

Siderar S.A.I.C. Announces Results for the Nine Months and Third Quarter ended September 30, 2004

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Buenos Aires, November 8, 2004. Siderar S.A.I.C. (Buenos Aires Stock Exchange: ERAR), today announced its results for the nine months and third quarter ended September 30, 2004.

Highlights: Nine Months ended September 30, 2004

- **Consolidated net income of ARP856.8 million. Net income per share of ARP2.4660 (ARP19.7278 per ADS)**
- **Consolidated operating profit of ARP964.0 million**
- **EBITDA of ARP1,124.6 million (45% of net sales)**
- **Net sales of ARP2,522.5 million**

Results for the Nine Months ended September 30, 2004 vs. the Nine Months ended September 30, 2003

Siderar recorded a net income of ARP856.8 million in the period. Earnings per share (EPS) and per ADS were a gain of ARP 2.4660 and ARP19.7278 respectively based on a total of 347,468,771 shares outstanding as of September 30, 2004. Each ADS represents 8 (eight) class "A" shares.

Total shipments were 1,574 thousand tons, down 7% compared to those of the same period last year, due mainly to lower production levels this year as a consequence of the stoppage of rolling mill lines for ordinary maintenance, which took more days than in the same period last year. Domestic market shipments totaled 1,181 thousand tons, a significant 34% recovery compared to those of the previous year as a result of the improving economic situation in Argentina due to a sustained growth in consumption, industrial and construction activity, and as a result of steel imports substitution. Export shipments totaled 394 thousand tons, down 52% compared to the same period last year due to the recovery of the domestic market sales and the effect of the lower production levels as mentioned. Although the Company reduced overall exports, it kept its export presence in traditional markets such as Latin America, Europe and the United States.

Net sales were ARP2,522.5 million compared to ARP2,030.3 million in the same period last year. This improvement is mainly the result of better steel product prices, partially offset by lower shipments.

Cost of sales in the period were ARP1,412.2 million (56% of net sales) compared to ARP1,220.1 million (60% of net sales) in the same period last year. Production costs increased in the period, mainly raw materials and freights, together with domestic costs related to supplies, energy, services and labor. These increases, together with those coming from the previous fiscal year, were partially offset by lower shipments.



Selling, general and administrative expenses in the period were ARP146.2 million (6% of net sales), compared to ARP146.4 million (7% of net sales) in the previous year. The commercial expense reduction, associated to the lower level of exports, was compensated by some administrative expense increases, mainly due to the tax on financial transactions as a result of higher activity levels in the domestic market.

Operating profit was ARP964.0 million (38% of net sales) compared to ARP663.8 million (33% of net sales) last year.

EBITDA was ARP1,124.6 million and EBITDA margin was 45% in the period, which compares to an EBITDA margin of 39% in the previous year.

Financial and holding results were a gain of ARP143.9 million. This result includes a loss of ARP27.3 million in interest and other financing expenses results, a gain of ARP21.5 million in foreign exchange rate differences as a result of the Argentine Peso depreciation, and a gain of ARP149.7 million in net inventory and spare parts holding results, reflecting a higher price of raw materials and some services. This result compares to a loss of ARP168.3 million last year, including a loss of ARP82.6 million in foreign exchange rate differences as a result of the strong appreciation of the Argentine Peso, and a loss of ARP85.7 million in interest and other financing expenses as a result of a higher indebtedness last year.

Other income and expense represented a net loss of ARP31.8 million in the period, compared to a net loss of ARP 43.2 million in the same period last year. The reduction was mainly the result of lower doubtful account provisions.

The income tax of the period was a loss of ARP396.5 million, including an income tax provision loss of ARP402.6 million, and a differed tax provision gain of ARP6.1 million. In the same period last year the income tax was a loss of ARP183.0 million, including an income tax provision loss of ARP104.7 million and a differed tax provision loss of ARP78.3 million. The tax increase is the result of a higher net income.

Amazonia and Ylopa equity holdings result for the period, generated by its participation in Sidor, was a gain of ARP177.2 million compared to a gain of ARP15.2 million in the same period last year. This significant improvement was generated by the strong recovery of Sidor's operating result, mainly as a result of higher prices for Sidor's products, and a higher investment valuation. Sidor's shipments in the period were 2,476 thousand tons, compared to 2,430 thousand tons in the same period last year. Domestic shipments were up 82% to 1,295 thousand tons, while exports were down 31% to 1,181 thousand tons. Siderar's investments in Amazonia equity, and Ylopa equity and debt were, as of September 30, 2004, US\$110.5 million.

During the period the Company invested ARP179.5 million in fixed assets and information technology, within a plan that introduced important improvements in productivity and processes. The plan included the start up last September of blast furnace #1, an investment estimated at US\$25 million. The purpose of this investment is to maintain the production of pig iron, considering that the blast furnace #2 now in operation, will be stopped for a programmed relining.

On September 30, the Company paid off the remaining restructured financial debt, including the cancellation of the Medium Term Notes, and thus releasing the Company from all guaranties and covenants undertaken under its terms and conditions. As a result, financial debt as of September 30, 2004 was US\$ 7.9 million, down US\$263.8 million compared to December 31, 2003.



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

Siderar recorded a net income of ARP288.2 million in the quarter. Earnings per share (EPS) and per ADS were a gain of ARP 0.8295 and ARP6.6362 respectively based on a total of 347,468,771 shares outstanding as of September 30, 2004. Each ADS represents 8 (eight) class "A" shares.

Domestic market shipments totaled 386 thousand tons, a 19% increase compared to those of the previous year. Export shipments totaled 101 thousand tons, down 62% compared to the same period last year mainly due to the lower production levels this year as a consequence of the maintenance stoppage of the rolling mill. Net sales were ARP881.5 million compared to ARP702.9 million in the same period last year. This improvement is mainly the result of better steel product prices, partially offset by lower shipments.

Cost of sales in the quarter were ARP470.0 million (53% of net sales) compared to ARP444.9 million (63% of net sales) in the same period last year. The increase is the result of higher production costs, mainly raw materials and freights, together with higher domestic costs, partially offset by lower shipments this year.

Selling, general and administrative expenses in the quarter were ARP49.8 million (6% of net sales), compared to ARP48.1 million (7% of net sales) in the previous year. The commercial expense reduction associated to the lower level of exports was compensated by some administrative expense increases, mainly due to the tax on financial transactions as a result of higher activity levels in the domestic market.

Operating profit was ARP361.7 million (41% of net sales) compared to ARP209.8 million (30% of net sales) last year.

EBITDA was ARP422.2 million and EBITDA margin was 48% in the period, which compares to an EBITDA margin of 37% in the previous year.

Financial and holding results were a loss of ARP3.1 million. This result includes a loss of ARP4.3 million in interest and other financing expenses results, a gain of ARP4.3 million in foreign exchange rate differences as a result of the Argentine Peso depreciation, and a loss of ARP3.1 million in net inventory and spare parts holding results. This result compares to a loss of ARP15.4 million last year, including a gain of ARP13.9 million in foreign exchange rate differences, and a loss of ARP29.3 million in interest and other financing expenses as a result of a higher indebtedness last year.

Other income and expense represented a net loss of ARP10.1 million in the quarter, compared to a net loss of ARP 9.5 million in the same period last year. Higher intangible assets depreciation was offset by a reduction in severance payments.

The income tax of the period was a loss of ARP127.9 million, including an income tax provision loss of ARP124.3 million, and a differed tax provision loss of ARP3.6 million. In the same period last year the income tax was a loss of ARP68.8 million, including an income tax provision loss of ARP67.8 million, and a differed tax provision loss of ARP0.9 million. The tax increase is the result of a higher net income.

Amazonia and Ylopa equity holdings result for the quarter, generated by its participation in Sidor, was a gain of ARP67.6 million compared to a gain of ARP14.4 million in the same period last year. The increase was generated by Sidor's improving operating result.

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



Consolidated Income Statement

	Nine months ended September 30,		3 rd Quarter ended September 30,	
	2004	2003	2004	2003
(All amounts in ARP millions)				
Net sales	2,522.5	2,030.3	881.5	702.9
Cost of sales	<u>(1,412.2)</u>	<u>(1,220.1)</u>	<u>(470.0)</u>	<u>(444.9)</u>
Gross profit	1,110.3	810.2	411.4	257.9
Selling, general and administrative expenses	<u>(146.2)</u>	<u>(146.4)</u>	<u>(49.8)</u>	<u>(48.1)</u>
Operating income	964.0	663.8	361.7	209.8
Financial income (expense) and holding gain (loss)	143.9	(168.3)	(3.1)	(15.4)
Other income (expense), net	<u>(31.8)</u>	<u>(43.2)</u>	<u>(10.1)</u>	<u>(9.5)</u>
Income before taxes	1,076.1	452.3	348.5	184.9
Tax provision charge	<u>(396.5)</u>	<u>(183.0)</u>	<u>(127.9)</u>	<u>(68.8)</u>
Ordinary income	679.6	269.3	220.6	116.1
Equity Income	<u>177.2</u>	<u>15.1</u>	<u>67.6</u>	<u>14.4</u>
Net income	856.8	284.4	288.2	130.5
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FX bank selling rate (ARP / US dollar)	2.98	2.92	2.98	2.92
Earnings per share ⁽¹⁾	2.4660	0.8186	0.8295	0.3756
Earnings per ADS ⁽¹⁾	19.7278	6.5488	6.6362	3.0046

⁽¹⁾ Assume shares at the end of the period



Consolidated Balance Sheet

	September 30, 2004	December 31, 2003
(All amounts in ARP million)		
Cash, banks & investments	480.6	589.2
Current trade receivables	245.3	260.4
Inventories	638.9	397.7
Other receivables & assets	45.7	57.9
Total current assets	1,410.5	1,305.1
Long-term investments	369.4	207.2
Intangible assets	32.8	24.6
Net fixed assets	1,261.8	1,264.7
Other receivables & assets	40.2	47.3
Total non-current assets	1,704.2	1,543.9
Total assets	3,114.7	2,849.0
Current accounts payable	181.6	182.4
Short-term debt	16.6	115.2
Social security and taxes	374.4	185.4
Provision for contingencies & other	46.0	17.5
Total current liabilities	618.6	500.5
Long term debt	7.0	680.8
Social security and taxes	71.9	58.5
Provision for contingencies & other	45.4	39.1
Total non-current liabilities	124.3	778.5
Total liabilities	742.9	1,278.9
Temporary conversion differences	30.8	26.9
Shareholders' equity	2,341.0	1,543.1
Total liabilities and shareholders' equity	3,114.7	2,849.0



Complementary Information

	Nine months ended September 30,		3 rd Quarter ended September 30,	
	2004	2003	2004	2003
Other financial information				
EBITDA (ARP million)	1,124.6	789.3	422.2	258.1
Depreciation and amortization (ARP million)	192.3	168.7	70.6	57.8
Operating income (ARP / ton)	612.3	391.3	742.4	353.2
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Operating Data				
Domestic Sales (000 tons)	1,180.5	884.0	385.9	325.6
Export sales (000 tons)	393.8	812.4	101.2	268.5
Total sales (000 tons)	1,574.4	1,696.4	487.1	594.1
Employees	4,688	4,762	4,688	4,762
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Financial Ratios				
Return on equity	36.6%	19.4%	12.3%	8.9%
Operating margin	38.2%	32.7%	41.0%	29.8%
Total liabilities / total assets	23.9%	46.3%	23.9%	46.3%
Current assets / current liabilities	228.0%	192.8%	228.0%	192.8%
EBITDA / net sales	44.6%	38.9%	47.9%	36.7%
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