# 3Q12 Conference Call
# Gerdau S.A. Consolidated – IFRS

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November 1st, 2012

# Mining Activities

- ✓ Termination of the process to seek a strategic partner for the integrated mining project;
- ✓ New prospecting and studies have led to an upward revision in iron ore resources from 2.9 billion to 6.3 billion tonnes, with iron content greater than 40%;
- ✓ Gerdau reaffirms its commitment to the mining project, without compromising the resources required for the sustainability of its steel business;
- ✓ Investments in the project:
  - ✓ R$500 million to increase annual iron ore production capacity from 11.5 million to 18 million tonnes by 2016;
  - ✓ R$500 million to build a rail terminal in the city of Miguel Burnier, Minas Gerais state.
- ✓ Mining project calls for reaching iron ore production of over 24 million tonnes by 2020;
- ✓ Gerdau will continue to develop the project to build its own port terminal at the Itaguaí Port, Rio de Janeiro state, and remain alert to the opportunities available for meeting its distribution needs in the short term.

# World Crude Steel Production in 3Q12 / 3Q11

- ✓ World steel production was 383 million tonnes in 3Q12;
  - ✓ Brazil: 8.7 million tonnes, down 3%;
  - ✓ Latin America (excluding Brazil): 7.7 million tonnes, down 8%;
  - ✓ United States: 22 million tonnes, in line with year-ago period.

Source: Worldsteel, IABr and Alacero.

# Gerdau – Highlights

| | Unit | 3Q12 | 3Q11 | Δ% | 2Q12 | Δ% |
|---|---|---|---|---|---|---|
| SHIPMENTS | Million tonnes | 4.8 | 4.9 | - | 4.8 | - |
| CRUDE STEEL PRODUCTION | Million tonnes | 4.7 | 5.0 | -5% | 5.0 | -6% |
| NET SALES | R$ million | 9,819 | 8,967 | 10% | 9,975 | -2% |
| EBITDA | R$ million | 1,033 | 1,215 | -15% | 1,244 | -17% |
| NET INCOME | R$ million | 408 | 713 | -43% | 549 | -26% |
| DIVIDENDS | | | | | | |
| Metalúrgica Gerdau S.A. | R$ million | 37 | 73 | | 53 | |
| Gerdau S.A. | | 119 | 170 | | 153 | |
| CAPEX | R$ million | 904 | 614 | | 850 | |



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# 2012 / 2013 Outlook

## WORLD

- ✓ World GDP forecast to grow 3.3% in 2012 and 3.6% in 2013;
- ✓ Steel consumption projected to grow 2.1% in 2012 and 3.2% in 2013.

## BRAZIL

- ✓ Economy: GDP growth forecast of 1.5% in 2012 and 4.0% in 2013;
- ✓ Steel consumption: 3.3% growth in 2012 and 4.2% in 2013;
- ✓ Construction industry: construction GDP projected to grow 2.5% in 2012;
- ✓ Manufacturing industry: reduction of 2.1% in 2012.

Source: Worldsteel, IMF, Central Bank of Brazil and Instituto Aço Brasil.

# 2012 / 2013 Outlook

## NORTH AMERICA

- ✓ Highlights are the manufacturing and energy industries;
- ✓ Forecast for U.S. GDP: growth of 2.0% in 2012 and 2.1% in 2013;
- ✓ U.S. steel consumption: up 8.3% in 2012 and up 3.6% in 2013;
- ✓ Forecast for Canadian GDP: growth of 1.9% in 2012 and 2.0% in 2013;
- ✓ Canadian steel consumption: up 2.8% in 2012 and up 2.9% in 2013.

## LATIN AMERICA

- ✓ Solid economic growth, led by Peru (GDP +5.9%), Chile (GDP +5.3%) and Colombia (GDP +4.3%) in 2012;
- ✓ Steel consumption: increase of 5.7% in 2012 and 6.4% in 2013.

Source: Worldsteel, IMF and Alacero.

# 2012 /2013 Outlook

## SPECIALTY STEEL

NORTH AMERICA:

- ✓ Light vehicle production forecast to grow 16.1% in 2012;
- ✓ Medium and heavy vehicle production projected to grow 14% in 2012.

BRAZIL:

- ✓ Light commercial vehicle production set to grow 1.4% in 2012;
- ✓ Heavy vehicle production expected to fall 27% in 2012.

EUROPE:

- ✓ Adjustment in production to the weaker demand of the next few months.

INDIA:

- ✓ Light commercial vehicle production projected to grow 8.3% and medium vehicle 2.3% in 2012.

Source: Anfavea, IHS and SIAM

# Investments

- ✓ Investments of R$2.4 billion made in 9M12;
- ✓New melt shop at Riograndense Plant in Sapucaia do Sul, Rio Grande do Sul state:
  - ✓ Investment of R$460 million;
  - ✓ Crude steel capacity of 650,000 tonnes in the second half of 2015 (deactivation of current melt shop);
  - ✓ Improvements in productivity, operational safety, product quality and environmental protection, with a reduction in energy consumption.
- ✓ Investment plan for the next five years under review;

# Final remarks

✓ Investments in the minning projetc, without compromising the sustainability of the steel business, targeting better results;

✓ Increasing metallurgical coal supply from Colombia and more captive scrap suppliers;

✓ Good outlook for 2013 in the different regions in which we operate;

✓ Continuous adaptability to market fluctuations, with fast decision making and flexibility of our operations.

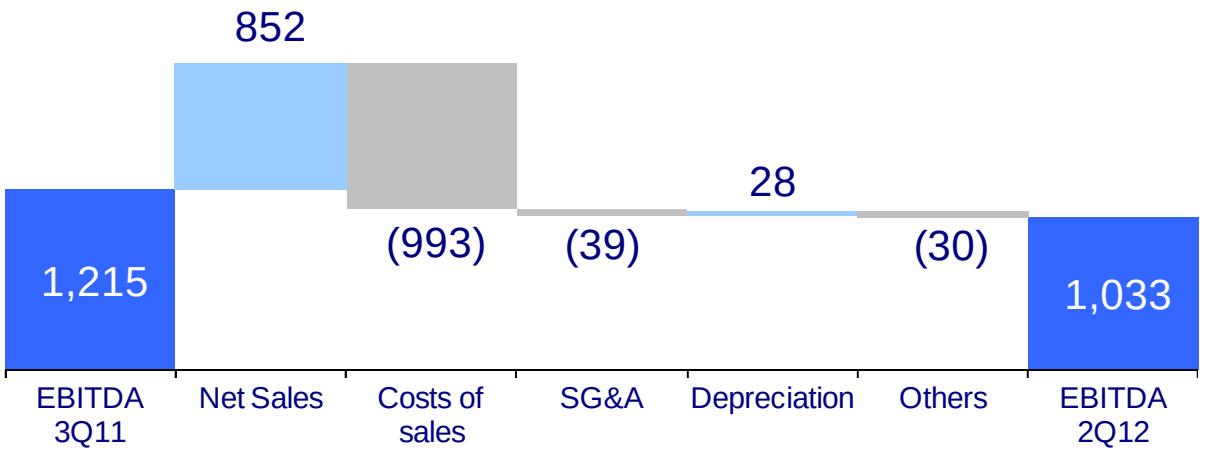


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# Perfomance of Gerdau 3Q12 x 3Q11 – Consolidated

In R$ million

| | 3Q12 | 3Q11 | Δ 3Q12/3Q11 | 2Q12 | Δ 3Q12/2Q12 |
|---|---|---|---|---|---|
| NET SALES | 9.819 | 8.967 | 10% | 9.975 | -2% |
| Cost of Sales | (8.621) | (7.628) | 13% | (8.550) | 1% |
| SG&A | (630) | (591) | 7% | (636) | -1% |
| Other operating income and expenses | 3 | 24 | -88% | 9 | -67% |
| Equity in earnings of unconsolidated companies | (3) | 5 | - | (13) | -77% |
| Financial result, net | (134) | (58) | 131% | (335) | -60% |
| Income and social contribution taxes | (26) | (6) | 333% | 99 | - |
| NET INCOME | 408 | 713 | -43% | 549 | -26% |
| EBITDA | 1.033 | 1.215 | -15% | 1.244 | -17% |
| EBITDA Margin | 11% | 14% | - | 12% | - |
| SHIPMENTS (thousand tonnes) | 4.774 | 4.849 | -2% | 4.778 | 0% |



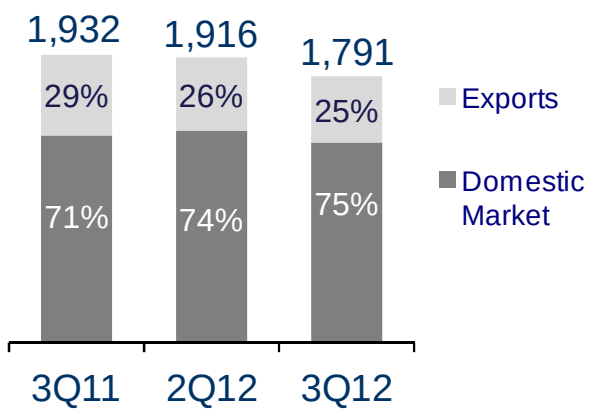



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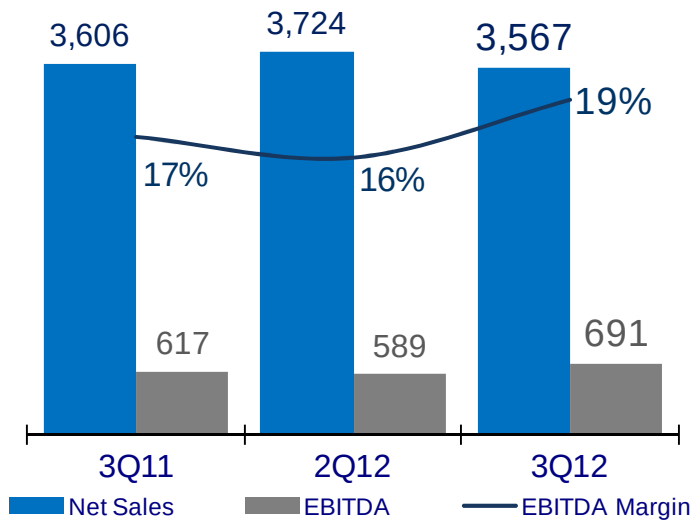
# Gerdau Performance in 3Q12 x 3Q11 – Brazil BO[1]

| | |
|---|---|
| Shipments: -7% | • Reduction in exports (-18%).<br>• Slower growth in domestic residential and commercial construction segments (-3%). |
| Net Sales: -1% | • Domestic Market (+6%): higher net sale per tonne.<br>• Exports (-30%): lower volumes and prices. |
| Costs: -4% | • Lower shipments. |

SHIPMENTS (000' tonnes)




NET SALES, EBITDA (R$ million) & EBITDA MARGIN (%)




Note1: includes all operations in Brazil (except special steel) and the Colombia metallurgical coal and coke operation.

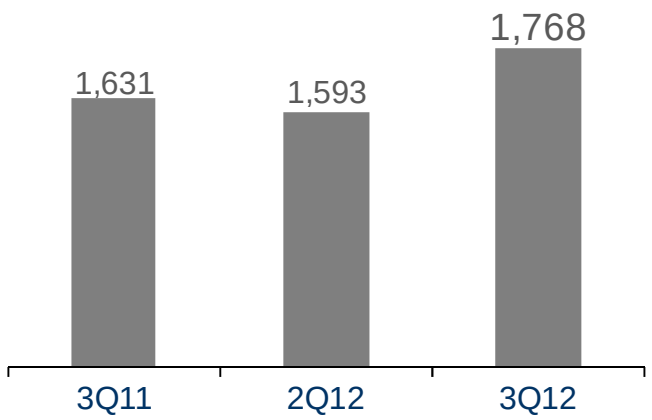


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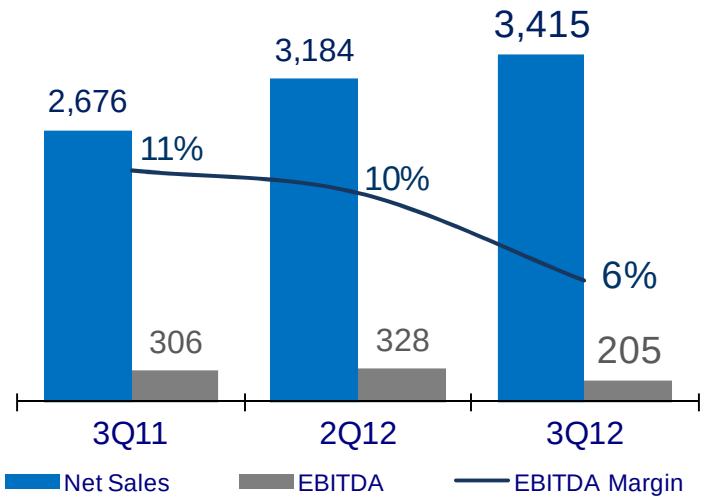
# Gerdau Performance in 3Q12 x 3Q11 – North America[1]

| | |
|---|---|
| Shipments: +8% | • Good demand from manufacturing and energy sectors |
| Net Sales: +28% | • Higher net sale per tonne sold.<br>• Higher shipments. |
| Costs: +34% | • High volatility in scrap prices. |

SHIPMENTS[2] ('000 tonnes)




NET SALES [2], EBITDA (R$ million) & EBITDA MARGIN (%)



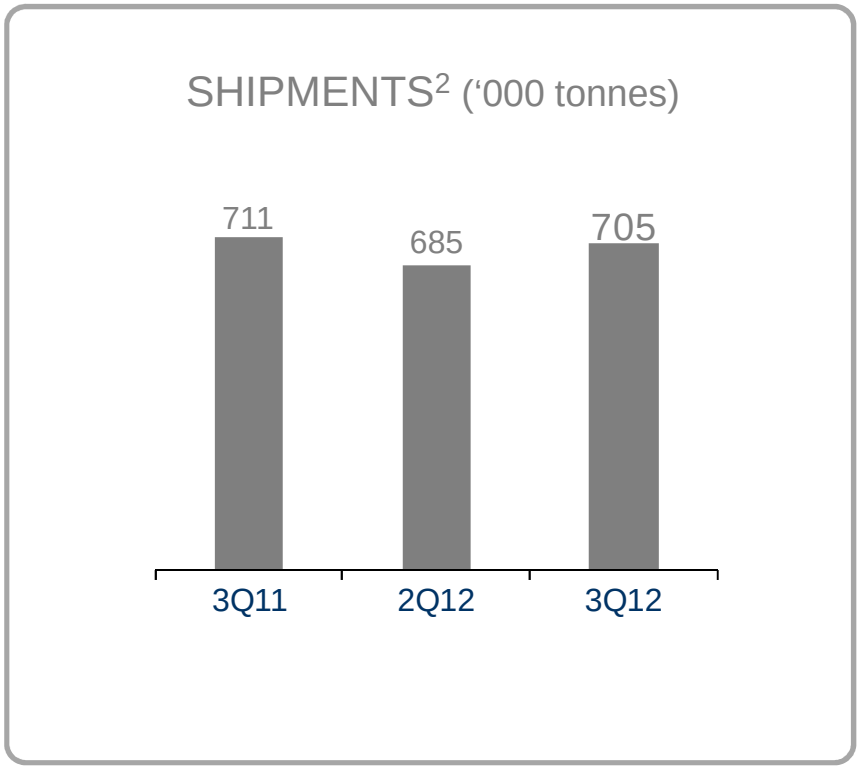

Note 1: Includes all operations in North America, except Mexico and specialty steel
Note 2: Excludes data from associated companies and jointly controlled entities.

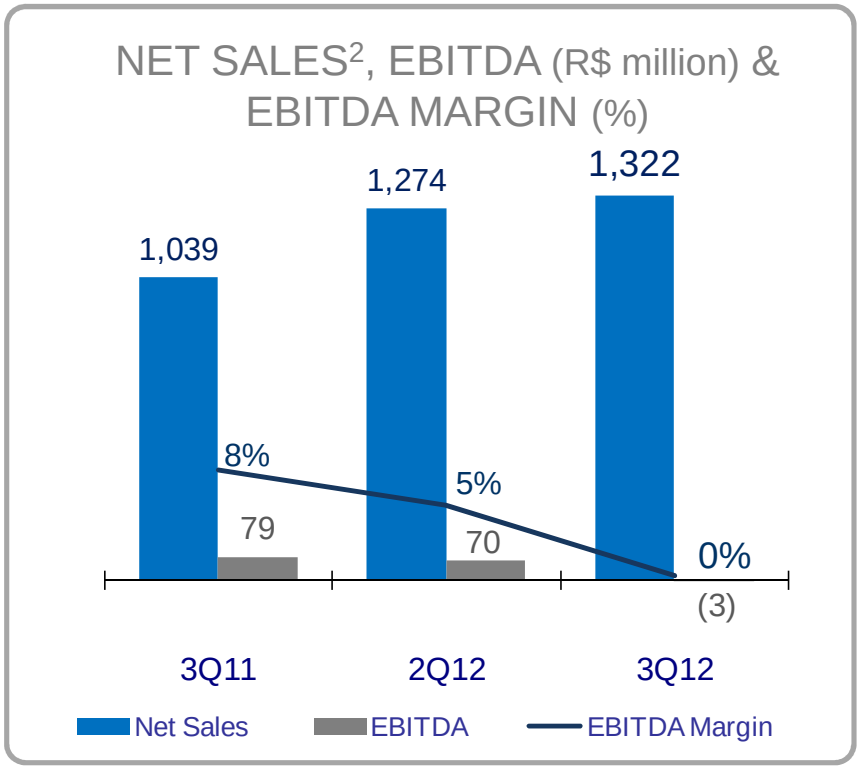


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# Gerdau Performance in 3Q12 x 3Q11 – Latin America BO[1]

| | |
|---|---|
| Shipments: -1% | • Virtual stability |
| Net Sales: +27% | • Higher net sales per tonne sold. |
| Costs: +37% | • Higher costs per tonne sold. |




Note 1: Includes all operations in Latin American, except Brazilian operations and Colombian metallurgical coal and coke operation.
Note 2: Excludes data from associated companies and jointly controlled entities

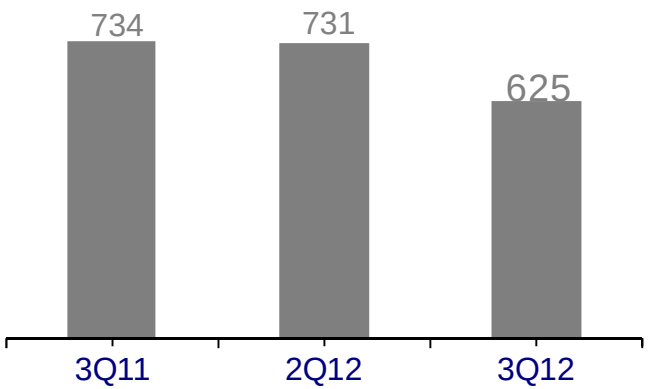


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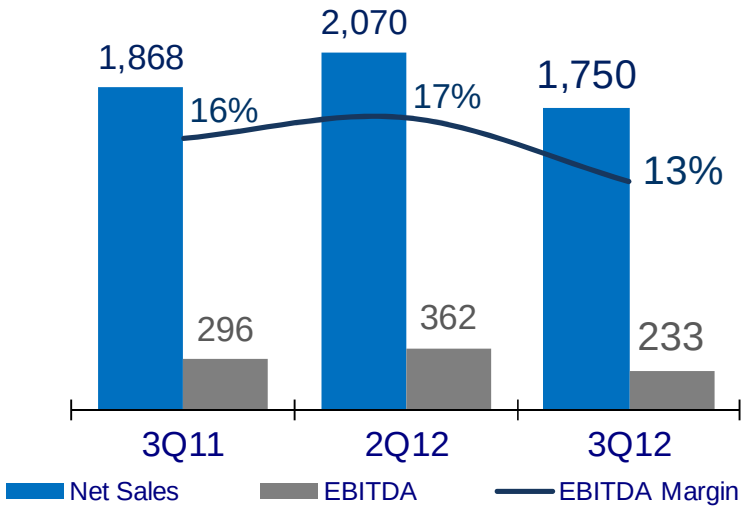
# Gerdau Performance in 3Q12 x 3Q11 – Special Steel[1]

| | |
|---|---|
| Shipments: -15% | • Lower shipments in the Brazil and Spain units. |
| Net Sales: -6% | • Lower shipments. |
| Costs: -2% | • Lower shipments with lower dilution of fixed costs. |

SHIPMENTS[2] ('000 tonnes)




NET SALES[2], EBITDA (R$ million) & EBITDA MARGIN (%)

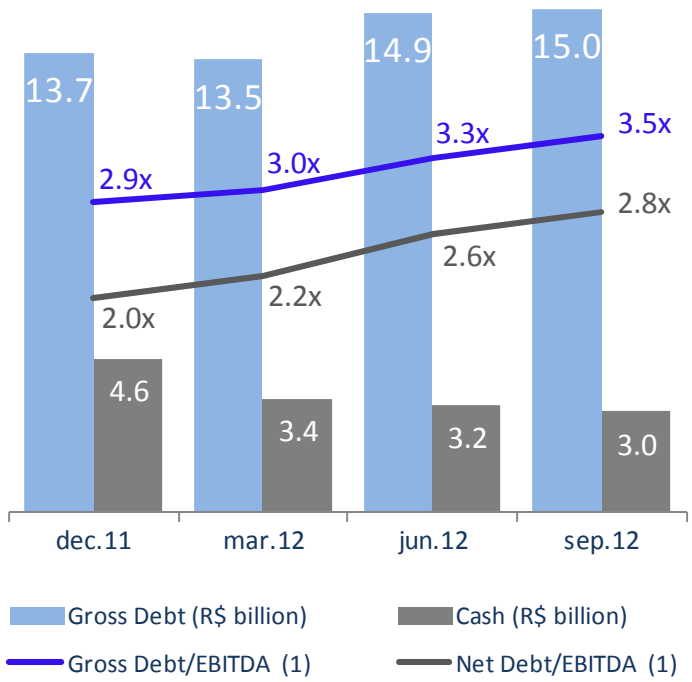



Note 1: Includes all Special Steel operations in Brazil, Spain and USA.
Note 2: Excludes data from associated companies and jointly controlled entities.

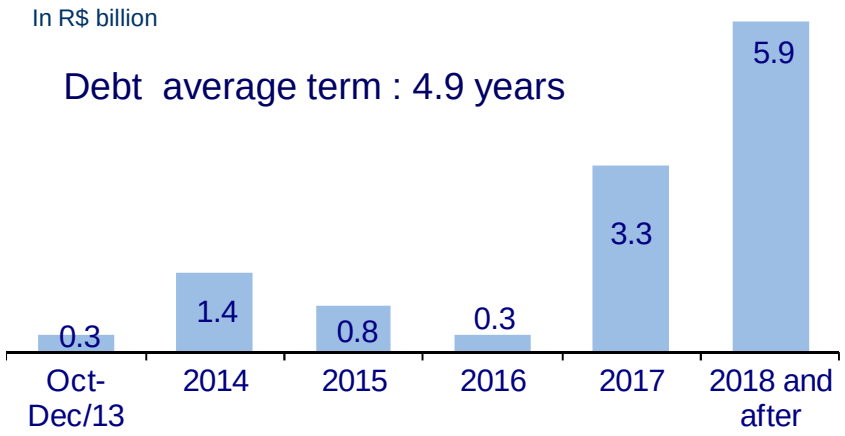


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# Indebtedness and Liquidity




## AMORTIZATION SCHEDULE



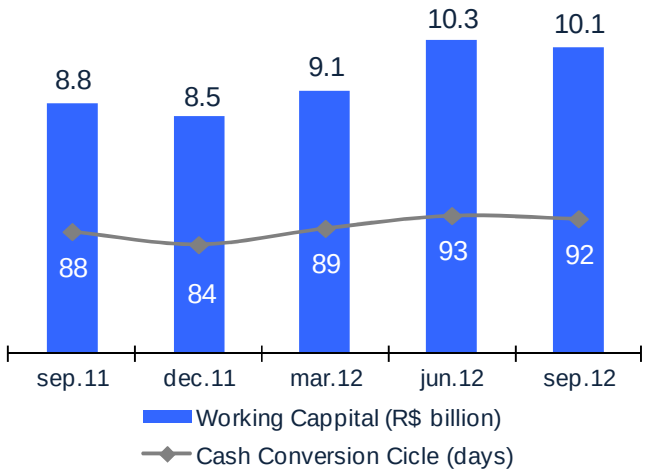

## COST OF DEBT: 5.9%

Local Currency: 7.1%

Foreign Currency : 5.7% + VC

Companies Abroad : 5.7%

## WORKING CAPITAL AND CASH CONVERTION CICLE




(1) EBITDA in last 12 months.



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# Statement

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.

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