,884,399	18,176,988
Depreciation of other non-current investments	-	14,267
Depreciation of other current assets	13,118	13,679
Amortization of intangible assets	626,916	3,090,527
Allowance for doubtful accounts	794,074	159,344
Income tax provision charge	307,376	14,300,000
Board of Directors' and Surveillance Committee's fees provision	308,000	308,000
Provision for contingencies	70,503	1,688,781
Minority interest in subsidiaries	1,314	6,050
Funds generated by ordinary operations	24,918,783	63,143,529
Results of investments in related companies	(10,472,687)	1,570,789
Add items not representing funds disbursements		
Results of investments in related companies	10,472,687	-
Less items not representing funds inflow		
Results of investments in related companies	-	(1,570,789)
Funds generated by (applied to) remaining operations	-	-
Funds generated by operations	24,918,783	63,143,529
Other causes of sources of funds		
Net decrease (increase) in inventories	19,613,598	(5,188,406)
Net decrease (increase) in other assets	624,265	(2,054,143)
Net increase (decrease) in social security and taxes	4,063,276	(6,565,578)
Total sources of funds - Carried forward	49,219,922	49,335,402

(1) Cash and banks plus other current investments

**SIDERAR SOCIEDAD ANONIMA INDUSTRIAL Y COMERCIAL**

Registration number with the Superintendency of Corporations: 14510

**CONSOLIDATED STATEMENT OF SOURCES AND USES OF FUNDS** for the three-month period ended September 30, 1999, compared to the same period of the previous year

	<b>9.30.99</b>	<b>9.30.98</b>
	<b>\$</b>	<b>\$</b>
CAUSES OF CHANGES IN FUNDS (Contd.)		
Brought forward	49,219,922	49,335,402
Other causes of uses of funds		
Net (increase) decrease in trade receivables	(1,971,108)	2,600,558
Net (increase) decrease in other receivables	(8,028,130)	948,249
Net increase in investments	-	(794,505)
Net (increase) decrease in other non-current investments	(1,144,061)	12,649,749
Net increase in fixed assets	(4,474,106)	(20,935,187)
Net decrease in accounts payable	(16,802,180)	(22,835,417)
Net (decrease) increase in short and long-term debt	(5,591,952)	3,327,860
Net decrease in other liabilities	(115,516)	(1,263,195)
Decrease in provisions for contingencies	(86,825)	(82,887)
Total uses of funds	(38,213,878)	(26,384,775)
Increase in funds	11,006,044	22,950,627

The accompanying notes 1 to 6 are an integral part of these consolidated financial statements.

The report on limited review is issued as a separate document.

## **SIDERAR SOCIEDAD ANONIMA INDUSTRIAL Y COMERCIAL**

Registration number with the Superintendency of Corporations: 14510

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS** at September 30, 1999

### **NOTE 1 - BASIS FOR THE PREPARATION OF THE CONSOLIDATED FINANCIAL STATEMENTS - ACCOUNTING STANDARDS**

The consolidated financial statements have been prepared in accordance with the valuation basis and criteria explained in Notes 2 and 3 to the financial statements of the parent company and must be read jointly with the complementary information to the financial statements.

### **NOTE 2 - CONSOLIDATION BASIS**

The consolidated companies and the respective percentage of voting stock at September 30, 1999 were as follows:

<b>Company</b>	<b>Participation</b>
Comesi San Luis S.A.I.C.	99.000%
Prosid Investments Inc.	100.000%

The consolidated financial statements have been prepared on the basis of the financial statements of the subsidiaries at September 30, 1999.

The necessary adjustments have been made to unify the valuation and disclosure criteria of the consolidated companies. Balances between consolidated companies, transactions and their results and intercompany balances have been eliminated, if significant.

### **NOTE 3 - COMPLEMENTARY INFORMATION NOT DIFFERING SIGNIFICANTLY FROM THAT PRESENTED BY THE PARENT COMPANY**

Notes 1 to 3, 5 to 13 and Exhibits A to I to the financial statements of the parent company are in this situation.

**SIDERAR SOCIEDAD ANONIMA INDUSTRIAL Y COMERCIAL**

Registration number with the Superintendency of Corporations: 14510

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS** at September 30, 1999 (Contd.)**NOTE 4 - COMPOSITION OF CONSOLIDATED BALANCE SHEET ITEMS**

	<u>9.30.99</u>	<u>9.30.98</u>
	<u>\$</u>	<u>\$</u>
<b>CURRENT ASSETS</b>		
a) Cash and banks		
Cash	201,226	970,065
Checks to be deposited	2,088,542	821,023
Banks	3,964,725	3,574,822
	<u>6,254,493</u>	<u>5,365,910</u>
b) Other investments		
Sight deposits	13,057,718	29,034,523
Time deposits	12,815,528	-
	<u>25,873,246</u>	<u>29,034,523</u>
c) Trade receivables		
Accounts receivable	110,114,883	106,609,562
Related companies Sect. 33 - Law No. 19550 and amendments	538,839	510,765
Export reimbursements	3,880,796	1,673,370
Notes receivable	73,430,511	71,655,962
Discounted notes	-	(746,549)
Allowance for doubtful accounts	(7,684,515)	(8,131,090)
Unearned interest	(1,747,042)	(2,900,489)
	<u>178,533,472</u>	<u>168,671,531</u>
d) Other receivables		
Related companies Sect. 33 - Law No. 19550 and amendments	4,619,625	6,983,161
Advances and loans to personnel	3,044,043	4,855,952
Other receivables from personnel from sale of property	209,001	-
Solidarity contribution	87,190	82,578
Tax credits	21,686,053	4,210,875
Advances to suppliers	1,357,229	1,967,506
Expenses paid in advance	2,135,659	1,613,537
Sundry receivables	11,996,022	6,064,297
	<u>45,134,822</u>	<u>25,777,906</u>

**SIDERAR SOCIEDAD ANONIMA INDUSTRIAL Y COMERCIAL**

Registration number with the Superintendency of Corporations: 14510

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS** at September 30, 1999 (Contd.)

**NOTE 4 - COMPOSITION OF CONSOLIDATED BALANCE SHEET ITEMS (Contd.)**

	<u>9.30.99</u>	<u>9.30.98</u>
	<u>\$</u>	<u>\$</u>
<b>CURRENT ASSETS (Contd.)</b>		
e) Inventories		
Finished products	83,788,052	113,743,849
Products in process	55,703,227	84,951,549
Raw material	36,859,569	40,557,244
Materials	60,514,628	67,113,918
Advances to suppliers	2,239,245	2,406,241
	<u>239,104,721</u>	<u>308,772,801</u>
f) Other assets (residual value)		
Property	1,603,771	1,481,477
	<u>1,603,771</u>	<u>1,481,477</u>
The amortization of the period amounted to \$ 13,118.		
<b>NON-CURRENT ASSETS</b>		
g) Trade receivables		
Notes receivable	1,036,144	3,617,865
Allowance for doubtful accounts	(83,000)	(606,172)
	<u>953,144</u>	<u>3,011,693</u>
h) Other receivables		
Advances and loans to personnel	1,630,777	2,126,659
Other receivables from personnel from sale of property	5,518,912	-
Solidarity contribution	7,105	7,105
Advances to suppliers	-	463,607
Expenses paid in advance	3,140,806	939,320
Financial receivables	14,915,064	-
Sundry receivables	935,804	274,997
	<u>26,148,468</u>	<u>3,811,688</u>

**SIDERAR SOCIEDAD ANONIMA INDUSTRIAL Y COMERCIAL**

Registration number with the Superintendency of Corporations: 14510

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS** at September 30, 1999 (Contd.)

**NOTE 4 - COMPOSITION OF CONSOLIDATED BALANCE SHEET ITEMS (Contd.)**

	<u>9.30.99</u>	<u>9.30.98</u>
	<u>\$</u>	<u>\$</u>
<b>NON-CURRENT ASSETS (Contd.)</b>		
i) Investments		
Shares in Compañía Afianzadora de Empresas Siderúrgicas S.G.R.	356,630	354,455
Shares in Ecocemento S.A.	2,719,551	2,005,258
Shares in Consorcio Siderurgia Amazonia Ltd.	60,161,294	122,626,393
Shares in Fondo de Garantías Buenos Aires S.A.P.E.M.	10,000	10,000
	<u>63,247,475</u>	<u>124,996,106</u>
j) Other investments (residual value)		
Investments in insurance companies	5,279,020	4,054,049
Guarantee fund Compañía Afianzadora de Empresas Siderúrgicas S.G.R.	36,000,000	36,000,000
Allowance for risk fund uncollectibility	(2,122,000)	-
Real estate	98,229	1,211,012
	<u>39,255,249</u>	<u>41,265,061</u>
k) Intangible assets (residual value)		
Reorganization plant and project analysis related costs	152,778	1,077,576
Goodwill (Comesi S.A.I.C.)	5,352,497	7,493,496
	<u>5,505,275</u>	<u>8,571,072</u>

The amortization of the period amounted to \$ 626,916.

**SIDERAR SOCIEDAD ANONIMA INDUSTRIAL Y COMERCIAL**

Registration number with the Superintendency of Corporations: 14510

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS** at September 30, 1999 (Contd.)

**NOTE 4 - COMPOSITION OF CONSOLIDATED BALANCE SHEET ITEMS (Contd.)**

	<b>9.30.99</b>	<b>9.30.98</b>
	<b>\$</b>	<b>\$</b>
<b>NON-CURRENT ASSETS (Contd.)</b>		
l) Fixed assets (residual value)		
Land	23,055,007	23,015,274
Industrial buildings and facilities	415,072,884	459,380,524
Machinery and equipment	118,843,532	106,062,536
Vehicles and means of transport	4,740,138	5,132,751
Furniture, general machinery and office supplies	3,684,533	4,742,925
Steel spares and supplies	75,022,196	75,352,852
Fixed assets in transit	2,717,146	2,622,364
Work in progress	91,543,673	70,033,536
Advances to suppliers	2,394,079	4,058,682
	<u>737,073,188</u>	<u>750,401,444</u>

The depreciation of the period amounted to \$ 18,884,399.

## m) Other assets

Real property	3,321,650	6,143,870
	<u>3,321,650</u>	<u>6,143,870</u>

**CURRENT LIABILITIES**

## n) Accounts payable

Ordinary suppliers	49,270,357	54,075,568
Related companies Sect. 33 - Law No. 19550 and amendments	1,932,879	465,242
Notes payable	35,480,098	62,121,168
Unearned interest	(1,370,683)	(3,131,904)
Advances from customers	2,797,042	3,196,007
	<u>88,109,693</u>	<u>116,726,081</u>

**SIDERAR SOCIEDAD ANONIMA INDUSTRIAL Y COMERCIAL**

Registration number with the Superintendency of Corporations: 14510

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS** at September 30, 1999 (Contd.)**NOTE 4 - COMPOSITION OF CONSOLIDATED BALANCE SHEET ITEMS (Contd.)**

	<b>9.30.99</b>	<b>9.30.98</b>
	<b>\$</b>	<b>\$</b>
<b>CURRENT LIABILITIES (Contd.)</b>		
o) Short-term debt		
Financial	71,370	12,749,784
Import/export financing	237,411,884	241,255,261
Unearned interest	(19,237,017)	(26,469,786)
	<u>218,246,237</u>	<u>227,535,259</u>
p) Social security and taxes		
Provision for income tax	18,564,192	55,090,000
Income tax withholding and solidarity contribution	(11,723,347)	(24,756,250)
Income tax advances	(6,817,661)	(26,813,105)
VAT provision	-	26,224
Provision for turnover tax	296,283	431,635
Wages and social security	36,795,609	43,375,524
Others sundry	4,622,050	5,720,490
	<u>41,737,126</u>	<u>53,074,518</u>
q) Other liabilities		
Dividends payable	13,898,751	33,009,533
Sundry	2,366,634	1,246,198
	<u>16,265,385</u>	<u>34,255,731</u>
<b>NON-CURRENT LIABILITIES</b>		
r) Accounts payable		
Notes payable	13,730,088	20,111,538
Unearned interest	(1,807,428)	(1,299,921)
	<u>11,922,660</u>	<u>18,811,617</u>

**SIDERAR SOCIEDAD ANONIMA INDUSTRIAL Y COMERCIAL**

Registration number with the Superintendency of Corporations: 14510

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS** at September 30, 1999 (Contd.)

**NOTE 4 - COMPOSITION OF CONSOLIDATED BALANCE SHEET ITEMS (Contd.)**

	<u>9.30.99</u>	<u>9.30.98</u>
	<u>\$</u>	<u>\$</u>
NON-CURRENT LIABILITIES (Contd.)		
s) Long-term debt		
Import/export financing	282,302,402	257,519,167
Negotiable Corporate Bonds	110,000,000	110,000,000
Unearned interest	<u>(43,872,396)</u>	<u>(46,087,277)</u>
	<u>348,430,006</u>	<u>321,431,890</u>
t) Social security and taxes		
Provision for income tax	300,000	14,300,000
Income tax withholding and solidarity contribution	(300,000)	(5,841,291)
Sundry	<u>4,302,048</u>	<u>2,980,230</u>
	<u>4,302,048</u>	<u>11,438,939</u>

**NOTE 5 - INCOME TAX - MINIMUM NOTIONAL INCOME TAX**

The charge for income tax is that estimated to be paid according to current legislation for the following companies:

	<u>\$</u>
Income tax	
Siderar S.A.I.C.	300,000
Minimum notional income tax - Comesi San Luis S.A.I.C.	<u>7,376</u>
	<u>307,376</u>

**NOTE 6 - EVENTS SUBSEQUENT TO PERIOD END**

After September 30, 1999, no events, situations or circumstances which are not publicly known have occurred which affect or could significantly affect the Company's equity and financial position.

The report on limited review is issued as a separate document.

## **REPORT ON LIMITED REVIEW**

Buenos Aires, November 5, 1999

To the members of the Surveillance Council of  
Siderar Sociedad Anónima Industrial y Comercial

We have made a limited review of the balance sheets of Siderar Sociedad Anónima Industrial y Comercial at September 30, 1999 and 1998 and the related statements of income, of changes in shareholders' equity and of sources and uses of funds and the accompanying notes 1 to 11, 13 and 14 and exhibits for the three-month periods then ended. Furthermore, we have made a limited review of the consolidated financial statements of Siderar Sociedad Anónima Industrial y Comercial with its subsidiaries for the three-month periods ended September 30, 1999 and 1998, which are presented as complementary information. These financial statements are the responsibility of the Company's management.

Our reviews were performed in accordance with procedures established by Technical Resolution No. 7 issued by the Argentine Federation of Professional Councils in Economic Sciences for limited reviews of interim financial statements. A review of interim financial statements consists principally of the application of analytical procedures to amounts and disclosures in the financial statements and inquiries from individuals responsible for the preparation of the information included in the financial statements and of its subsequent analysis. These reviews do not provide assurance that the Company's systems, or any other systems, such as those of suppliers or vendors, are, or will be, Year 2000 compliant. The scope of these reviews is substantially narrower than that of an audit, the objective of which is to express an opinion on the financial statements under review. Accordingly, we do not express an opinion on the Company's financial position, the results of its operations, the changes in its shareholders' equity and sources and uses of funds.

Siderúrgica del Orinoco C.A. (Sidor), in which Siderar Sociedad Anónima Industrial y Comercial holds an indirect investment, has incurred significant losses, infringement of technical ratios in relation to its loan agreements and payment arrears. This situation could affect the valuation of the investment in the financial statements of

Siderar Sociedad Anónima Industrial y Comercial and the enforceability of the guarantees granted, as mentioned in Note 8.d).

Based on the work done and on our examination of the financial statements of the Company and its consolidated financial statements for the years ended June 30, 1999 and 1998, on which we issued our report dated September 1, 1999 containing a qualification referred to the situation mentioned in the previous paragraph, we report that the financial statements of Siderar Sociedad Anónima Industrial y Comercial at September 30, 1999 and 1998 and its consolidated financial statements at those dates consider all significant facts and circumstances with are known to us, regarding which we have no other observations to make.

As part of our review, the scope of which is mentioned in the second paragraph, we have reviewed the "Summary Information" required by the National Securities Commission and, regarding those aspects which fall within our competence, we have no observations to make.

PRICE WATERHOUSE &  
CO.

by \_\_\_\_\_ (Partner)

Dr. Daniel A. López Lado  
Contador Público (UBA)  
C.P.C.E. Capital Federal  
Tomo 148 - Folio 91