

Siderar S.A.I.C. Announces Unaudited Results for the Nine Months and Quarter ended September 30, 2002

Leonardo Stazi
Siderar S.A.I.C.
54 (11) 4018-2308/2249
www.siderar.com

Buenos Aires, November 8, 2002. Siderar S.A.I.C. (Buenos Aires Stock Exchange: ERAR), today announced its earnings for the nine months and quarter ended September 30, 2002.

These results are expressed in constant September 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 period of the prior year have been adjusted by the cumulative variation (121.2%) in the WPI over the nine months of 2002. 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. Results from investments in related companies are converted using the exchange rate at the end of the period. Siderar estimates that the average buying rate used for the conversion of its foreign currency operations during the nine month period was ARP2.96 for one US dollar and ARP3.63 for one US dollar during the third quarter. The bank buying rate for US dollars at the end of the nine month period was ARP3.64 and the bank selling rate was ARP3.74.

Highlights: Nine Months ended September 30, 2002

- **Consolidated net income of ARP17.6 million**
- **Consolidated operating profit of ARP359.3 million**
- **EBITDA of ARP521.5 million (28.0% of net sales)**
- **Net sales of ARP1,862.4 million**
- **Net income per share of ARP0.0506 (ARP0.4051 per ADS)**

Unaudited Results for the Nine Months ended September 30, 2002 vs. The Nine Months ended September 30, 2001

Siderar's results for the nine month period ended September 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 nine month period, 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.

Results for the nine month period 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.



Net income was ARP17.6 million in the first nine months of the fiscal year 2002. Earnings per share (EPS) and per ADS were a gain of ARP 0.0506 and ARP0.4051 respectively based on a total of 347,468,771 shares outstanding as of September 30, 2002. Each ADS represents 8 (eight) class "A" shares.

Total shipments were 1,570 thousand tons, up 2% compared to the same period of 2001. Domestic market shipments totaled 543 thousand tons, down 25% compared to those of the same period last year. Export shipments totaled 1,027 thousand tons, up 25% compared to the same period of 2001.

Net sales were ARP1,862.4 million compared to ARP1,388.3 million in the same period of 2001. Most of this increase in net sales was due to the effects of converting Siderar's foreign currency sales to Argentine pesos. In addition during the period export shipments increased significantly, offset by lower domestic sales and a reduction in tax rebates, and the impact of an export sales tax.

Selling, general and administrative expenses in the period were ARP166.6 million (9% of net sales), compared to ARP164.8 million (12% of net sales) in the same period of the previous year. The increase in sales expenses, mainly due to a higher proportion of exports in the sales mix, were compensated by the effect of the cost reduction programs initiated during the previous year.

Operating profit was ARP359.3 million (19,3% of net sales) compared to ARP60.7 million (4.4% of net sales) in the same period last year. This improvement was mainly due to the increase in export shipments, the recovery of international prices as from the second quarter of the period, offset by a decline in domestic shipments, and even after considering the effects of the reduction of 50% in tax rebates on export sales and the impact of a 5% export sales tax. A higher cost of sales was originated by the imported supplies component, that was compensated by the benefits of the cost reduction programs initiated last year.

In this context EBITDA was ARP521.5 million and EBITDA margin was 28.0% in the period, which compares to an EBITDA margin of 13.4% in the same period of the previous year.

Financial and holding results reflect the strong impact generated by the devaluation of the Argentine peso, the changes in the prices of goods and services and the effects of inflation. Interest and other financing expenses results were a loss of ARP181.9 million. Net foreign exchange results were a loss of ARP589.5 million, ARP503.2 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 ARP86.3 million. Net inventory and fixed asset spares holding results were a gain of ARP1.1 million. The effect of inflation, mainly on certain trade receivables and net tax credits, generated a loss of ARP97.8 million. Foreign exchange gains generated by investments in related companies of ARP48.4 million were included under Net foreign exchange results on equity holdings.

Other income and expense represented a net loss of ARP37.6 million in the period, compared to a net loss of ARP 17.5 million in the same period of 2001, as a result of a non-repetitive adjustment in 2001 of the provisions for contingencies, that was partially offset by lower restructuring costs this year.

No extraordinary results were registered during the period, while in the same period last year extraordinary losses amounted to ARP 29.0 million, and were related to company restructuring costs and certain expenses caused by an emergency stoppage of Blast Furnace #2.

Consolidated Amazonia equity holdings result for the period was a gain of ARP12.2 million. This amount includes an operating loss of ARP27.5 million and a partial adjustment gain of ARP39.7 million of the provision set up as of December 31, 2001. Siderar's investment in Amazonia equity and equity convertible loans was, as of September 30, 2002, ARP130.5 million (US dollar 34.9 million).



Unaudited Results for the Quarter ended September 30, 2002 vs. the Quarter ended September 30, 2001.

Siderar recorded a net income for the quarter of ARP74.1 million. Earnings per share (EPS) and per ADS were a gain of ARP0.2131 and ARP1.7051 respectively based on a total of 347,468,771 shares outstanding as of September 30, 2002. Each ADS represents 8 (eight) class "A" shares.

Total shipments were 528 thousand tons in the quarter, up 32% compared to the same period of 2001. Domestic market shipments totaled 185 thousand tons, down 8% compared to those of the same period last year. Export shipments totaled 343 thousand tons, up 72% compared to the same period of 2001.

Net sales were ARP691.1 million compared to ARP373.0 million in the same period of 2001. Most of this increase was due to the effects of converting Siderar's foreign currency sales to Argentine pesos. In addition Siderar benefited from higher export shipments and higher average selling prices even after the impact of the 5% export sales tax and 50% reduction in tax rebates on export sales.

Selling, general and administrative expenses in the period were ARP57.2 million (8% of net sales), compared to ARP44.5 million (12% of net sales) in the same period last year. The increase in sales expenses was due to a higher proportion of exports in the sales mix, and was offset by the effect of the cost reduction programs initiated during the previous year.

Operating profit was ARP226.1 million (32.7% of net sales) compared to ARP19.3 million (5.2% of net sales) in the same period last year. This improvement was mainly due to the increase in export shipments and prices, that were partially offset by a decline in domestic shipments and the impact of the reduction in tax rebates, and the application of an export sales tax. A higher cost of sales was the result of higher shipments and the effect of the imported supplies component, that were partially compensated by the benefits of the cost reduction programs initiated last year.

EBITDA was ARP267.8 million and EBITDA margin was 38.7% in the quarter, which compares to an EBITDA margin of 15.6% in the same period of the previous year.

Financial and holding results were a loss of ARP116.1 million, which includes a loss of ARP51.9 million in interest and other financing expenses result. Net foreign exchange results were a gain of ARP151.7 million as a result of the domestic currency revaluation during the quarter, ARP104.0 million of which were related to foreign exchange debt incurred in capital expenditure financing and as such it adjusted the foreign exchange result that was capitalized in fixed assets during the current fiscal year; as a result of this the net foreign exchange result was a gain of ARP47.7 million. Net inventory and fixed asset spares holding results were a loss of ARP86.8 million. The effect of inflation, mainly on certain trade receivables and net tax credits, generated a loss of ARP25.1 million. Foreign exchange losses generated by investments in related companies of ARP17.6 million were included under Net foreign exchange results on equity holdings.

Other income and expense represented a net loss of ARP8.7 million in the period, compared to a net loss of ARP 8.8 million in the same period of 2001, as a result of a non-repetitive adjustment in 2001 of the provisions for contingencies, that was offset by lower restructuring costs this year.

Consolidated Amazonia equity holdings result for the period was a loss of ARP9.6 million, a slight recovery compared to a loss of ARP12.8 million reported in the same period last year.

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



The table below shows, for the periods indicated, Siderar's consolidated income statement and some financial indicators. Amounts are expressed in constant September 30, 2002 million of Argentine pesos, except ratios.

| | For the nine months ended | | For the three months ended | |
|--|---------------------------|---------------|----------------------------|---------------|
| | September 30, | | September 30, | |
| | 2002 | 2001 | 2002 | 2001 |
| Net sales | 1,862.4 | 1,388.3 | 691.1 | 373.0 |
| Cost of sales | (1,336.5) | (1,162.8) | (407.8) | (309.2) |
| Gross profit | 525.9 | 225.5 | 283.3 | 63.8 |
| Selling, general and administrative expenses | (166.6) | (164.8) | (57.2) | (44.5) |
| Operating income (loss) | 359.3 | 60.7 | 226.1 | 19.3 |
| Financial income (expense) and holding gain (loss) | (364.9) | (71.5) | (116.1) | (19.1) |
| Other income (expense), net | (37.6) | (17.5) | (8.8) | (8.8) |
| Income (loss) before taxes | (43.2) | (28.3) | 101.2 | (8.6) |
| Tax provision charge | 0.0 | 6.6 | 0.0 | 0.0 |
| Ordinary income (loss) | (43.2) | (21.7) | 101.2 | (8.6) |
| Equity Income (Loss) | 12.4 | (41.4) | (9.5) | (12.8) |
| Foreign exchange result on equity holdings | 48.4 | 0.0 | (17.6) | 0.0 |
| Extraordinary Results | 0.0 | (29.0) | 0.0 | (13.5) |
| Net income (loss) | 17.6 | (92.1) | 74.1 | (34.9) |
| FX rate (Argentine peso / US dollar) | 3.74 | 1.00 | 3.74 | 1.00 |
| Earnings per share (1) | 0.0506 | (0.2649) | 0.2131 | (0.1004) |
| Earnings per ADS (1) | 0.4051 | (2.1195) | 1.7051 | (0.8035) |
| <u>Other financial information</u> | | | | |
| EBITDA | 521.5 | 185.9 | 267.8 | 58.2 |
| Operating income | 359.3 | 60.7 | 226.1 | 19.3 |
| Operating income per ton | 228.8 | 39.3 | 428.1 | 48.1 |
| Depreciation and amortization | 199.7 | 142.8 | 51.3 | 48.6 |
| <u>Operating Data</u> | | | | |
| Domestic Sales (000 tons) | 542.9 | 726.4 | 184.9 | 201.6 |
| Export sales (000 tons) | 1,027.5 | 818.8 | 343.2 | 199.7 |
| Total sales (000 tons) | 1,570.4 | 1,545.2 | 528.1 | 401.3 |
| Employees | 4,966 | 5,242 | 4,966 | 5,242 |
| <u>Financial Ratios</u> | | | | |
| Return on equity | 1.6% | -7.3% | 6.8% | -2.8% |
| Gross margin | 28.2% | 16.2% | 41.0% | 17.1% |
| Operating margin | 19.3% | 4.4% | 32.7% | 5.2% |
| Total liabilities / Total assets | 66.9% | 55.5% | 66.9% | 55.5% |
| Current assets/current liabilities | 54.3% | 98.0% | 54.3% | 98.0% |
| Non-current assets/total assets | 68.3% | 61.8% | 68.3% | 61.8% |
| EBITDA/net sales | 28.0% | 13.4% | 38.9% | 15.8% |

(1) Assume shares at the end of the period



The table below shows, for the periods indicated, Siderar's consolidated balance sheet. Amounts are expressed in constant September 30, 2002 million of Argentine pesos.

| <u>Consolidated</u> | <u>For the nine months ended</u> <u>September 30,</u> <u>2002</u> <u>2001</u> | |
|-----------------------------------|---|----------------|
| <u>Balance sheet data:</u> | | |
| Cash, banks & investments | 149.1 | 242.5 |
| Current trade receivables | 390.4 | 352.9 |
| Other receivables | 60.2 | 72.4 |
| Inventories | 445.9 | 410.5 |
| Other assets | 0.8 | 4.1 |
| Total current assets | <u>1,046.4</u> | <u>1,082.5</u> |
| Non-current trade receivables | 4.1 | 0.4 |
| Other receivables | 53.6 | 75.5 |
| Long-term investments | 469.3 | 216.0 |
| Intangible assets | 11.0 | 2.8 |
| Net fixed assets | 1,708.7 | 1,452.3 |
| Other assets | 2.7 | 2.7 |
| Total non-current assets | <u>2,249.4</u> | <u>1,749.7</u> |
| Total assets | 3,295.8 | 2,832.2 |
| Current accounts payable | 174.0 | 179.3 |
| Short-term debt | 1,696.2 | 836.1 |
| Social security and taxes | 43.5 | 67.4 |
| Other liabilities | 10.3 | 17.6 |
| Provisions for contingencies | 4.5 | 4.2 |
| Total current liabilities | <u>1,928.5</u> | <u>1,104.6</u> |
| Non-current accounts payable | 10.3 | 14.2 |
| Long-term debt | 233.2 | 411.1 |
| Social security and taxes | 12.8 | 20.8 |
| Other liabilities | 5.1 | 4.7 |
| Provision for contingencies | 15.4 | 17.6 |
| Total non-current liabilities | <u>276.9</u> | <u>468.4</u> |
| Total liabilities | 2,205.4 | 1,573.0 |
| Shareholders' equity | 1,090.4 | 1,259.2 |