

Siderar S.A.I.C. Announces Results for the Semester of the Fiscal Year 2002 ended June 30, 2002

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Buenos Aires, August 7, 2002. Siderar S.A.I.C. (Buenos Aires Stock Exchange: ERAR), today announced its earnings for the semester ended June 30, 2002.

These results are expressed in constant June 30, 2002 Argentine pesos by applying the variation in the Argentine wholesale price index (WPI) from the time of the applicable operation until the end of the period. The results of the corresponding semester of the prior year have been adjusted by the cumulative variation (95.6%) in the WPI over the first semester of 2002.

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 semester was ARP2.54 for one US dollar. The bank buying rate for US dollars at the end of the semester was ARP3.7 and the bank selling rate was ARP3.8.

When Siderar reported its results for the first quarter of 2002, the Argentine Securities Commission (CNV) had not authorized companies under its jurisdiction to make adjustments to reflect the effects of changes in the WPI in their accounts and did not do so until July 25, 2002. Accordingly, in its previously reported first quarter results, Siderar expressed its results in nominal Argentine pesos and did not reflect in its income statement the effects of the conversion of the financial statements of its foreign equity holdings. In these results, Siderar has restated its results for the first quarter in constant June 30, 2002 Argentine pesos reflecting these effects in its income statement in accordance with the accounting standards now in effect.

Highlights: First Half ended June 30, 2002

- **Consolidated net loss of ARP49.9 million**
- **Consolidated ordinary income of ARP117.8 million**
- **EBITDA of ARP224.3 million (21.7% of net sales)**
- **Net sales of ARP1,035.8 million**
- **Net loss per share at ARP 0.1437 per share (ARP1.1497 per ADS)**

Results for Semester ended June 30, 2002

Siderar's results for the semester ended June 30, 2002, expressed in constant Argentine pesos of that date, have been significantly affected by the fact that the devaluation of the Argentine peso has been substantially in excess of inflation as measured by the variation in the WPI since the start of the semester, which coincided with the effective termination of the Convertibility Law under which for a period of more than 10 years the Argentine peso was convertible to US dollars at the rate of one to one.



Siderar recorded a consolidated net loss of ARP49.9 million in the first half of the fiscal year 2002. Earnings per share (EPS) and per ADS were a loss of ARP 0.1437 and ARP1.1497 respectively based on a total of 347,468,771 shares outstanding as of June 30, 2002. Each ADS represents 8 (eight) class "A" shares.

Results for the first half of the year developed in a context of considerable uncertainty, as a result of the difficult political and economic situation Argentina undergoes. The important changes in economic regulations, the sharp currency devaluation, which had a significant impact in the prices of goods and services, together with the deep changes in the financial system, had a strong effect on the already persistent recessive situation in the domestic market.

Total shipments were 1,042 thousand tons, down 9% compared to the same period ended June 30, 2001. Domestic market shipments totaled 358 thousand tons, down 32% compared to those of the same period last year. Export shipments totaled 684 thousand tons, up 11% compared to the same period last year. The increase in the level of exports took place in a global steel market dominated by the protectionist measures adopted by the largest consuming countries, particularly the U.S. which was followed by Europe.

Consolidated net sales in the period amounted to ARP1,035.8 million. Consolidated operating margin in the period was 11.4% on an operating profit of ARP117.8 million, which compares to the 4.1% achieved in the same period last year. This result, although it reflects a depressed level of domestic market shipments, showed an improvement as a result of higher export shipments and the recovery of international prices as from the second quarter of the period, even after considering the effects of the reduction of 50% in tax rebates and the application of a 5% withholding tax on exports of industrial manufactured goods. The economic measures that included a devaluation and a forced conversion into pesos had also a one time negative impact on the Company's results. The theoretical benefit to competitiveness from the devaluation was partially offset by a high imported content in the production costs.

In this context EBITDA was ARP224.3 million and EBITDA margin was 21.7% in the period, which compares to an EBITDA margin of 12.6% in the same period of the previous year.

Financial and holding results reflect the strong impact generated by the devaluation of the peso, the changes in the prices of goods and services and the effects of inflation. Net financial results excluding foreign exchange results were a loss of ARP114.9 million. Net foreign exchange results were a loss of ARP725.8 million, ARP607.3 million of which were related to foreign exchange debt incurred in capital expenditure financing and as such were capitalized in fixed assets according to accounting standards; as a result of this the net foreign exchange result was a loss of ARP118.5 million. Net inventory and fixed asset spares holding results were a gain of ARP77.7 million. Result from exposure to inflation, mainly on certain trade receivables and net tax credits, generated a loss of ARP64.3 million. Foreign exchange gains generated by investments in related companies of ARP58.4 million were included under Net foreign exchange results on equity holdings.

Consolidated equity holdings result for the period was a gain of ARP19.4 million. This amount includes an operating loss of ARP22.4 million and a partial adjustment of ARP41.7 million of the provision set up as of December 31, 2001. Siderar's investment in Amazonia equity and equity convertible loans was, as of June 30, 2002, US dollar 36.7 million.

Please find attached Financial Tables as of June 30, 2002.

Consolidated	Six months ended	
	June 30, 2002	June 30, 2001
	(in million pesos, except ratios)	
<u>Income Statement Data</u>		
Net sales	1,035.8	897.8
Cost of sales	(821.2)	(754.8)
Gross profit	214.6	143.0
Selling and administrative expenses	(96.8)	(106.4)
Financial and holding result	(220.0)	(46.3)
Other ordinary income (expense)	(25.5)	(7.7)
Income (loss) before taxes	(127.7)	(17.4)
Tax provision charge	0.0	5.8
Ordinary income (loss)	(127.7)	(11.6)
Equity Income (Loss)	19.4	(25.2)
Foreign exchange result on equity holdings	58.4	0.0
Extraordinary Results	0.0	(13.7)
Net income (loss)	(49.9)	(50.5)
FX buying rate - end of period (ARP / US dollar)	3.70	1.00
Earnings per share - end of period (ARP / share)	(0.1437)	(0.1455)
Earnings per ADS - end of period (ARP / ADS)	(1.1497)	(1.1638)
<u>Other financial information</u>		
EBITDA	224.3	113.0
Operating income	117.8	36.6
Operating income per ton (ARP / ton)	113.0	32.0
Depreciation and amortization	132.0	84.1
<u>Operating Data</u>		
Domestic Sales (000 tons)	358.0	524.8
Export sales (000 tons)	684.4	619.0
Total sales (000 tons)	1,042.4	1,143.8
Employees	4,990	5,374
<u>Financial Ratios</u>		
Return on equity	-5.6%	-4.4%
Gross margin	20.7%	15.9%
Operating margin	11.4%	4.1%
Total liabilities / Total assets	72.5%	55.5%
Current assets/current liabilities	52.1%	112.7%
Non-current assets/total assets	69.7%	61.7%
EBITDA/net sales	21.7%	12.6%
	June 30, 2002	June 30, 2001
<u>Balance sheet data:</u>		
Cash & investments	61.2	189.5
Current trade receivables	382.7	377.1
Inventories	440.6	363.4
Total current assets	990.8	987.2
Long term investments	512.8	120.6
Net fixed assets	1,729.9	1,307.6
Total non-current assets	<u>2,282.5</u>	<u>1,587.1</u>
Total assets	3,273.3	2,574.3
Short term financial debt	1,636.0	590.0
Total current liabilities	1,902.5	876.3
Long term financial debt	424.1	502.2
Total non-current liabilities	<u>471.8</u>	<u>553.4</u>
Total liabilities	2,374.3	1,429.7
Shareholders' equity	899.0	1,144.6