

Siderar S.A.I.C. Announces Results for the Year and Quarter ended December 31, 2002

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Buenos Aires, March 5, 2003. Siderar S.A.I.C. (Buenos Aires Stock Exchange: ERAR), today announced its earnings for the year and quarter ended December 31, 2002.

These results are expressed in constant December 31, 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 (118.2%) in the WPI over the year 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 year was ARP3.12 for one US dollar and ARP3.57 for one US dollar during the fourth quarter. The bank buying rate for US dollars at the end of the year was ARP3.27 and the bank selling rate was ARP3.37.

Highlights: Year ended December 31, 2002

- **Consolidated net income of ARP117.1 million**
- **Consolidated operating profit of ARP590.2 million**
- **EBITDA of ARP789.6 million (30.9% of net sales)**
- **Net sales of ARP2,551.4 million**
- **Net income per share of ARP0.3370 (ARP2.6956 per ADS)**
- **US dollar 473.3 million debt restructuring agreement with creditors**

Results for the Year ended December 31, 2002 vs. The Year ended December 31, 2001

Siderar's results for the year ended December 31, 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 that year, 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 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.

Net income was ARP117.1 million in the fiscal year 2002. Earnings per share (EPS) and per ADS were a gain of ARP 0.3370 and ARP2.6956 respectively based on a total of 347,468,771 shares outstanding as of December 31, 2002. Each ADS represents 8 (eight) class "A" shares.

Total shipments were 2,099 thousand tons, up 9% compared to the fiscal year 2001. Domestic market shipments totaled 742 thousand tons, down 17% compared to those of the previous year. Export shipments totaled 1,356 thousand tons, up 32% compared to the year 2001 and the highest in record.

Net sales were ARP2,551.4 million compared to ARP1,694.5 million in the year 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, export shipments increased significantly, partially offset by lower domestic sales, a reduction in tax rebates, and the impact of an export sales tax.

Selling, general and administrative expenses in the year were ARP224.6 million (9% of net sales), compared to ARP215.5 million (13% of net sales) in the previous year. The increase in sales expenses, mainly due to higher exports, were compensated by the effect of the cost reduction programs initiated during the previous year.

Operating profit was ARP590.2 million (23% of net sales) compared to ARP28.6 million (2% of net sales) in the previous year. Profitability improvement occurred mostly during the second semester. This result was mainly due to the increase in export shipments and the recovery of international prices as from the second quarter of the year, that was partially 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 partially offset by the benefits of the cost reduction programs initiated in 2001, and the effects generated by the devaluation of the Argentine peso.

EBITDA was ARP789.6 million and EBITDA margin was 30.9% in the year, which compares to an EBITDA margin of 9.7% in 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 ARP226.1 million. Net foreign exchange results were a loss of ARP508.6 million, ARP391.2 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 result was a loss of ARP117.4 million. Net inventory and fixed asset spares holding results were a loss of ARP50.0 million. The effect of inflation, mainly on certain trade receivables and net tax credits, generated a loss of ARP67.9 million. Foreign exchange gains generated by investments in related companies of ARP37.6 million were included under Net foreign exchange results on equity holdings.

Other income and expense represented a net loss of ARP48.7 million in the year, compared to a net loss of ARP 51.4 million in the year 2001, as a result of lower restructuring costs in 2002 that were partially offset by higher contingency provisions.

No extraordinary results were registered during the year, while in the previous year extraordinary losses amounted to ARP 32.5 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 year was a loss of ARP1.0 million. This amount includes an operating loss of ARP36.8 million and a partial adjustment gain of ARP35.8 million of the provision set up as of December 31, 2001. Siderar's investment in Amazonia equity and equity convertible loans was, as of December 31, 2002, ARP105.5 million (US dollar 31.3 million).

The economic and financial crisis, and the restrictions imposed on external debt payments during 2002, severely limited the access of the Argentine companies to new bank loans and the capital markets, affecting Siderar's normal rollover of credit facilities at maturity. In this context, during the year 2002 the Company initiated conversations with its creditors to adapt debt payments to the cash flow generated by its operations. As of the date of this Press Release, Siderar has signed an agreement with its creditors to restructure the terms and conditions of its financial debt for US dollar 473.3 million. As a result of the mentioned agreement, Siderar will make a downpayment of US dollar 85.0 million equivalent to 17.95% of the restructured debt; the remaining debt of US dollar 388.3 million will have a final maturity of 5.25 years and will be cancelled in eleven installments, the first of them equivalent to 5% of the debt, the last of them equivalent to 25% of the debt. Quarterly interest payments will be calculated on the 3 month LIBOR plus 500 basis points. A brief summary of the terms and conditions of the New Facilities are being disclosed in the Financial Statements.

Results for the Quarter ended December 31, 2002 vs. the Quarter ended December 31, 2001.

Siderar recorded a net income for the quarter of ARP99.7 million. Earnings per share (EPS) and per ADS were a gain of ARP0.2870 and ARP2.296 respectively based on a total of 347,468,771 shares outstanding as of December 31, 2002. Each ADS represents 8 (eight) class "A" shares.

Total shipments were 528 thousand tons in the quarter, up 39% compared to the same period of 2001. Domestic market shipments totaled 199 thousand tons, up 18% compared to those of the same period last year. Export shipments totaled 329 thousand tons, up 56% compared to the same period of 2001.

Net sales were ARP714.1 million compared to ARP324.9 million in the same period of 2001. Much 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, and from higher domestic shipments, 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 ARP60.2 million (8% of net sales), compared to ARP52.9 million (16% of net sales) in the same period last year. The increase in sales expenses was due to higher exports, and were offset by the impact of the cost reduction programs initiated during the previous year.

Operating result was a profit of ARP235.8 million (33% of net sales) compared to a loss of ARP31.3 million (10% of net sales) in the same period last year. This improvement was mainly due to the increase in export shipments and prices, and the increase in domestic shipments, that were partially offset by 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 the effect of the imported supplies component, that was partially offset by the impact of the cost reduction programs initiated in 2001, and the effects generated by the devaluation of the Argentine peso.

EBITDA was ARP275.1 million and EBITDA margin was 38.5% in the quarter, which compares to a negative EBITDA margin of 5.6% in the same period of the previous year.

Financial and holding results were a loss of ARP101.4 million, which includes a loss of ARP46.7 million in interest and other financing expenses result. Net foreign exchange results were a gain of ARP73.0 million as a result of the domestic currency revaluation during the quarter; this result shall be adjusted by a loss of ARP105.2 million as a consequence of the adjustment of the foreign exchange result that was capitalized in



fixed assets as a result of the revaluation of the Argentine peso; as a consequence of this the net result was a loss of ARP32.2 million. Net inventory and fixed asset spares holding results were a loss of ARP51.1 million, mainly as a result of the Argentine peso appreciation in excess of a wholesale price deflation of 1.35% during the quarter. The effect of inflation, mainly on certain trade receivables and net tax credits, generated a gain of ARP28.6 million. Foreign exchange losses generated by investments in related companies of ARP10.1 million, as a result of the appreciation of the Argentine peso, were included under Net foreign exchange results on equity holdings.

Other income and expense represented a net loss of ARP11.6 million in the period, compared to a net loss of ARP 34.2 million in the same period of 2001, mainly as a result of lower restructuring costs and lower contingency provisions.

Consolidated Amazonia equity holdings result for the period was a loss of ARP13.1 million, a recovery compared to a loss of ARP89.9 million reported in the same period last year.

Please find attached Financial Tables as of December 31, 2002.

The table below shows, for the periods indicated, Siderar's consolidated income statement and some financial indicators. Amounts are expressed in constant December 31, 2002 million of Argentine pesos, except ratios.

	For the year ended		For the three months ended	
	December 31,		December 31,	
	2002	2001	2002	2001
Net sales	2,551.4	1,694.5	714.0	324.9
Cost of sales	(1,736.5)	(1,450.4)	(418.1)	(303.3)
Gross profit	814.9	244.1	295.9	21.6
Selling, general and administrative expenses	(224.6)	(215.5)	(60.2)	(52.9)
Operating income (loss)	590.2	28.6	235.8	(31.3)
Financial income (expense) and holding gain (loss)	(461.4)	(94.4)	(101.4)	(23.9)
Other income (expense), net	(48.7)	(51.4)	(11.6)	(34.1)
Income (loss) before taxes	80.2	(117.2)	122.7	(89.3)
Tax provision charge	0.0	6.5	0.0	0.0
Ordinary income (loss)	80.2	(110.7)	122.7	(89.3)
Equity Income (Loss)	(0.7)	(130.7)	(12.9)	(89.9)
Foreign exchange result on equity holdings	37.6	0.0	(10.1)	0.0
Extraordinary Results	0.0	(32.5)	0.0	(3.8)
Net income (loss)	117.1	(273.9)	99.7	(183.0)
FX rate (Argentine peso / US dollar)	3.37	1.00	3.37	1.00
Earnings per share (1)	0.3370	(0.7882)	0.2870	(0.5268)
Earnings per ADS (1)	2.6956	(6.3053)	2.2960	(4.2145)
<u>Other financial information</u>				
EBITDA	789.6	165.1	275.1	(18.3)
Depreciation and amortization	248.0	187.9	50.9	47.1
Operating income (Argentine peso / ton)	281.3	14.9	446.3	(82.5)
<u>Operating Data</u>				
Domestic Sales (000 tons)	742.4	895.6	199.4	169.2
Export sales (000 tons)	1,356.2	1,028.9	328.7	210.2
Total sales (000 tons)	2,098.6	1,924.5	528.1	379.4
Employees	4,933	5,105	4,933	5,105
<u>Financial Ratios</u>				
Return on equity	10.0%	-25.9%	8.5%	-17.3%
Gross margin	31.9%	14.4%	41.4%	6.6%
Operating margin	23.1%	1.7%	33.0%	-9.6%
Total liabilities / Total assets	62.6%	59.3%	62.6%	59.3%
Current assets/current liabilities	180.3%	76.3%	180.3%	76.3%
Non-current assets/total assets	64.6%	67.9%	64.6%	67.9%
EBITDA/net sales	30.9%	9.7%	38.5%	-5.6%

(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 December 31, 2002 million of Argentine pesos.

	For the year ended	
	December 31,	
	2002	2001
Cash, banks & investments	342.2	77.0
Current trade receivables	325.3	284.8
Other receivables	62.9	73.4
Inventories	381.0	396.9
Other assets	0.5	4.1
Total current assets	1,111.8	836.2
Non-current trade receivables	2.9	0.4
Other receivables	29.5	64.8
Long-term investments	434.7	298.8
Intangible assets	11.0	3.8
Net fixed assets	1,549.6	1,397.0
Other assets	3.1	2.6
Total non-current assets	2,030.8	1,767.4
Total assets	3,142.6	2,603.6
Current accounts payable	150.3	206.9
Short-term debt	414.1	813.7
Social security and taxes	35.6	52.1
Other liabilities	11.9	16.1
Provision for contingencies	4.7	6.7
Total current liabilities	616.5	1,095.5
Non-current accounts payable	4.9	10.4
Long term debt	1,307.6	396.5
Social security and taxes	14.0	11.5
Other liabilities	4.9	8.8
Provision for contingencies	19.3	22.3
Total non-current liabilities	1,350.7	449.6
Total liabilities	1,967.2	1,545.1
Minority interest in subsidiaries	0.0	0.1
Shareholders' equity	1,175.4	1,058.4