

## **Siderar S.A.I.C. Announces Results for the First Quarter ended March 31, 2004**

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**Buenos Aires, May 7, 2004.** Siderar S.A.I.C. (Buenos Aires Stock Exchange: ERAR), today announced its results for the first quarter ended March 31, 2004.

### **Highlights: First Quarter ended March 31, 2004**

- **Consolidated net income of ARP205.7 million. Net income per share of ARP0.5919 (ARP4.7355 per ADS)**
- **Consolidated operating profit of ARP277.3 million**
- **EBITDA of ARP328.7 million (42% of net sales)**
- **Net sales of ARP787.4 million**

### **Results for the Quarter ended March 31, 2004 vs. the Quarter ended March 31, 2003**

Siderar recorded a net income of ARP205.7 million in the quarter. Earnings per share (EPS) and per ADS were a gain of ARP 0.5919 and ARP4.7355 respectively based on a total of 347,468,771 shares outstanding as of March 31, 2004. Each ADS represents 8 (eight) class "A" shares.

Total shipments were 559 thousand tons, up 8% compared to the same period last year. Domestic market shipments totaled 379 thousand tons, a significant 49% recovery compared to those of the previous year as a result of the improving economic situation in Argentina due to a sustained growth in consumption, industrial and construction activity, and as a result of steel imports substitution. Export shipments totaled 180 thousand tons, down 32% compared to the same period last year due to the recovery of the domestic market sales. Although the Company reduced overall exports, it kept its export presence in traditional markets such as Latin America and Europe.

Net sales were ARP787.4 million compared to ARP648.6 million in the same period last year. This improvement shows increased sales volumes and better prices for steel products.

Cost of sales in the period were ARP462.5 million (59% of net sales) compared to ARP363.9 million (56% of net sales) in the same period last year. Costs increased during the period as raw material and freight prices consolidated the strong upward trend of the previous fiscal year, and as a result of higher domestic costs for supplies, services and labor.

Selling, general and administrative expenses in the period were ARP47.6 million (6% of net sales), compared to ARP48.2 million (7% of net sales) in the previous year. The commercial expense reduction associated to



the lower level of exports was compensated by some administrative expense increases, mainly due to the tax on financial transactions as a result of higher activity levels.

Operating profit was ARP277.3 million (35% of net sales) compared to ARP236.5 million (36% of net sales) last year. The improvement was the result of the increase in net sales, partially offset by the increase in costs as discussed above.

EBITDA was ARP328.7 million and EBITDA margin was 42% in the period, which compares to an EBITDA margin of 43% in the previous year.

Financial and holding results were a gain of ARP61.6 million. This result includes a loss of ARP13.1 million in interest and other financing expenses results, and a gain of ARP69.9 million in net inventory and fixed asset spares holding results, reflecting the higher prices of raw material and services at the end of the period.

Other income and expense represented a net loss of ARP8.3 million in the period, compared to a net loss of ARP 16.4 million in the same period last year. The reduction was mainly the result of lower doubtful account provisions, partially offset by higher intangible assets depreciation.

The income tax of the quarter was a loss of ARP124.6 million, including a differed tax provision of ARP14.0 million and an income tax provision of ARP110.6 million. In the same period last year the income tax was a loss of ARP44.4 million corresponding to a differed tax provision.

The consolidated Amazonia and Ylopa equity holdings result for the period, generated by its participation in Sidor, was a loss of ARP0.3 million compared to a loss of ARP35.2 million in the same period last year. Sidor's shipments in the period were a record 942 thousand tons, an important 39% increase compared to the same quarter last year. Domestic shipments were up 224% to 415 thousand tons, while exports were down 4% to 527 thousand tons. The important operating gain of Sidor was compensated by an increase in differed tax charges related to the depreciation of the Venezuelan Bolivar. Siderar's investment in Amazonia equity, and Ylopa equity and debt was, as of March 31, 2004, US\$58.4 million.

Financial debt as of March 31, 2004 was ARP 605.5 million (US\$ 211.7 million), down ARP 190.5 million compared to December 31, 2003.

On April 22, 2004 the Shareholders Meeting approved a cash dividend distribution of ARP58.4 million, equivalent to ARP0.168 per share (ARP 1.344 per ADS), effective May 7, 2004.

Please find attached Financial Tables as of March 31, 2004.



## Consolidated Income Statement

	For the quarter ended	
	March 31,	
(All amounts in ARP millions)	2004	2003
Net sales	787.4	648.6
Cost of sales	<u>(462.5)</u>	<u>(363.9)</u>
Gross profit	324.9	284.7
Selling, general and administrative expenses	<u>(47.6)</u>	<u>(48.2)</u>
Operating income	277.3	236.5
Financial income (expense) and holding gain (loss)	61.6	(114.0)
Other income (expense), net	<u>(8.3)</u>	<u>(16.4)</u>
Income before taxes	330.5	106.1
Tax provision charge	<u>(124.6)</u>	<u>(44.4)</u>
Ordinary income	205.9	61.7
Equity Income (loss)	<u>(0.3)</u>	<u>(35.1)</u>
<b>Net income</b>	<b>205.7</b>	<b>26.6</b>
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FX bank selling rate (ARP / US dollar)	2.86	2.98
Earnings per share <sup>(1)</sup>	0.5919	0.0765
Earnings per ADS <sup>(1)</sup>	4.7355	0.6124

<sup>(1)</sup> Assume shares at the end of the period



## Consolidated Balance Sheet

	March 31, 2004	December 31, 2003
(All amounts in ARP million)		
Cash, banks & investments	691.5	589.2
Current trade receivables	259.6	260.4
Inventories	465.6	397.7
Other receivables & assets	51.1	57.9
Total current assets	1,467.8	1,305.1
Long-term investments	202.1	207.2
Intangible assets	26.2	24.6
Net fixed assets	1,245.8	1,264.7
Other receivables & assets	45.2	47.4
Total non-current assets	1,519.3	1,543.9
<b>Total assets</b>	<b>2,987.1</b>	<b>2,849.0</b>
Current accounts payable	181.0	182.4
Short-term debt	154.1	115.2
Social security and taxes	195.6	185.4
Provision for contingencies & other	16.3	17.5
Total current liabilities	546.9	500.5
Long term debt	451.4	680.8
Social security and taxes	174.2	58.5
Provision for contingencies & other	43.0	39.1
Total non-current liabilities	668.6	778.5
<b>Total liabilities</b>	<b>1,215.5</b>	<b>1,278.9</b>
Temporary conversion differences	22.8	26.9
Shareholders' equity	1,748.8	1,543.1
<b>Total liabilities and shareholders' equity</b>	<b>2,987.1</b>	<b>2,849.0</b>



## Complementary Information

	For the quarter ended March 31,	
	2004	2003
<b>Other financial information</b>		
EBITDA (ARP million)	328.7	276.4
Depreciation and amortization (ARP million)	59.7	56.3
Operating income (ARP / ton)	495.8	456.7
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<b>Operating Data</b>		
Domestic Sales (000 tons)	379.1	253.9
Export sales (000 tons)	180.2	263.9
Total sales (000 tons)	559.3	517.8
Employees	4,688	4,878
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<b>Financial Ratios</b>		
Return on equity	11.8%	1.7%
Operating margin	35.2%	36.5%
Total liabilities / total assets	40.7%	44.9%
Current assets / current liabilities	268.4%	260.8%
EBITDA / net sales	41.7%	42.6%
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