

Siderar S.A.I.C. Announces Results for the Six Months and Second Quarter ended June 30, 2003

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Buenos Aires, August 7, 2003. Siderar S.A.I.C. (Buenos Aires Stock Exchange: ERAR), today announced its earnings for the six months and second quarter of the year 2003 ended June 30, 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 (12.3%) in the WPI from June 30, 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 selling rate for one US dollar used for the conversion of its foreign currency operations during the six months period was ARP3.00, and for the second quarter was ARP2.85. The bank buying rate for one US dollar at the end of the period was ARP2.70 and the bank selling rate was ARP2.80.

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 74.0 million in the current fiscal year, mainly as a result of the introduction of deferred tax charges, among other new accounting rules.

Highlights: Six Months and Second Quarter ended June 30, 2003

- **Consolidated net income of ARP153.9 million**
- **Consolidated operating profit of ARP445.5 million**
- **EBITDA of ARP531.2 million (40.0% of net sales)**
- **Net sales of ARP1,327.4 million**
- **Net income per share of ARP0.4430 (ARP3.5442 per ADS)**

Results for the Six Months ended June 30, 2003 vs. Six Months ended June 30, 2002

Siderar recorded a net income of ARP153.9 million in the first six months of the fiscal year 2003. Earnings per share (EPS) and per ADS were a gain of ARP 0.4430 and ARP3.5442 respectively based on a total of 347,468,771 shares outstanding as of June 30, 2003. Each ADS represents 8 (eight) class "A" shares.

EBITDA was ARP531.2 million and EBITDA margin was 40% in the period, which compares to an EBITDA margin of 20% in the same period of the previous year.

Total shipments were 1,102 thousand tons, up 6% compared to the same period of 2002. Domestic market



shipments totaled 558 thousand tons, a significant 56% increase compared to those of the same period last year. Export shipments totaled 544 thousand tons, down 21% compared to the same period of 2002.

Net sales were ARP1,327.4 million compared to ARP1,163.5 million in the same period of 2002. During the period sales to the domestic Argentine market experienced a significant recovery and the improvement in international steel prices continued, while exports were lower mainly as a result of lower sales of slabs.

Selling, general and administrative expenses in the period were ARP106.8 million (8% of net sales), compared to ARP119.1 million (10% of net sales) in the same period of the previous year. The reduction in expenses was mainly due to lower doubtful account provisions this year.

Operating profit was ARP445.5 million (34% of net sales) compared to ARP115.6 million (10% of net sales) in the same period last year. This significant improvement was mainly the result of the increase in net sales as discussed above. During the period there were some increases in costs, mainly raw materials. As the WPI increase (used to restate sales and costs for the previous period) was higher than the Argentine peso depreciation, when comparing results this effect should be taken into account, particularly on foreign currency related sales and costs.

Financial and holding results were a loss of ARP152.9 million, mainly as a result of the Argentine peso appreciation during the period. Interest and other financing expenses results were a loss of ARP54.2 million. Net foreign exchange results were a loss of ARP37.8 million (including an ARP163.4 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 ARP58.7 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 ARP25.1 million in the period, compared to a net loss of ARP 28.6 million in the same period of 2002. The net loss was mainly the result of the restructuring costs.

The income tax of the period was a loss of ARP114.2 million, including a differed tax provision of ARP77.3 million and an income tax provision of ARP36.9 million. In the same period of the previous year, the income tax was a gain of ARP103.1 million, a differed tax gain related to tax loss carry-forwards.

Consolidated Amazonia equity holdings result for the period was a gain of ARP0.7 million. On June 20, 2003, Amazonia and Sidor reached an agreement with their financial creditors and the Government of Venezuela for the restructuring of their financial debt. Under the terms of this agreement Amazonia's and Sidor's financial debt was reduced from US\$1,883 million to US\$829 million. Certain Amazonia shareholders contributed US\$133.5 million in cash to a recently established company (Ylopa) for the acquisition and capitalization of Amazonia's and Sidor's financial debt. The Government of Venezuela increased its interest in Sidor from 30.0% to 40.3%, and all the guaranties provided by Amazonia shareholders with respect to Sidor's debt were released and replaced by other guaranties on Sidor's fixed assets, together with the pledges on the shares of Amazonia and Amazonia shares of Sidor that were placed in trust for the benefit of the financial creditors and the Government of Venezuela. Under the agreement, a portion of Sidor's excess cash (determined in accordance with an agreed-upon formula) will be applied to repay Sidor's financial debt, and the remainder will be distributed among Ylopa and/or Amazonia as the case may be, and the Government of Venezuela.



Siderar's subsidiary Prosid Investments, a shareholder of Amazonia, took part in this restructuring by making an aggregate cash contribution, mainly in the form of new convertible debt of US\$15.0 million (the maximum amount allowed under Siderar's debt restructuring agreement), through the recently-established company (Ylopa), and by capitalizing in convertible debt previously held by Prosid in the amount of US\$30.8 million plus accrued interest. Siderar's indirect participation in Amazonia increased from 19.8% to 21.1%, and may decrease to 14.4% if and when all the new subordinated convertible debt is converted into equity. As a result of this agreement Siderar, through its subsidiary Prosid, will retain a participation in a business with competitive costs and an appropriate financial structure. Siderar's investment in Amazonia equity and equity convertible loans was, as of June 30, 2003, ARP120.5 million (US dollar 43.0 million).

Results for the Second Quarter ended June 30, 2003 vs. Second Quarter ended June 30, 2002

Siderar recorded in the quarter a net income of ARP127.3 million. Earnings per share (EPS) and per ADS were a gain of ARP0.3665 and ARP2.9320 respectively based on a total of 347,468,771 shares outstanding as of June 30, 2003. Each ADS represents 8 (eight) class "A" shares.

EBITDA was ARP254.8 million and EBITDA margin was 37.5%, which compares to an EBITDA margin of 31.3% in the same period of the previous year.

Total shipments in the quarter were 585 thousand tons, up 9% compared to the same period of 2002. Domestic market shipments totaled 304 thousand tons, a significant 47% increase compared to those of the same period last year. Export shipments totaled 280 thousand tons, down 15% compared to the same period of 2002.

Net sales in the quarter were ARP678.8 million compared to ARP668.6 million in the same period of 2002. This improvement was the result of higher domestic shipments and better export prices.

Selling, general and administrative expenses in the period were ARP52.0 million (8% of net sales), compared to ARP52.4 million (8% of net sales) in the same period last year.

Operating result in the quarter was a profit of ARP215.6 million (32% of net sales) compared to a profit of ARP156.8 million (23% of net sales) in the same period last year. The improvement was mainly the result of the increase in net sales as discussed above. During the period there were some increases in costs, mainly raw materials. The period developed in an inflationary and currency appreciation context; when comparing results this effect should be taken into account, particularly on foreign currency related sales and costs.

Financial and holding results were a loss of ARP39.0 million. Interest and other financing expenses results were a loss of ARP24.8 million. Net foreign exchange results were a loss of ARP12.1 million (including an ARP 50.3 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 ARP2.0 million, mainly as a result of the Argentine peso appreciation.

Other income and expense represented a net loss of ARP15.3 million in the period, compared to a net loss of ARP 13.8 million in the same period of 2002. The net loss is mainly the result of the restructuring costs.

The income tax of the period was a loss of ARP69.8 million, including a differed tax provision of ARP32.9 million and an income tax provision of ARP36.9 million. In the same period of the previous year, the income



tax was a gain of ARP43.6 million, as a result of a differed tax gain related to tax loss carry-forwards.

Consolidated Amazonia equity holdings result for the period was a gain of ARP35.9 million, reflecting the operating results of Sidor and mainly as a result of the financial debt restructuring. In the same period of the previous year the result was a gain of ARP 61.2 million.

Please find attached Financial Tables as of June 30, 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 six months ended		For the quarter ended	
	June 30,		June 30,	
	2003	2002	2003	2002
Net sales	1,327.4	1,163.5	678.8	668.6
Cost of sales	(775.2)	(928.9)	(411.2)	(459.4)
Gross profit	552.2	234.6	267.6	209.2
Selling, general and administrative expenses	(106.8)	(119.1)	(52.0)	(52.4)
Operating income (loss)	445.5	115.6	215.6	156.8
Financial income (expense) and holding gain (loss)	(152.9)	(253.4)	(39.0)	(214.9)
Other income (expense), net	(25.1)	(28.6)	(15.3)	(13.8)
Income (loss) before taxes	267.4	(166.5)	161.3	(71.9)
Tax provision charge	(114.2)	103.1	(69.8)	43.6
Ordinary income (loss)	153.2	(63.4)	91.5	(28.3)
Equity Income (Loss)	0.7	21.7	35.8	61.5
Extraordinary Results	0.0	0.0	0.0	0.0
Net income (loss)	153.9	(41.7)	127.3	33.2
FX bank selling rate (Argentine peso / US dollar)	2.80	3.80	2.80	3.80
Earnings per share (1)	0.4430	(0.1200)	0.3665	0.0956
Earnings per ADS (1)	3.5442	(0.9597)	2.9320	0.7646
Other financial information				
EBITDA	531.2	235.2	254.8	207.2
Depreciation and amortization	110.8	148.3	54.5	64.2
Operating income (Argentine peso / ton)	404.1	110.9	368.9	292.1
Operating Data				
Domestic Sales (000 tons)	558.4	358.1	304.5	207.6
Export sales (000 tons)	543.9	684.3	280.0	329.2
Total sales (000 tons)	1,102.3	1,042.4	584.5	536.8
Employees	4,795	4,990	4,795	4,990
Financial Ratios				
Return on equity	11.6%	-3.5%	9.6%	2.8%
Gross margin	41.6%	20.2%	39.4%	31.3%
Operating margin	33.6%	9.9%	31.8%	23.5%
Total liabilities / Total assets	52.1%	61.9%	52.1%	61.9%
Current assets/current liabilities	191.8%	183.9%	191.8%	183.9%
Non-current assets/total assets	63.4%	64.3%	63.4%	64.3%
EBITDA/net sales	40.0%	20.2%	37.5%	31.0%

(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	
	June 30, 2003	December 31, 2002
Cash, banks & investments	283.5	344.5
Current trade receivables	279.5	327.6
Other receivables	81.7	63.3
Inventories	389.2	405.5
Other assets	0.9	0.5
Total current assets	1,034.8	1,141.4
Non-current trade receivables	0.0	2.9
Other receivables	65.6	53.0
Long-term investments	392.2	425.7
Intangible assets	23.6	11.1
Net fixed assets	1,305.7	1,560.4
Other assets	3.1	3.1
Total non-current assets	1,790.2	2,056.2
Total assets	2,825.0	3,197.6
Current accounts payable	168.3	151.3
Short-term debt	287.9	417.0
Social security and taxes	64.4	35.9
Other liabilities	13.9	11.9
Provision for contingencies	4.9	4.7
Total current liabilities	539.4	620.8
Non-current accounts payable	1.0	4.9
Long term debt	841.5	1,316.7
Social security and taxes	58.8	14.1
Other liabilities	8.5	5.0
Provision for contingencies	22.2	19.4
Total non-current liabilities	932.0	1,360.1
Total liabilities	1,471.4	1,980.9
Temporary conversion differences	21.4	37.9
Minority interest in subsidiaries	0.0	0.0
Shareholders' equity	1,332.2	1,178.8