

Siderar S.A.I.C. Announces Results for the Six Months and Second Quarter ended June 30, 2004

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Buenos Aires, August 5, 2004. Siderar S.A.I.C. (Buenos Aires Stock Exchange: ERAR), today announced its results for the six months and second quarter ended June 30, 2004.

Highlights: Six Months ended June 30, 2004

- **Consolidated net income of ARP568.6 million. Net income per share of ARP1.6364 (ARP13.0916 per ADS)**
- **Consolidated operating profit of ARP602.4 million**
- **EBITDA of ARP702.4 million (43% of net sales)**
- **Net sales of ARP1,641.0 million**

Results for the Six Months ended June 30, 2004 vs. the Six Months ended June 30, 2003

Siderar recorded a net income of ARP568.6 million in the period. Earnings per share (EPS) and per ADS were a gain of ARP 1.6364 and ARP13.0916 respectively based on a total of 347,468,771 shares outstanding as of June 30, 2004. Each ADS represents 8 (eight) class "A" shares.

Total shipments were 1,087 thousand tons, similar to those of the same period last year. Domestic market shipments totaled 795 thousand tons, a significant 42% 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 293 thousand tons, down 46% 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 ARP1,641.0 million compared to ARP1,327.4 million in the same period last year. This improvement is mainly the result of better steel product prices.

Cost of sales in the period were ARP942.2 million (57% of net sales) compared to ARP775.1 million (58% of net sales) in the same period last year. Production costs increased in the period, mainly raw materials and freights, together with domestic costs for supplies, energy, services and labor. Some of this cost increases only partially affected the period and will be fully reflected in the next quarter.

These increases, together with those coming from the previous fiscal year, mainly explain the variation in the cost of sales.

Selling, general and administrative expenses in the period were ARP96.4 million (6% of net sales), compared



to ARP98.2 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 ARP602.4 million (37% of net sales) compared to ARP454.0 million (34% of net sales) last year.

EBITDA was ARP702.4 million and EBITDA margin was 43% in the period, which compares to an EBITDA margin of 40% in the previous year.

Financial and holding results were a gain of ARP147.1 million. This result includes a loss of ARP23.0 million in interest and other financing expenses results, a gain of ARP17.2 million in foreign exchange rate differences as a result of the Argentine Peso depreciation, and a gain of ARP152.9 million in net inventory and spare parts holding results, reflecting a higher price of raw materials and some services.

Other income and expense represented a net loss of ARP21.7 million in the period, compared to a net loss of ARP 33.7 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 period was a loss of ARP268.6 million, including a differed tax provision gain of ARP9.7 million and an income tax provision loss of ARP278.3 million. In the same period last year the income tax was a loss of ARP114.2 million, including a differed tax provision loss of ARP77.3 million and an income tax provision loss of ARP36.9 million.

The consolidated Amazonia and Ylopa equity holdings result for the period, generated by its participation in Sidor, was a gain of ARP109.6 million compared to a gain of ARP0.7 million in the same period last year. This significant improvement was generated by Sidor's operating result, causing a higher distribution of Sidor's excess cash according to the agreed terms, and a higher investment valuation. Sidor's shipments in the period were a record 1,645 thousand tons, compared to 1,603 thousand tons in the same period last year. Domestic shipments were up 118% to 815 thousand tons, while exports were down 32% to 830 thousand tons. Siderar's investments in Amazonia equity, and Ylopa equity and debt were, as of June 30, 2004, US\$87.8 million.

Sidor together with Tenaris established a new company (Materiales Siderúrgicos Masisa, S.A.), in which they own a 49.8% and 50.2% participation respectively. On July 9, 2004, Masisa purchased the assets of POSVEN C.A., for a total amount of US\$120 million. The industrial plant, located in Ciudad Guayana, Venezuela, produces hot reduced briquetted iron or HBI.

During the period the Company invested ARP113.4 million in fixed assets and information technology, within a plan that introduced important improvements in productivity and processes. The plan comprises the start up of blast furnace #1, in an advanced stage of completion and due in September 2004. The purpose of this investment is to maintain the production of pig iron, considering that during the next fiscal year the blast furnace #2, now in operation, is expected to be due for relining.

Financial debt as of June 30, 2004 was ARP 279.1 million (US\$ 94.4 million), down ARP 516.9 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.



Results for the Quarter ended June 30, 2004 vs. the Quarter ended June 30, 2003

Siderar recorded a net income of ARP362.9 million in the quarter. Earnings per share (EPS) and per ADS were a gain of ARP 1.0445 and ARP8.3561 respectively based on a total of 347,468,771 shares outstanding as of June 30, 2004. Each ADS represents 8 (eight) class "A" shares.

Domestic market shipments totaled 416 thousand tons, a significant 36% recovery compared to those of the previous year as a result of the improving economic situation in Argentina. Export shipments totaled 112 thousand tons, down 60% compared to the same period last year mainly due to the recovery of the domestic market sales.

Net sales were ARP853.6 million compared to ARP678.8 million in the same period last year. This improvement is mainly the result of better steel product prices.

Cost of sales in the quarter were ARP479.7 million (56% of net sales) compared to ARP411.2 million (61% of net sales) in the same period last year. Production costs increases in the period, were mainly in raw materials and freights, together with higher domestic costs for supplies, energy, services and labor. Some of this cost increases only partially affected this quarter and will be fully reflected into the next one.

Selling, general and administrative expenses in the quarter were ARP48.8 million (6% of net sales), compared to ARP50.0 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 ARP325.1 million (38% of net sales) compared to ARP217.5 million (32% of net sales) last year.

EBITDA was ARP373.7 million and EBITDA margin was 44% in the period, which compares to an EBITDA margin of 38% in the previous year.

Financial and holding results were a gain of ARP85.5 million. This result includes a loss of ARP9.9 million in interest and other financing expenses results, a gain of ARP12.4 million in foreign exchange rate differences as a result of the Argentine Peso depreciation, and a gain of ARP82.9 million in net inventory and spare parts holding results, reflecting the higher prices of raw materials and some services.

Other income and expense represented a net loss of ARP13.4 million in the quarter, compared to a net loss of ARP 17.3 million in the same period last year. The reduction was mainly the result of lower doubtful account provisions and restructuring costs, partially offset by higher intangible assets depreciation.

The income tax of the period was a loss of ARP144.1 million, including a differed tax provision gain of ARP23.8 million and an income tax provision loss of ARP167.8 million. In the same period last year the income tax was a loss of ARP69.8 million, including a differed tax provision loss of ARP32.9 million and an income tax provision loss of ARP36.9 million.



The consolidated Amazonia and Ylopa equity holdings result for the quarter, generated by its participation in Sidor, was a gain of ARP109.8 million compared to a gain of ARP35.9 million in the same period last year. This result was generated by Sidor's operating result, that produced a higher distribution of Sidor's excess cash according to the agreed terms, and a higher investment valuation.

Please find attached Financial Tables as of June 30, 2004.



Consolidated Income Statement

	Six months ended June 30,		2 nd Quarter ended June 30,	
	2004	2003	2004	2003
(All amounts in ARP millions)				
Net sales	1,641.0	1,327.4	853.6	678.8
Cost of sales	<u>(942.2)</u>	<u>(775.2)</u>	<u>(479.7)</u>	<u>(411.2)</u>
Gross profit	698.8	552.3	373.9	267.6
Selling, general and administrative expenses	<u>(96.4)</u>	<u>(98.2)</u>	<u>(48.8)</u>	<u>(50.0)</u>
Operating income	602.4	454.0	325.1	217.6
Financial income (expense) and holding gain (loss)	147.1	(152.9)	85.5	(39.0)
Other income (expense), net	<u>(21.7)</u>	<u>(33.7)</u>	<u>(13.4)</u>	<u>(17.3)</u>
Income before taxes	727.7	267.4	397.2	161.3
Tax provision charge	<u>(268.7)</u>	<u>(114.2)</u>	<u>(144.1)</u>	<u>(69.8)</u>
Ordinary income	459.0	153.2	253.1	91.5
Equity Income (loss)	<u>109.6</u>	<u>0.7</u>	<u>109.8</u>	<u>35.9</u>
Net income	568.6	153.9	362.9	127.3
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FX bank selling rate (ARP / US dollar)	2.96	2.80	2.96	2.80
Earnings per share ⁽¹⁾	1.6364	0.4430	1.0445	0.3665
Earnings per ADS ⁽¹⁾	13.0916	3.5442	8.3561	2.9318

⁽¹⁾ Assume shares at the end of the period



Consolidated Balance Sheet

	June 30, 2004	December 31, 2003
(All amounts in ARP million)		
Cash, banks & investments	546.5	589.2
Current trade receivables	244.5	260.4
Inventories	498.7	397.7
Other receivables & assets	49.9	57.9
Total current assets	1,339.6	1,305.1
Long-term investments	295.3	207.2
Intangible assets	29.0	24.6
Net fixed assets	1,264.5	1,264.7
Other receivables & assets	43.8	47.4
Total non-current assets	1,632.6	1,543.9
Total assets	2,972.2	2,849.0
Current accounts payable	197.4	182.4
Short-term debt	110.7	115.2
Social security and taxes	288.5	185.4
Provision for contingencies & other	14.6	17.5
Total current liabilities	611.2	500.5
Long term debt	168.4	680.8
Social security and taxes	67.2	58.5
Provision for contingencies & other	44.0	39.1
Total non-current liabilities	279.6	778.5
Total liabilities	890.8	1,278.9
Temporary conversion differences	28.6	26.9
Shareholders' equity	2,052.8	1,543.1
Total liabilities and shareholders' equity	2,972.2	2,849.0



Complementary Information

	Six months ended June 30,		2 nd Quarter ended June 30,	
	2004	2003	2004	2003
Other financial information				
EBITDA (ARP million)	702.4	531.2	373.7	254.8
Depreciation and amortization (ARP million)	121.7	110.9	62.0	54.5
Operating income (ARP / ton)	554.1	411.9	615.8	372.1
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Operating Data				
Domestic Sales (000 tons)	794.6	558.4	415.5	304.5
Export sales (000 tons)	292.6	543.9	112.4	280.0
Total sales (000 tons)	1,087.2	1,102.3	527.9	584.5
Employees	4,601	4,795	4,601	4,795
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Financial Ratios				
Return on equity	27.7%	11.6%	17.7%	9.6%
Operating margin	36.7%	34.2%	38.1%	32.0%
Total liabilities / total assets	30.0%	52.1%	30.0%	52.1%
Current assets / current liabilities	219.2%	191.8%	219.2%	191.8%
EBITDA / net sales	42.8%	40.0%	43.8%	37.5%
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