3Q15 Earnings Conference Call

André B. Gerdau Johannpeter
President and CEO

Harley Lorentz Scardoelli
CFO



Gerdau is supplying steel for the expansion of the international airport in Tampa, Florida, to be completed in 2017.

World steel consumption projected to contract in 2015

- Global apparent steel consumption projected to contract 1.7% in 2015 (Worldsteel Association).

- Global overcapacity, China's economic slowdown and low investment in the world steel industry, turbulence in financial markets, weak demand from emerging economies (Russia and Brazil) and geopolitical conflict.

- High imports of steel goods into the North American and Latin American markets. Coalitions of steel associations in the NAFTA and Latin America regions are calling for government measures to combat unfair trade practices.

- Brazil's recession continues to impact demand from key steel consumers: industrial, construction and auto sectors.

- Non-residential construction in North America, one of Gerdau's main markets, posted consistent growth in 2015.

- In the Special Steel segment, the light and heavy vehicle markets maintained strong growth in the United States and India, while growth in Europe has been gradual. In Brazil, auto sales and production volumes have fallen sharply.

World steel consumption in 2016 forecast to grow 0.7%.

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Net sales reach R$11.9 billion in 3Q15

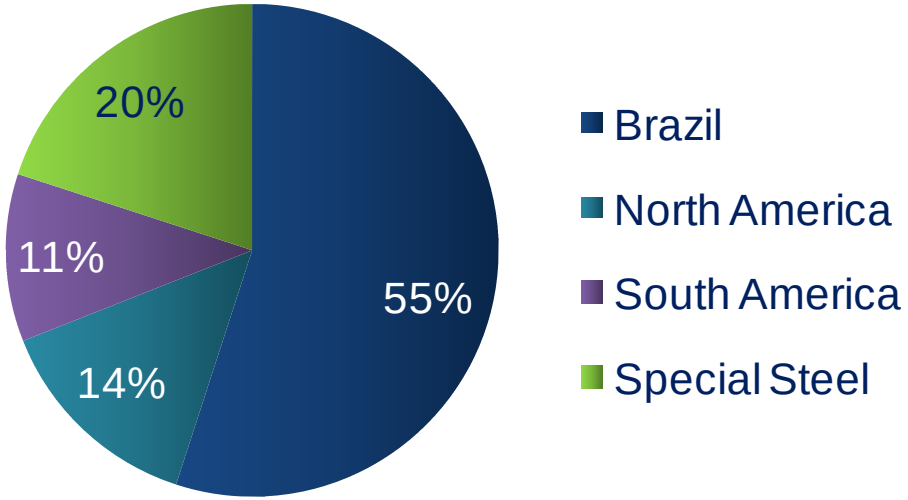
- Net sales increased 11% when compared to the same period of the last year.
- Adjusted operating cash generation (EBITDA) of R$1.3 billion, up 4% on 3Q14.
- Adjusted consolidated net income in the quarter of R$193 million. Considering the impact from nonrecurring items, Gerdau posted a net loss of R$1.9 billion.

	Unit	3Q15	3Q14	Δ%	2Q15	Δ%
SHIPMENTS	Mil tonnes	4,669	4,558	2.4%	4,271	9.3%
NET SALES	R$ million	11,925	10,706	11.4%	10,759	10.8%
SG&A	R$ million	(631)	(661)	-4.5%	(637)	-0.9%
ADJUSTED EBITDA	R$ million	1,291	1,241	4.0%	1,192	8.3%
ADJUSTED EBITDA MARGIN	%	10.8%	11.6%		11.1%	
ADJUSTED NET INCOME	R$ million	193	262	-26.3%	265	- 27.2%

Selling, general and administrative expenses down 6% in 9M15.

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Investment of R$509 million in 3Q15



Main projects

- Construction of heavy plate rolling mill at Ouro Branco Mill in Minas Gerais
- Construction of new melt shop in Argentina

CAPEX disbursement down 21% when compared to 2Q15

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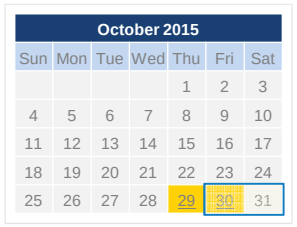
Metalúrgica Gerdau: Overview of the Follow-on Offering

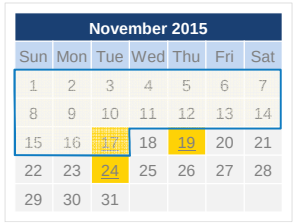
Overview of the approximately R$1.3 bn follow-on offering of Metalúrgica Gerdau

Offering Summary[1]

Issuer	▪ Metalúrgica Gerdau S.A. (Mkt Cap: R$1.1 bn)[4]
Tickers	▪ Met. Gerdau ON (GOAU3) and Met. Gerdau PN (GOAU4)
Governance	▪ Level 1(Nível 1) BM&F Bovespa
Offering Size	▪ Approximately R$1.3 billion[4]
Offering Type	▪ 100% Primary
Shares Offered	▪ 169.3 mm ON Shares ▪ 330.7 mm PN Shares
Transaction Structure	▪ Offering in accordance to the new ICVM 476 Instructions
Use of Proceeds	▪ Reduction of leverage levels
Controlling Shareholders' Priority Rights	▪ Controlling shareholders committed to subscribe for at least its portion of the priority rights (approx. 28% of the equity offering)
Lock-up Period	▪ 90 days

Tentative Schedule[1]

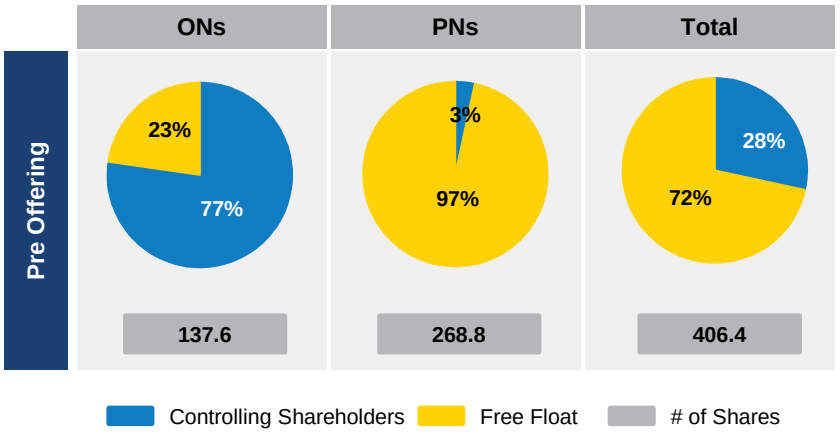




Roadshow

29/Oct	▪ Launching
30/Oct	▪ Beginning of Roadshow
04-13/Nov	▪ Priority Rights Subscription Period
17/Nov	▪ Pricing
19/Nov	▪ First Day of Trading
24/Nov	▪ Settlement

Shareholding Structure[2,3]



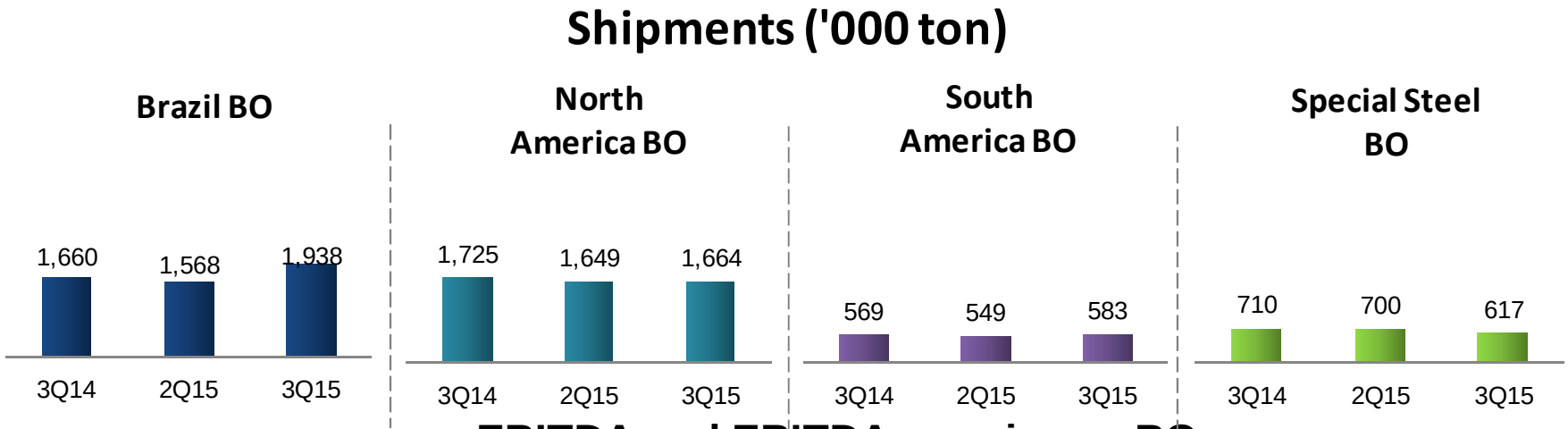
Notes:
1 Information provided in the material fact (Fato Relevante) released today by the Company
2 Information provided on item 18.10 of the Formulário de Referência
3 Controlling shareholders are willing to participate in the offering, potentially subscribing eventual leftovers in the common shares portion of the equity offering
4 Based on Oct / 27th closing price of GOAU4 of R$2.66 /share

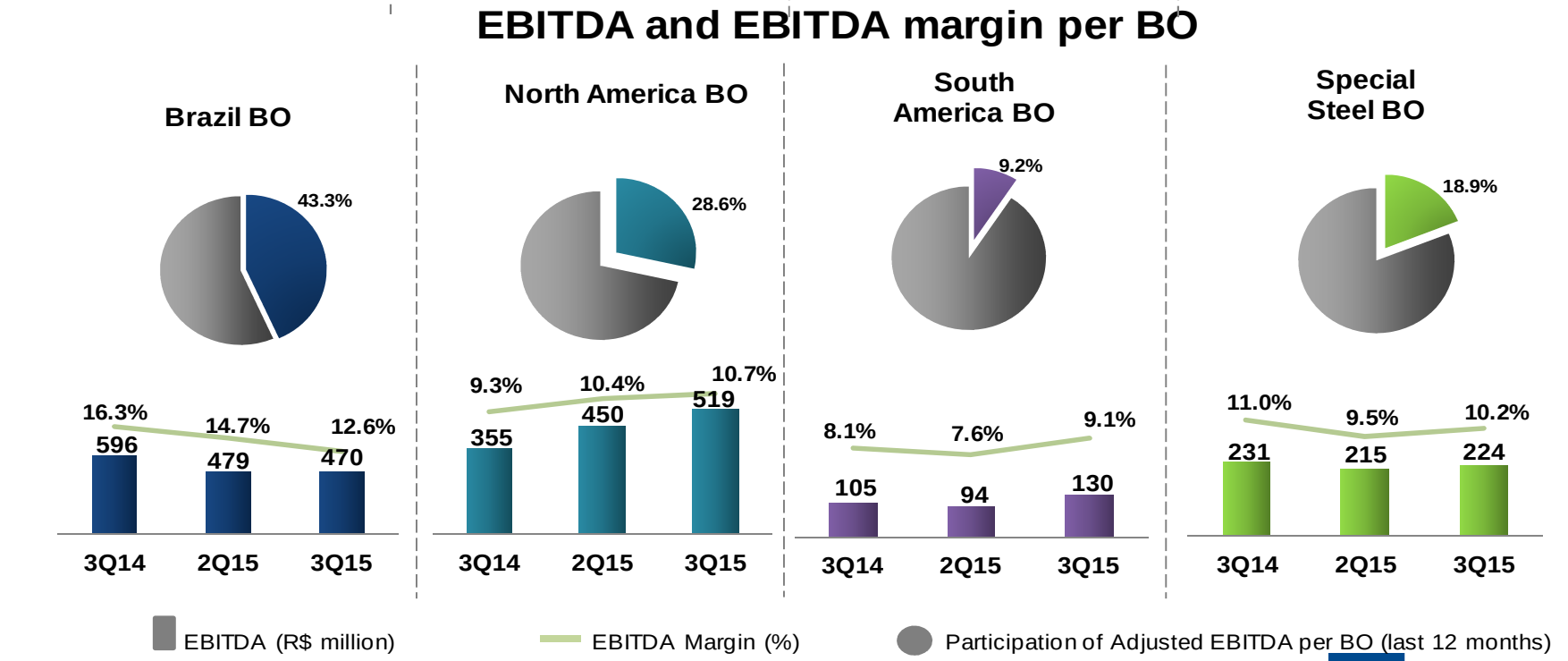
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Financial Results

Gerdau S.A. Consolidated – IFRS

Geographic diversification reduces volatility in results



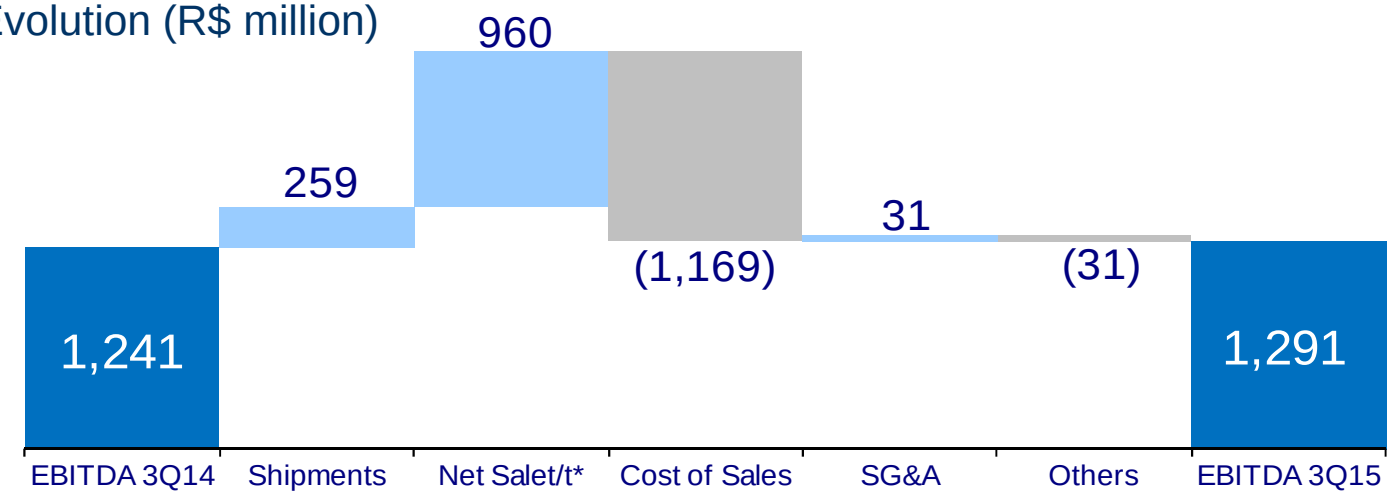


* Adjusted EBITDA and EBITDA Margin

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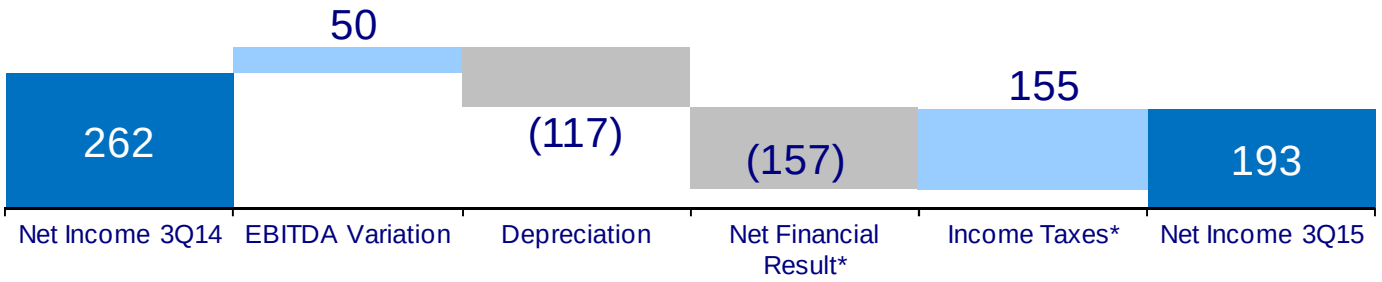
Geographic diversification balances EBITDA performance

EBITDA Evolution (R$ million)



* Includes Net Sales from Iron Ore

Net Income Evolution (R$ million)



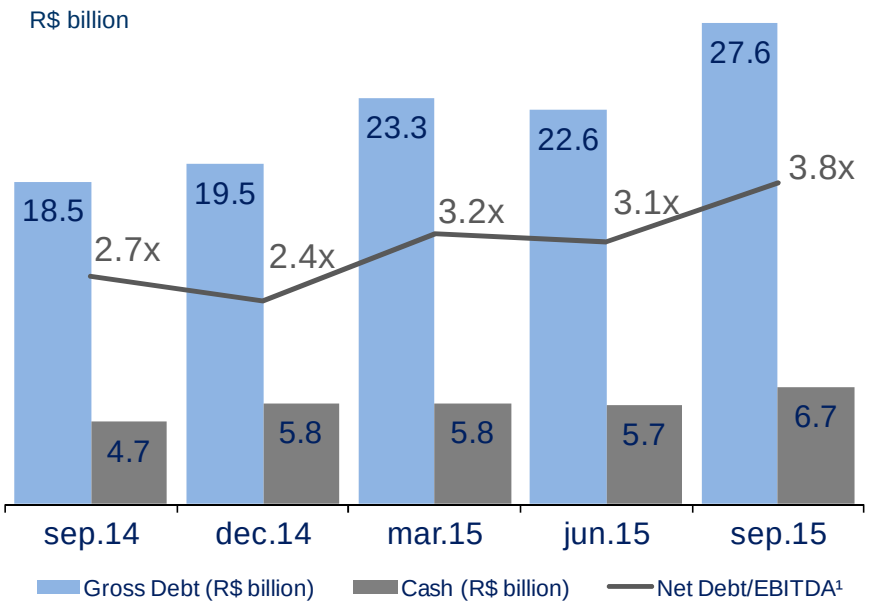
* Net of effects from Net Investment Hedge.

Better performance of North America BO helps balance consolidated EBITDA margin

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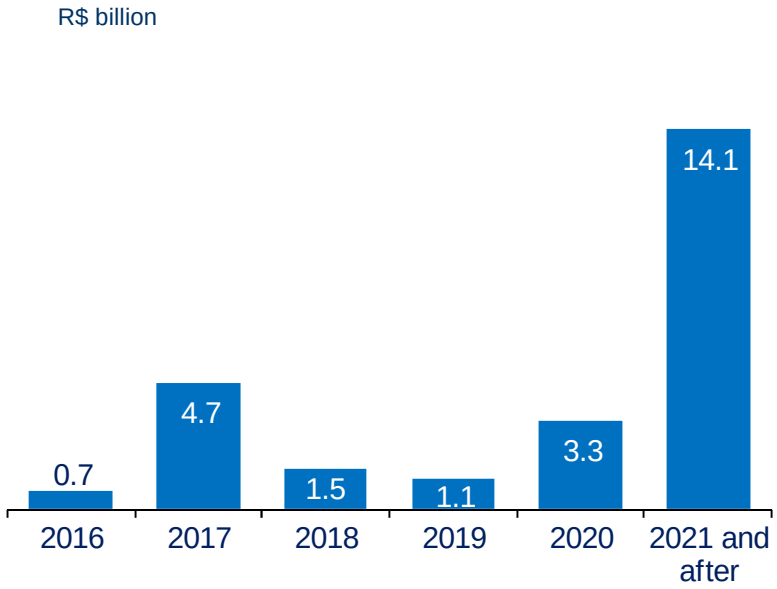
Debt under control, despite exchange variation impact

Debt and Leverage Ratio



Average Debt Cost: 6.8%

Long-Term Debt Amortization Schedule



Average Debt Term: 6.6 years

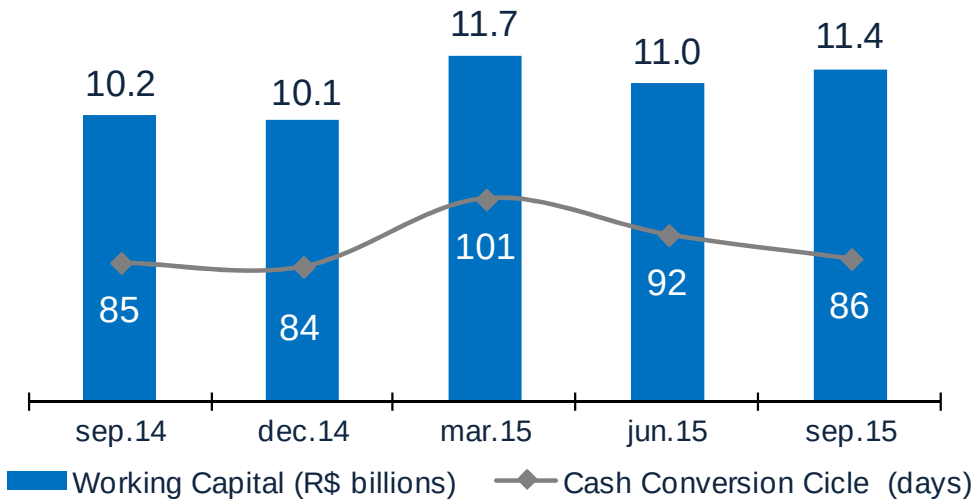
(1) EBITDA in the last 12 months.

Renegotiation of debt contracts to eliminate financial covenants

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Higher working capital due to exchange variation

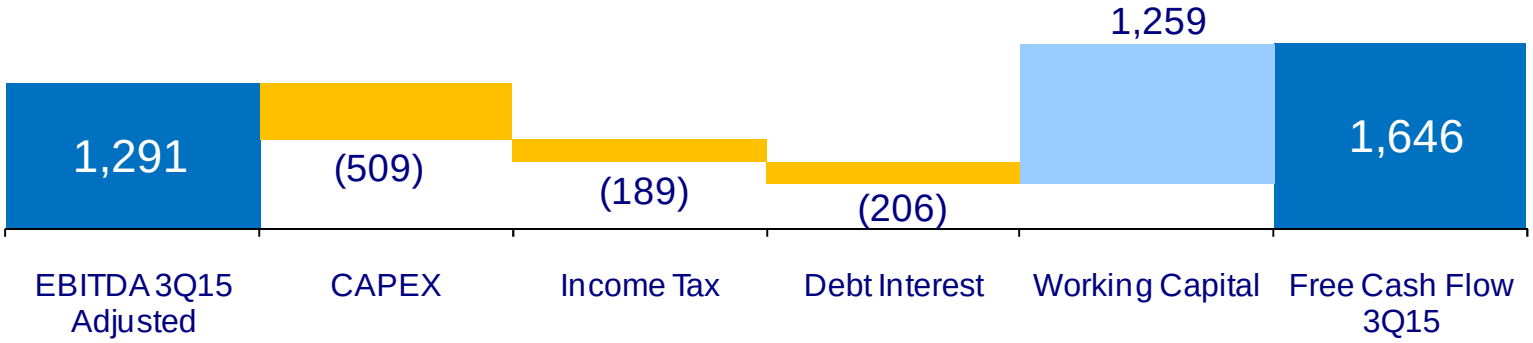
Working Capital (R$ million)	**12.31.2014**	**06.30.2015**	**09.30.2015**
Trade accounst receivable (+)	4,439	5,000	5,478
Inventories (+)	8,867	9,532	10,040
Trade accounts payable (-)	3,236	3,569	4,129
Working Capital	**10,070**	**10,963**	**11,389**

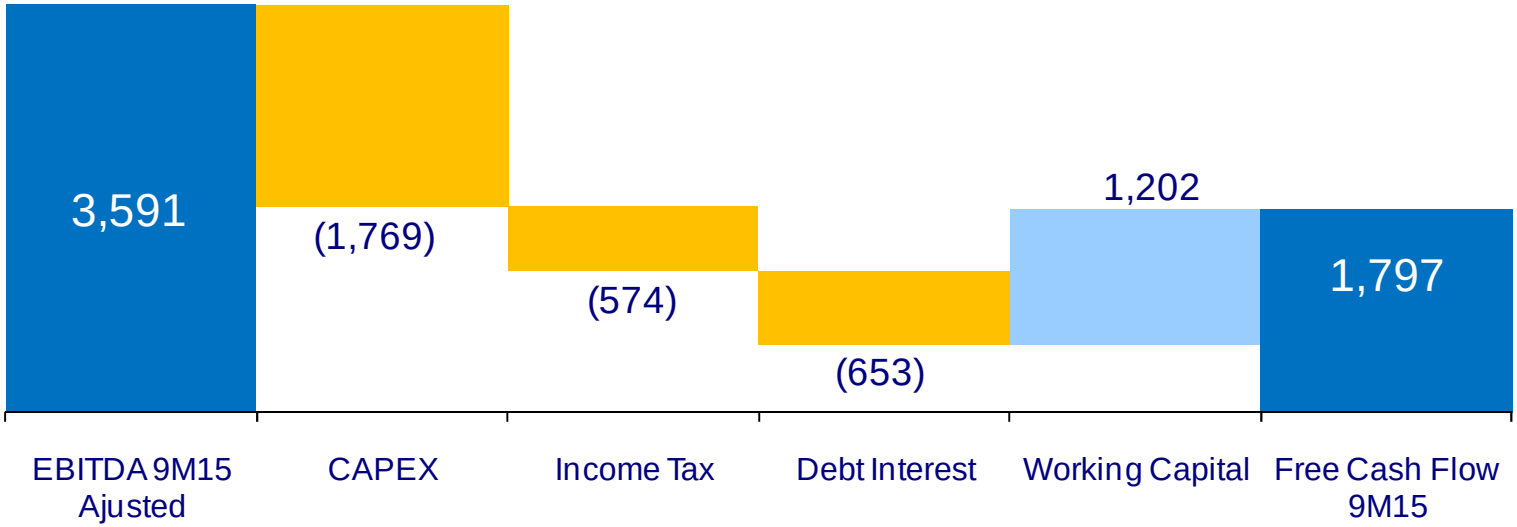


Cash conversion cycle declines 6 days on working capital management, despite exchange variation effects

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Positive free cash flow despite challenging scenario





EBITDA exceeds Company's commitments and efforts to free up working capital generated positive free cash flow

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Nonrecurring events in quarter

Extraordinary events (R$ million)	3rd Quarter and 9 months of 2015			
	BO North America	BO South America	BO Special	Consolidated
Losses from impairment of assets				
Goodwill	351	354	-	705
Property, plant and equipment, net	-	-	800	800
Investment	362	-	-	362
Reversal of the writeoff of fiscal asset diferred	-	-	284	284
Total impact on the results	**713**	**354**	**1,084**	**2,151**

Noncash negative impact on 3Q15 results of R$2.2 billion

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Closing Remarks

- Gerdau's results in the quarter were heavily influenced by nonrecurring and noncash items.

- Comprehensive effort by our teams to boost competitiveness and capture efficiency gains in all operations, including the initiatives of the Gerdau 2022 Project.

- Reduction in selling, general and administrative expenses, optimization of working capital and strong cash generation (R$1.6 billion in quarter).

- Gerdau's investment grade rating reaffirmed by the three main risk rating agencies (Standard & Poor's, Fitch and Moody's).

- Negotiations to eliminate financial covenants from debt agreements, enabling the adoptino a long-term approach to debt management.

- In addition, the proceeds from the public share offering of Metalúrgica Gerdau S.A. will be used to amortize debt and improve liquidity.

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