

## **Siderar S.A.I.C. Announces Results for the First Quarter of the Fiscal Year 2002 ended March 31, 2002**

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Buenos Aires, May 3, 2002. Siderar S.A.I.C. (Buenos Aires Stock Exchange: ERAR), today announced its earnings for the first fiscal quarter of the fiscal year ending December 31, 2002.

Siderar's consolidated results are expressed in Argentine pesos. Results from operations in foreign currency are converted to Argentine pesos at the exchange rate prevailing at the time of the applicable operation. Siderar estimates that the average rate used for the conversion of its foreign currency operations during the fiscal quarter was \$ 1.84 per US dollar. The bank buying rate for US dollars at the end of the first fiscal quarter was \$ 2.90 per US dollar and the bank selling rate was \$ 3.00 per US dollar, thereby reflecting a devaluation of around 200% over the fiscal quarter.

### **Highlights: Fiscal Quarter ended March 31, 2002**

- **Consolidated net loss of \$ 19.1 million**
- **Consolidated ordinary income of \$ 5.4 million**
- **EBITDA of \$ 20.2 million (7.4% of net sales)**
- **Net sales of \$ 271.2 million**
- **Net loss per share at \$ 0.0550 per share (\$ 0.4398 per ADS)**

### **Results for Fiscal Quarter ended March 31, 2002 vs. Fiscal Quarter ended March 31, 2001**

Siderar's results for the fiscal quarter ended March 31, 2002 were significantly affected by the effective termination, at the end of the previous fiscal period, of the Convertibility Law under which for a period of more than 10 years the Argentine peso had been convertible to US dollars at the rate of one to one and the subsequent 200% devaluation of the Argentine peso which occurred during the quarter.

Siderar recorded a consolidated net loss of \$ 19.1 million in the first quarter of the fiscal year 2002 (including losses of \$ 24.5 million due to the equity participation in Sidor), compared to a net loss of \$ 6.4 million posted in the same period last year. Earnings per share (EPS) and per ADS were a loss of \$ 0.0550 and \$ 0.4398 respectively based on a total of 347,468,771 shares outstanding as of March 31, 2002. Each ADS represents 8 (eight) class "A" shares.

During the quarter the Company faced a context of considerable uncertainty as the political and economic situation in Argentina continued deteriorating. The important changes in economic regulations, including a 200% currency devaluation which had a significant impact in the prices of goods and services, together with deep changes in the financial system, had a strong effect on the already persistent recessive situation in the domestic market.



Total shipments were 506 thousand tons, down 54 thousand tons or 10% compared to the same period ended March 31, 2001. Domestic market shipments totaled 151 thousand tons, down 44% compared to those of the same period last year, the lowest in the Company history for the quarter, as a result of the above mentioned situation. Export shipments totaled 355 thousand tons, up 22% compared to the same period last year, helped by the competitive level of the Company and despite the structural crisis affecting the international steel markets, resulting in prices at historical lows, and aggravated by the protectionist measures set by important consuming regions, particularly the US which was followed by Europe.

Consolidated net sales in the quarter amounted to \$ 271.2 million, up \$ 44.1 million compared to the same period last year. Consolidated gross margin in the period was 5,6% on a gross profit of \$ 15.3 million, down compared to the 16.4% achieved in the same period last year on a gross profit of \$ 37.3 million. The reduction in gross margin reflected lower sales volumes in the domestic market, which could not be totally compensated by the increase in exports as international prices were lower. A 50% reduction in tax rebates and a 5% tax set on Argentine manufactured exports aggravated the above described situation of low international prices.

Consolidated SG&A expenses in the period were \$ 34.6 million or 12.8% over net sales, compared to \$ 27.0 million or 11.9% over net sales in the same period last year. Selling expenses, much of which are incurred in foreign currency, increased in line with the increase in net sales.

In this context EBITDA was \$ 20.2 million and EBITDA margin was 7.4% in the period, compared to an EBITDA of \$ 26.0 million and EBITDA margin of 11.4% in the same period of the previous year.

Financial income (expenses) and holding gains (losses) represented a net income of \$ 32.7 million, compared to a net loss of \$ 10.3 million in the same period of 2001. The better financial result reflected a considerable impact caused by the peso devaluation and the change in prices of goods and services. Foreign exchange valuation result was a loss of \$ 800.9 million, \$ 658.7 million of which was related to capital expenditure financing and as such was capitalized in fixed assets according to accounting standards and CNV Resolution # 398/02 (the Argentine securities and exchange commission); as a result of this the net foreign exchange valuation result was a loss of \$ 142.2 million. Net inventory and fixed asset holding results were a gain of \$ 201.2 million. The net foreign exchange valuation result on equity holdings of \$ 63.9 million, was included in the shareholder's equity as temporary conversion differences.

Consolidated equity result for the period was a loss of \$ 24.5 million compared to a loss of \$ 4.1 million in the same period last year. As a result of the deterioration of the international steel market, the economic and social situation in Venezuela, the uncertainties in the negotiations initiated by Sidor and Amazonia with their respective financial creditors, the Company maintained the provision charge set as of December 31, 2001. Considering this provision charge and the equity result for the first quarter of fiscal year 2002, Siderar's investment in Amazonia equity and equity convertible loans was, as of March 31, 2002, \$ 71.2 million.

The economic and financial crisis in Argentina, aggravated to the extent that the financial institutions almost suspended disbursements of loans to domestic companies, affected the financial situation of Siderar as it obstructed the normal roll over of credit facilities at maturity. In this context Siderar initiated conversations with its creditors with the purpose of adequating its loan maturity profiles, reflecting the changing variables that influence the Company business. Consolidated financial debt as of March 31, 2002 was \$ 1,577.5 million, of which \$ 1,172.5 million was current and \$ 405.0 was non current, all of which is denominated in foreign currency.

Please find attached Financial Tables as of March 31, 2002.

<b>Consolidated</b>	Three months ended	
	March 31,	
	2002	2001
<b>Income Statement Data</b>		
(in million pesos, except ratios)		
Net sales	271.2	227.1
Cost of sales	(255.9)	(189.8)
<b>Gross profit</b>	<b>15.3</b>	<b>37.3</b>
Selling and administrative expenses	(34.6)	(27.0)
Financial income (expense)	32.7	(10.3)
Other ordinary income (expense)	(8.0)	(5.3)
<b>Income (loss) before taxes</b>	<b>5.4</b>	<b>(5.3)</b>
Tax provision charge	0.0	3.0
<b>Ordinary income (loss)</b>	<b>5.4</b>	<b>(2.3)</b>
Equity Income (Loss)	(24.5)	(4.1)
Extraordinary Results	0.0	0.0
<b>Net income (loss)</b>	<b>(19.1)</b>	<b>(6.4)</b>
FX rate (Argentine peso / US dollar)	3.00	1.00
Earnings per share (1)	(0.0550)	(0.0183)
Earnings per ADS (1)	(0.4398)	(0.1467)
<b>Other financial information</b>		
EBITDA	20.2	26.0
Operating income	(19.3)	10.3
Operating income per ton	(38.1)	18.4
Depreciation and amortization	47.5	21.0
<b>Operating Data</b>		
Domestic Sales (000 tons)	151.2	269.9
Export sales (000 tons)	355.1	290.3
Total sales (000 tons)	506.3	560.2
Employees	5,041	5,611
<b>Financial Ratios</b>		
Return on equity	-3.6%	-1.1%
Gross margin	5.6%	16.4%
Operating margin	-7.1%	4.5%
Total liabilities / Total assets	77.8%	54.1%
Current assets/current liabilities	49.1%	112.7%
Non-current assets/total assets	71.0%	63.1%
EBITDA/net sales	7.4%	11.4%
(1) Assume shares at the end of the period		
<b>Balance sheet data:</b>		
Cash & investments	30.9	39.6
Current trade receivables	276.7	201.9
Inventories	324.6	209.6
Total current assets	693.1	486.6
Net fixed assets	1,299.6	679.8
Total non-current assets	<u>1,693.7</u>	<u>830.7</u>
Total assets	2,386.8	1,317.3
Short term debt	1,172.5	296.5
Total current liabilities	1,410.5	431.7
Long term debt	405.0	251.6
Total non-current liabilities	<u>446.4</u>	<u>281.1</u>
Total liabilities	1,856.9	712.8
Shareholders' equity	529.9	604.5