2Q17 Earnings Conference Call

André B. Gerdau Johannpeter
President & Chief Executive Officer

Harley Lorentz Scardoelli
Chief Financial Officer



Smart tags on products using RFID technology are yet another digital innovation that allows us to control inventories in all phases of the production chain and let clients track their steel shipments from the plant to the final destination.

Good prospects for world economy in 2017

- Favorable external scenario, with a consistent growth of the global economy.

- Global steel production expanded 5% yoy in the first 6 months of 2017 (worldsteel).

- In Brazil, exports continue to partially offset the weak demand in the domestic market. The forecast for 2017 calls for 4% growth in production and slight improvement in consumption (Brazilian Steel Institute).

- In North America, the economy continues to recover, with the country nearing full employment. In the steel industry, non-residential construction continues to improve, but the region remains affected by strong pressure from imported goods.

- In South America, the outlook is for stronger economic growth in the markets served by Gerdau.

- In the Special Steel segment, highlight for the automotive exports from Brazil. In India, the market remains robust, while in the United States the automotive industry remained stable while the oil & gas industry staged a recovery.

Expectations of firmer steel demand in the main markets served by Gerdau

GERDAU

Net sales reach R$9.2 billion in 2Q17

- Net sales declined 11% compared to 2Q17 and advanced 8% versus 1Q17.
- Adjusted consolidated operating cash flow (EBITDA) of R$1.1 billion was 7% lower than in 2Q16 and 31% higher than in 1Q17.
- Adjusted consolidated net income of R$147 million, reversing the adjusted net loss reported in 1Q17.

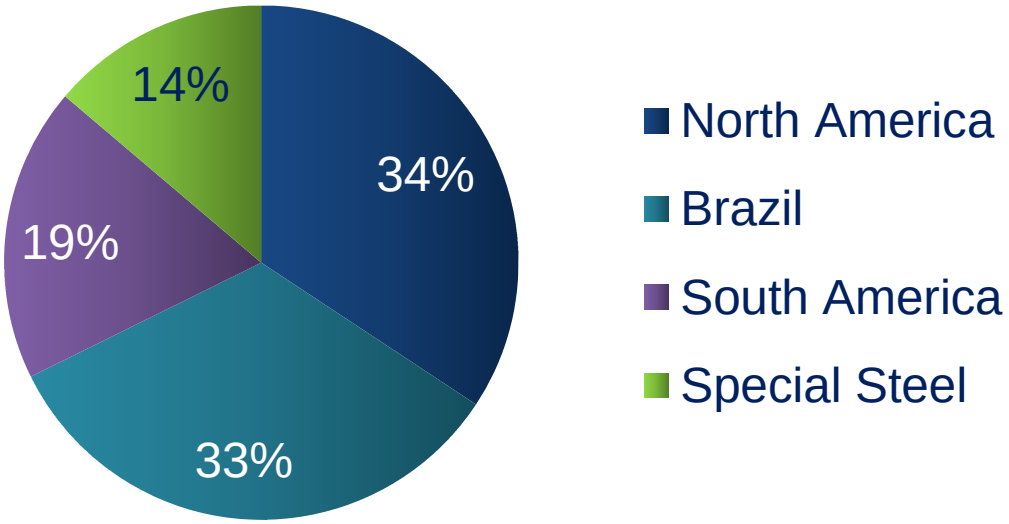
	Units	2Q17	2Q16	Δ%	1Q17	Δ%
SHIPMENTS	'000 ton	3,707	4,240	-12.6%	3,591	3.2%
NET SALES	R$ million	9,166	10,249	-10.6%	8,459	8.4%
COST OF GOODS SOLD	R$ million	(8,229)	(9.165)	-10.2%	(7,805)	5.4%
SG&A EXPENSES	R$ million	(420)	(578)	-27.3%	(439)	-4.3%
EBITDA Adjusted	R$ million	1,120	1,201	-6.7%	853	31.3%
EBITDA MARGIN Adjusted	%	12.2%	11.7%	-	10.1%	-
NET INCOME Adjusted	R$ million	147	184	-20.1%	(34)	-
FREE CASH FLOW	R$ million	241	827	-70.9%	(-227)	-

Free cash generation reaches R$241 million in the second quarter

GERDAU

Investments amount to R$195 million in 2Q17

2Q17 CAPEX by Business Division



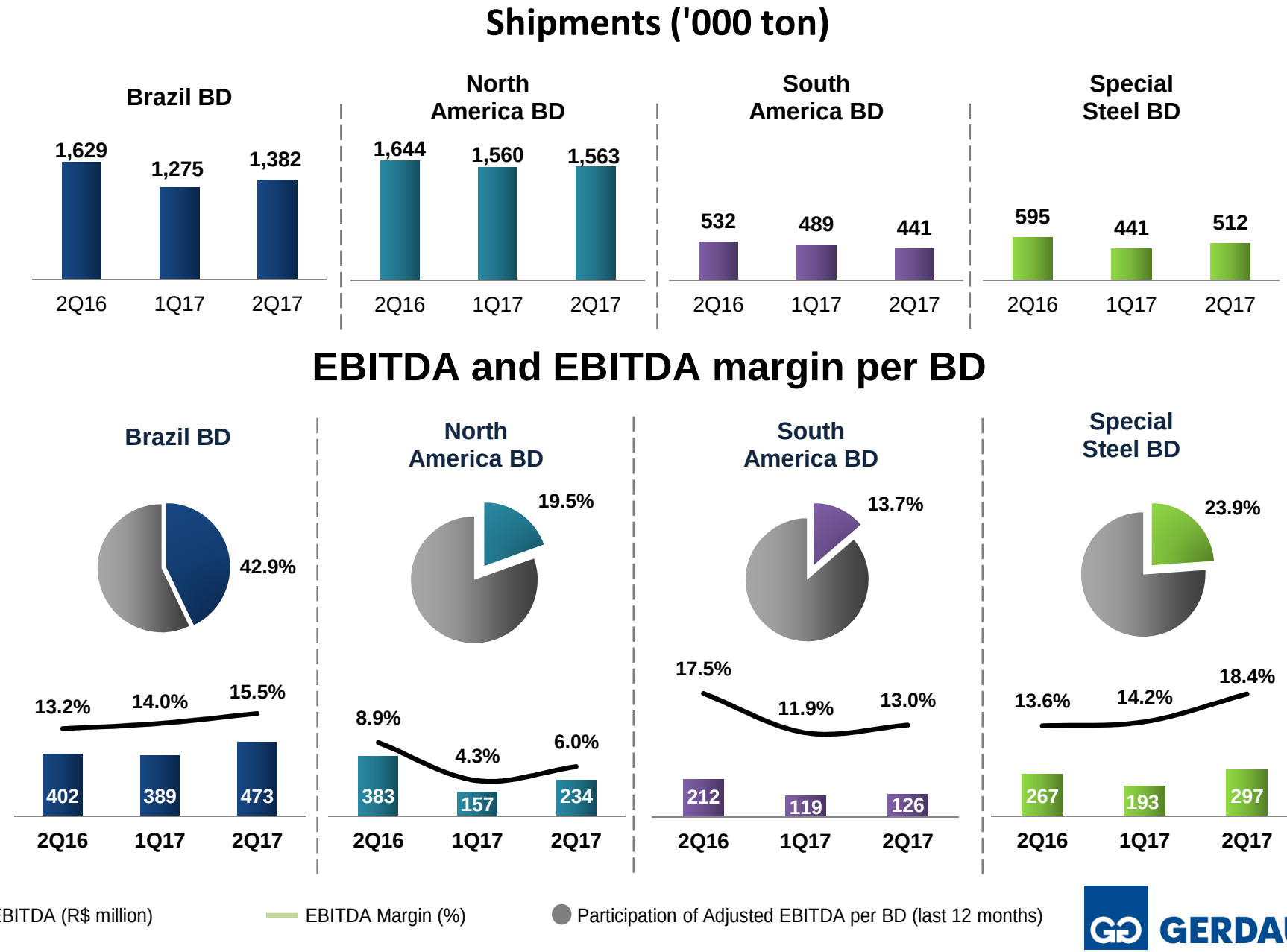
New melt shop in Argentina started production in June

GERDAU

Financial Results

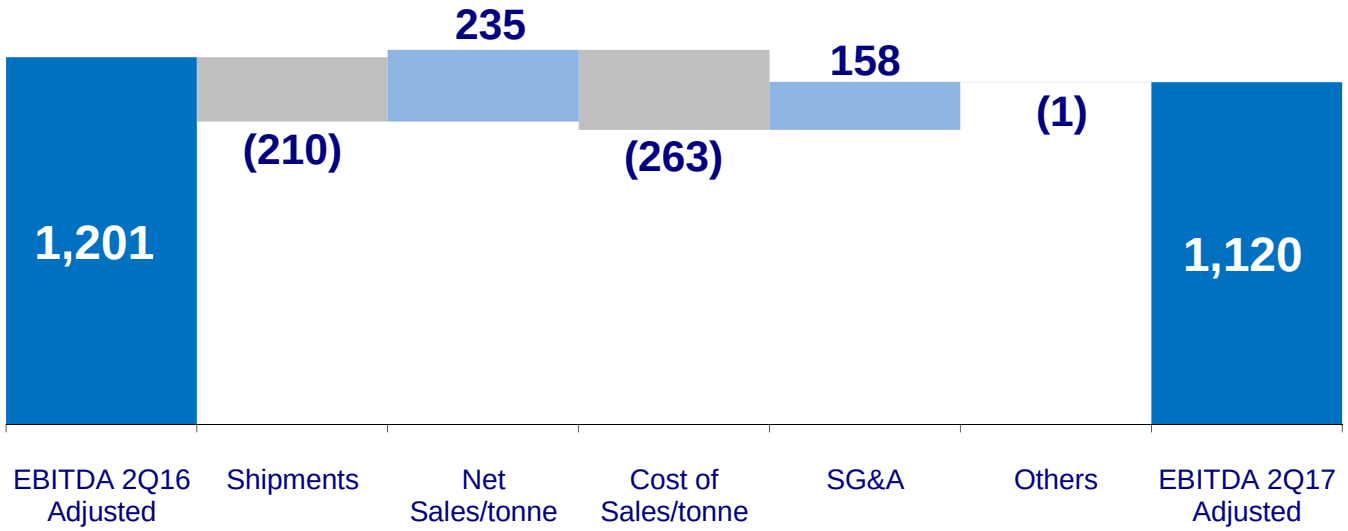
Gerdau S.A. Consolidado – IFRS

EBITDA improved on all BDs compared to 1Q17

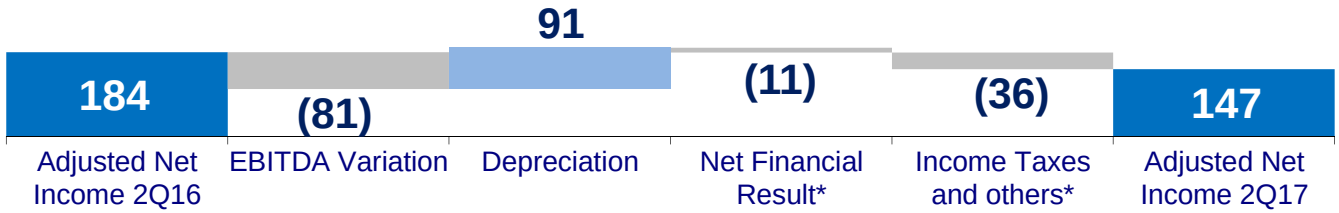


Reduction on SG&A compensate lower shipments

Adjusted EBITDA (R$ million)



Adjusted Net Income (R$ million)



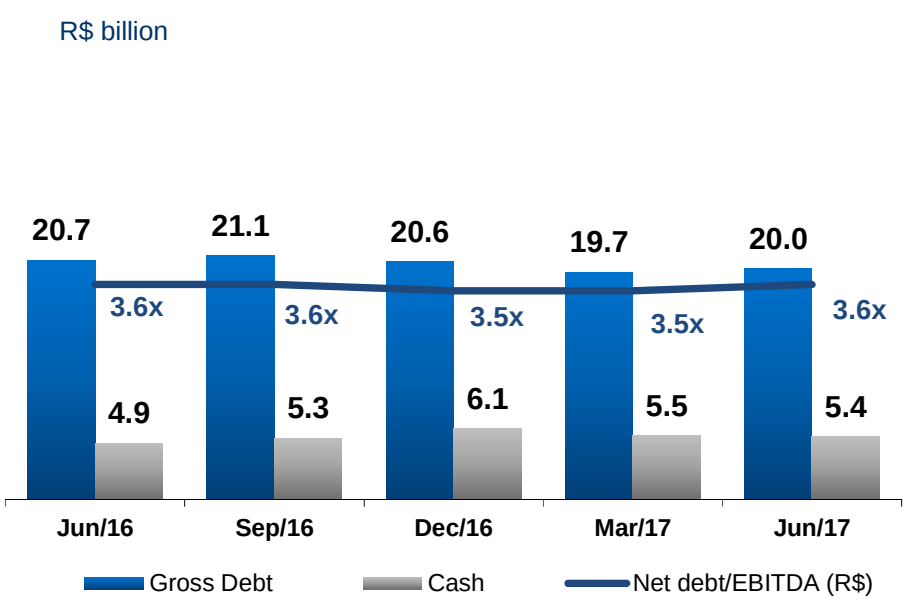
* Net of the effect from Net Investment Hedge.

Reduction of 27% on SG&A compared to 2Q16

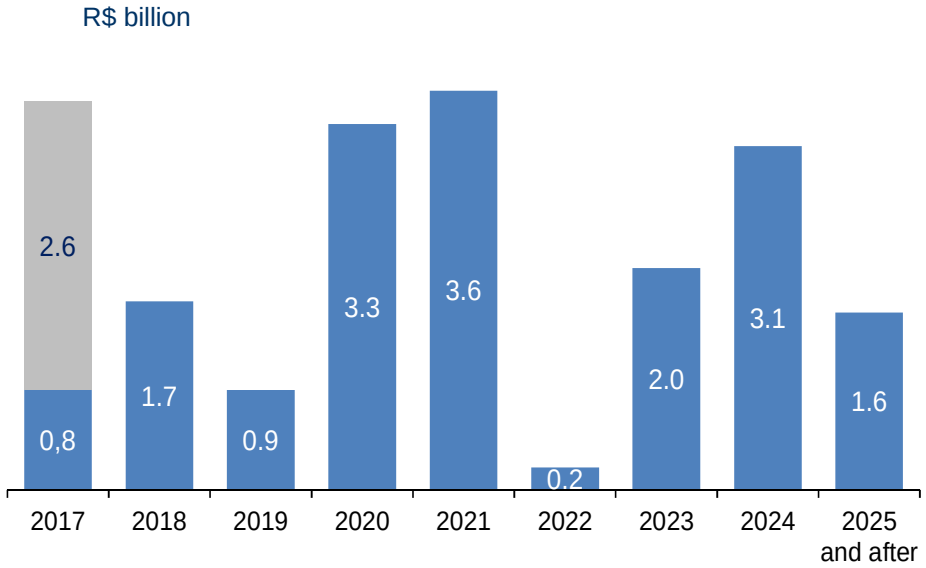
GERDAU

Maintenance of net debt despite the negative impact of FX variation

Debt & Leverage Ratio



Debt Maturity Schedule



Average Debt Cost: 6.9%

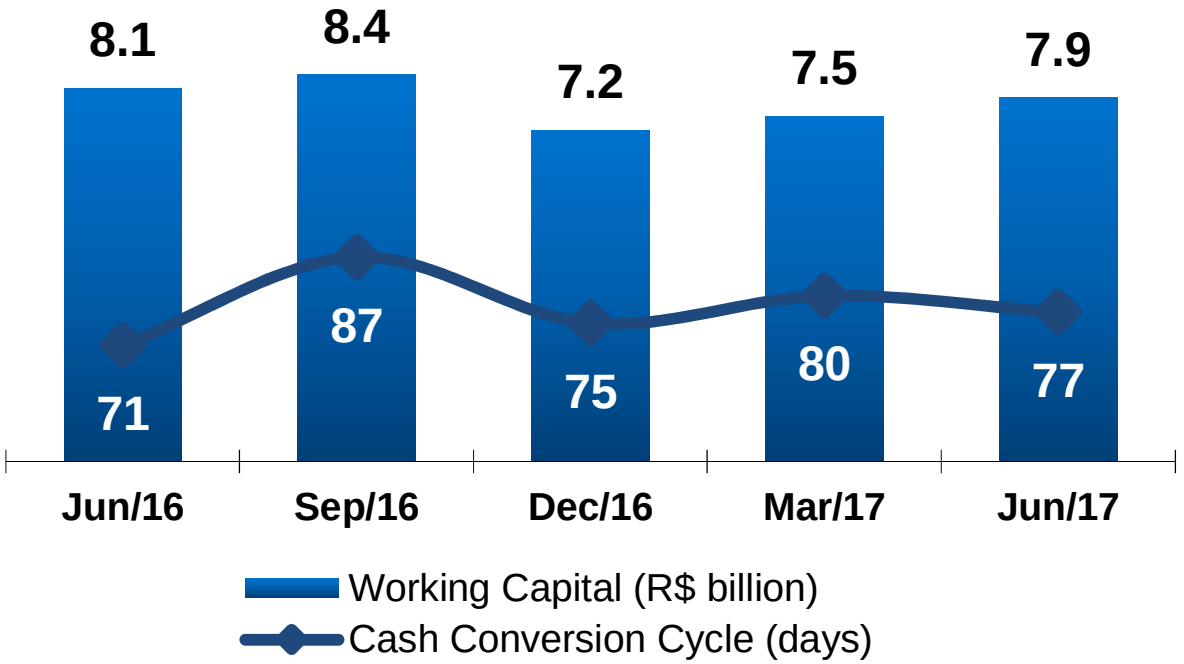
Debt Average Term: 5.5 years

(1) EBITDA in the last 12 months.

Net Debt/EBITDA ratio at 3.6x

GERDAU

Net sales growth of 8.4% provides a reduction in the financial cycle

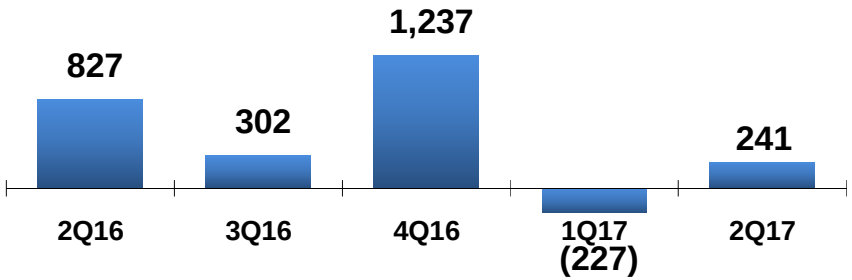


Working capital increase due to inventory building

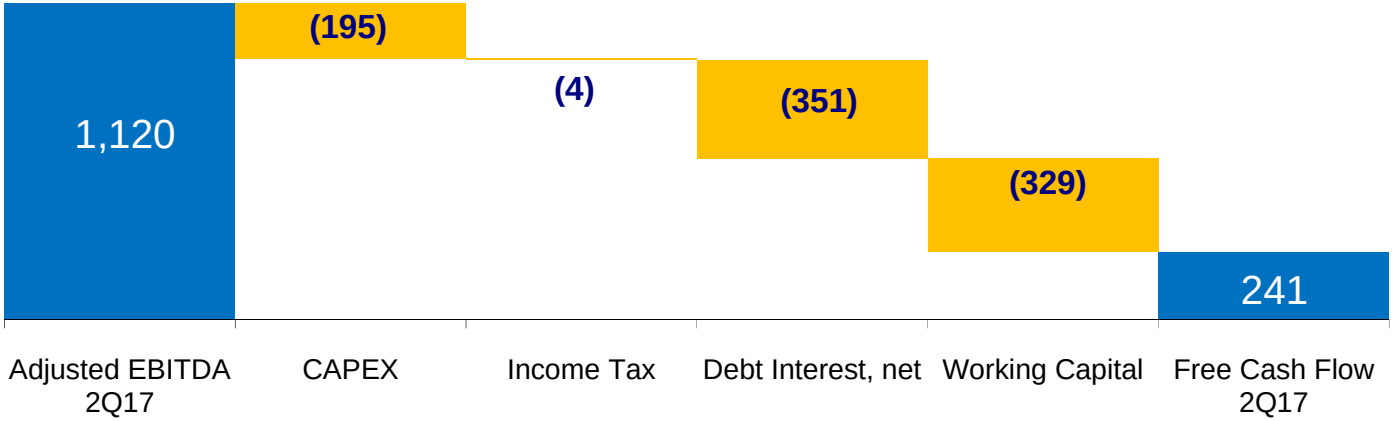
GERDAU

Positive free cash flow generation in twelve months

Evolution of free cash flow (R$ million)



2Q17 Free Cash Flow (R$ million)



EBITDA more than sufficient to honor all commitments

GERDAU

Closing remarks

- **Recovery of main markets at varying rates**

  - The U.S. market is growing, while the Brazilian market has prospects of growth for 2018.

- **Management efforts continue to contribute to the positive performance**

  - Reversal of the net loss in 1Q17 (**Adjusted net income of R$147 million**)
  - Positive free flow cash generation (**R$241 million**)
  - Lower SG&A expenses **(-27%** in 2Q17 vs. 2Q16**)**
  - Stable debt level (**3.6x** Net Debt/EBITDA)

- **2017 priorities:**

  - Free cash flow generation
  - Greater CAPEX selectivity
  - Reduction in debt indicators
  - Focus on more profitable assets
  - Expanding profitability and value creation for shareholders

GERDAU

3Q17 Earnings Release:

November 8th, 2017



GERDAU