

Siderar S.A.I.C. Announces Results for the First Fiscal Quarter ended March 31, 2003

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Buenos Aires, May 6, 2003. Siderar S.A.I.C. (Buenos Aires Stock Exchange: ERAR), today announced its earnings for the first quarter of the year 2003 ended March 31, 2003.

Prior to February 28, 2003 results of the period were adjusted by applying the variation in the Argentine wholesale price index (WPI) from the time of the applicable operation until February 28, 2003. Results from March 1, 2003 are expressed in nominal Argentine pesos. The results of the corresponding period of the prior year have been adjusted by the cumulative variation (66.4%) in the WPI from March 31, 2002 until February 28, 2003. Where given, figures in U.S. dollars are convenience translations only.

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 buying rate used for the conversion of its foreign currency operations during the first quarter was ARP3.17 for one US dollar. The bank buying rate for US dollars at the end of the quarter was ARP2.88 and the bank selling rate was ARP2.98.

As from January 1, 2003 some accounting rules were changed, generating a loss of ARP4.9 million in previous fiscal years, and a loss of ARP 57.1 million in the current fiscal year, mainly as a result of the introduction of deferred tax charges, among other new accounting rules.

Highlights: First Quarter ended March 31, 2003

- **Consolidated net income of ARP26.6 million**
- **Consolidated operating profit of ARP237.1 million**
- **EBITDA of ARP283.6 million (43.7% of net sales)**
- **Net sales of ARP648.6 million**
- **Net income per share of ARP0.0765 (ARP0.6124 per ADS)**

Results for the First Quarter ended March 31, 2003 vs. First Quarter ended March 31, 2002

Siderar recorded a net income for the quarter of ARP26.6 million. Earnings per share (EPS) and per ADS were a gain of ARP0.0765 and ARP0.6124 respectively based on a total of 347,468,771 shares outstanding as of March 31, 2003. Each ADS represents 8 (eight) class "A" shares.

Total shipments were 518 thousand tons in the quarter, up 2% compared to the same period of 2002. Domestic market shipments totaled 254 thousand tons, up 68% compared to those of the same period last year. Export shipments totaled 264 thousand tons, down 26% compared to the same period of 2002 mainly as a result of lower slab exports.

Net sales were ARP648.6 million compared to ARP494.9 million in the same period of 2002. Most of the



variation in net sales was compensated by the effect of converting foreign currency sales to Argentine pesos this year, as compared to inflation adjusted net sales for the first quarter of the previous year. The increase was due to higher sales to the domestic Argentine market and the recovery of international steel prices, partially offset by lower slab exports, the impact of the export sales tax, and the impact of the reduction in tax rebates on export sales.

Selling, general and administrative expenses in the period were ARP47.6 million (7% of net sales), compared to ARP62.5 million (13% of net sales) in the same period last year. The improvement was mainly due to lower costs and lower doubtful account provisions during the first quarter of 2003.

Operating result was a profit of ARP237.1 million (37% of net sales) compared to a loss of ARP37.1 million (8% of net sales) in the same period last year. The improvement was mainly due to higher sales to the domestic Argentine market and the recovery of international steel prices, partially offset by lower slab exports, lower tax rebates on export sales, and the impact of an export sales tax. A lower cost of sales was mainly the result of comparing inflation adjusted costs of the previous year, with costs of the period that were mainly linked to foreign currency.

EBITDA was ARP283.6 million and EBITDA margin was 43.7% in the quarter, which compares to an EBITDA margin of 6.5% in the same period of the previous year.

Financial and holding results were a loss of ARP121.2 million, mainly as a result of the Argentine peso appreciation during the period. Interest and other financing expenses results were a loss of ARP36.7 million. Net foreign exchange results were a loss of ARP25.6 million (including an ARP 113.2 million reduction in the capitalization of foreign exchange results related to foreign exchange debt incurred in capital expenditure financing). Net inventory and fixed asset spares holding results were a loss of ARP56.7 million, mainly as a result of the Argentine peso appreciation. The effect of inflation generated a loss of ARP2.2 million.

Other income and expense represented a net loss of ARP9.8 million in the period, compared to a net loss of ARP 14.8 million in the same period of 2002, mainly as a result of lower contingency provisions this year.

The income tax charge of ARP44.4 million in the quarter corresponds to the differed tax provision, a methodology that the Company implemented beginning January 1, 2003 as required by new accounting rules.

Consolidated Amazonia equity holdings result for the period was a loss of ARP35.1 million, including a differed tax charge of ARP28.3 million. During the quarter Sidor continued to improve its competitiveness and continued to restructure its activities and marketing systems, however this efforts were affected by the difficult political and economic situation in Venezuela, that negatively affected the domestic demand and the supply of gas, a vital input for the production process. Amazonia and Sidor continue negotiating with their creditor banks and the Government of Venezuela with the aim of restructuring their debts in terms that are satisfactory for all parties; to date, these negotiations have not yet been concluded. Siderar's investment in Amazonia equity and equity convertible loans was, as of March 31, 2003, ARP47.6 million (US dollar 16.0 million).

Please find attached Financial Tables as of March 31, 2003.



The table below shows, for the periods indicated, Siderar's consolidated income statement and some financial indicators. Amounts are expressed in million of Argentine pesos, except ratios.

	For the quarter ended March 31,	
	2003	2002
Net sales	648.6	494.9
Cost of sales	(363.9)	(469.5)
Gross profit	284.7	25.4
Selling, general and administrative expenses	(47.6)	(62.5)
Operating income (loss)	237.1	(37.1)
Financial income (expense) and holding gain (loss)	(121.2)	(42.6)
Other income (expense), net	(9.8)	(14.8)
Income (loss) before taxes	106.1	(94.5)
Tax provision charge	(44.3)	59.4
Ordinary income (loss)	61.8	(35.1)
Equity Income (Loss)	(35.2)	(39.8)
Net income (loss)	26.6	(74.9)
FX bank selling rate (Argentine peso / US dollar)	2.98	3.00
Earnings per share (1)	0.0765	(0.2155)
Earnings per ADS (1)	0.6124	(1.7242)
<u>Other financial information</u>		
EBITDA	283.6	32.2
Depreciation and amortization	56.3	84.1
Operating income (Argentine peso / ton)	457.9	(73.4)
<u>Operating Data</u>		
Domestic Sales (000 tons)	253.9	150.5
Export sales (000 tons)	263.9	355.1
Total sales (000 tons)	517.8	505.6
Employees	4,878	5,041
<u>Financial Ratios</u>		
Return on equity	2.2%	-6.4%
Gross margin	43.9%	5.1%
Operating margin	36.6%	-7.5%
Total liabilities / Total assets	55.8%	61.9%
Current assets/current liabilities	233.8%	183.9%
Non-current assets/total assets	66.1%	64.3%
EBITDA/net sales	43.7%	6.5%

(1) Assume shares at the end of the period



The table below shows, as of the indicated dates, Siderar's consolidated balance sheet. Amounts are expressed in million of Argentine pesos.

	As of	
	March 31, 2003	December 31, 2002
Cash, banks & investments	228.3	344.5
Current trade receivables	277.6	327.6
Other receivables	57.8	63.3
Inventories	379.8	405.5
Other assets	<u>0.3</u>	<u>0.5</u>
Total current assets	943.8	1,141.4
Non-current trade receivables	0.0	2.9
Other receivables	94.9	53.0
Long-term investments	336.7	425.7
Intangible assets	13.7	11.1
Net fixed assets	1,393.3	1,560.4
Other assets	<u>3.1</u>	<u>3.1</u>
Total non-current assets	1,841.7	2,056.2
Total assets	2,785.5	3,197.6
Current accounts payable	166.5	151.3
Short-term debt	171.5	417.0
Social security and taxes	43.8	35.9
Other liabilities	16.8	11.9
Provision for contingencies	<u>5.0</u>	<u>4.7</u>
Total current liabilities	403.6	620.8
Non-current accounts payable	4.0	4.9
Long term debt	1,092.0	1,316.7
Social security and taxes	27.9	14.1
Other liabilities	6.1	5.0
Provision for contingencies	<u>20.3</u>	<u>19.4</u>
Total non-current liabilities	1,150.3	1,360.1
Total liabilities	1,553.9	1,980.9
Temporary conversion differences	26.3	37.9
Minority interest in subsidiaries	0.0	0.0
Shareholders' equity	1,205.3	1,178.8