

SIDERAR SOCIEDAD ANONIMA INDUSTRIAL Y COMERCIAL

**FINANCIAL STATEMENTS
AT MARCH 31, 2006**

SIDERAR SOCIEDAD ANONIMA INDUSTRIAL Y COMERCIAL

**FINANCIAL STATEMENTS
AT MARCH 31, 2006**

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SIDERAR SOCIEDAD ANONIMA INDUSTRIAL Y COMERCIAL

SUMMARY INFORMATION

In accordance with the regulations of General Resolution N° 368/01 issued by the National Securities Commission, the Board of Directors has approved the following summary information corresponding to the three month period begun on January 1, 2006 and ended March 31, 2006.

1. ACTIVITIES OF THE COMPANY

The consolidated result showed a gain of \$324.0 million, lower than the \$425.2 million obtained in the same period of the previous year. The variation was mainly due to lower operating results, basically as a result of the increase in the cost of raw materials since the second quarter of the fiscal year 2005 and lower financial and holding results, partially offset by higher results from investments in related companies, mainly generated by the participation in Hylsamex.

Operating cash flow (EBITDA) totaled \$414.1million (36% of net sales) compared to \$563.9 million in the same period of the previous year (48% of net sales).

Throughout this period steel demand in the domestic market increased due to the sustained recovery of the Argentine economy, primarily in the construction and industrial sectors. World steel demand remained firm as a result of the uninterrupted growth of demand in China, as well as the recovery of the world's economy.

Shipments for the quarter amounted to 564 thousand tons, compared with 597 thousand tons (includes 28 thousand tons of slabs) in the same period of the previous fiscal year. The decrease was mainly due to the absence of slabs shipments.

Shipments for the period in thousand tons.			
	Domestic Market	Exports	Total
Hot rolled steel	222	17	239
Cold rolled steel	109	26	135
Coated and others	150	40	190
Subtotal	481	83	564
Slabs	-	-	-
Total	481	83	564

Shipments to the domestic market reached 481 thousand tons, 26% higher than the 380 thousand tons shipped in the same period of the previous year. This level of shipments to the domestic market was a quarterly record for the company.

Shipments to the export markets totaled 83 thousand tons, lower than the 189 thousand tons shipped the same period last year. Higher shipments to the domestic market reduced the availability of finished products for the export markets.

Finished products shipment's breakdown was as follows: Latin America 65%, North America 22%, Europe 11%, and Asia 2%.

Net sales for the quarter were \$1,138.3 million, compared to \$1,183.7 million for the same period of the previous year. The decrease was mainly the result of lower slabs exports.

Cost of sales during the quarter amounted to \$699.7 million, while in the same period last year amounted to \$621.7 million. The higher cost, net of the effect of the change in shipments, was mainly the result of a rise in the cost of raw materials (iron ore, coal and coke). Likewise, there was an increase in the cost of freight and local costs (supplies, energy, services and labor).

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Selling and administrative expenses were \$65.0 million (6% of net sales), whereas those of the same period last year amounted to \$58.1 million (5% of net sales). The variation was mainly due to a higher tax on financial transactions related to the acquisition of the tubes production facilities, and higher expenses related to professional services. These effects were partially offset with the decrease of export-related expenses.

Operating income for the quarter was \$373.6 million (33% of net sales), compared to an income of \$503.9 million in the same period of the previous year (43% of net sales). The lower income reflects the abovementioned effects.

Financial and holding results posted a loss of \$5.4 million, derived from a loss of \$14.0 million from net financial results, a loss of \$8.9 million from net foreign exchange differences resulting from the peso depreciation and a gain of \$17.4 million corresponding to holding results on inventories. These results compare to a gain of \$89.1 million in the same period of the previous year. This variation was mainly due to a loss of \$74.5 million because of lesser holding results related to the recognition of the increase on the international price of raw materials, and a loss of \$18.4 million due to higher expenses and interest generated by the increase in financial indebtedness.

Other ordinary income and expenses represent a net loss of \$10.5 million, lower than the \$15.7 of the same period of the previous year, mainly due to the lower charges for contingency provision.

Income tax for the quarter totaled \$150.0 million, \$144.8 million of which correspond to an income tax provision and \$5.2 million to a deferred tax provision. The income tax for the same period on the previous year was \$204.0 million, including \$218.9 million income tax provision charge and \$14.9 million deferred tax provision recovery. The lower tax charge for this period is a result of a lower net income.

The result from investments in related companies Hylsamex, Ylopa and Amazonia, was a profit of \$116.4 million, compared to a profit of \$51.9 million obtained in the same period of the previous year.

Cash provided by operations during the period amounted to \$392.6 million, the increase in trade payables amounted to \$88.9 million and the increase in borrowings amounted to \$33.3 million. The most important uses were the investment in fixed and intangible assets for \$179.2 million, the purchase of the plants for the production of welded steel tubes and shapes for \$146.6 million, the increase in inventories for \$179.9 million, the decrease in social and fiscal debts, other debts and provision for contingencies for \$79.0 million, and the increase in other receivables for \$31.0 million.

Among the investments in fixed assets the increase in work in progress amounted to \$131.9 million, being of note the purchase of critical components for the blast furnace N°2 relining, the expansion and revamping of the sinter plant, the expansion of the coke production facilities with the construction of battery N°5 and the fifth slab heating furnace construction in the hot roll mill. In addition, investments for \$8.0 million were made in Information Technology projects.

The main variations in balance sheet items during the period were the decrease in liquidity and the increase in fixed assets owing to the acquisition of the production facilities of welded steel tubes and shapes, an increase of inventories (mainly in order to stock slabs for processing during the relining of blast furnace N°2), the increase in non current investments and the increase in trade payables.

As a consequence of the changes in the accounting standards introduced by General Resolutions N° 485 and 487 of the National Securities Commission, the company has decided to recognize a deferred income tax liability corresponding to the consideration of the difference between the fixed assets inflation adjusted value (and other non monetary assets) and their fiscal value as a temporary difference. As of March 31, 2006, this recognition resulted on a higher deferred liability value of \$114.7 million and an adjustment to previous fiscal years of \$117.1 million.

On February 1, 2006, the company took over the welded steel tubes and shapes production facilities, which represented an investment of \$55.2 million, with a 140-thousand-tons-per-year capacity of structural tubes, allowing Siderar to extend the range of products offered to its clients.

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2. **CONSOLIDATED EQUITY STRUCTURE** (compared to the three-month periods ended March 31, 2002, 2003, 2004, and 2005 - Amounts stated in thousands of pesos)

	<u>03.31.2006</u>	<u>03.31.2005</u>	<u>03.31.2004</u>	<u>03.31.2003</u>	<u>03.31.2002</u>
Current assets	1,896,424	2,439,325	1,467,776	943,846	1,201,614
Non-current assets	<u>4,206,748</u>	<u>1,828,220</u>	<u>1,519,357</u>	<u>1,841,669</u>	<u>3,040,109</u>
Total	<u><u>6,103,172</u></u>	<u><u>4,267,545</u></u>	<u><u>2,987,133</u></u>	<u><u>2,785,515</u></u>	<u><u>4,241,723</u></u>
Current liabilities	1,224,375	892,620	546,885	403,621	2,347,081
Non-current liabilities	<u>1,026,254</u>	<u>386,736</u>	<u>836,023</u>	<u>1,352,607</u>	<u>742,872</u>
Sub-total	2,250,629	1,279,356	1,382,908	1,756,228	3,089,953
Minority interest in subsidiaries	59	50	22	22	107
Shareholders' equity	<u>3,852,484</u>	<u>2,988,139</u>	<u>1,604,203</u>	<u>1,029,265</u>	<u>1,151,663</u>
Total	<u><u>6,103,172</u></u>	<u><u>4,267,545</u></u>	<u><u>2,987,133</u></u>	<u><u>2,785,515</u></u>	<u><u>4,241,723</u></u>

3. **CONSOLIDATED INCOME STRUCTURE** (compared to the three-month periods ended March 31, 2002, 2003, 2004, and 2005 - Amounts stated in thousands of pesos)

	<u>01.01.2006</u> to <u>03.31.2006</u>	<u>01.01.2005</u> to <u>03.31.2005</u>	<u>01.01.2004</u> to <u>03.31.2004</u>	<u>01.01.2003</u> to <u>03.31.2003</u>	<u>01.01.2002</u> to <u>03.31.2002</u>
Result from ordinary operations	373,631	503,914	277,258	236,455	(37,118)
Financial and holding results	(5,378)	89,124	61,588	(113,932)	(42,641)
Other ordinary income and expenses	(10,536)	(15,741)	(8,314)	(16,397)	(14,821)
Minority interest in subsidiaries	<u>(3)</u>	<u>(3)</u>	<u>1</u>	<u>9</u>	<u>14</u>
Result before taxes	357,714	577,294	330,533	106,135	(94,565)
Income tax	<u>(150,031)</u>	<u>(204,050)</u>	<u>(116,325)</u>	<u>(38,604)</u>	<u>59,429</u>
Ordinary result	207,683	373,244	214,208	67,531	(35,136)
Result from investments in related companies	<u>116,360</u>	<u>51,910</u>	<u>(264)</u>	<u>(35,160)</u>	<u>(39,754)</u>
Net result for the period	<u><u>324,043</u></u>	<u><u>425,154</u></u>	<u><u>213,944</u></u>	<u><u>32,191</u></u>	<u><u>(74,890)</u></u>

SIDERAR SOCIEDAD ANONIMA INDUSTRIAL Y COMERCIAL

4. CONSOLIDATED DATA (compared to the three-month periods ended March 31, 2002, 2003, 2004, and 2005 – in thousands of tons)

	01.01.2006 to 03.31.2006	01.01.2005 to 03.31.2005	01.01.2004 to 03.31.2004	01.01.2003 to 03.31.2003	01.01.2002 to 03.31.2002
Shipments (1)	564	597	559	518	506
Domestic market	481	380	379	254	151
Export of steel sheets	83	189	180	223	247
Exports of slabs	-	28	-	41	108
Rolled steel production					
Hot rolled steel	609	628	569	620	408
Cold rolled steel	327	387	370	364	259
Coated	190	179	187	180	123

(1) Includes 4.2; 3.5; 2.5; 2.7 and 1.2 thousand tons of resale and pig iron in ingots for the three-month periods ended March 31, 2006, 2005, 2004, 2003 and 2002, respectively.

5. CONSOLIDATED RATIOS (compared to the three-month periods ended March 31, 2002, 2003, 2004 and 2005)

	03.31.2006	03.31.2005	03.31.2004	03.31.2003	03.31.2002
Liquidity	1.55	2.73	2.68	2.34	0.51
Solvency	1.71	2.33	1.16	0.59	0.34
Immobilization of capital	0.69	0.43	0.51	0.66	0.72

6. OUTLOOK

In the Argentine market demand for steel products remains firm with a 7% growth projected for gross domestic product and industrial activity in 2006, allowing to predict a rise in shipments as a result of higher construction, automotive and other industries activity levels.

In the international scenario steel prices stabilized as a result of an increase in the international prices of raw materials such as iron ore and coal which acted as a factor to contain the drop in steel prices, and favored the reduction of inefficient production capacity.

The balance between supply and demand of steel goods in the different regions of the world will be key to determine international prices. The recent consolidation of the steel industry worldwide should entail a greater rationality in the use or in the expansion of production capacity which will consequently lead to lower price volatility.

On the other hand, the pressure over the demand of our main raw materials and the effect on their prices, create the need to work constantly in the improvement of productivity, the assurance of supply of raw materials at competitive prices and the achievement of higher levels of integration with our clients.

Buenos Aires, May 5 2006.

Martin A. Berardi
VICEPRESIDENT

SIDERAR SOCIEDAD ANONIMA INDUSTRIAL Y COMERCIAL

Fiscal year No. 46 commenced on January 1, 2006

FINANCIAL STATEMENTS at March 31, 2006

Legal address: Leandro N. Alem 1067, Buenos Aires

Main activity: Promotion, construction and operation of steel mills, production and marketing of steel, iron and steel products

From the by-laws and articles of incorporation:

Date of registration in the National Commercial Court of Record of First Instance: March 7, 1962

Registration number with the Superintendency of Corporations: 14,510

Duration of the Company: Up to April 2, 2090

Name of parent company: Ternium S.A.

Participation of parent company in equity: 56.07%

Percentage votes held by parent company: 56.07%

Capital: Par value shares of 1 peso and one vote each

Class	No. of votes per share	Authorized for Public Offer	Subscribed and paid-in
			\$
Common "A" shares outstanding	1	347,468,771	347,468,771

SIDERAR SOCIEDAD ANONIMA INDUSTRIAL Y COMERCIAL

Legal address: Leandro N. Alem 1067, Buenos Aires

COMPLEMENTARY ACCOUNTING INFORMATION

CONSOLIDATED FINANCIAL STATEMENTS

AT MARCH 31, 2006 (1)

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Consolidated financial statements at March 31, 2006

Consolidated balance sheet

Consolidated statement of income

Consolidated statement of Cash flows

Notes to the consolidated financial statements

(1) As mentioned in Note 1, the consolidated financial statements should be read together with complementary information to the individual financial statements of Siderar S.A.I.C.

SIDERAR SOCIEDAD ANONIMA INDUSTRIAL Y COMERCIAL
REGISTRATION NUMBER WITH THE SUPERINTENDENCY OF CORPORATIONS: 14,510
CONSOLIDATED BALANCE SHEET at March 31, 2006 and December 31 , 2005

ASSETS	<u>03.31.06</u>	<u>12.31.05</u>	LIABILITIES	<u>03.31.06</u>	<u>12.31.05</u>
	\$	\$		\$	\$
CURRENT ASSETS			CURRENT LIABILITIES		
Cash and banks (Note 4 a)	26,698,561	30,278,654	Accounts payable (Note 4 m)	401,012,788	312,161,931
Other investments (Note 4 b)	348,190,330	448,790,524	Short-term debt (Note 4 n)	507,179,669	254,418,895
Trade receivables (Note 4 c)	223,121,104	212,759,338	Social security and taxes (Note 4 o)	227,245,243	334,020,336
Other receivables (Note 4 d)	97,753,906	70,503,204	Other liabilities (Note 4 p)	86,639,086	28,023,829
Inventories (Note 4 e)	1,200,659,764	1,001,331,586	Provisions for contingencies	2,297,938	1,997,042
Total Current Assets	<u>1,896,423,665</u>	<u>1,763,663,306</u>	Total Current Liabilities	<u>1,224,374,724</u>	<u>930,622,033</u>
NON-CURRENT ASSETS			NON-CURRENT LIABILITIES		
Trade receivables (Note 4 f)	-	-	Long-term debt (Note 4 q)	703,475,834	922,895,921
Other receivables (Note 4 g)	13,189,721	12,495,473	Social security and taxes (Note 4 r)	270,249,291	149,971,630
Investments (Note 4 h)	2,038,093,047	1,924,175,860	Other liabilities (Note 4 s)	9,465,405	9,455,367
Other investments (Note 4 i)	37,071,565	37,485,176	Provisions for contingencies	43,064,164	40,458,744
Intangible assets (Note 4 j)	470,521,345	463,402,721	Total Non-Current Liabilities	<u>1,026,254,694</u>	<u>1,122,781,662</u>
Fixed assets (Note 4 k)	1,645,404,985	1,377,826,919	Total Liabilities	<u>2,250,629,418</u>	<u>2,053,403,695</u>
Other assets (Note 4 l)	2,467,269	2,467,269			
Total Non-Current Assets	<u>4,206,747,932</u>	<u>3,817,853,418</u>	Minority interest in subsidiaries	58,598	54,506
			SHAREHOLDERS' EQUITY	<u>3,852,483,581</u>	<u>3,528,058,523</u>
Total Assets	<u><u>6,103,171,597</u></u>	<u><u>5,581,516,724</u></u>	Total Liabilities and Shareholders' Equity	<u><u>6,103,171,597</u></u>	<u><u>5,581,516,724</u></u>

The accompanying notes 1 to 4 are an integral part of these consolidated financial statements.

The report on limited review is issued as a separate document.

SIDERAR SOCIEDAD ANONIMA INDUSTRIAL Y COMERCIAL
REGISTRATION NUMBER WITH THE SUPERINTENDENCY OF CORPORATIONS: 14,510
CONSOLIDATED STATEMENT OF INCOME for the three month periods ended March 31, 2006 and 2005

	Period ended on	
	<u>03.31.06</u>	<u>03.31.05</u>
	\$	\$
Net income from sales	1,138,272,515	1,183,716,408
Cost of sales	<u>(699,680,784)</u>	<u>(621,695,766)</u>
Gross profit	438,591,731	562,020,642
Selling expenses	(15,488,821)	(19,978,262)
Administrative expenses	<u>(49,472,060)</u>	<u>(38,128,880)</u>
Result from ordinary operations	373,630,850	503,913,500
Financial and holding results		
Generated by assets		
Interest and other financial income	5,759,798	5,920,962
Exchange differences	14,168,522	(12,441,461)
Holding result	17,379,059	91,921,222
Generated by liabilities		
Interest and other financial expenses	(19,607,948)	(1,369,476)
Exchange differences	(23,077,342)	5,093,149
Other ordinary income and expenses	(10,535,643)	(15,741,092)
Minority interest in subsidiaries	<u>(3,077)</u>	<u>(3,336)</u>
Income before taxes	357,714,219	577,293,468
Income tax provision	<u>(150,030,862)</u>	<u>(204,049,913)</u>
Ordinary income	207,683,357	373,243,555
Result from investments in related companies	116,359,452	51,910,577
Net income for the period	<u><u>324,042,809</u></u>	<u><u>425,154,132</u></u>
Net income per share (1)	0.93	1.22

(1) The Company calculates net income (loss) per share on the basis of 347,468,771 ordinary shares of \$ 1 par value and one vote each.

The accompanying notes 1 to 4 are an integral part of these consolidated financial statements.

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SIDERAR SOCIEDAD ANONIMA INDUSTRIAL Y COMERCIAL
REGISTRATION NUMBER WITH THE SUPERINTENDENCY OF CORPORATIONS: 14,510
CONSOLIDATED STATEMENT OF CASH FLOWS for the three month periods ended March 31, 2006 and 2005

	Period ended on	
	03.31.06	03.31.05
CHANGES IN CASH	\$	\$
Cash at the beginning of the period (1)	479,069,178	706,788,416
(Decrease) Increase in cash	(104,180,287)	454,874,892
Cash at the end of the period (1)	<u>374,888,891</u>	<u>1,161,663,308</u>
CASH GENERATED BY (APPLIED TO) OPERATIONS		
Income for the period	324,042,809	425,154,132
Add: Items not representing cash disbursements		
Allowance for inventory obsolescence	632,844	1,192,627
Depreciation of fixed assets	49,137,679	71,831,175
Amortization of intangible assets	1,902,460	3,863,932
Board of Directors' and Surveillance Committee's fees provision	920,403	816,750
Provision for contingencies	3,118,328	8,665,823
Income tax provision	150,030,862	204,049,913
Minority interest in subsidiaries	3,077	3,336
Less: Items not providing cash		
Result from investments in subsidiaries and related companies	(116,359,452)	(51,910,577)
Allowance for doubtful accounts	(808,253)	(662,727)
Holding results on inventories	(20,038,040)	(92,841,400)
Cash provided by (applied to) operations	<u>392,582,717</u>	<u>570,162,984</u>
Net decrease (increase) in assets		
Trade receivables	(9,816,327)	2,152,079
Other receivables	(30,980,499)	(11,833,798)
Long-term advances for gas purchases	3,035,549	3,399,822
Inventories	(179,922,982)	(19,162,672)
Net (decrease) increase in liabilities		
Trade payables	88,850,857	10,708,797
Social security charges and taxes, other liabilities and provision for contingencies	(79,035,414)	(12,806,407)
Minority interest in subsidiaries	1,015	5,958
Other operating changes	<u>(207,867,801)</u>	<u>(27,536,221)</u>
Cash provided by (applied to) operations - Carried forward	<u>184,714,916</u>	<u>542,626,763</u>

SIDERAR SOCIEDAD ANONIMA INDUSTRIAL Y COMERCIAL
REGISTRATION NUMBER WITH THE SUPERINTENDENCY OF CORPORATIONS: 14,510
CONSOLIDATED STATEMENT OF CASH FLOWS for the three month periods ended March 31, 2006 and 2005 (Contd.)

	Period ended on	
	<u>03.31.06</u>	<u>03.31.05</u>
	\$	\$
Brought forward	<u>184,714,916</u>	<u>542,626,763</u>
CASH GENERATED BY (APPLIED TO) INVESTMENT ACTIVITIES		
Net decrease (increase) in other non-current investments	3,500,939	(1,877,988)
Business Acquisitions	(146,565,108)	-
Net increase in fixed assets and in intangible assets	(179,171,721)	(78,917,175)
Net decrease in other assets	-	126,317
Cash (applied to) generated by investment activities	<u>(322,235,890)</u>	<u>(80,668,846)</u>
CASH GENERATED BY (APPLIED TO) FINANCING ACTIVITIES		
Net increase (decrease) in short and long-term debt	<u>33,340,687</u>	<u>(7,083,025)</u>
Cash (applied to) generated by financing activities	<u>33,340,687</u>	<u>(7,083,025)</u>
(Decrease) Increase in cash	<u><u>(104,180,287)</u></u>	<u><u>454,874,892</u></u>

Note: variations include exchange differences.

(1) Cash and banks plus other investments over three months.

The accompanying notes 1 to 4 are an integral part of these consolidated financial statements.

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SIDERAR SOCIEDAD ANONIMA INDUSTRIAL Y COMERCIAL
REGISTRATION NUMBER WITH THE SUPERINTENDENCY OF CORPORATIONS: 14,510
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS at March 31, 2006

NOTE 1 - BASES FOR THE PREPARATION OF THE CONSOLIDATED FINANCIAL STATEMENTS - ACCOUNTING STANDARDS

The consolidated financial statements have been prepared in accordance with the valuation basis and criteria explained in Notes 1 and 2 to the financial statements of the parent company and must be read jointly with the complementary information to the financial statements.

NOTE 2 - CONSOLIDATION BASES

The consolidated companies and the respective percentage of voting stock at March 31, 2006 were as follows:

<u>Company</u>	<u>Participation</u>
Comesi San Luis S.A.I.C.	99.0000%
Prosid Investments S.C.A.	99.9928%
Inversora Basilea S.A.	99.9999%
Impeco S.A.	99.9499%

The consolidated financial statements have been prepared on the basis of the financial statements of the subsidiaries included in the Exhibit C to the individual financial statements.

Where appropriate, the necessary adjustments have been made to unify the valuation and disclosure criteria of the consolidated companies. Balances between consolidated companies, transactions and their results and intercompany balances have been eliminated, if significant.

NOTE 3 - COMPLEMENTARY INFORMATION NOT DIFFERING SIGNIFICANTLY FROM THAT PRESENTED BY THE PARENT COMPANY

Notes 1 to 2, 4 to 13 and Exhibits A to I to the financial statements of the parent company are in this situation.

SIDERAR SOCIEDAD ANONIMA INDUSTRIAL Y COMERCIAL
REGISTRATION NUMBER WITH THE SUPERINTENDENCY OF CORPORATIONS: 14,510
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS at March 31, 2005 (Contd.)

NOTE 4 - COMPOSITION OF CONSOLIDATED BALANCE SHEET ITEMS

CURRENT ASSETS	<u>03.31.06</u>	<u>12.31.05</u>
	\$	\$
a) Cash and banks		
Cash	146,852	150,081
Checks to be deposited	11,855,759	23,758,917
Banks	14,695,950	6,369,656
	<u>26,698,561</u>	<u>30,278,654</u>
b) Other investments		
Sight deposits	1,440,379	1,449,068
Time deposits	265,934,832	236,625,503
Foreign public and private sector bonds	60,951,438	194,393,947
Government Securities	3,543,268	606,425
Funds conveyed to the trust	16,320,413	15,715,581
	<u>348,190,330</u>	<u>448,790,524</u>
c) Trade receivables		
Ordinary and documented debtors from the domestic market	146,455,793	121,421,229
Other related parties	61,412,764	73,714,738
Export reimbursements	14,484,150	15,954,039
Ordinary and documented debtors from foreign markets	38,160,021	30,888,687
Allowance for doubtful accounts	(37,391,624)	(29,219,355)
	<u>223,121,104</u>	<u>212,759,338</u>
d) Other receivables		
Parent company	16,659,052	10,064,500
Related companies Sect. 33 - Law No. 19,550 and amendments	8,832,924	6,898,119
Other related parties	24,374,411	24,598,027
Advances and loans to personnel	6,575,346	6,628,744
Receivables from sale of real property	504,796	498,483
Tax credits	16,954,251	2,418,901
Advances to suppliers	747,487	1,415,776
Expenses paid in advance	5,067,887	4,647,349
Sundry receivables	18,037,752	13,333,305
	<u>97,753,906</u>	<u>70,503,204</u>
e) Inventories		
Finished products	237,914,225	161,025,419
Products in process	515,255,459	430,834,032
Raw material	391,268,277	361,474,844
Materials	45,118,504	39,981,874
Advances to suppliers	12,342,582	9,238,211
Allowance for obsolescence	(1,239,283)	(1,222,794)
	<u>1,200,659,764</u>	<u>1,001,331,586</u>

SIDERAR SOCIEDAD ANONIMA INDUSTRIAL Y COMERCIAL
REGISTRATION NUMBER WITH THE SUPERINTENDENCY OF CORPORATIONS: 14,510
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS at March 31, 2005 (Contd.)

NOTE 4 - COMPOSITION OF CONSOLIDATED BALANCE SHEET ITEMS (Contd.)

NON-CURRENT ASSETS	<u>03.31.06</u>	<u>12.31.05</u>
	\$	\$
f) Trade receivables		
Ordinary and documented debtors from the domestic market	635,922	9,167,557
Allowance for doubtful accounts	<u>(635,922)</u>	<u>(9,167,557)</u>
	-	-
g) Other receivables		
Other related parties	2,512,777	2,193,446
Advances and loans to personnel	5,400,688	4,881,451
Receivables from sale of real property	5,150,064	5,242,494
Sundry receivables	<u>126,192</u>	<u>178,082</u>
	13,189,721	12,495,473
h) Investments		
Shares in Consorcio Siderurgia Amazonia Ltd.	509,491,701	456,417,965
Shares in Ylopa - Servicios de Consultoría Ltda.	16,656,840	16,340,726
Shares in Hylsamex S.A. de C.V.	1,511,524,207	1,451,030,726
Shares in Compañía Afianzadora de Empresas Siderúrgicas S.G.R.	364,555	364,469
Shares in Fondo de Garantías Buenos Aires S.A.P.E.M.	21,974	21,974
Shares in Information Systems and Technologies N.V.	<u>33,770</u>	<u>-</u>
	2,038,093,047	1,924,175,860
i) Other investments		
Saving funds - Other related parties	31,271,565	31,685,176
Guarantee fund Compañía Afianzadora de Empresas Siderúrgicas S.G.R.	10,050,540	10,313,354
Allowance for risk fund uncollectibility	<u>(4,250,540)</u>	<u>(4,513,354)</u>
	37,071,565	37,485,176
j) Intangible assets (residual value)		
Information system projects	42,950,389	36,832,505
Goodwill (Hylsamex S.A. de C.V.)	<u>427,570,956</u>	<u>426,570,216</u>
	470,521,345	463,402,721
The amortization of the period amounted to \$ 1,902,460		
k) Fixed assets (residual value)		
Land	59,079,990	51,036,947
Industrial buildings and facilities	842,617,229	744,746,491
Machinery and equipment	183,265,437	181,530,378
Vehicles and means of transport	5,308,600	5,350,422
Furniture, general machinery and office supplies	4,423,855	5,799,687
Steel spares and supplies	101,211,271	94,628,042
Fixed assets in transit	30,946,567	4,478,854
Work in progress	372,683,185	249,147,829
Advances to suppliers	25,400,599	28,261,801
Advances to suppliers - Other related parties	<u>20,468,252</u>	<u>12,846,468</u>
	1,645,404,985	1,377,826,919
The depreciation of the period amounted to \$ 49,137,679		
l) Other assets		
Real property	<u>2,467,269</u>	<u>2,467,269</u>
	2,467,269	2,467,269

SIDERAR SOCIEDAD ANONIMA INDUSTRIAL Y COMERCIAL
REGISTRATION NUMBER WITH THE SUPERINTENDENCY OF CORPORATIONS: 14,510
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS at March 31, 2005 (Contd.)

NOTE 4 - COMPOSITION OF CONSOLIDATED BALANCE SHEET ITEMS (Contd.)

CURRENT LIABILITIES	<u>03.31.06</u>	<u>12.31.05</u>
	\$	\$
m) Accounts payable		
Ordinary suppliers	224,215,868	189,830,132
Related companies Sect. 33 - Law No. 19,550 and amendments	750,735	441,247
Other related parties	37,531,656	36,601,468
Notes payable	114,928,719	76,473,601
Advances from customers	23,585,810	8,815,483
	<u>401,012,788</u>	<u>312,161,931</u>
n) Short-term debt		
Financial	1,056,144	167,026
Borrowings	577,826,023	319,921,017
Unearned interest	(71,702,498)	(65,669,148)
	<u>507,179,669</u>	<u>254,418,895</u>
o) Social security and taxes		
Net provision for income tax	93,024,879	210,486,879
Wages and social security	105,027,225	84,578,553
Others sundry	29,193,139	38,954,904
	<u>227,245,243</u>	<u>334,020,336</u>
p) Other liabilities		
Related companies Sect. 33 - Law No. 19,550 and amendments	73,515,962	14,761,559
Other related parties	-	153,704
Liabilities due to dismissal and restructuring	7,325,464	8,959,343
Others sundry	5,797,660	4,149,223
	<u>86,639,086</u>	<u>28,023,829</u>
NON-CURRENT LIABILITIES		
q) Long-term debt		
Borrowings	747,853,756	973,405,199
Unearned interest	(44,377,922)	(50,509,278)
	<u>703,475,834</u>	<u>922,895,921</u>
r) Social security and taxes		
Provision for income tax	111,096,854	-
Deferred tax provision	155,509,653	146,996,475
Sundry	3,642,784	2,975,155
	<u>270,249,291</u>	<u>149,971,630</u>
s) Other liabilities		
Liabilities due to dismissal and restructuring	9,465,405	9,455,367
	<u>9,465,405</u>	<u>9,455,367</u>

The report on limited review is issued as a separate document.

SIDERAR SOCIEDAD ANONIMA INDUSTRIAL Y COMERCIAL

Fiscal year No 46 commenced on January 1, 2006

FINANCIAL STATEMENTS at March 31, 2006

Legal address: Leandro N. Alem 1067, Buenos Aires

Main activity: Promotion, construction and operation of steel mills, production and marketing of steel, iron and steel products

From the by-laws and articles of incorporation:

Date of registration in the National Commercial Court of Record of First Instance: March 7, 1962

Registration number with the Superintendency of Corporations: 14,510

Duration of the Company: Up to April 2, 2090

Name of parent company: Ternium S.A.

Participation of parent company in equity: 56.07%

Percentage votes held by parent company: 56.07%

Capital: Par value shares of 1 peso and one vote each

Class	No. of votes per share	Authorized for Public Offer	Subscribed and paid-in
			\$
Common "A" shares outstanding	1	347,468,771	347,468,771

SIDERAR SOCIEDAD ANONIMA INDUSTRIAL Y COMERCIAL

FINANCIAL STATEMENTS AT MARCH 31, 2006

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Financial statements at March 31, 2006

Balance sheet

Statement of income

Statement of changes in shareholders' equity

Statement of cash flows

Notes and exhibits to the financial statements

SIDERAR SOCIEDAD ANONIMA INDUSTRIAL Y COMERCIAL
REGISTRATION NUMBER WITH THE SUPERINTENDENCY OF CORPORATIONS: 14,510
BALANCE SHEET at March 31, 2006 and December 31, 2005

ASSETS	<u>03.31.06</u>	<u>12.31.05</u>	LIABILITIES	<u>03.31.06</u>	<u>12.31.05</u>
	\$	\$		\$	\$
CURRENT ASSETS			CURRENT LIABILITIES		
Cash and banks (Note 3 a)	25,013,414	30,149,687	Accounts payable (Note 3 h)	400,641,495	312,114,421
Other investments (Note 3 b) - Exhibit D)	158,213,560	320,400,016	Short-term debt (Note 3 i)	507,179,669	254,418,895
Trade receivables (Note 3 c)	224,624,600	212,759,338	Social security and taxes (Note 3 j)	225,299,210	332,802,921
Other receivables (Note 3 d)	92,929,413	67,080,372	Other liabilities (Note 3 k)	13,012,072	13,244,465
Inventories (Exhibit F)	1,195,904,933	1,001,331,586	Provisions for contingencies (Exhibit E)	1,996,511	1,942,193
Total Current Assets	<u>1,696,685,920</u>	<u>1,631,720,999</u>	Total Current Liabilities	<u>1,148,128,957</u>	<u>914,522,895</u>
NON-CURRENT ASSETS			NON-CURRENT LIABILITIES		
Trade receivables (Note 3 e)	-	-	Long-term debt (Note 3 l)	703,475,834	922,895,921
Other receivables (Note 3 f)	13,189,721	12,495,473	Social security and taxes (Note 3 m)	266,137,612	149,549,765
Investments (Exhibit C)	2,230,466,753	2,099,906,928	Other liabilities (Note 3 n)	9,436,255	9,455,367
Other investments (Exhibit D)	37,071,565	37,485,176	Provisions for contingencies (Exhibit E)	43,064,164	40,458,744
Intangible assets (Exhibit B)	409,636,335	403,518,451	Total Non-Current Liabilities	<u>1,022,113,865</u>	<u>1,122,359,797</u>
Fixed assets (Exhibit A)	1,633,688,840	1,377,826,919	Total Liabilities	<u>2,170,242,822</u>	<u>2,036,882,692</u>
Other assets (Note 3 g)	1,987,269	1,987,269	SHAREHOLDERS' EQUITY		
Total Non-Current Assets	<u>4,326,040,483</u>	<u>3,933,220,216</u>	As per respective statement	<u>3,852,483,581</u>	<u>3,528,058,523</u>
Total Assets	<u>6,022,726,403</u>	<u>5,564,941,215</u>	Total Liabilities and Shareholders' Equity	<u>6,022,726,403</u>	<u>5,564,941,215</u>

The accompanying notes 1 to 13 and exhibits A to I are an integral part of these financial statements.

The report on limited review is issued as a separate document.

SIDERAR SOCIEDAD ANONIMA INDUSTRIAL Y COMERCIAL
REGISTRATION NUMBER WITH THE SUPERINTENDENCY OF CORPORATIONS: 14,510
STATEMENT OF INCOME for the three month periods ended March 31, 2006 and 2005

	Period ended on	
	<u>03.31.06</u>	<u>03.31.05</u>
	\$	\$
Net income from sales	1,139,036,909	1,183,716,408
Cost of sales (Exhibit F)	<u>(700,315,520)</u>	<u>(621,695,766)</u>
Gross profit	438,721,389	562,020,642
Selling expenses (Exhibit H)	(15,470,183)	(19,978,262)
Administrative expenses (Exhibit H)	<u>(48,941,718)</u>	<u>(38,109,768)</u>
Result from ordinary operations	374,309,488	503,932,612
Financial and holding results		
Generated by assets (Exhibit H)		
Interest and other financial income	4,050,890	4,251,635
Exchange differences	14,166,473	(12,441,461)
Holding result	17,379,059	91,921,222
Generated by liabilities (Exhibit H)		
Interest and other financial expenses	(19,599,422)	(1,364,639)
Exchange differences	(23,072,747)	5,093,149
Other ordinary income and expenses (Exhibit H)	<u>(10,528,789)</u>	<u>(15,742,462)</u>
Income before taxes	356,704,952	575,650,056
Income tax provision	<u>(149,592,643)</u>	<u>(203,812,411)</u>
Ordinary income	207,112,309	371,837,645
Result from investments in subsidiaries and related companies (Note 7.h)	<u>116,930,500</u>	<u>53,316,487</u>
Net income for the period	<u><u>324,042,809</u></u>	<u><u>425,154,132</u></u>
Net income per share (1)	0.93	1.22

(1) The Company calculates net income (loss) per share on the basis of 347,468,771 ordinary shares of \$ 1 par value and one vote each.

The accompanying notes 1 to 13 and exhibits A to I are an integral part of these financial statements.

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SIDERAR SOCIEDAD ANONIMA INDUSTRIAL Y COMERCIAL

REGISTRATION NUMBER WITH THE SUPERINTENDENCY OF CORPORATIONS: 14,510

STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY for the three month periods ended March 31, 2006 and 2005

Item	Capital stock		Non-capitalized contributions	Retained earnings			Temporary conversion differences	Unappropriated retained earnings	Total shareholders' equity 03.31.06	Total shareholders' equity 03.31.05
	Shares	Capital		Legal	Reserve for future dividends	Free				
	outstanding	adjustment	Total				Premium on issue of shares	reserve		
	\$	\$	\$	\$	\$	\$	\$	\$	\$	
Balances at the beginning of the period	347,468,771	476,145,190	823,613,961	46,572,587	137,604,843	1,476,148,932	43,947,494	1,164,914,910	3,692,802,727	2,828,303,367
Adjustments to balance (Note 5)								(47,685,033)	(117,059,171)	(164,744,204)
Adjusted balances	347,468,771	476,145,190	823,613,961	46,572,587	137,604,843	1,476,148,932	43,947,494	(47,685,033)	1,047,855,739	2,620,489,721
Exchange differences for the period								382,249	382,249	(57,494,922)
Result for the period as per statement of income								324,042,809	324,042,809	425,154,132
Total at 03.31.06	347,468,771	476,145,190	823,613,961	46,572,587	137,604,843	1,476,148,932	43,947,494	(47,302,784)	1,371,898,548	3,852,483,581
Total at 03.31.05	347,468,771	476,145,190	823,613,961	46,572,587	70,399,038	499,654,191	43,947,494	(122,268,713)	1,626,230,373	2,988,148,931

The accompanying notes 1 to 13 and exhibits A to I are an integral part of these financial statements.

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SIDERAR SOCIEDAD ANONIMA INDUSTRIAL Y COMERCIAL
REGISTRATION NUMBER WITH THE SUPERINTENDENCY OF CORPORATIONS: 14,510
STATEMENT OF CASH FLOWS for the three month periods ended March 31, 2006 and 2005

	Period ended on	
	03.31.06	03.31.05
CHANGES IN CASH	\$	\$
Cash at the beginning of the period (1)	350,549,703	391,740,711
(Decrease) Increase in cash	(167,322,729)	485,075,054
Cash at the end of the period (1)	<u>183,226,974</u>	<u>876,815,765</u>
CASH GENERATED BY (APPLIED TO) OPERATIONS		
Income for the period	324,042,809	425,154,132
Add: Items not representing cash disbursements		
Allowance for inventory obsolescence	632,844	1,192,627
Depreciation of fixed assets	48,793,716	71,831,175
Amortization of intangible assets	1,902,460	3,863,932
Board of Directors' and Surveillance Committee's fees provision	896,500	815,000
Provision for contingencies	3,116,750	8,665,823
Income tax provision	149,592,643	203,812,411
Less: Items not providing cash		
Result from investments in subsidiaries and related companies	(116,930,500)	(53,316,487)
Allowance for doubtful accounts	(808,253)	(662,727)
Holding results on inventories	(20,038,040)	(92,841,400)
Cash provided by (applied to) operations	<u>391,200,929</u>	<u>568,514,486</u>
Net decrease (increase) in assets		
Trade receivables	(11,319,823)	2,152,079
Other receivables	(29,578,838)	(9,105,347)
Long-term advances for gas purchases	3,035,549	3,399,822
Inventories	(175,168,151)	(19,162,672)
Net (decrease) increase in liabilities		
Trade payables	88,527,074	10,694,200
Social security charges and taxes, other liabilities and provision for contingencies	(142,113,524)	(37,531,194)
Other operating changes	<u>(266,617,713)</u>	<u>(49,553,112)</u>
Cash provided by (applied to) operations - Carried forward	<u>124,583,216</u>	<u>518,961,374</u>

SIDERAR SOCIEDAD ANONIMA INDUSTRIAL Y COMERCIAL
REGISTRATION NUMBER WITH THE SUPERINTENDENCY OF CORPORATIONS: 14,510
STATEMENT OF CASH FLOWS for the three month periods ended March 31, 2006 and 2005 (Contd.)

	Period ended on	
	<u>03.31.06</u>	<u>03.31.05</u>
	\$	\$
Brought forward	<u>124,583,216</u>	<u>518,961,374</u>
CASH GENERATED BY (APPLIED TO) INVESTMENT ACTIVITIES		
Net increase in non-current investments	(13,247,076)	(198,004,706)
Business acquisition	(134,505,000)	-
Net decrease in other non-current investments	676,425	671,026
Net decrease in funds conveyed to the trust - Other related parties	-	249,321,243
Net increase in fixed assets and in intangible assets	(178,170,981)	(78,917,175)
Net decrease in other assets	-	<u>126,317</u>
Cash (applied to) generated by investment activities	(325,246,632)	(26,803,295)
CASH GENERATED BY (APPLIED TO) FINANCING ACTIVITIES		
Net increase (decrease) in short and long-term debt	<u>33,340,687</u>	<u>(7,083,025)</u>
Cash (applied to) generated by financing activities	33,340,687	(7,083,025)
(Decrease) Increase in cash	<u>(167,322,729)</u>	<u>485,075,054</u>

Note: variations include exchange differences.

(1) Cash and banks plus other investments over three months.

The accompanying notes 1 to 13 and exhibits A to I are an integral part of these financial statements.
The report on limited review is issued as a separate document.

SIDERAR SOCIEDAD ANONIMA INDUSTRIAL Y COMERCIAL
REGISTRATION NUMBER WITH THE SUPERINTENDENCY OF CORPORATIONS: 14,510
NOTES TO THE FINANCIAL STATEMENTS at March 31, 2006

NOTE 1 - BASES FOR THE PREPARATION OF FINANCIAL STATEMENTS

The financial statements were prepared in accordance with General Resolution No. 368/01 and amendments of the National Securities Commission.

NOTE 2 - ACCOUNTING STANDARDS

The most significant accounting standards are as follows:

2.1. Comparative information

The financial statements are presented in pesos, in two columns, containing the following comparative information, as established by General Resolution No. 434/03 of the National Securities Commission:

- Balance sheet and complementary information: compared with those for the year ended December 31, 2005.
- Statement of income, statement of changes in shareholders' equity, statement of cash flows and the respective complementary information: compared with the same period of the previous year.

2.2. Recognition of the effects of inflation

The financial statements are presented adjusted for inflation until February 28, 2003, considering that the accounting measurements restated by the changes in the purchasing power of the currency until August 31, 1995, as well as those arising between that date and December 31, 2001 were stated in currency of the latter date. General Resolution No. 441/03 of the National Securities Commission established the suspension of the restatement of financial statements as from March 1, 2003, while Resolution MD 41/2003 issued by the Professional Council in Economic Sciences for the Autonomous City of Buenos Aires established that the restatement of financial statements should cease as from October 1, 2003; if the inflation adjustment had been continued up to September 30, 2003, its effect on the Company's Shareholders' Equity would not be material.

2.3. Treatment of exchange differences

In accordance with Resolution MD No. 3/2002 of the Professional Council in Economic Sciences of the Autonomous City of Buenos Aires and Resolution No. 398/02 of the National Securities Commission, at March 31, 2006, exchange differences (net of depreciation) capitalized in fixed assets amounted to \$ 31,916,704.

These exchange differences could be absorbed in full or in part by future inflation adjustments, if any, by exchange rate appreciation and/or the depreciation of such assets.

2.4. Valuation criteria

These financial statements were prepared by applying valuation criteria established by General Resolution No. 368/01 and amendments of the National Securities Commission, the main criteria being as follows:

- a) Assets and liabilities with adjustment and/or interest clause were valued at the discounted value of the net cash flows to be collected or disbursed, taking into account the agreed-upon conditions. Assets and liabilities in foreign currency were converted into pesos at the buying or selling exchange rate at the end of the period. At period end the selling exchange rate was 3.082 pesos per dollar and the average exchange rate was 3.065 pesos per dollar.
- b) Assets and liabilities without restatement and/or interest clause, except for deferred tax assets and liabilities, were valued at the present value of the net cash flows to be collected or disbursed, using the Company's average financing rate for discounts, whenever that value is material. Foreign currency assets and liabilities were converted into pesos at the buying or selling exchange rate ruling at the end of the period.

SIDERAR SOCIEDAD ANONIMA INDUSTRIAL Y COMERCIAL
REGISTRATION NUMBER WITH THE SUPERINTENDENCY OF CORPORATIONS: 14,510
NOTES TO THE FINANCIAL STATEMENTS at March 31, 2006 (Contd.)

NOTE 2 - ACCOUNTING STANDARDS (Contd.)

2.4. Valuation criteria (Contd.)

- c) Inventories (finished products and production in process) were valued at replacement cost at the end of the period; the general criterion is total absorption cost, which includes appropriation of indirect manufacturing expenses, certain general expenses and depreciation of fixed assets for calculation of the value of assets.
Raw material and materials have been valued at their replacement cost at the end of the period.
- d) Real property included in Other non-current assets was valued at restated cost, verifying that they do not exceed their recoverable value.
- e) Spares included under fixed assets have been valued at replacement cost or at economic value to the business at the end of the period.
Fixed assets at the Ensenada Plant, which had been technically appraised (based on the valuation carried out at June 30, 1990), were restated for inflation as mentioned in Note 2.2 to the financial statements. The remaining fixed assets have been valued at their restated cost. Depreciation of fixed assets has been calculated according to the straight-line method by applying annual rates sufficient to extinguish their values by the end of their estimated useful lives.
- f) The investments in other companies were valued by the equity method of accounting based on the financial statements mentioned in Exhibit C to the financial statements, except for the investment in FO.GA.BA. S.A.P.E.M., which was valued at adjusted acquisition cost. In addition, where applicable, the accounting standards used by the subsidiaries and related companies have been unified with the accounting criteria used by Siderar S.A.I.C..
Prosid Investments S.C.A., Inversiones Basilea S.A., Hylsamex S.A. de C.V. and Information Systems and Technologies N.V. were classified as non-integrated entities mainly because their operations are not an extension of Siderar S.A.I.C.'s operations. To determine the proportional equity value of these non-integrated companies that issue their financial statements in foreign currency, the criteria established by section 1.3. of Technical Pronouncement No. 18 of the Argentine Federation of Professional Councils in Economic Sciences has been applied, translating them into pesos at the rates of exchange in force at the closing date of the financial statements. The Company did not opt to apply the alternative method described in section 1.2.. Exchange differences corresponding to the result generated by the devaluation/revaluation of the peso on investments in foreign companies were appropriated to a specific heading in Shareholders' equity called Temporary conversion differences. These exchange differences include temporary translation differences generated by the indirect investment in Siderúrgica del Orinoco S.A., which is not integrated with its parent company and prepares financial statements in Bolívares and the ones generated by the direct and indirect investment in Hylsamex S.A. de C.V., which draws up its financial statements in Mexican pesos.

SIDERAR SOCIEDAD ANONIMA INDUSTRIAL Y COMERCIAL
REGISTRATION NUMBER WITH THE SUPERINTENDENCY OF CORPORATIONS: 14,510
NOTES TO THE FINANCIAL STATEMENTS at March 31, 2006 (Contd.)

NOTE 2 - ACCOUNTING STANDARDS (Contd.)

2.4. Valuation criteria (Contd.)

g) Other investments

Compañía Afianzadora de Empresas Siderúrgicas S.G.R. risk fund, corresponds to the portion attributable to the company considering the percentage over the contributions paid by the protecting partners of Sociedad de Garantía Recíproca and the net value of the fund at March 31, 2006 (see Note 7 d) to the financial statements).

h) Intangible Assets

Information systems projects represent disbursements for systems development, acquisition and implementation. These were valued at their cost value and are amortized over three years as from the date they are put in production.

Goodwill (Hylsamex S.A. de C.V.) corresponds to the difference between the amount paid for Hylsamex's shares (see Note 7 e) to the financial statements) and the proportional equity value at the moment of the acquisition, once the accounting values of the assets of the issuer have been adjusted by their respective current values.

Based on the criteria established by section 3.4.1 of Technical Pronouncement N° 18 of the Argentine Federation of Professional Councils in Economic Sciences, and because there are not legal or any other considerations that limit the length of the investment, the Company does not amortize this goodwill. Goodwill is required to be tested annually for impairment, as well as when there are indicators of impairment.

i) In addition to what is mentioned in Note 2.3., the Company has capitalized the financial costs from the projects for the acquisition of its fixed assets.

The results generated by all items derived from the Company financial structure have been considered to determine the financial charge to be capitalized.

The above mentioned capitalization is made until the works-related assets giving rise to it become operative, and is amortized applying the same criteria used for the constructed assets.

j) The Company segregates implicit financial components contained in profit and loss accounts to the extent they are considered to be material.

k) The Company has set up the allowances and provisions considered necessary so that the value assigned to assets does not exceed their recoverable value and that the value assigned to liabilities is not lower than the value which may be claimable by third parties.

The provisions disclosed in current and non-current liabilities for a total of \$ 45,060,675 were set up to meet threatened civil, labor, commercial and tax lawsuits and other contingent risks.

l) As from August 1, 1995, the Company implemented a retirement benefit plan in favor of certain officials. Since that date the resulting liabilities are being accrued during the remaining years of service of the beneficiaries involved. At the end of the current period these liabilities are shown under "Social security and taxes" as a non-current liability, no debt being claimable as at that date.

In addition, the Company holds a savings fund in dollars invested abroad, which could be used to partially or totally cover these benefits.

Withdrawal of investments before certain dates for uses other than the benefit plan is subject to penalties on amounts invested.

SIDERAR SOCIEDAD ANONIMA INDUSTRIAL Y COMERCIAL
REGISTRATION NUMBER WITH THE SUPERINTENDENCY OF CORPORATIONS: 14,510
NOTES TO THE FINANCIAL STATEMENTS at March 31, 2006 (Contd.)

NOTE 2 – ACCOUNTING STANDARDS(Contd.)

2.4. Valuation criteria (Contd.)

m) Interest accrued on receivables, payables and other financial operations is in line with current market rates.

n) The Company enters into hedges on financial derivatives from time to time to limit the fluctuations in the rate of exchange of currencies other than the US dollar and in interest rates on bank and financial loans.

Financial derivatives were valued at period-end market value. Results generated by contracts not qualifying as hedge instruments based on the criteria established by section 2.3. of Technical Pronouncement No. 18 of the Argentine Federation of Professional Councils in Economic Sciences have been expensed.

The contracts in effect at the end of the period to cover interest rates fluctuation of short and long-term debt amounting to U\$S 200,000,000.

o) Income tax:

The Company recognizes income tax by the deferred method as required by Technical Pronouncement No. 17 of the Argentine Federation of Professional Councils in Economic Sciences.

The breakdown of income tax recorded in the Statement of Income is as follows:

	Period ended on	
	03.31.06	03.31.05
	\$	\$
Estimated tax payable	(144,769,279)	(218,693,182)
Deferred tax	(4,823,364)	14,880,771
Total	(149,592,643)	(203,812,411)

Note: amounts between brackets represent a loss.

The Company, where applicable, calculates income tax by applying a 35% rate on taxable profits. When an interpretation is required of prevailing regulations, the Company prepares its financial statements with a criterion of prudence, recording the liabilities it considers to be necessary.

Law No. 25,063 published in the Official Gazette on December 30, 1998, established the creation of minimum notional income tax applicable to commercial periods ended as from December 31, 1998. This tax is assessable on potential income provided by certain productive assets at the rate of 1% and complements income tax; therefore the Company's tax obligation will agree with the higher of the two taxes. Current regulations permit computation of that tax as payment on account of income tax in excess of tax on minimum notional income. At the end of the previous year and the current period, income tax is higher than minimum notional income tax.

The Company used the liability method to calculate the deferred tax provision at the end of the period, which establishes the determination of net deferred assets and liabilities, based on timing differences and the recognition of deferred assets corresponding to unused tax losses deductible from future taxable income, charged under income tax in the statement of income.

As a result of the application of this method, at the end of the period the Company recognized a net deferred tax liability amounting to \$ 151,397,974, mainly made up of:

- Deferred tax assets amounting to \$ 112,538,668: mainly corresponding to the recognition of tax loss carryforwards for \$ 25,064,954, provisions and allowances for \$ 47,733,018 and to the temporary differences in banking and financial debts amounting to \$ 28,308,116.
- Deferred tax liabilities amounting to \$ 263,936,642: basically made up of timing differences in other investments amounting to \$ 84,918,865 and in fixed assets for \$ 161,209,495. The lower fixed assets taxable basis would only reduce the tax deduction of depreciation in future years over the useful life of those assets.

The net deferred tax liability is valued at nominal value.

SIDERAR SOCIEDAD ANONIMA INDUSTRIAL Y COMERCIAL
REGISTRATION NUMBER WITH THE SUPERINTENDENCY OF CORPORATIONS: 14,510
NOTES TO THE FINANCIAL STATEMENTS at March 31, 2006 (Contd.)

NOTE 2 - ACCOUNTING STANDARDS (Contd.)

2.4. Valuation criteria (Contd.)

o) Income tax (Contd):

The reconciliation between income tax expensed and the amount that would result from applying the corresponding tax rate to the accounting result before taxes is as follows:

	Period ended on	
	03.31.06	03.31.05
	\$	\$
Earning before tax	356,704,952	575,650,056
Result from investments in subsidiaries and related companies	116,930,500	53,316,487
Total	473,635,452	628,966,543
Income tax (35%)	(165,772,408)	(220,138,290)
<u>Permanent differences</u>		
Result from investments in subsidiaries and related companies	14,803,018	18,660,770
Exchange differences and interests	1,434,380	(2,097,952)
Others	(57,633)	(236,939)
	<u>(149,592,643)</u>	<u>(203,812,411)</u>

Note: amounts between brackets represent a loss.

- p) The Company's Board of Directors considers that aggregate valuation of assets captions is less than their recoverable value.

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NOTES TO THE FINANCIAL STATEMENTS at March 31, 2006 (Contd.)

NOTE 3 - COMPOSITION OF BALANCE SHEET ITEMS

	<u>03.31.06</u>	<u>12.31.05</u>
	\$	\$
CURRENT ASSETS		
a) Cash and banks		
Cash	143,852	150,081
Checks to be deposited	11,855,759	23,758,917
Banks	<u>13,013,803</u>	<u>6,240,689</u>
	25,013,414	30,149,687
b) Other investments		
Sight deposits (Exhibit D)	1,250,204	1,229,958
Term Deposits (Exhibit D)	76,148,237	108,454,105
Foreign private sector bonds (Exhibit D)	60,951,438	194,393,947
Government securities (Exhibit D)	3,543,268	606,425
Funds conveyed to the trust - (Exhibit D)	<u>16,320,413</u>	<u>15,715,581</u>
	158,213,560	320,400,016
c) Trade receivables		
Ordinary and documented debtors from the domestic market	144,850,249	121,388,817
Related companies Sect. 33 - Law No. 19,550 and amendments	2,906,639	-
Other related parties	61,412,764	73,714,738
Export reimbursements	14,484,150	15,954,039
Ordinary and documented debtors from foreign markets	38,160,021	30,888,687
Allowance for doubtful accounts (Exhibit E)	<u>(37,189,223)</u>	<u>(29,186,943)</u>
	224,624,600	212,759,338
d) Other receivables		
Parent company	16,659,052	10,064,500
Related companies Sect. 33 - Law No. 19,550 and amendments	5,956,840	4,065,314
Other related parties	24,357,804	24,595,665
Advances and loans to personnel	6,554,658	6,628,744
Receivables from sale of real property	504,796	498,483
Tax credits	15,134,616	1,849,711
Advances to suppliers	747,487	1,415,776
Expenses paid in advance	5,063,558	4,647,349
Sundry receivables	<u>17,950,602</u>	<u>13,314,830</u>
	92,929,413	67,080,372
NON-CURRENT ASSETS		
e) Trade receivables		
Ordinary and documented debtors from the domestic market	635,922	9,167,557
Allowance for doubtful accounts (Exhibit E)	<u>(635,922)</u>	<u>(9,167,557)</u>
	-	-
f) Other receivables		
Other related parties	2,512,777	2,193,446
Advances and loans to personnel	5,400,688	4,881,451
Receivables from sale of real property	5,150,064	5,242,494
Sundry receivables	<u>126,192</u>	<u>178,082</u>
	13,189,721	12,495,473
g) Other assets		
Real property	<u>1,987,269</u>	<u>1,987,269</u>
	1,987,269	1,987,269

SIDERAR SOCIEDAD ANONIMA INDUSTRIAL Y COMERCIAL
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NOTES TO THE FINANCIAL STATEMENTS at March 31, 2006 (Contd.)

NOTE 3 - COMPOSITION OF BALANCE SHEET ITEMS (Contd.)

	<u>03.31.06</u>	<u>12.31.05</u>
	\$	\$
CURRENT LIABILITIES		
h) Accounts payable		
Ordinary suppliers	223,822,220	189,782,622
Related companies Sect. 33 - Law No. 19,550 and amendments	774,654	441,247
Other related parties	37,531,656	36,601,468
Notes payable	114,928,719	76,473,601
Advances from customers	23,584,246	8,815,483
	<u>400,641,495</u>	<u>312,114,421</u>
i) Short-term debt		
Financial	1,056,144	167,026
Borrowings	577,826,023	319,921,017
Unearned interest	(71,702,498)	(65,669,148)
	<u>507,179,669</u>	<u>254,418,895</u>
j) Social security and taxes		
Net provision for income tax	91,766,752	209,963,483
Wages and social security	104,786,618	84,578,553
Others sundry	28,745,840	38,260,885
	<u>225,299,210</u>	<u>332,802,921</u>
k) Other liabilities		
Other related parties	-	153,704
Liabilities due to dismissal and restructuring	7,251,857	8,959,343
Others sundry	5,760,215	4,131,418
	<u>13,012,072</u>	<u>13,244,465</u>
NON-CURRENT LIABILITIES		
l) Long-term debt		
Borrowings	747,853,756	973,405,199
Unearned interest	(44,377,922)	(50,509,278)
	<u>703,475,834</u>	<u>922,895,921</u>
m) Social security and taxes		
Net provision for income tax	111,096,854	-
Deferred tax	151,397,974	146,574,610
Sundry	3,642,784	2,975,155
	<u>266,137,612</u>	<u>149,549,765</u>
n) Other liabilities		
Liabilities due to dismissal and restructuring	9,436,255	9,455,367
	<u>9,436,255</u>	<u>9,455,367</u>

SIDERAR SOCIEDAD ANONIMA INDUSTRIAL Y COMERCIAL
REGISTRATION NUMBER WITH THE SUPERINTENDENCY OF CORPORATIONS: 14,510
NOTES TO THE FINANCIAL STATEMENTS at March 31, 2006 (Contd.)

NOTE 4 - DEPOSIT OF FUNDS, RECEIVABLES AND PAYABLES: DUE DATES AND RATES

Captions	Up to 3 months	Between 3 and 6 months	Between 6 and 9 months	Between 9 and 12 months	Between 1 and 2 years	Between 2 and 3 years	Between 3 and 4 years	Over 4 years	Total at 03.31.06	Total at 12.31.05
	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$
Overdue										
Trade receivables - fixed rate	4,542,087	250,006	2,934	4,715	11,867,546	-	157,751	10,598,758	27,423,797	26,640,137
Total at 03.31.06	4,542,087	250,006	2,934	4,715	11,867,546	-	157,751	10,598,758	27,423,797	
Total at 12.31.05	2,921,976	83,545	48,948	649,016	12,068,019	-	227,800	10,640,833		26,640,137
Not yet due										
Deposits of funds - fixed rate	158,213,560	-	-	-	-	-	-	-	158,213,560	320,400,016
Deposits of funds - floating rate	-	-	-	-	5,800,000	-	-	31,271,565	37,071,565	37,485,176
Trade receivables - fixed rate	207,184,313	3,740,589	173,190	8,807,784	373,342	163,580	99,000	-	220,541,798	208,519,662
Trade receivables - without rate	14,484,150	-	-	-	-	-	-	-	14,484,150	15,954,039
Other receivables - fixed rate	13,482,644	910,792	1,283,120	785,765	2,643,835	2,248,616	919,178	4,860,248	27,134,198	17,769,601
Other receivables - floating rate	6,573,452	3,763,613	3,763,613	3,763,613	-	-	-	-	17,864,291	20,623,955
Other receivables - without rate	48,700,205	3,552,590	3,197,386	3,152,620	321,210	283,014	283,014	1,630,606	61,120,645	41,182,289
Total at 03.31.06	448,638,324	11,967,584	8,417,309	16,509,782	9,138,387	2,695,210	1,301,192	37,762,419	536,430,207	
Total at 12.31.05	560,459,159	25,245,707	8,358,606	8,723,060	17,114,991	2,463,987	1,405,664	38,163,564		661,934,738
Not yet due										
Accounts payable - fixed rate	177,840,581	-	-	-	-	-	-	-	177,840,581	155,230,979
Accounts payable - without rate	220,719,079	2,081,835	-	-	-	-	-	-	222,800,914	156,883,442
Short and long-term debt - fixed rate	3,016,294	122,319,817	34,626,545	122,108,252	244,381,114	121,800,640	-	-	648,252,662	614,371,381
Short and long-term debt - floating rate	68,009	112,509,658	-	112,531,094	224,862,720	112,431,360	-	-	562,402,841	562,943,435
Social security and taxes - without rate	115,871,487	97,653,743	1,962,330	9,811,650	122,275,069	37,451,635	42,219,803	64,191,105	491,436,822	365,293,515
Other debt - without rate	3,858,078	6,327,918	1,484,802	1,341,274	4,151,004	2,638,515	1,493,646	1,153,090	22,448,327	22,699,832
Total at 03.31.06	521,373,528	340,892,971	38,073,677	245,792,270	595,669,907	274,322,150	43,713,449	65,344,195	2,125,182,147	
Total at 12.31.05	407,438,049	262,307,174	238,815,530	4,019,949	495,693,749	463,515,745	1,461,783	4,170,605		1,877,422,584

Notes:

- The allowances for doubtful accounts and existing guarantees are sufficient to cover overdue trade receivables.
- Interest rates are not lower than market rates.
- There are no receivables or debts without stated due date.

SIDERAR SOCIEDAD ANONIMA INDUSTRIAL Y COMERCIAL
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NOTES TO THE FINANCIAL STATEMENTS at March 31, 2006 (Contd.)

NOTE 5 - CHANGES IN ACCOUNTING PROCEDURES

The National Securities Commission (Comisión Nacional de Valores), through General Resolution No 485 and 487 introduced certain changes to the accounting standards which will be applied for the fiscal periods as from January 1, 2006.

The Company has observed the same criteria adopted in the previous year as regards valuation, amortization and other items, except for application of the new regulations mentioned above, which are as follows:

- Translation of financial statements issued in foreign currency:
Until the previous quarter the Company recognized exchange differences, corresponding to the result generated by the devaluation of the peso on investments in foreign companies, in an additional heading between the Liabilities and the Shareholder's equity; as from January 1, 2006 they are recorded in a specific heading in Shareholder's equity
This change of criterion implies:
 - a lower value of Shareholder's equity of \$ 47,302,748 and \$ 120,268,713 at March 31, 2006 and 2005, respectively;
 - prior years' adjustment - loss amounting to \$ 47,685,033 and \$ 64,773,791 at March 31, 2006 and 2005, respectively.
- Deferred tax:
As from January 1, 2006, the Company considers the difference between the accounting value of fixed assets (and other non monetary assets), which are inflation adjusted, and its fiscal value as a temporary difference
This change of criterion implies:
 - a higher deferred tax liability value of \$ 114,690,278 and \$134,930,786 at March 31, 2006 and 2005, respectively.
 - an income tax gain of \$ 2,368,893 and \$ 8,109,069 at March 31, 2006 and 2005, respectively.
 - prior years' adjustment - a loss amounting to \$ 117,059,171 and \$ 143,039,855 at March 31, 2006 and 2005, respectively.

NOTE 6- ENCUMBERED AND RESTRICTED ASSETS AND SURETIES GRANTED

In accordance with the terms agreed on through the purchase of Hylsamex S.A de C.V. (Hylsamex) shares cited in Note 7 e) arising from the financial statements, at the end of the period the Company has trusted funds for U\$S 5,365,027. These funds can only be used for the acquisition of Hylsamex shares remaining from the public offer, and therefore are subject to restricted availability.

In addition, at the close of the period, the Company does not have assets subject to any encumbrance and has not granted any guaranties in favor of third parties.

NOTE 7 - INVESTMENTS IN OTHER COMPANIES

a) Comesi San Luis S.A.I.C.

The Company holds a 99% equity interest in Comesi San Luis S.A.I.C.. The corporate purpose of Comesi San Luis S.A.I.C. is the production of cold and/or hot-rolled plates, whether coated or not, shaped and/or skelped.

As of March 31, 2006, Comesi San Luis S.A.I.C. shareholders' equity amounted to \$ 1,205,269 and the net loss for the period ended March 31, 2006, to \$ 32,652.

Comesi San Luis S.A.I.C. discontinued production and assigned its industrial plant on a loan and restitution basis.

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NOTES TO THE FINANCIAL STATEMENTS at March 31, 2006 (Contd.)

b) Prosid Investments S.C.A.

In January 1998, Consorcio Siderurgia Amazonia Ltd. (Amazonia) acquired 70% of Siderúrgica del Orinoco C.A. (Sidor), a company privatized by the Government of Venezuela which retained the remaining 30%. Siderar initially held 17.5% of the capital stock of Amazonia, which through its subsidiary Prosid Investments S.C.A. (Prosid) increased it to 19.8% in March 2000 as a result of additional investments. As part of the restructuring of Sidor and Amazonia in 2003, Prosid capitalized in Amazonia the subordinated convertible loan for U\$S 30.8 million plus accrued interest, made as a result of the restructuring carried out in 2000, thus increasing its participation in Amazonia to 21.1% of the capital stock.

Within the framework of the restructuring of the debt of Sidor and Amazonia in 2003, Prosid acquired 11.1% of the capital stock and subordinated convertible debt of Ylopa Servicios de Consultoria Ltda. (Ylopa), and made a contribution in cash (mainly in the form of convertible subordinated debt) amounting to U\$S 15.0 million. Upon conclusion of the restructuring agreements on June 20, 2003, Ylopa holds new debt instruments in Amazonia, convertible at the option of Ylopa, at 67.4 % of the capital stock of Amazonia. In addition, the participation of the Government of Venezuela in Sidor increased to 40.3%, while Amazonia's participation in Sidor decreased to 59.7%. Furthermore, the shares of Amazonia in Sidor were conveyed to a trust in Banesco Banco Universal, acting as trustee.

The restructuring agreements, however, contemplate certain remaining obligations or restrictions, including among others: agreement not to create or set up any lien other than those permitted on the shares or debt of Amazonia or its shareholders; and restrictions to the possibility of reorganization, declaration in bankruptcy or liquidation of Amazonia or Sidor.

During December 2004, a series of modifications was approved to the terms established in the Restructuring Agreement of Sidor. These modifications mainly included a reduction in the payment terms of the installments and their consequent increase.

In February 2005, the shareholders of Ylopa decided the capitalization of the convertible loan, and therefore the indirect participation of Siderar in Amazonia decreased to 14.4%.

In March 2006, the capital reduction approved by the Shareholders' Meeting of Prosid was registered at the Public Registry of Commerce. The capital reduction was computed based on the redemption of shares amounting to U\$S 9.8 million. As a result of the above redemption, the equity investment in Prosid decreased from 99.9932% to 99.9928%.

At March 31, 2006, the participation in the capital stock of Prosid amounts to 99.9928%, having a total value of \$ 642.7 million, and the result of this investment for the period ended on March 31, 2006 was net income amounting to \$ 47.1 million.

c) Inversiones Basilea S.A.

The Company has a shareholding of 99.9999% in Inversiones Basilea S.A. The corporate purpose of Inversiones Basilea S.A. is the purchase and sale and investment in all type of movable assets and property, holdings in companies of any nature and purpose, investment in all its forms, administration of the assets in which it invests.

At March 31, 2006 the value of the shareholding in Inversiones Basilea S.A. amounts to \$ 266.2 million; and the results of this investment for the period ended March 31, 2006 amounted to a \$ 8.7 million profit.

d) Compañía Afianzadora de Empresas Siderúrgicas S.G.R.

The Company has a 38.8893% interest in the capital stock of Compañía Afianzadora de Empresas Siderúrgicas S.G.R. in its capacity as protecting partner. The main purpose of this company is to grant guarantees to participating partners to facilitate or enable their access to the bank credit line for the purchase of national steel raw material and to provide technical, economic and financial advice to them. To do so, the Company has made a net contribution of \$ 10,050,540 to the risk fund, of which \$ 4,250,540 have been provided for at the end of the period (see exhibit D to the financial statements).

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NOTES TO THE FINANCIAL STATEMENTS at March 31, 2006 (Contd.)

NOTE 7 - INVESTMENTS IN OTHER COMPANIES (Contd.)

e) Hylsamex S.A. de C.V. (Hylsamex)

On August 22, 2005 Siderar, together with its 100%-controlled company Inversiones Basilea S.A. (Basilea) and III Industrial Investments Inc. (III), completed the acquisition of Mexican steel manufacturer Hylsamex S.A. de C.V. (Hylsamex) in accordance with the conditions and price offered for a total amount of U\$S 2,095 million. Siderar and Basilea contributed an amount of U\$S 618 million, of which U\$S 533 million were paid by Siderar and U\$S 85 million were paid by Basilea.

During October 2005, Siderar acquired remaining shares from the public offer for U\$S 10 million and which represent the 0.46% of Hylsamex share capital.

As a result of the transaction, 70.00% of the equity of Hylsamex is now owned by I.I.I., 25.72% by Siderar, 4.03% by Basilea, and 0.25% by minority shareholders.

In accordance with the terms of the tender offer and with the applicable Mexican legislation, on September 27, 2005, Hylsamex requested the removal of its shares from the Mexican Stock Exchange.

On December 2, 2005, Siderar set up an irrevocable administration trust with the Banco Nacional de Mexico S.A. for U\$S 5 million in order to have enough funds to acquire the 0.25% of those Hylsamex shares remaining from the public offer. Under the terms of such trust, those Hylsamex shareholders who could not take part in the public offer, will be able to sell their shares at the same value offered and for an additional period of six months.

As of March 31, 2006, the value of Siderar stock participation in Hylsamex amounts to \$1,306.9 million, and the result of such investment at the close of the period ended March 31, 2006, was a profit of \$61.3 million.

Hylsamex has industrial facilities in the cities of Monterrey and Puebla, México. Its activities include from mining to the production of high value added products.

Siderar agreed upon the terms of a shareholder agreement with I.I.I. to regulate certain rights and obligations among the shareholders of Hylsamex referred to the governance and administration of the Company, majority regime and power of veto, as well as the regulation of certain events to preserve the capital stock structure.

The Company obtained a financing agreement for up to U\$S 380 million for the purchase of the shares of Hylsamex within the framework of the purchase mentioned above.

The loan will be repayable in five half-yearly installments of 20% each, after 12 months from the date of acquisition, bearing interest at the LIBO rate plus 200 basis points.

In addition to complying with certain formal obligations and meeting financial ratios applicable to this type of agreement, Siderar agreed to maintain a certain level of exports, a maximum amount of debt and a maximum amount of investments in fixed assets, as required by the Investment Plan.

f) Impeco S.A.

On January 31, 2006 the company acquired 100% of the shares of Impeco S.A. (see Note 12) for \$ 13.2 million. The main activity of Impeco S.A. is the production of structural welded tubes. On March 30, 2006 the company sold 0.5 % of the shares to Comesi San Luis S.A.I.C., so at the end of the period, the participation in the capital stock amounts to 99.95 %; with a total value of \$ 13.6 million, and the result of this investment for the period ended on March 31, 2006 was net income amounting to \$ 0.4 million.

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NOTES TO THE FINANCIAL STATEMENTS at December 31, 2005 (Contd.)

NOTE 7 - INVESTMENTS IN OTHER COMPANIES (Contd.)

g) Information Systems and Technologies N.V.

On March 19, 2001 the Company acquired 25% of the shares of Information Systems and Technologies N.V. (IST) for U\$S 13,032.

On July, 2003, the Company made a cash contribution of 5,000 Euros on account of future capital increases; in addition, on February 2006, another contribution of 25,000 Euros was made on account of future capital increases and with the purpose of covering the Company's accumulated losses, so at the end of the period a \$ 57,600 loss was recorded.

h) Result from investments in subsidiaries and related companies:

	03.31.06	03.31.05
	\$	\$
Subsidiaries		
Comesi San Luis S.A.I.C.	(32,325)	(20,959)
Prosid Investments S.C.A.	47,141,174	52,201,216
Inversiones Basilea S.A.	8,654,175	1,136,136
Impeco S.A.	584,259	-
Valuation adjustments fixed assets Impeco S.A.	(161,942)	-
Valuation adjustments inventories Impeco S.A.	(521,017)	-
Sub-total result of subsidiaries	<u>55,664,324</u>	<u>53,316,393</u>
Related companies		
Compañía Afianzadora de Empresas Siderúrgicas S.G.R.	86	94
Information Systems and Technologies N.V.	(57,600)	-
Hylsamex S.A. de C.V. (Hylsamex)	61,323,690	-
Sub-total result of related companies	<u>61,266,176</u>	<u>94</u>
Total result of investments	<u><u>116,930,500</u></u>	<u><u>53,316,487</u></u>

NOTE 8 - RESTRICTIONS ON THE DISTRIBUTION OF PROFITS

In accordance with the Corporations Law, the Company's by-laws and General Resolution No. 368/01 of the National Securities Commission, 5% of the net profits for the year must be appropriated to the Legal Reserve after absorbing any accumulated losses, until the reserve reaches 20% of adjusted capital.

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NOTES TO THE FINANCIAL STATEMENTS at March 31, 2006 (Contd.)

NOTE 9 – A.F.I.P. - DGI INCOME TAX CLAIM FOR FISCAL 1995, 1996, 1997, 1998 AND 1999

The Administración Federal de Ingresos Públicos (A.F.I.P. - tax authorities) has challenged the charge to income of certain disbursements that the Company has treated as expenses necessary to maintain industrial installations, which as such should be deducted in the year in which they take place. The A.F.I.P. sustain that these are investments or improvements that must be capitalized and, therefore, they made a jeopardy assessment of income tax due on a nominal tax basis plus fines and interest in fiscal 1995 to 1999 amounting to approximately \$ 62.7 million.

The Company appealed these assessments before the National Tax Court, since its legal and tax advisors considered that, based on existing evidence and the work performed by the tax authorities, the Company would obtain a favorable ruling.

On April 13, 2005 the Company was notified of a ruling issued by the National Tax Court revoking the assessments made by the A.F.I.P. for fiscal 1995 and 1996 at their highest value, for approximately \$ 41.0 million, only confirming part of the adjustment made by the tax authorities, instructing recalculation of tax in accordance with the ruling. It should be noted that although in the opinion of our legal and tax advisors the grounds based on which the Court confirmed part of the tax adjustment are largely questionable, as they regard matters of law or fact, the powers of the Appellate Court to reopen a case are restricted. Based on the above and adopting a conservative criterion, the Company set up a provision amounting to \$ 13.9 million at the end of the fiscal year.

NOTE 10 - INFORMATION BY SEGMENT

The Company determines the business segments based on the added value of the products manufactured and sold by it, and therefore it has established three main segments: uncoated steel sheet products, coated products and other products.

The uncoated steel sheet products segment includes cold and hot rolled sheet; coated steel sheet products segment concentrates mainly galvanized, electrogalvanized, pre-painted, zincaluminum and tinplate, while the other segment mainly includes slabs, pig-iron and overrolling.

The only assets directly assignable to the business segments are finished products and production in progress.

The secondary segments by geographic location provide information on products or services sold in a specific economic area. Revenue is determined according to customer's location.

Information by business segment (amounts stated in thousands of pesos)

	Period ended on March 31, 2006			
	Uncoated steel sheet products	Coated steel sheet products	Others	Total
Results				
Net income from sales	673,339	449,145	16,553	1,139,037
Cost of sales	(412,201)	(276,921)	(11,194)	(700,315)
Gross profit	261,138	172,224	5,359	438,722
Selling and administrative expenses	(41,674)	(20,592)	(2,146)	(64,412)
Result from ordinary operations	219,604	151,632	3,213	374,310
Assets				
Finished products and products in process	393,195	186,470	15,457	595,122

Information by geographical segment (amounts stated in thousands of pesos)

	Period ended on March 31, 2006			
	America	Europe and Africa	Asia and Oceania	Total
Results				
Net income from sales	1,123,400	13,019	2,618	1,139,037

SIDERAR SOCIEDAD ANONIMA INDUSTRIAL Y COMERCIAL
REGISTRATION NUMBER WITH THE SUPERINTENDENCY OF CORPORATIONS: 14,510
NOTES TO THE FINANCIAL STATEMENTS at March 31, 2006 (Contd.)

NOTE 11 - STATUS OF CAPITAL

The status of capital at March 31, 2006 is \$ 347,468,771, which has been subscribed, paid-in and registered at the Public Registry of Commerce.

The last capital increase amounting to \$ 35,666,000 was approved by the Shareholders' Ordinary and Extraordinary Meeting held on December 29, 1994 and registered at the Public Registry of Commerce on November 7, 1995.

The Ordinary and Extraordinary Meeting of Shareholders and the Meeting of Class B Shareholders simultaneously held on April 30, 2002, resolved the conversion of 27,577,146 ordinary class B shares into ordinary class A shares, which have been authorized to list for trading on stock exchanges.

At the Ordinary and Extraordinary General Meeting held on April 29, 2003, the Company decided not to adhere to the optional regime for the public offering of shares for mandatory acquisition. As a result, Siderar S.A.I.C. is a "Company not participating under the optional Statutory Regime for the Public Offering of Shares for Mandatory Acquisition (sects 23 and 24 of Decree 677/2001)".

The Shareholders' equity at the end of the period amounted to \$ 3,852,483,581 and the capital stock outstanding at that date to \$ 347,468,771. Accordingly, the proportional equity value for each share of \$ 1 par value amounts to \$ 11.09 (eleven pesos and nine cents).

NOTE 12 – RELEVANT EVENTS

Transfer of Goodwill and acquisition from Impeco S.A. to Acindar Industria Argentina de Aceros S.A (Acindar):

On January 31, 2006 Siderar signed up all the documents to carry out the transfer of goodwill (under Act 11,867), as well as the transfer of its plants and other assets for the production of welded steel tubes and shapes owned by Acindar, located in the city of Rosario, province of Santa Fe. It also included the acquisition of Impeco S.A stock, as well as its corresponding plant, located in the province of San Luis, amounting to a total value of U\$S 55.2 million, subject to subsequent adjustments. Due to what has been stated above, the company has already taken possession of the assets mentioned, paying the corresponding acquisition cost.

The two plants that Siderar would be incorporating to its industrial system have a 140-thousand-ton per year production capacity of structural tubes for sectors ranging from construction and agriculture to the metal-mechanic industry in general.

NOTE 13 - EVENTS SUBSEQUENT TO PERIOD-END

After March 31, 2006, no events, situations or circumstances other than those publicly known having a material effect on the Company's equity, economic or financial position have taken place.

The report on limited review is issued as a separate document.

SIDERAR SOCIEDAD ANONIMA INDUSTRIAL Y COMERCIAL
REGISTRATION NUMBER WITH THE SUPERINTENDENCY OF CORPORATIONS: 14,510
FINANCIAL STATEMENTS at March 31, 2006
FIXED ASSETS

Exhibit A

Main account	Values at the beginning of the period	Increases	Decreases	Reclassifications	Values at the end of the period	Depreciation			Residual value at 03.31.06	Residual value at 12.31.05
						Accumulated at the beginning of the period	Deletions for the period	For the period (1)		
	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$
Land	51,036,947	7,625,000			58,661,947				58,661,947	51,036,947
Industrial buildings and facilities	2,356,373,336	119,255,000		5,769,464	2,481,397,800	1,611,626,845		38,193,810	1,649,820,655	744,746,491
Machinery and equipment	1,043,940,118	7,625,000		2,633,915	1,054,199,033	862,409,740		8,777,211	871,186,951	181,530,378
Vehicles and means of transport	24,932,141	645,547	517,519		25,060,169	19,581,719	272,350	442,200	19,751,569	5,350,422
Furniture, general machinery and office supplies	54,355,141				54,355,141	48,555,454		1,380,495	49,935,949	5,799,687
Steel spares and supplies	94,628,042	6,583,229			101,211,271				101,211,271	94,628,042
Fixed assets in transit	4,478,854	26,467,713			30,946,567				30,946,567	4,478,854
Work in progress	249,147,829	131,938,735		(8,403,379)	372,683,185				372,683,185	249,147,829
Advances to suppliers	28,261,801		2,861,202		25,400,599				25,400,599	28,261,801
Advances to suppliers - Other related parties	12,846,468	7,621,784			20,468,252				20,468,252	12,846,468
Total	3,920,000,677	307,762,008	3,378,721		4,224,383,964	2,542,173,758	272,350	48,793,716	2,590,695,124	1,633,688,840

(1) See Exhibit H to the financial statements.

Note: The Company has considered as original value of technically appraised assets at June 30, 1990 the technical value restated as indicated in Note 2.4 e) to the financial statements. The depreciation rates of the different assets are not included as these vary according to the different remaining useful lives assigned.

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SIDERAR SOCIEDAD ANONIMA INDUSTRIAL Y COMERCIAL**Exhibit B****REGISTRATION NUMBER WITH THE SUPERINTENDENCY OF CORPORATIONS: 14,510****FINANCIAL STATEMENTS at March 31, 2006****INTANGIBLE ASSETS**

Main account	Values at the beginning of the period	Increases	Values at the end of the period	Depreciation		Residual value at 03.31.06	Residual value at 12.31.05	
				Accumulated at the beginning of the period	For the period (1)			
	\$	\$	\$	\$	\$	\$	\$	
Information systems projects	90,491,540	8,020,344	98,511,884	53,659,035	1,902,460	55,561,495	42,950,389	36,832,505
Goodwill (Hylsamex S.A. de C.V.)	366,685,946		366,685,946				366,685,946	366,685,946
Total	457,177,486	8,020,344	465,197,830	53,659,035	1,902,460	55,561,495	409,636,335	403,518,451

(1) See Exhibit H to the financial statements.

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SIDERAR SOCIEDAD ANONIMA INDUSTRIAL Y COMERCIAL
Exhibit C
REGISTRATION NUMBER WITH THE SUPERINTENDENCY OF CORPORATIONS: 14,510
FINANCIAL STATEMENTS at March 31, 2006
INVESTMENTS - Securities issued in series and investments in other companies

Denomination and type of shares	Issuer	Class	Par value	03.31.06				12.31.05	
				Amount	Percentage of participation in capital stock	Restated cost value \$	Proportional equity value \$	Amount recorded \$	Amount recorded \$
NON-CURRENT INVESTMENTS									
Corporations Sect. 33 - Law No. 19,550 and amendments									
<u>Subsidiaries</u>									
Shares	Comesi San Luis S.A.I.C.	Ordinary, one vote each	0.0001	1,089,000	99.0000	9,982,508	1,193,216	1,193,216	1,225,541
Shares	Prosid Investments S.C.A.	Ordinary, one vote each	1,000 (1)	1,094,288	99.9928	299,363,636	642,708,151	642,708,151	615,663,742
Shares	Inversiones Basilea S.A.	Ordinary, one vote each	1 (2)	84,741,116	99.9999	249,321,242	266,228,964	266,228,964	257,960,077
Shares	Impeco S.A.	Ordinary, one vote each	1	978,343	99.9499	13,155,706	8,737,875	8,737,875	-
<u>Related companies</u>									
Shares	Hylsamex S.A. de C.V.	Ordinary, one vote each	-	156,270,099	25.7234	1,556,963,618	1,191,229,537	1,191,229,537	1,197,914,018
Shares	Compañía Afianzadora de Empresas Siderúrgicas S.G.R.	Ordinary, one vote each	1	340,670	38.8893	748,573	364,555	364,555	364,469
Shares	Information Systems and Technologies N.V.	Ordinary, one vote each	50 (3)	230	25.0000	136,906	-	-	-
Others									
Shares	FO.GA.BA. S.A.P.E.M.	Ordinary, one vote each	1	10,000	0.3100	21,974	-	21,974	21,974
Valuation adjustments Hylsamex S.A. de C.V. (4)							115,629,580	115,629,580	56,642,630
Valuation adjustments Prosid Investment S.C.A (5)							-	-	(29,885,523)
Valuation adjustments inventories Impeco S.A.							(521,017)	(521,017)	-
Valuation adjustments fixed assets Impeco S.A.							4,840,148	4,840,148	-
Irrevocable contribution to Information Systems and Technologies N.V.							33,770	33,770	-
						2,129,694,163	2,230,444,779	2,230,466,753	2,099,906,928

(1) Amount stated in Uruguayan pesos.

(2) Amount stated in United States dollars.

(3) Amount stated in Euros.

(4) It includes adjustments to unify the valuation with Argentinian Accounting Standards, and results for the three months periods ended March 31, 2006

(5) Capital reduction, not yet registered in Registro General de Comercio

SIDERAR SOCIEDAD ANONIMA INDUSTRIAL Y COMERCIAL
REGISTRATION NUMBER WITH THE SUPERINTENDENCY OF CORPORATIONS: 14,510
FINANCIAL STATEMENTS at March 31, 2006

Exhibit C

INVESTMENTS - Securities issued in series and investments in other companies (Contd.)

Denomination and type of shares	Issuer	Principal activity	Information about the issuer					
			Date	Period	Latest financial statements			Date of approval by Board of Directors
					Capital stock	Results	Shareholders' equity	
					\$	\$	\$	
NON-CURRENT INVESTMENTS								
Corporations Sect. 33 - Law No. 19,550 and amendments								
<u>Subsidiaries</u>								
Shares	Comesi San Luis S.A.I.C.	Production of cold or hot rolled, pre-painted, formed and skelped steel sheets.	03.31.06	3 months	110	(32,652)	1,205,269	05.04.06
Shares	Prosid Investments S.C.A.	Stock participation in companies and all types of financial transactions.	03.31.06	3 months	248,427,929	47,144,568	642,754,429	05.03.06
Shares	Inversiones Basilea S.A.	The purchase and sale of any type of movable and real property, the equity investment in corporations and any other type of investment.	03.31.06	3 months	257,782,478	8,654,184	266,229,230	05.03.06
Shares	Impeco S.A.	Production of structural welded tubes	03.31.06	3 months	4,600,000	632,163	8,742,255	05.04.06
<u>Related companies</u>								
Shares	Hylsamex S.A. de C.V.	Production and marketing of all kind of steel products such as tinplate, rolled steel, pipes, structurals, billets, wires and steel bars.	12.31.05	12 months	1,658,363,620	739,961,223	4,630,917,907	02.28.06
Shares	Compañía Afianzadora de Empresas Siderúrgicas S.G.R.	Granting of guarantees to participating partners to facilitate or permit access to credits for the purchase of national steel raw material through the signing of contracts regulated by Law No. 24,467.	03.31.06	9 months	876,000	660	10,700,880	05.04.06
Shares	Information Systems and Technologies N.V.	Investments.	12.31.05	12 months	133,790	(196,355)	(230,401)	03.03.06
Others								
Shares	FO.GA.BA. S.A.P.E.M.	Granting of guarantees to PYMES operating in the province of Buenos Aires.	06.30.05	6 months	3,415,200	(1,358,087)	53,690,992	09.23.05

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SIDERAR SOCIEDAD ANONIMA INDUSTRIAL Y COMERCIAL **Exhibit D**
REGISTRATION NUMBER WITH THE SUPERINTENDENCY OF CORPORATIONS: 14,510

FINANCIAL STATEMENTS at March 31, 2006

OTHER INVESTMENTS

Main account	Values at the beginning of the period	Increases	Decreases	Balance at 03.31.06	Balance at 12.31.05
	\$	\$	\$	\$	\$
OTHER CURRENT INVESTMENTS					
Sight deposits	1,229,958	20,246		1,250,204	1,229,958
Term deposits	108,454,105		32,305,868	76,148,237	108,454,105
Foreign private sector bonds	194,393,947		133,442,509	60,951,438	194,393,947
Government Securities	606,425	2,936,843		3,543,268	606,425
Funds conveyed to the trust (Note 6)	15,715,581	604,832		16,320,413	15,715,581
Total	<u>320,400,016</u>	<u>3,561,921</u>	<u>165,748,377</u>	<u>158,213,560</u>	<u>320,400,016</u>

OTHER NON-CURRENT INVESTMENTS

Saving funds - Other related parties (Note 2.4.1)	31,685,176		413,611	31,271,565	31,685,176
Risk fund Compañía Afianzadora de Empresas Siderúrgicas S.G.R.					
Net contributions	10,313,354		262,814	10,050,540	10,313,354
Allowance for doubtful accounts (Exhibit E) (1)	(4,513,354)		(262,814)	(4,250,540)	(4,513,354)
Total	<u>37,485,176</u>		<u>413,611</u>	<u>37,071,565</u>	<u>37,485,176</u>

(1) Customers of Compañía Afianzadora de Empresas Siderúrgicas S.G.R. in collection process.
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SIDERAR SOCIEDAD ANONIMA INDUSTRIAL Y COMERCIAL **Exhibit E**
REGISTRATION NUMBER WITH THE SUPERINTENDENCY OF CORPORATIONS: 14,510
FINANCIAL STATEMENTS at March 31, 2006
ALLOWANCES AND PROVISIONS

Items	Balances at 12.31.05	Increases and recoveries	Decreases	Balances at 03.31.06
	\$	\$	\$	\$
Deducted from current assets				
For doubtful accounts	29,186,943	7,986,196 (1)	(16,084)	37,189,223
For inventory obsolescence (2)	1,222,794	632,844	616,355	1,239,283
Total	<u>30,409,737</u>	<u>8,619,040</u>	<u>600,271</u>	<u>38,428,506</u>
Deducted from non-current assets				
For doubtful accounts	9,167,557	(8,531,635) (1)		635,922
For risk fund uncollectibility	4,513,354	(262,814) (1)		4,250,540
Total	<u>13,680,911</u>	<u>(8,794,449)</u>		<u>4,886,462</u>
Included in current liabilities				
For contingencies	1,942,193	511,330 (1)	457,012	1,996,511
Total	<u>1,942,193</u>	<u>511,330</u>	<u>457,012</u>	<u>1,996,511</u>
Included in non-current liabilities				
For contingencies	40,458,744	2,605,420 (1)		43,064,164
Total	<u>40,458,744</u>	<u>2,605,420</u>		<u>43,064,164</u>

(1) See Exhibit H to the financial statements.

(2) See Exhibit F to the financial statements.

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SIDERAR SOCIEDAD ANONIMA INDUSTRIAL Y COMERCIAL **Exhibit F**
REGISTRATION NUMBER WITH THE SUPERINTENDENCY OF CORPORATIONS: 14,510
FINANCIAL STATEMENTS at March 31, 2006
COST OF SALES

	Period ended on			
	03.31.06		03.31.05	
	\$	\$	\$	\$
1) Inventory at the beginning of the period				
Finished products	161,025,419		143,015,849	
Production in process	430,834,032		209,325,742	
Raw material	361,474,844		284,498,923	
Materials	39,981,874		40,126,146	
Advances to suppliers	9,238,211		2,222,794	
Allowance for obsolescence (Exhibit E)	<u>(1,222,794)</u>	1,001,331,586	<u>(1,385,926)</u>	677,803,528
2) Purchases of the period		643,021,690		409,938,182
3) Manufacturing expenses (Exhibit H)		231,829,137		229,727,629
Subtotal		<u>1,876,182,413</u>		<u>1,317,469,339</u>
4) Holding results (Exhibit H)		20,038,040		92,841,400
Subtotal		<u>1,896,220,453</u>		<u>1,410,310,739</u>
5) Inventory at the end of the period				
Finished products	234,468,665		187,312,507	
Production in process	514,362,391		227,392,470	
Raw material	391,264,227		333,395,935	
Materials	44,706,351		40,409,173	
Advances to suppliers	12,342,582		1,357,607	
Allowance for obsolescence (Exhibit E)	<u>(1,239,283)</u>	1,195,904,933	<u>(1,252,719)</u>	788,614,973
COST OF SALES		<u><u>700,315,520</u></u>		<u><u>621,695,766</u></u>

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SIDERAR SOCIEDAD ANONIMA INDUSTRIAL Y COMERCIAL
REGISTRATION NUMBER WITH THE SUPERINTENDENCY OF CORPORATIONS: 14,510

Exhibit G

FINANCIAL STATEMENTS at March 31, 2006

FOREIGN CURRENCY ASSETS AND LIABILITIES

Items	03.31.06				12.31.05		
	Foreign currency (1)	Amount in foreign currency	Exchange rate used	Amount in local currency	Foreign currency (1)	Amount in foreign currency	Amount in local currency
ASSETS			\$	\$			\$
CURRENT ASSETS							
Cash and banks							
Cash	US\$	19,029	3.042000	57,885	US\$	17,592	52,636
Banks	US\$	113,066	3.042000	343,946	US\$	100,739	301,412
	EURO	2,397,649	3.687500	8,841,331	EURO	359,492	1,272,314
Other investments							
Sight deposits	US\$	410,981	3.042000	1,250,204	US\$	411,082	1,229,958
Term Deposits	US\$	23,371,055	3.042000	71,094,750	US\$	32,170,756	96,254,902
Foreign private sector bonds	US\$	20,036,633	3.042000	60,951,438	US\$	64,971,239	194,393,947
Funds conveyed to the trust	US\$	5,166,200	3.042000	15,715,581	US\$	5,252,534	15,715,581
Trade receivables							
Ordinary and documented debtors from the domestic market	US\$	36,690,385	3.042000	111,612,150	US\$	32,115,273	96,088,898
Related companies Sect. 33 - Law No. 19,550 and amendments	US\$	955,503	3.042000	2,906,639			
Other related parties	US\$	13,514,607	3.042000	41,111,433	US\$	6,019,374	18,009,966
	EURO	5,505,446	3.687500	20,301,331	EURO	15,739,368	55,704,772
Export reimbursements	US\$	4,761,391	3.042000	14,484,150	US\$	5,332,232	15,954,039
Ordinary and documented debtors from foreign markets	US\$	12,544,386	3.042000	38,160,021	US\$	10,323,759	30,888,687
Allowance for doubtful accounts	US\$	(1,298,857)	3.042000	(3,951,124)	US\$	(1,299,139)	(3,887,024)
Other receivables							
Related companies Sect. 33 - Law No. 19,550 and amendments	US\$	946,787	3.042000	2,880,126	US\$	511,818	1,531,360
Other related parties	US\$	5,243,389	3.042000	15,950,389	US\$	6,298,868	18,846,212
Sundry receivables	US\$	3,793,255	3.042000	11,539,083	US\$	3,037,727	9,088,880
Total current assets - Carried forward				413,249,333			551,446,540

SIDERAR SOCIEDAD ANONIMA INDUSTRIAL Y COMERCIAL
REGISTRATION NUMBER WITH THE SUPERINTENDENCY OF CORPORATIONS: 14,510
FINANCIAL STATEMENTS at March 31, 2006
FOREIGN CURRENCY ASSETS AND LIABILITIES (Contd.)

Exhibit G

Items	03.31.06				12.31.05		
	Foreign currency (1)	Amount in foreign currency	Exchange rate used \$	Amount in local currency \$	Foreign currency (1)	Amount in foreign currency	Amount in local currency \$
Brought forward				413,249,333			551,446,540
NON-CURRENT ASSETS							
Other investments							
Saving funds - Other related parties	US\$	10,279,936	3.042000	31,271,565	US\$	10,589,965	31,685,176
Fixed assets							
Advances to suppliers	US\$	1,739,094	3.042000	5,290,323	US\$	2,492,175	7,456,587
	EURO	3,882,729	3.687500	14,317,563	EURO	4,599,536	16,278,678
Total non-current assets				<u>50,879,451</u>			<u>55,420,441</u>
Total assets				<u>464,128,784</u>			<u>606,866,981</u>

FINANCIAL STATEMENTS at March 31, 2006

FOREIGN CURRENCY ASSETS AND LIABILITIES (Contd.)

Items	Foreign currency (1)	03.31.06			12.31.05		
		Amount in foreign currency	Exchange rate used	Amount in local currency	Foreign currency (1)	Amount in foreign currency	Amount in local currency
			\$	\$			\$
LIABILITIES							
CURRENT LIABILITIES							
Accounts payable							
Ordinary suppliers	US\$	21,645,439	3.082000	66,711,244	US\$	18,952,573	57,464,201
Other related parties	US\$	5,221,065	3.082000	16,091,322	US\$	7,331,927	22,230,402
Notes payable	US\$	31,526,130	3.082000	97,163,533	US\$	17,371,251	52,669,633
	EURO	4,673,361	3.736300	17,461,079	EURO	6,417,367	23,018,455
	£	1,377	5.358400	7,381	£	139,078	725,331
	¥	7,594,814	0.026225	199,174	¥	2,337,074	60,182
	SFR	41,221	2.366561	97,552			
Advances from customers	US\$	7,652,254	3.082000	23,584,246	US\$	2,907,481	8,815,483
Short-term debt							
Borrowings	US\$	187,069,849	3.082000	576,549,276	US\$	105,101,862	318,668,846
	EURO	341,714	3.736300	1,276,747	EURO	349,096	1,252,171
Unearned interest	US\$	(23,261,394)	3.082000	(71,691,617)	US\$	(21,649,966)	(65,642,697)
	EURO	(2,912)	3.736300	(10,881)	EURO	(7,374)	(26,451)
Total current liabilities - Carried forward				727,439,056			419,235,556

SIDERAR SOCIEDAD ANONIMA INDUSTRIAL Y COMERCIAL
REGISTRATION NUMBER WITH THE SUPERINTENDENCY OF CORPORATIONS: 14,510
FINANCIAL STATEMENTS at March 31, 2006
FOREIGN CURRENCY ASSETS AND LIABILITIES (Contd.)

Exhibit G

Items	03.31.06				12.31.05		
	Foreign currency (1)	Amount in foreign currency	Exchange rate used	Amount in local currency	Foreign currency (1)	Amount in foreign currency	Amount in local currency
Brought forward			\$	\$			\$
				727,439,056			419,235,556
NON-CURRENT LIABILITIES							
Long-term debt							
Borrowings	U\$S	242,652,095	3.082000	747,853,756	U\$S	321,043,931	973,405,199
Unearned interest	U\$S	(14,399,066)	3.082000	(44,377,922)	U\$S	(16,658,733)	(50,509,278)
Total non-current liabilities				<u>703,475,834</u>			<u>922,895,921</u>
Total liabilities				<u><u>1,430,914,890</u></u>			<u><u>1,342,131,477</u></u>

(1) U\$S: United States Dollars; £: Pounds Sterling; ¥: Yens; SFR: Swiss Francs

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SIDERAR SOCIEDAD ANONIMA INDUSTRIAL Y COMERCIAL
REGISTRATION NUMBER WITH THE SUPERINTENDENCY OF CORPORATIONS: 14,510

Exhibit H

FINANCIAL STATEMENTS at March 31, 2006

INFORMATION REQUIRED BY SECTION 64, SUB-SECTION I B) OF CORPORATIONS LAW NO. 19,550 AND AMENDMENTS THERETO

Items	Manufacturing expenses	Selling expenses	Administrative expenses	Financial and holding results			Total for the period ended	
				Generated by assets	Generated by liabilities	Other income and expenses	03.31.06	03.31.05
	\$	\$	\$	\$	\$	\$	\$	\$
Surveillance Committee's and Directors' fees			896,500				896,500	815,000
Salaries, wages and social security	84,006,733	4,588,975	9,813,263				98,408,971	79,873,243
Office expenses	1,087,910	165,874	1,867,173				3,120,957	2,082,085
Maintenance expenses and security services for buildings, installation and equipment	57,670,895	8,362	2,832,235				60,511,492	47,378,891
Fees for technical assistance, external advice and commissions	231,870	6,557,680	1,894,391				8,683,941	12,741,436
Taxes, tariffs and contributions	4,293		16,600,014				16,604,307	11,718,944
Third party services	40,135,798	166,275	5,871,138				46,173,211	45,296,868
Operating IT services			2,559,613				2,559,613	2,870,186
Canteen and refreshment	1,495,329	33,386	52,644				1,581,359	1,427,216
Rents	55,224		58,816				114,040	307,050
Personnel transportation	1,419,128		90,565				1,509,693	1,217,762
Publicity and advertising	35,477	294,761	383,464				713,702	405,702
Charge for provision for contingencies						3,116,750	3,116,750	8,665,823
Charge for allowance for doubtful accounts						(808,253)	(808,253)	(662,727)
Freight and transportation	17,361,898	3,359,841	40,427				20,762,166	18,192,961
Amortization of intangible assets						1,902,460	1,902,460	3,863,932
Depreciation of fixed assets	48,793,716						48,793,716	71,831,175
Recovery from sale of scrap	(26,049,446)						(26,049,446)	(21,100,174)
Carried forward	226,248,825	15,175,154	42,960,243			4,210,957	288,595,179	286,925,373

SIDERAR SOCIEDAD ANONIMA INDUSTRIAL Y COMERCIAL
REGISTRATION NUMBER WITH THE SUPERINTENDENCY OF CORPORATIONS: 14,510

Exhibit H

FINANCIAL STATEMENTS at March 31, 2006

INFORMATION REQUIRED BY SECTION 64, SUB-SECTION I B) OF CORPORATIONS LAW NO. 19,550 AND AMENDMENTS THERETO

Items	Manufacturing expenses	Selling expenses	Administrative expenses	Financial and holding results		Other income and expenses	Total for the period ended	
				Generated by assets	Generated by liabilities		03.31.06	03.31.05
	\$	\$	\$	\$	\$	\$	\$	\$
Brought forward	226,248,825	15,175,154	42,960,243			4,210,957	288,595,179	286,925,373
Severance pay and restructuring costs						6,513,557	6,513,557	4,422,863
Interests and other financing expenses				(4,050,890)	19,599,422		15,548,532	(2,886,996)
Exchange differences generated by:								
Trade receivables				(6,906,904)			(6,906,904)	(2,974,144)
Other investments				(5,141,454)			(5,141,454)	13,006,106
Accounts payable					3,820,278		3,820,278	(2,654,630)
Short and long- term debt					19,078,879		19,078,879	(622,534)
Others				(2,118,115)	173,590		(1,944,525)	593,514
Holding results on inventories				(20,038,040)			(20,038,040)	(92,841,400)
Holding results on fixed assets				2,658,981			2,658,981	920,178
Other ordinary income and expenses	5,580,312	295,029	5,981,475			(195,725)	11,661,091	12,209,885
Total at 03.31.06	231,829,137	15,470,183	48,941,718	(35,596,422)	42,672,169	10,528,789	313,845,574	
Total at 03.31.05	229,727,629	19,978,262	38,109,768	(83,731,396)	(3,728,510)	15,742,462		216,098,215

The report on limited review is issued as a separate document.

SIDERAR SOCIEDAD ANONIMA INDUSTRIAL Y COMERCIAL
REGISTRATION NUMBER WITH THE SUPERINTENDENCY OF CORPORATIONS: 14,510
FINANCIAL STATEMENTS at March 31, 2006
OPERATIONS WITH SUBSIDIARIES AND RELATED COMPANIES AND OTHER RELATED PARTIES

Exhibit I

	Operations (1)				Total for the period ended	
	Sales and sundry services	Purchases and services received of reparation and mantainance of fixed assets	Commissions, other purchases and services received	Remuneration protector partner Compañía Afianzadora de Empresas Siderúrgicas S.G.R.	03.31.06	03.31.05
	\$	\$	\$	\$	\$	
Subsidiaries						
Impeco S.A.	3,963,625		(16,113)	3,947,512	-	
Related companies						
Compañía Afianzadora de Empresas Siderúrgicas S.G.R.				275,885	188,660	
Siderúrgica del Orinoco C.A.	153,609		(179,369)	(25,760)	807,794	
Subtotal	4,117,234		(195,482)	4,197,637	996,454	
Other related parties	75,268,188	(62,515,971)	(43,162,514)	(30,410,297)	145,859,194	
Total at 03.31.06	79,385,422	(62,515,971)	(43,357,996)	(26,212,660)		
Total at 03.31.05	210,304,092	(36,830,372)	(26,806,732)		146,855,648	

(1) Amounts in brackets represent losses or disbursements.

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