



GERDAU DAY *2017*



Strategy - André B. Gerdau Johannpeter

North America BD – Peter Campo

Performance and Outlook – Harley Scardoelli

Closing Remarks – André B. Gerdau Johannpeter

STEEL

GREAT NEED FOR THE WORLD TO DEVELOP AND GROW

AGRICULTURE

INFRASTRUCTURE

ROADS

INDUSTRY

OIL & GAS

AUTOMOTIVE

CIVIL CONSTRUCTION

NAVAL

ENERGY

116

YEARS
OF EXPERIENCE



LEADING IN THE PRODUCTION OF
LONG STEEL
IN THE AMERICAS



ONE OF THE MAIN
SPECIAL STEEL
SUPPLIER OF THE WORLD



**LARGEST
RECYCLER**
OF LATIN AMERICA
12MM TONS



SHARES LISTED ON
**SAO PAULO, NY
& MADRID**



OPERATIONS IN
FLAT STEEL



FOCUS IN THE
AMERICAS

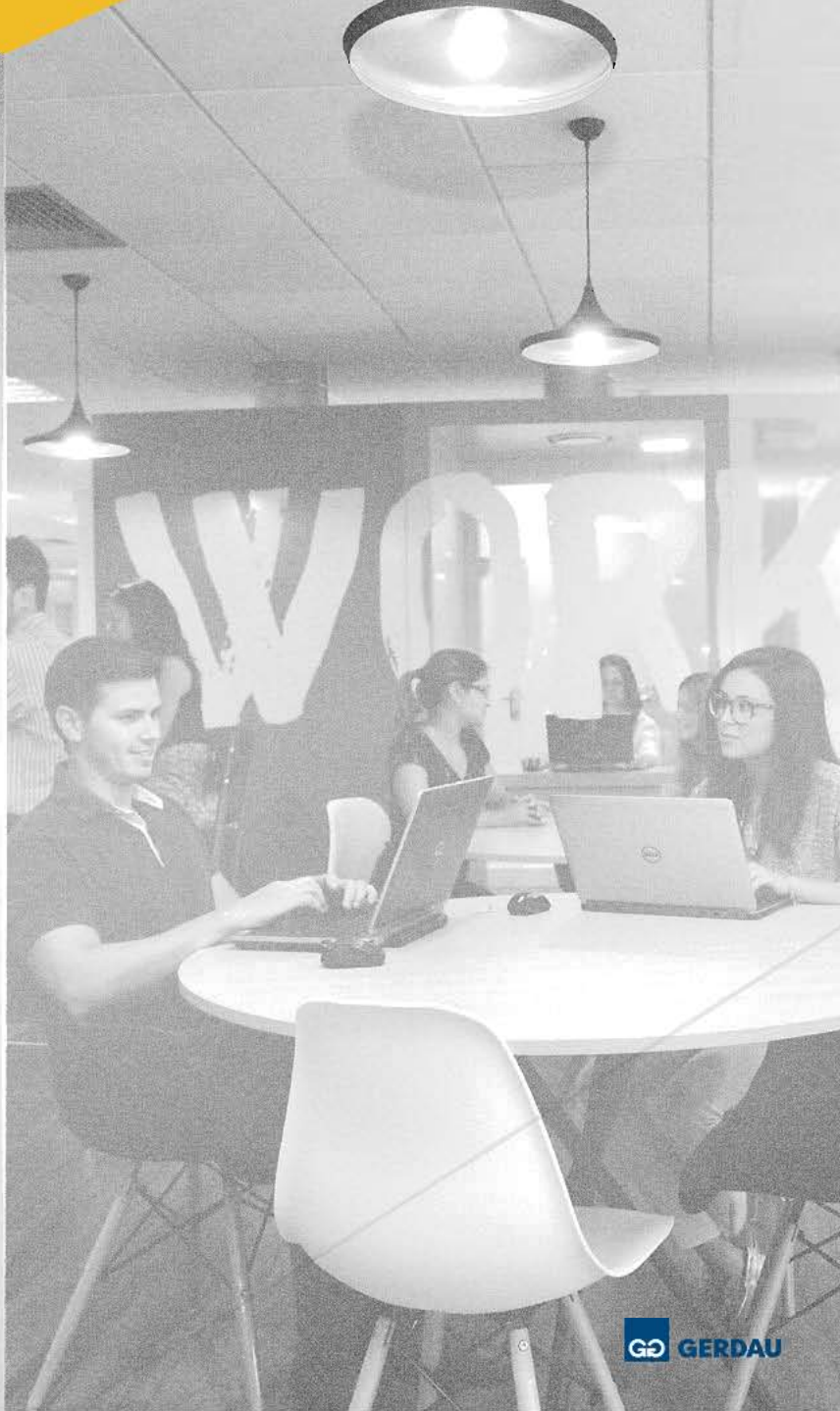
GERDAU
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The Gerdau we are creating

WHAT WE ARE DOING TO TRANSFORM GERDAU:



Digital Innovation



DIGITAL INNOVATION

Digital Platform to support Gerdau's CRM strategy



DIGITAL INNOVATION

Mobility (use of apps)
**for classifying
& separating
scrap**



DIGITAL INNOVATION

Use of Drones for raw-materials inventory



DIGITAL INNOVATION

**App to
schedule
loading and
unloading at
Gerdau units**



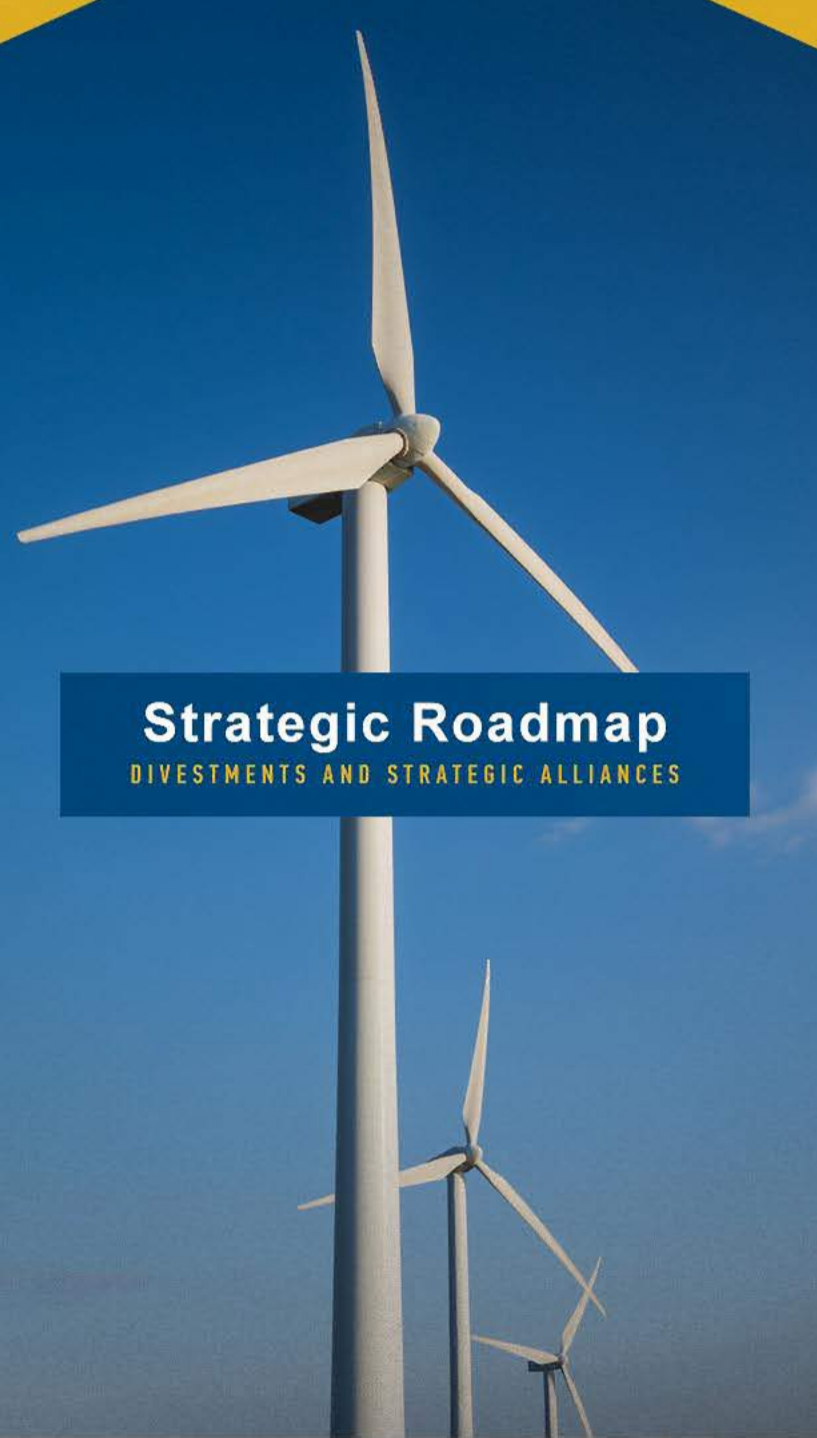
DIGITAL INNOVATION

Use
of virtual
reality
in safety
training





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Strategic Roadmap

DIVESTMENTS AND STRATEGIC ALLIANCES



Strategic Roadmap

DIVESTMENTS

Sold **operation** in Spain and Guatemala

Sold a **mill** and **coal assets** in Colombia

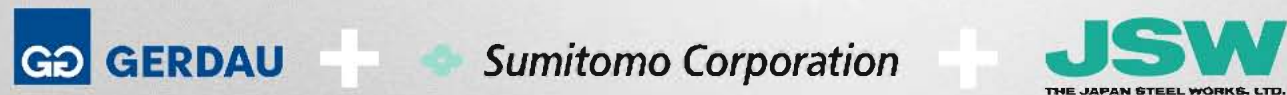
JVs in Dominican Republic and Colombia

Sold a **mill**, **downstream operations** and **real state assets** in US

R\$ 2.8 BI
ECONOMIC VALUE

STRATEGIC ALLIANCES

PARTNERSHIP TO PRODUCE FORGED PARTS FOR THE WIND POWER INDUSTRY



TECHNICAL ASSISTANCE AGREEMENT



Economic value considering divestments in 2014, 2015, 2016 and 1Q17



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Modernizing our culture

OPENNESS, SIMPLICITY AUSTERITY,
LEADERS DEVELOP LEADERS,
EMPOWERMENT WITH ACCOUNTABILITY

Modernizing our culture

THREE IMPERATIVES

Entrepreneurial mindset

Global outstanding leaders with high performance teams

Be globally competitive in cost and productivity

CHANGES IMPLEMENTED

OPENNESS

LEADERS
DEVELOP
LEADERS

SIMPLICITY
AND
AUSTERITY

EMPOWERMENT
WITH
ACCOUNTABILITY

WHAT HAS ALREADY BEEN DONE

HIGHER
EFFICIENCY

ASSET OPTIMIZATION

DIVESTMENT

2.2 MMT

idled or shutdown capacity*

R\$ 2.8 BILLIONS

MORE
COMPETITIVENESS

CAPEX DISCIPLINE

COSTS REDUCTION

SG&A REDUCTION

↓ **-43%**
2015 / 2016

↓ **-13%**
2015 / 2016

↓ **-18%**
2014 / 2016

DELIVERING
RESULTS

FREE CASH FLOW

GROSS DEBT REDUCTION

R\$ 7.2 BILLIONS

Generation in the last 3 years

↓ **- R\$ 5.9 BILLION**

2015 / 2016

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North America business division

9.1
mmt

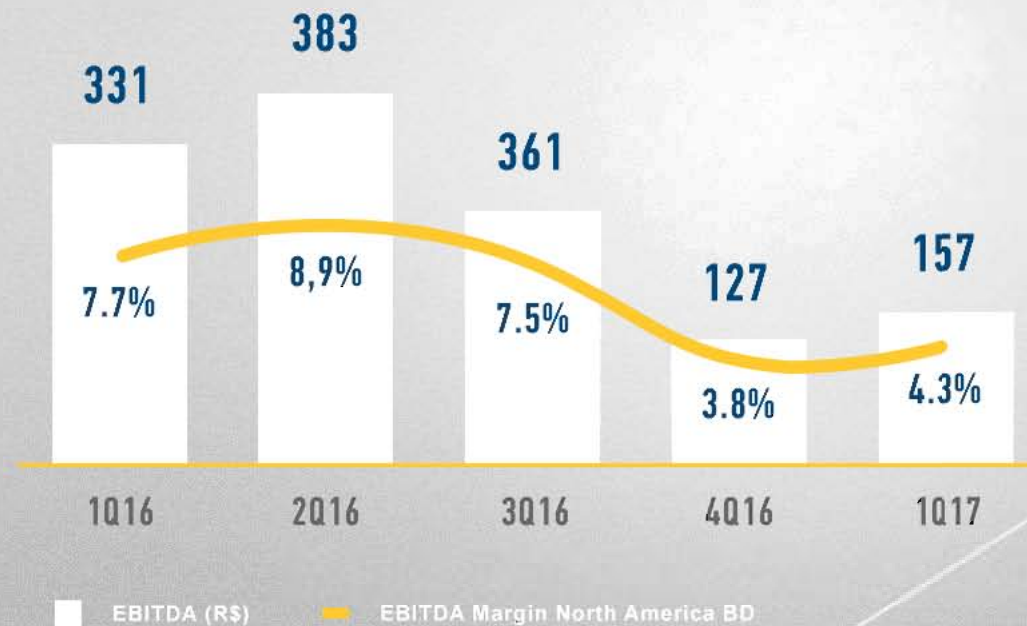
Annual **manufacturing
capacity** of finished
steel products

R\$
15.4 BI

2016 net sales
of **Gerdau Long Steel**
North America

31
regions

Operations in
29 U.S. states and
2 Canadian provinces



* EBITDA adjusted by gains in joint venture operations.

North America key differentiators

Minimill technology in all locations

Vertical integration across the value stream

Coast to Coast coverage in the USA for key products

Offers a diverse and balanced product mix



MBQ/SBQ



REBAR



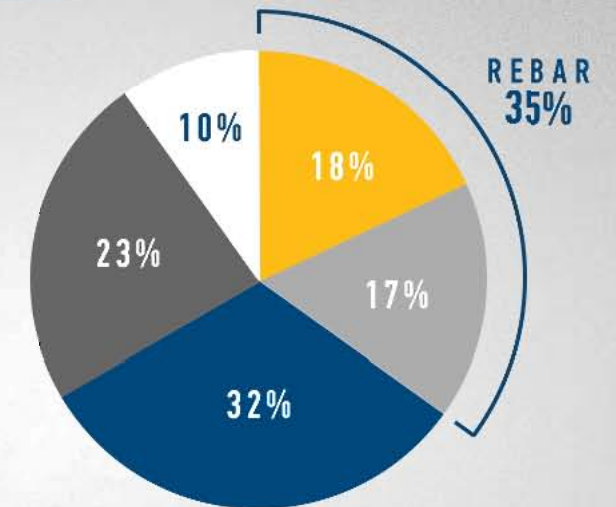
FABRICATED



STRUCTURAL

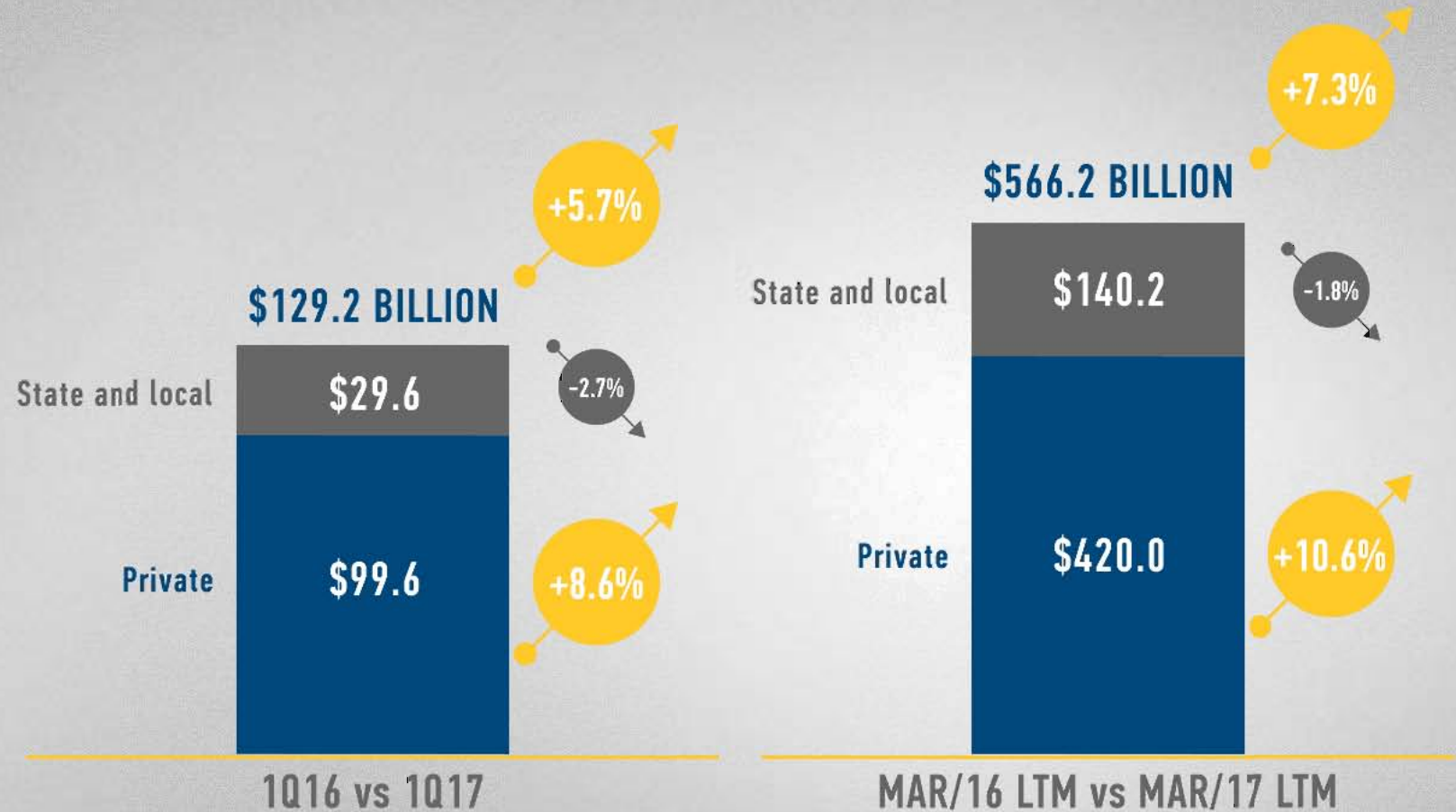


WIRE ROD



Growth in overall
non-residential
construction led
by private
expenditures

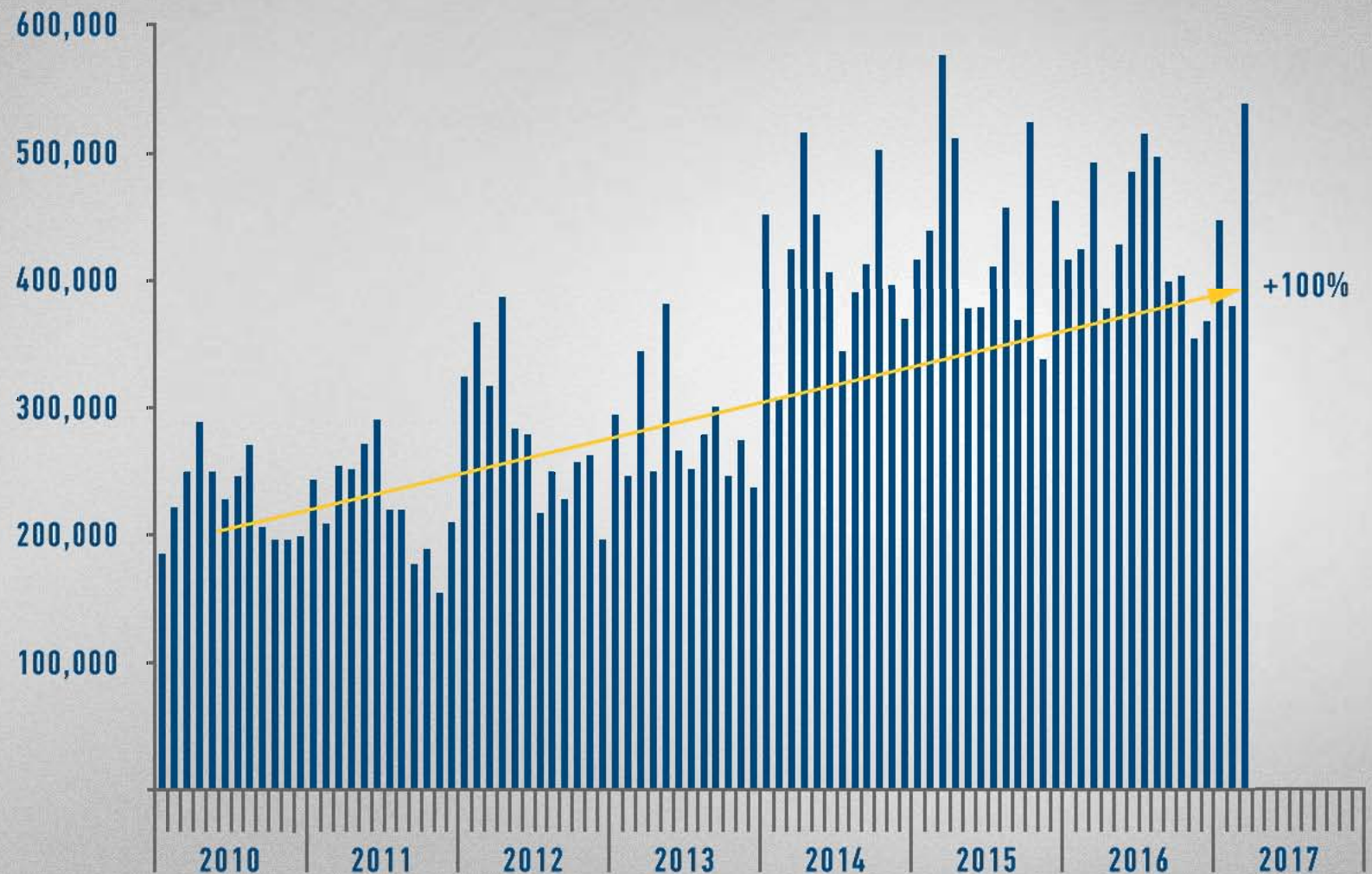
Non-residential Construction CPIP



High Competition from imports in the US

Increase in Long Product Imports since 2010

Long Products - 100% - YTD 2017



Source: US Census Bureau

US fighting unfair trade

REBAR CASE

Country	Exporter/Producer	Subsidy rate	Dumping rate
Turkey	Habas	15.99%	5.39%
	Icdas	-	8.17%
	All others	-	6.94%

Turkey represented
71%
of rebar imports

Country	Exporter/Producer	Dumping rate
Japan	Jonan Steel	209.46%
	Kyoei Steel	209.46%
	All others	206.43%

Japan represented
14%
of rebar imports

WIRE ROD CASE

Trade case investigating ten countries which represents approximately **45%** of wire rod imports into the US.

Final determinations:

CVD – October 2017

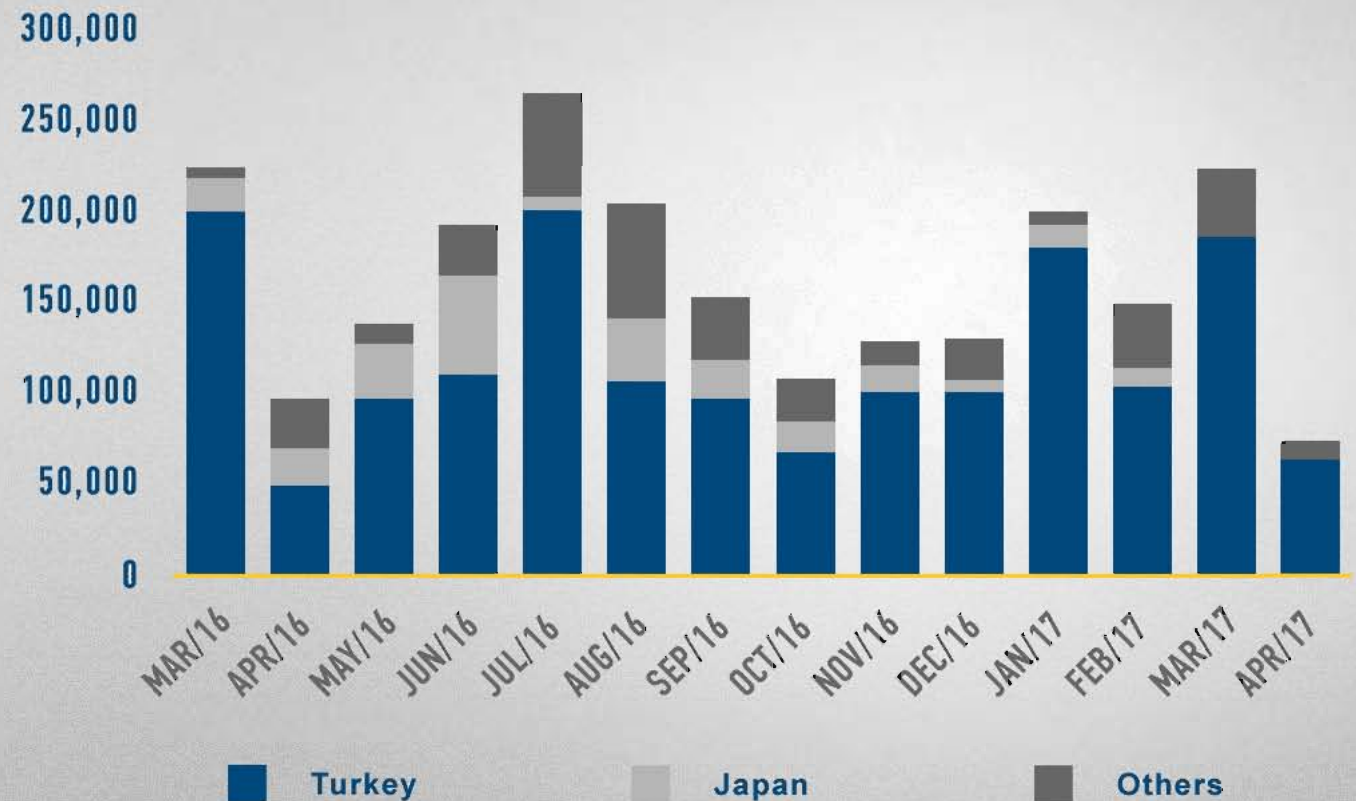
AD – January 2018

Obs.: Percentage of imports considers 2016 data.

Rebar imports already reduced in April

Rebar imports

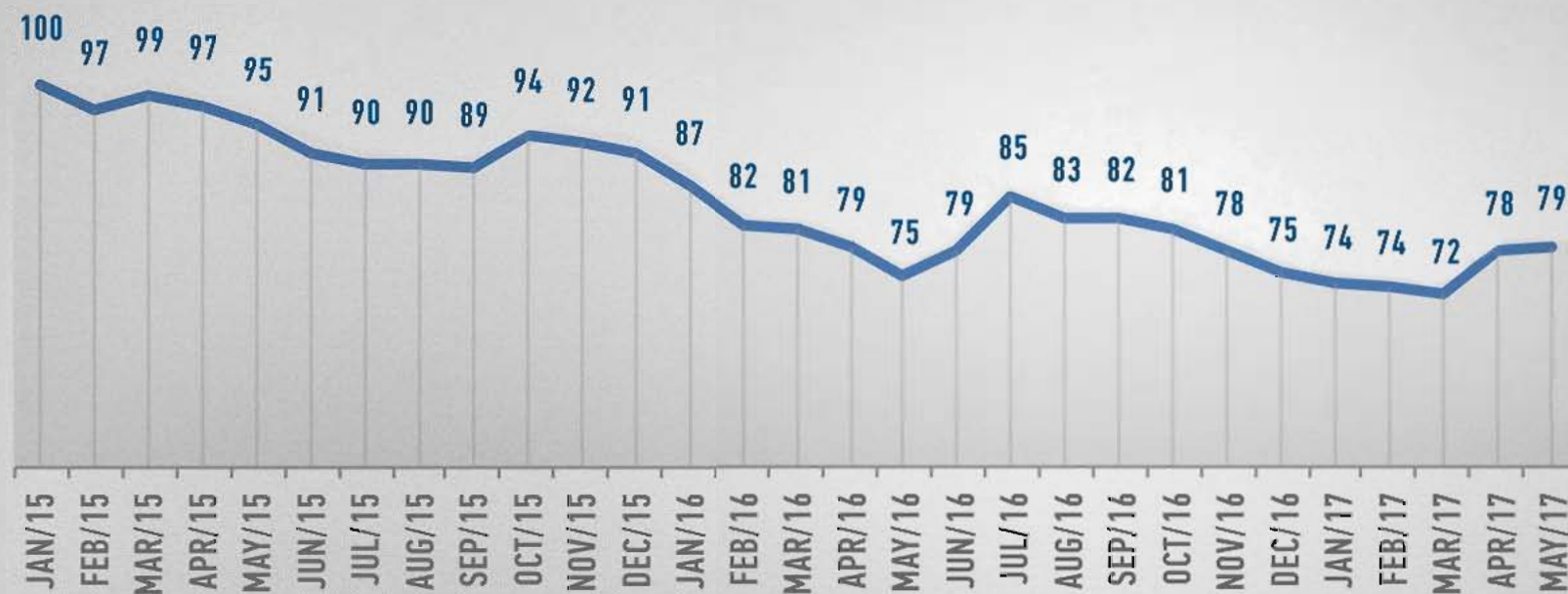
(MILLION TONNES)



Metal spread recovery

North America Operation Average Metal Spread

(BASE 100)



— AVERAGE METAL SPREAD (BASE 100; 100=JAN/15)

Great upside for the US market

Positive results on rebar trade case investigation.

Infrastructure deficit: 0,7% of GDP → US\$ 130 billion per year.

Oil and gas sector recovery.

Tax reform.

Section 232 investigation into steel imports.

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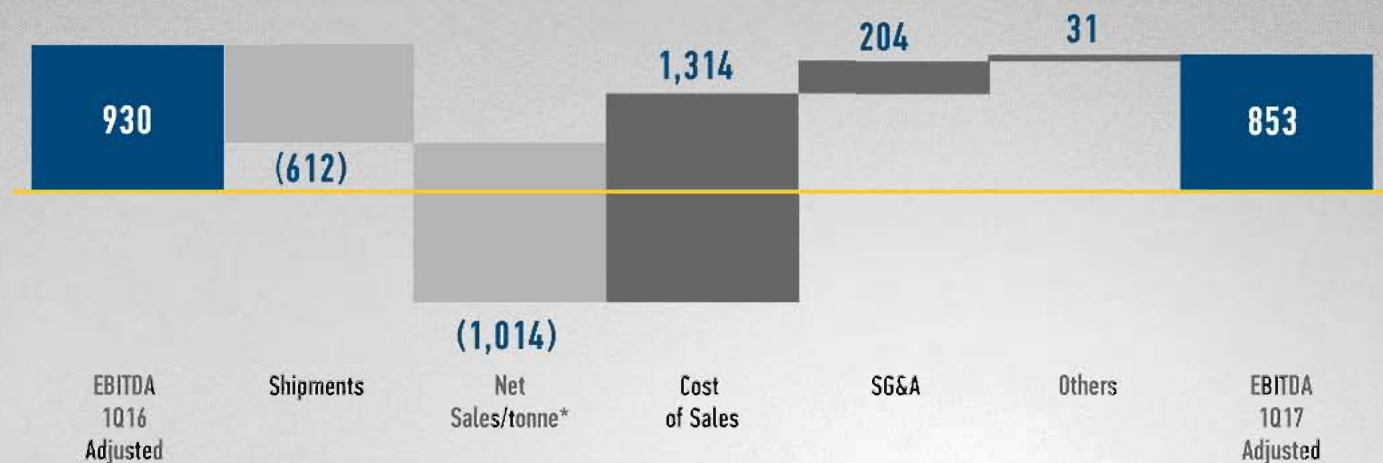
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Lower shipments
and prices
impacting EBITDA,
but cost and SG&A
reductions
are improving
margins

Evolution of EBITDA R\$ MILLION



EBITDA and EBITDA Margin R\$ MILLION



* Includes net sales from iron ore shipments.

† EBITDA adjusted by gains in joint venture operations

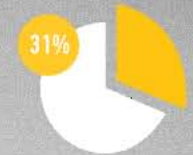
Gradual recovery in Brazil led by the industry sector

2017 OUTLOOK

Source: IBGE, ABEEólica/ANEEL

GDP: 0,5%

Apparent steel consumption: +2.8%



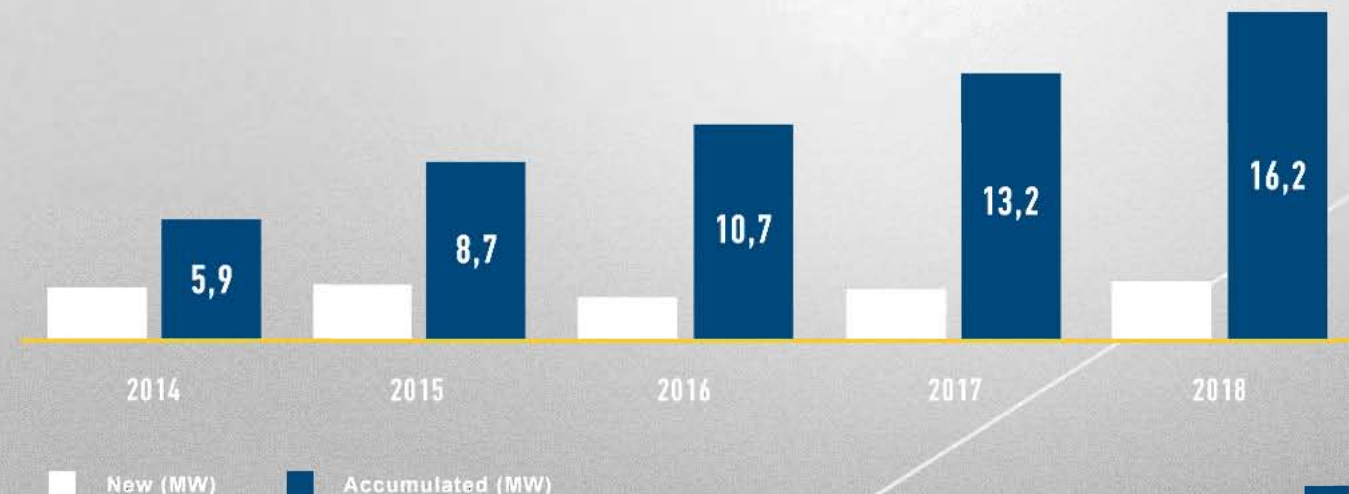
% of Consolidated Net Sales - LTM

INDUSTRY CONSUMER AND ENTREPRENEUR EXPECTATION INDEX
(above 50 indicates confidence)



WIND ENERGY
evolution of installed capacity (MW)

1 WIND TOWER = 200 TONNES OF STEEL



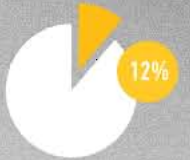
Steel consumption in South America should follow economic growth

2017 OUTLOOK

Source: worldsteel and IMF

Apparent steel consumption: +4.2%

GDP forecast: Peru: +3.0%; Colombia: +2.2%; Chile: +1.6%



% of Consolidated
Net Sales - LTM



Peru

- Excellent logistics
- Strong growth
- New Government



Argentina

- New Government
- New melt shop
- Good growth for 2017



Colombia

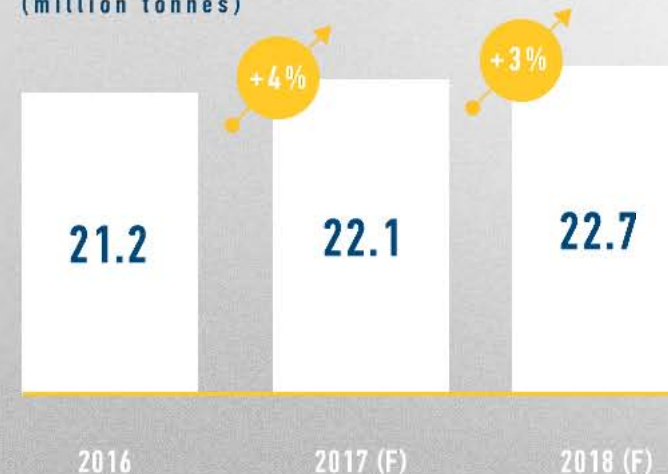
- Cost reduction
- Investments in infrastructure



Chile

- Mature market
- Good distribution network

APPARENT STEEL USE
(million tonnes)



Central & South America (excluding Brazil)



Good outlook for the automotive sector

Good coverage, with **operations in Brazil, USA and India.**

One of **the largest special steel producer globally**, being the main supplier to the automotive industry.

Source: ANFAVEA, ACEA, IHS, LCA.



% of Consolidated
Net Sales - LTM



2017 VEHICLE PRODUCTION GROWTH



North America

- Light vehicles: -1.4%
- Medium and heavy trucks: +5.4%



India

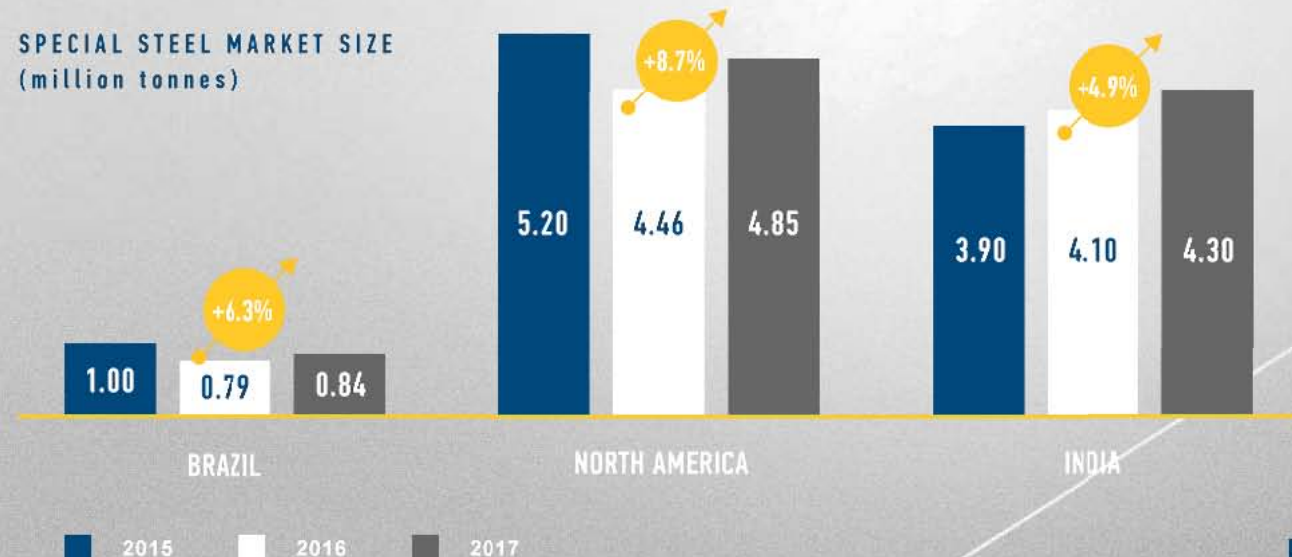
- Light vehicles: +6.0%
- Medium and heavy trucks: +4.0%



Brazil

- Light vehicles: +10.0%
- Medium and heavy trucks: +9.0%

SPECIAL STEEL MARKET SIZE (million tonnes)



SG&A reduction

SG&A

R\$ MILLION AND % OF NET SALES

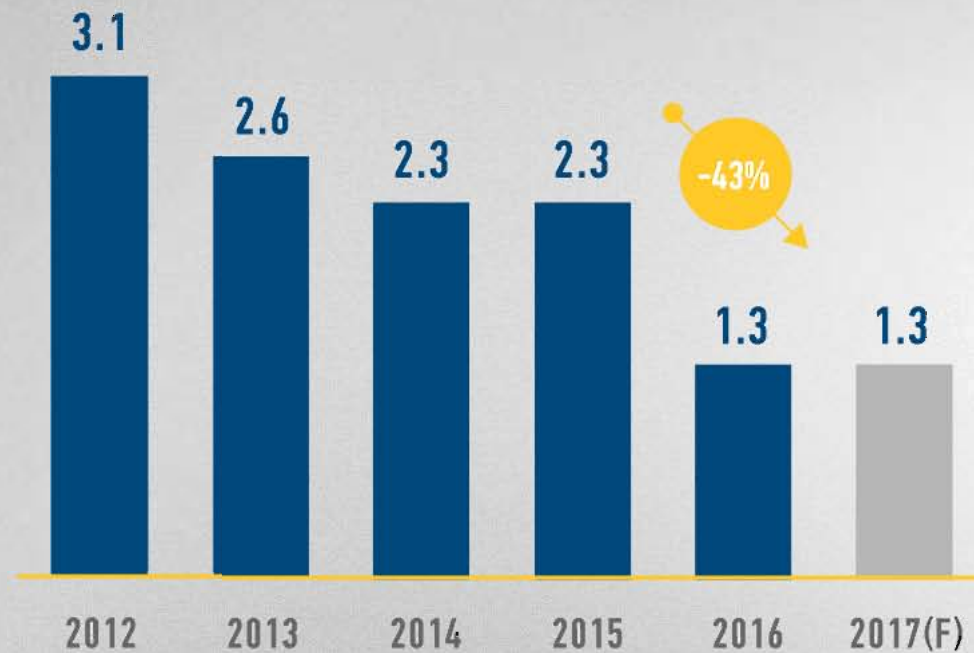


Capex discipline

CAPEX disbursements

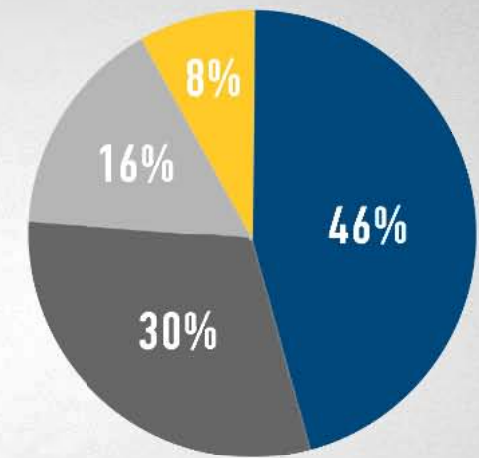
R\$ BILLION

Source: ANFAVEA, ACEA, IHS, LCA.



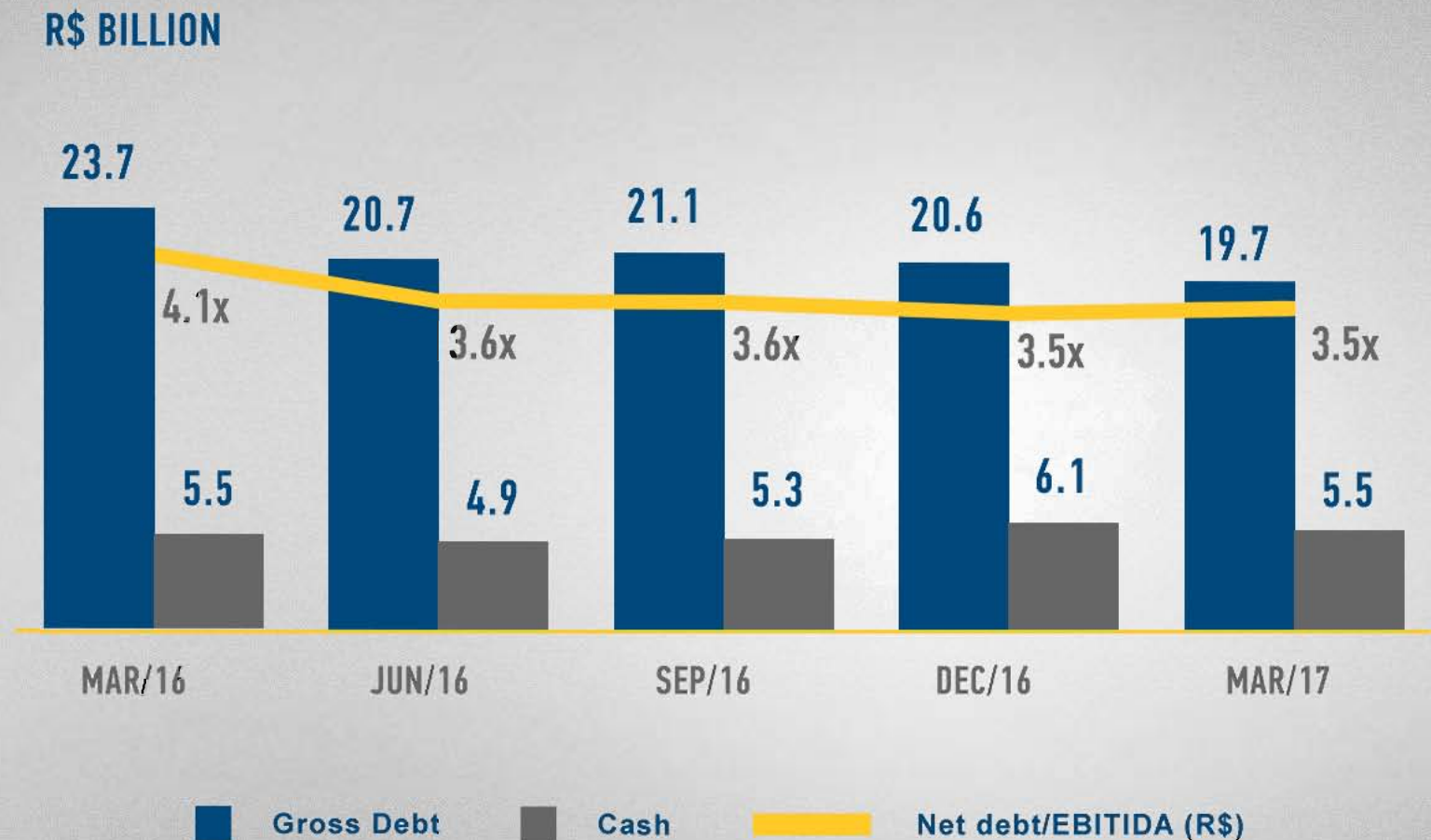
1Q17 CAPEX

BY BUSINESS DIVISION



- Brazil
- North America
- South America
- Special Steel

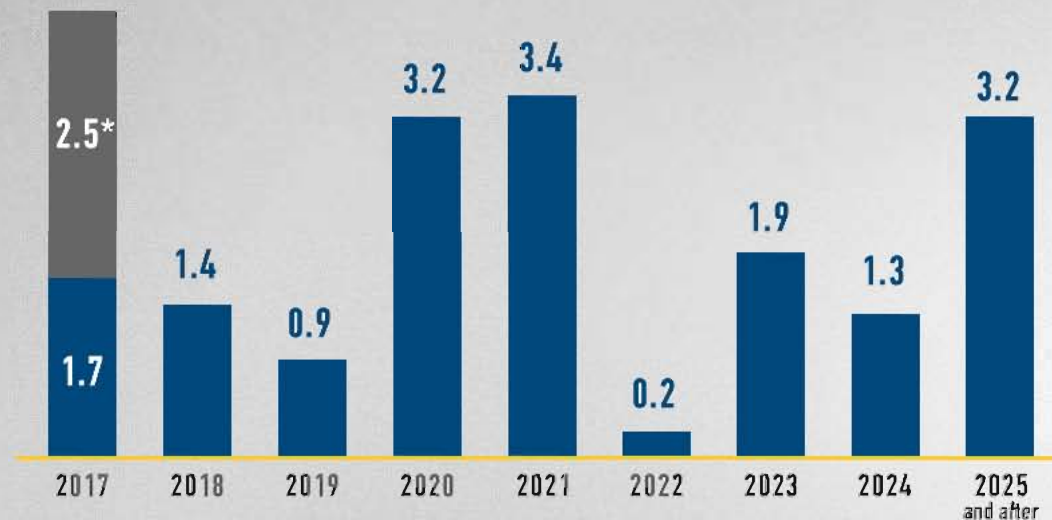
Reduction of R\$ 4.0 billion in Net Debt y-o-y



Long maturity profile

Long term maturity schedule

R\$ BILLION



AVERAGE DEBT COST
7.1% p.a.

DEBT AVERAGE TERM
5.5 YEARS

AVAILABLE LIQUIDITY

cash + global credit line =

R\$ 8.5 billion

INVESTMENT GRADE

Standard & Poors

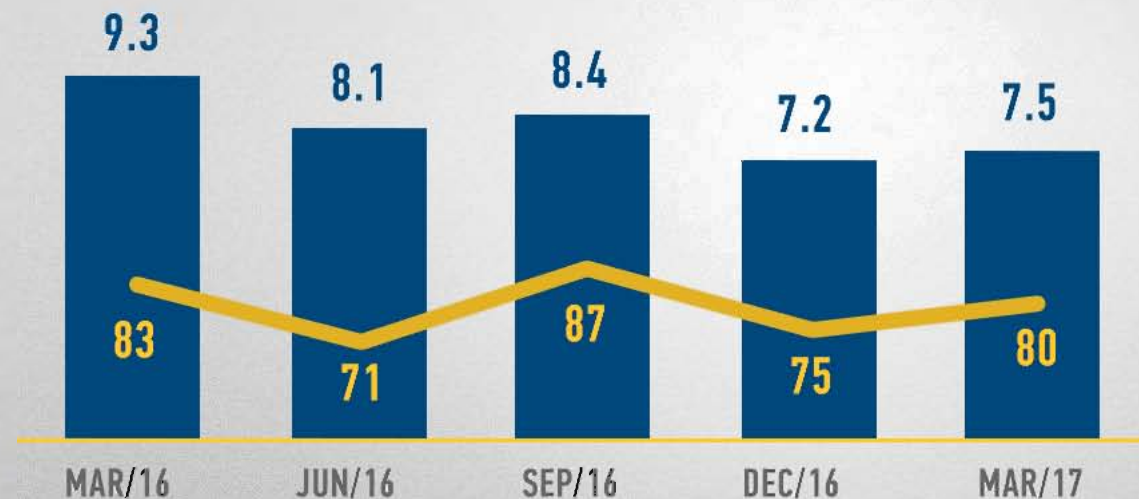
BBB-
(negative)

Fitch

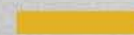
BBB-
(stable)

**Working capital
reduced by
R\$ 1.8 billion
in the last
twelve months**

Working Capital (R\$ million)	03.31.2016	12.31.2016	03.31.2017
Trade accounts receivable (+)	4,528	3,577	3,862
Inventories (+)	8,118	6,333	6,836
Trade accounts payable (-)	3,343	2,744	3,154
Working Capital	9,303	7,166	7,544



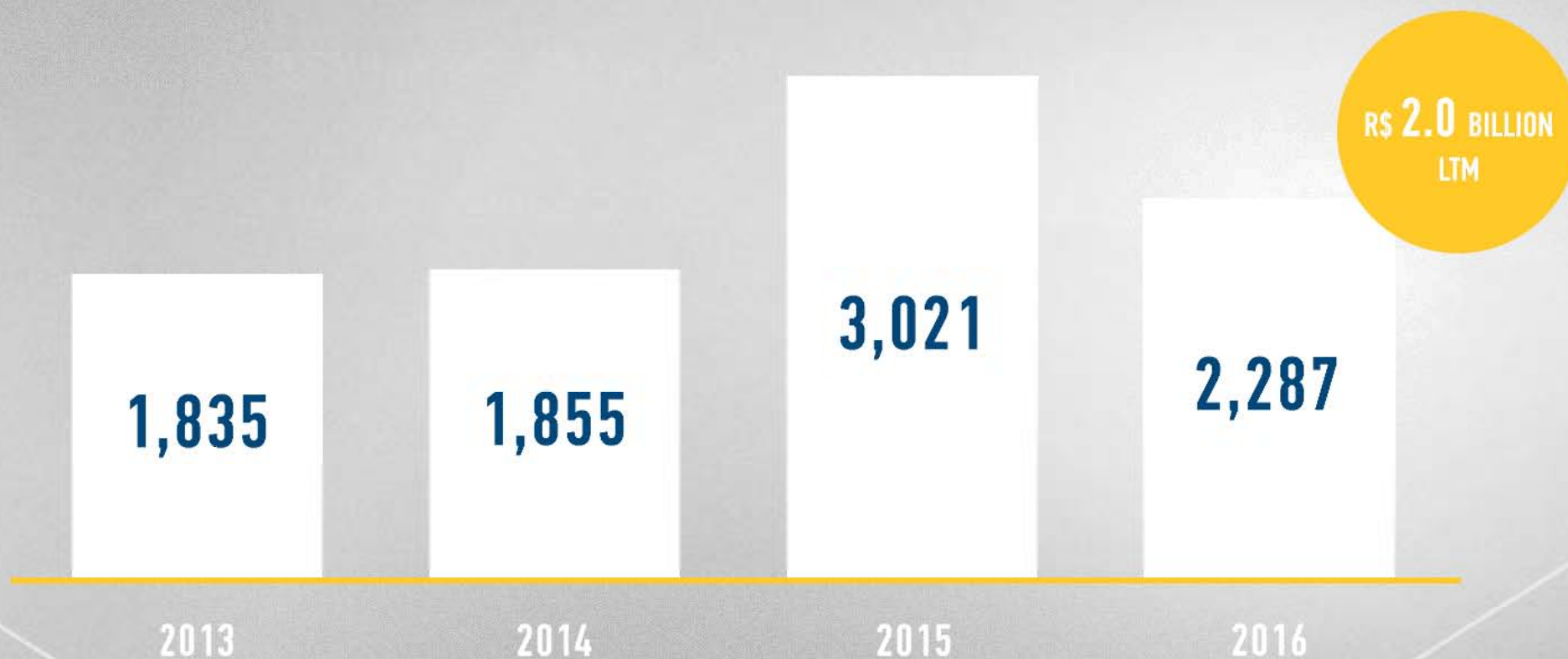
Working Capital (R\$ billion)



Cash Conversion Cycle (days)

Positive free cash flow generation in the last four years

R\$ BILLION



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Closing Remarks

OUR ACTIONS

Asset optimization
Culture modernization
Digital Innovation

OUR PRIORITIES

- ↓ Lower Net Debt / EBTDA
- ↓ Lower Costs and SG&A
- Maintain Capex discipline
- Maintain Free Cash Flow Generation

DELIVER

↓ LEVERAGE
↑ PROFITABILITY
↑ DIVIDENDS
↑ MARKET CAP

This presentation may contain forward-looking statements. These forward-looking statements rely upon estimates, information or methods that may be incorrect or inaccurate and may not actually occur. These estimates are also subject to risks, uncertainties and assumptions, including, among others: general economic, political and commercial conditions in Brazil and in the markets where we operate and existing and future government regulations. Potential investors are hereby informed that these estimates do not constitute a guarantee of future performance as they involve risks and uncertainties. The Company does not undertake, and specifically denies, any obligation to update any estimate, which only speak as of the date they are made.

QA





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