2Q15 Earnings Conference Call

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Credit: New York State Thruway Authority

Gerdau is supplying steel for construction of the Tappan Zee Bridge in New York state, to be completed in 2018.

Industry affected by oversupply in global steel markets

- Expectation of slow growth in world steel demand in 2015 and 2016, due to China's economic slowdown and structural adjustments in most economies.

- Global installed overcapacity of 720 million tonnes continues to pressure industry margins.

- Entry of steel imports, especially from China, affects markets in Brazil, Latin America and North America.

- Brazil's economic slowdown is reducing demand from major steel consuming sectors - industrial, construction, automotive – which is also being affected by imports.

- In North America, sales for non-residential construction continue to improve.

- In the special steel segment, the light and heavy vehicle markets continue to grow in the United States and India, while Europe is posting a moderate recovery. In Brazil, vehicle sales and production volumes have fallen significantly.

Steel imports, especially from China, affect markets in Latin America and North America

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Net sales reach R$10.8 billion in 2Q15

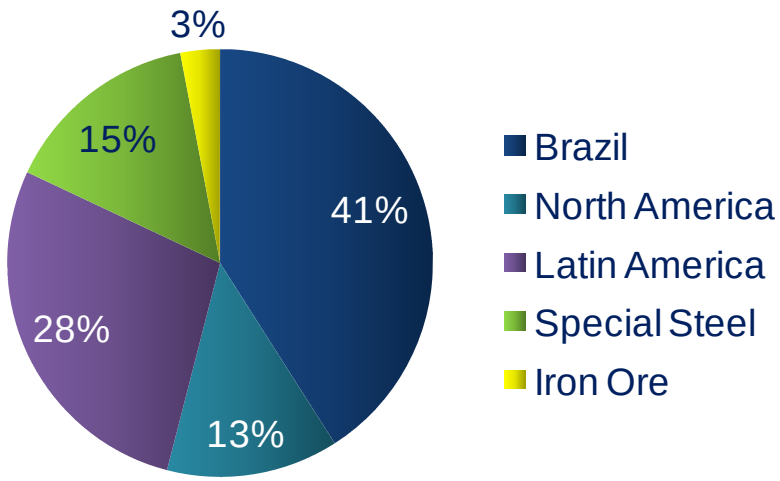
- Net sales of R$10.8 billion in the second quarter, up 3% year over year.
- Operational cash generation (EBITDA) of R$1.2 billion, in line with the second quarter of 2014.
- Net income of R$265 million, down 33% on lower operating income and higher financial expenses in the period.

	Unit	2Q15	2Q14	Δ%	1Q15	Δ%
SHIPMENTS	Thousand tonnes	4,271	4,524	-5.6%	4,143	3.1%
NET SALES	R$ million	10,759	10,443	3.0%	10,447	3.0%
SG&A	R$ million	(637)	(679)	-6.2%	(660)	-3.5%
EBITDA*	R$ million	1,184	1,170	1.2%	1,089	8.7%
EBITDA MARGIN	%	11.0%	11.2%		10.4%	
NET INCOME	R$ million	265	393	-32.6%	267	- 0.7%

EBITDA remained stable despite the challenging scenario, with global steel overcapacity and the economic slowdown in Brazil

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Investments of R$648 million in 2Q15



Main Projects

- Installation of a heavy plates rolling mill at the Ouro Branco Mill in Minas Gerais
- Construction of a new melt shop in Argentina
- Startup of coke plant and power generation plant in India

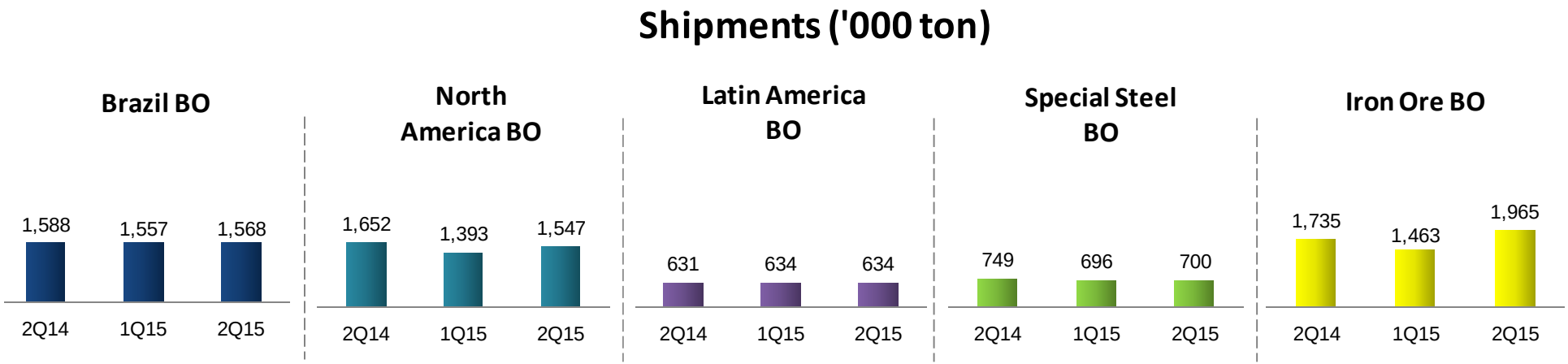
Pace of capital expenditures will slow in the second half of the year

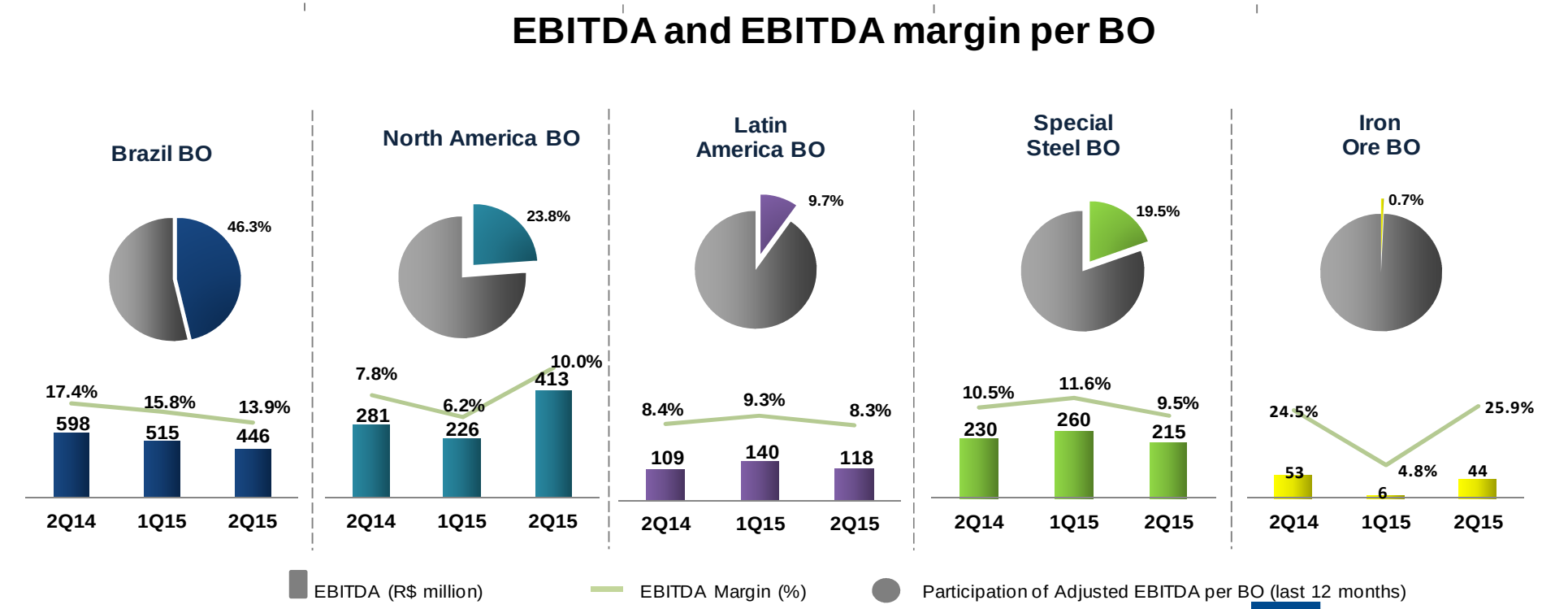
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Financial Result

Gerdau S.A. Consolidated – IFRS

Geographic diversification reduces volatility in results

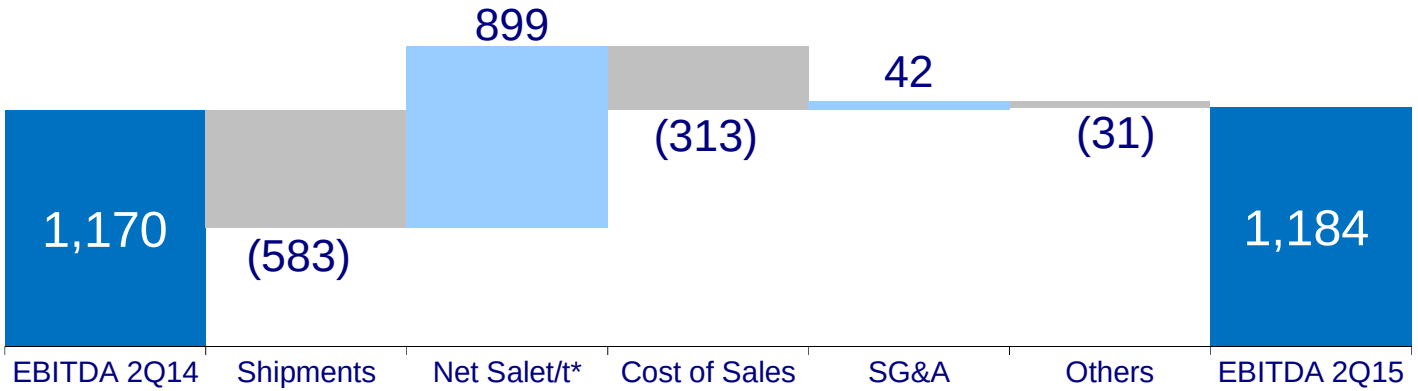




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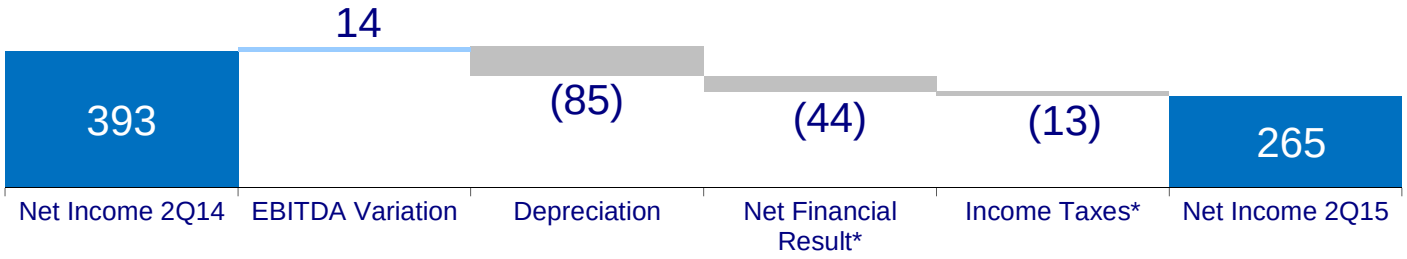
Geographic diversification balances EBITDA performance

Evolution of EBITDA (R$ millions)



* Includes Net Sales from Iron Ore

Evolution of Net Income (R$ millions)



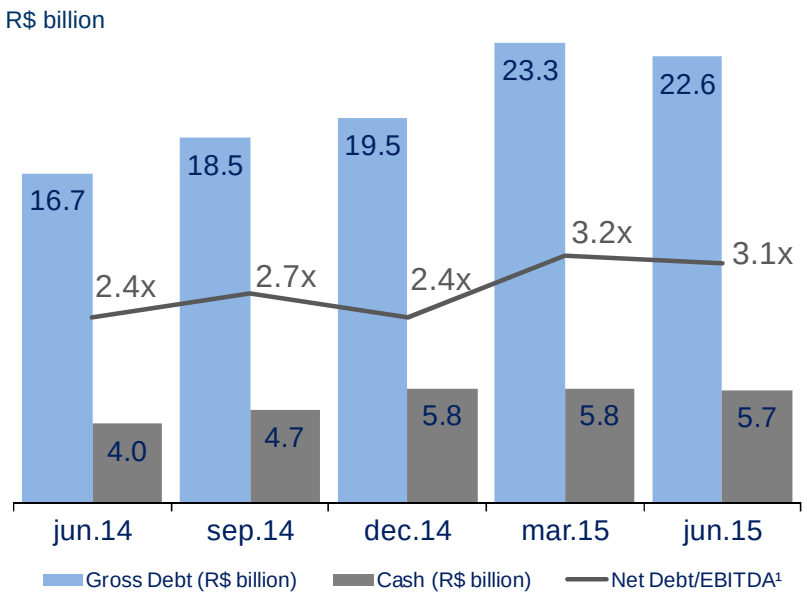
* Net of effect from Net Investment Hedge.

Better performance of the North America BO helps to balance consolidated EBITDA margin

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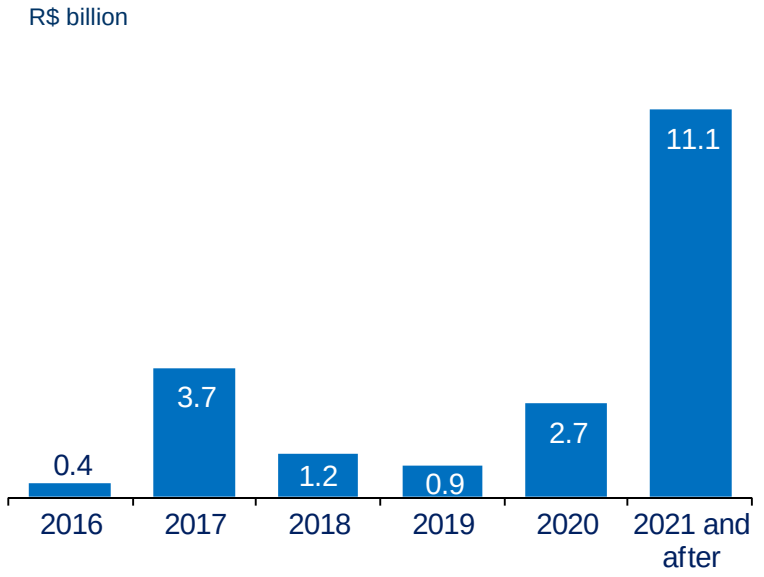
Debt levels fluctuate due to exchange variation

Debt and Leverage Ratio



Average Debt Cost: 6.7%

Long Term Debt Maturity Schedule



Average Debt Term: 6.6 years

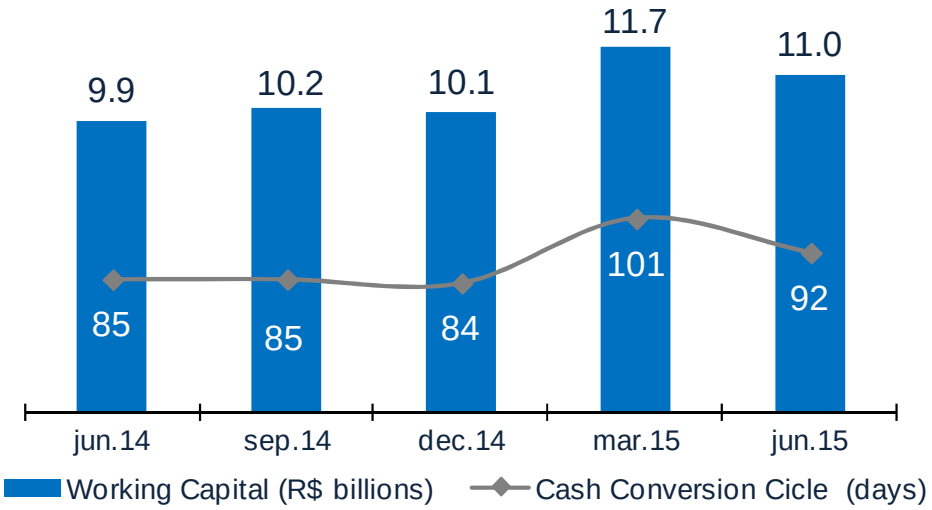
(1) EBITDA LTM.

Net Debt / EBITDA ratio steady at 3.1x

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Working capital falls by R$755 million

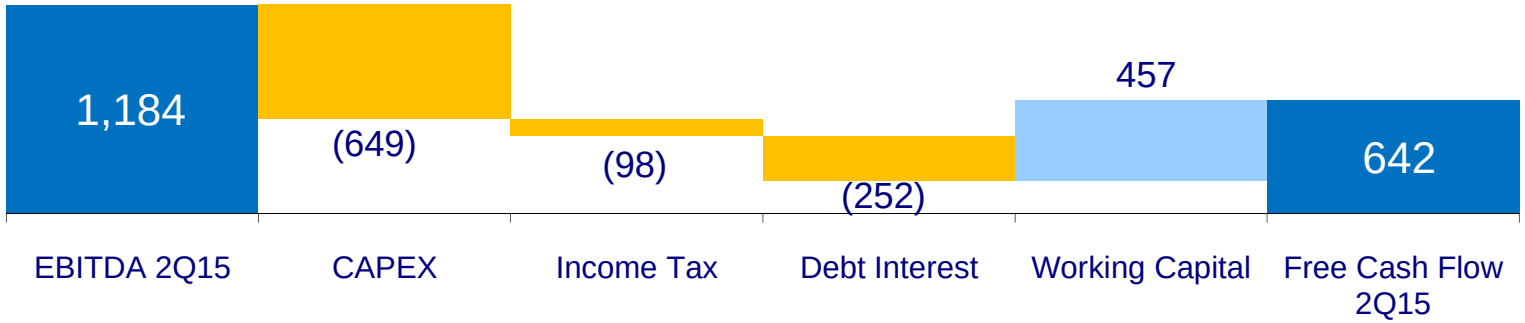
Working Capital (R$ million)	12.31.2014	03.31.2015	06.30.2015
Trade accounst receivable (+)	4,439	5,272	5,000
Inventories (+)	8,867	10,190	9,532
Trade accounts payable (-)	3,236	3,745	3,569
Working Capital	**10,070**	**11,717**	**10,963**

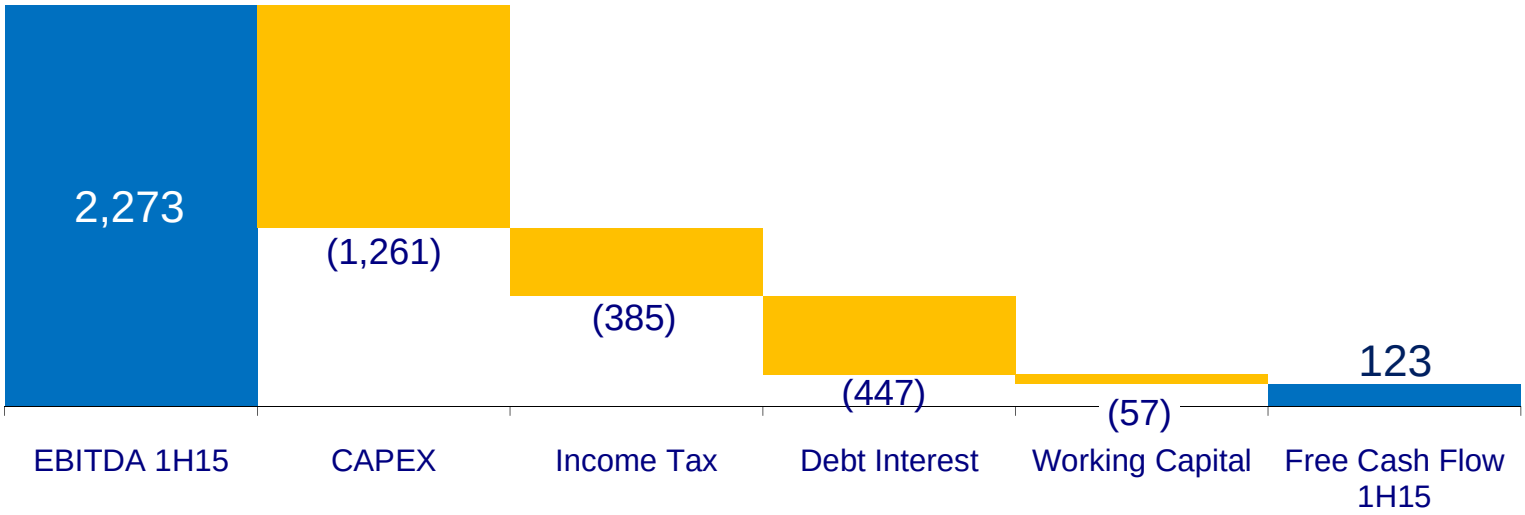


Cash Conversion Cycle down 9 days due to inventory management and exchange variation

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Positive free cash flow despite the challenging scenario





EBITDA Generation outpaces the Company's commitments

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Advances in simplifying Gerdau's processes and ownership structure

- New structure of the Business Operations:

Brazil BO	North America BO	South America BO	Special Steel BO
Long steel, flat steel and iron ore operations in Brazil, and metallurgical coal and coke operations in Colombia	Long steel operations in Canada, the United States, Mexico and JVs	Long steel operations in Argentina, Chile, Uruguay, Peru, Colombia and Venezuela	Special long steel operations in Brazil, Spain, the United States and India

- Evaluation of the merger of Seiva, Itaguaí and Gerdau América Latina by Gerdau S.A.

- Acquisition of minority shares in operating companies.

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Closing Remarks

- Highlight of the quarter: good results from the North America BO, despite the lower sales volumes compared to 2Q14.

- Geographic diversification strategy reduced the impact from weak demand in Brazil.

- Gerdau is making the necessary adjustments to improve its competitiveness in the global scenario of oversupply and weak demand in steel markets, especially in Brazil.

- Ongoing austerity and selectiveness in capex expenditures and in costs and expenses reduction.

- Gerdau 2022 Project: simplification of operations and internal structures, modernization of our corporate culture and reassessment of the potential profitability generation of our assets with a long-term strategic vision.

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