# 4Q11 Conference Call
# Gerdau S.A. Consolidated – IFRS

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# Global Crude Steel Production – 4Q11 x 4Q10

- ✓3% increase in global steel production, reaching 393 million tonnes;
  - ✓Brazil: 4% increase, reaching 8.3 million tonnes;
  - ✓United States: 11% increase, reaching 21.7 million tonnes;
  - ✓Latin America (excluding Brazil): 8.9 million tonnes, an increase of 19%;
  - ✓India: 7% increase, reaching 18.3 million tonnes.

Source: worldsteel, IABr and Alacero.

# Gerdau – Highlights

| | Unit | 2011 | 2010 | Δ% | 4Q11 | 4Q10 | Δ% |
|---|---|---|---|---|---|---|---|
| SHIPMENTS | Million tonnes | 19.2 | 17.4 | +10% | 4.7 | 4.5 | +4% |
| CRUDE STEEL PRODUCTION | Million tonnes | 19.6 | 17.9 | +10% | 4.7 | 4.4 | +8% |
| NET SALES | R$ million | 35,407 | 31,393 | +13% | 9,066 | 7,800 | +16% |
| EBITDA | R$ million | 4,651 | 5,201 | -11% | 1,025 | 815 | +26% |
| NET INCOME | R$ million | 2,098 | 2,457 | -15% | 472 | 420 | +12% |
| DIVIDENDS | | | | | | | |
| Metalúrgica Gerdau S.A. | R$ million | 224 | 264 | | 45 | 37 | |
| Gerdau S.A. | | 597 | 630 | | 136 | 90 | |
| CAPEX | R$ million | 1,961 | 1,289 | | 674 | 537 | |



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# 2012 Outlook

## WORLD

- ✓Global GDP is expected to increase by 3.3% in 2012;
- ✓Rolled steel consumption is expected to grow 5.4% in 2012.

## BRAZIL

- ✓Economy: GDP expected to increase by 3.3%;
- ✓Rolled steel consumption is expected to reach 26.7 million tonnes in 2012, 7% higher than in 2011;
- ✓Transformation industry: The industry's GDP is expected to increase by 3%.
- ✓Civil construction: expected to increase by 5%.

Source: Worldsteel, FMI, Brazilian Central Bank and Instituto Aço Brasil.

# 2012 Outlook

## NORTH AMERICA

- ✓Highlights on the manufacturing and energy industries;
- ✓United States GDP forecast: +1.8% in 2012;
- ✓Rolled steel consumption in the United States: +5% in 2012 (94 million tonnes);
- ✓Canada GDP forecast: +1.7% in 2012;
- ✓Rolled steel consumption in Canada: +5% in 2012 (15 million tonnes).

## LATIN AMERICA

- ✓Solid economic growth;
- ✓Rolled steel consumption: +5% in 2012 (42 million tonnes).

Source: Worldsteel, IMF, Instituto Latino-americano de Ferro e Aço.



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# 2012 Outlook

## SPECIALTY STEEL

NORTH AMERICA:

- ✓Production of medium and heavy commercial vehicles is expected to increase by 10%.
- ✓Production of light vehicles should have an 8% increase.

BRAZIL:

- ✓Vehicle production is likely to increase by 2%.

EUROPE:

- ✓Highlights on the German and French markets;
- ✓Ongoing efforts to reduce costs, increase productivity and diversify target markets.

Source: ANFAVEA, ACEA

# Investments

## ✓Investment Plan 2012-2016: R$ 10.3 billion

| Investment Plan - Main Projects | Location | Additional production capacity (1,000 t) | Start-up |
|---|---|---|---|
| **Brazil BO** | | | |
| Flat steel rolling (heavy plates and coiled hot-rolled strips) at Açominas Mill in Minas Gerais | Brazil | 1.900 | 2012/2013 |
| Expansion of mining operations capacity to 7 million tons | Brazil | - | 2012 |
| Rebar fabricating and ready-to-use steel product units | Brazil | - | 2013 |
| Wire rod and rebar rolling mill at Cosigua in Rio de Janeiro[1,2] | Brazil | 600 | 2013 |
| **North America BO** | | | |
| Reheating furnace at Calvert City, Kentucky | USA | - | 2012 |
| Increase in crude steel capacity at Midlothian mill - Texas | USA | 200 | 2014 |
| Increase in rolling capacity at Midlothian mill - Texas | USA | 100 | 2014 |
| **Latin America BO** | | | |
| Port facilities (for coal and coke shipments) | Colombia | - | 2012 |
| Expansion of rollers at Tuta and Tocancipá mills | Colombia | 80 | 2012 |
| Rebar and light commercial profile rolling in Guatemala[3] | Guatemala | 200 | 2012/2013 |
| **Specialty Steel BO** | | | |
| New continuous slab casting unit with production capacity increase at Monroe Mill - Michigan | USA | 200 | 2012 |
| Expansion of crude steel, long steel products and finishing capacities (at 2 different mills)[2] | USA | 300 | 2014 |
| Specialty steel and rebar rolling mill, sintering, coke plant and power generation[3] | India | 300 | 2012/2013 |
| Specialty steel rolling mill at Pindamonhangaba Mill in São Paulo | Brazil | 500 | 2012 |
| New continuous casting and reheating furnace at Pindamonhangaba in São Paulo | Brazil | - | 2013 |
| Expansion of rolling capacity at Mogi das Cruzes Mill in São Paulo | Brazil | 60 | 2012 |

**1** To meet this rolling capacity, one of the electric furnaces in the melt shop will be recommissioned.

**2** Investment with approval in stages.

**3** This capacity is not included in the consolidated figures since it is a jointly-controlled entity.



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# Final Remarks

✓2011 was marked by good operational and financial performance, with highlights on record-breaking physical sales;

✓Demand is expected to grow in 2012, particularly in emerging countries;

✓Concern about deindustrialization of the steel chain in Brazil and Latin America;

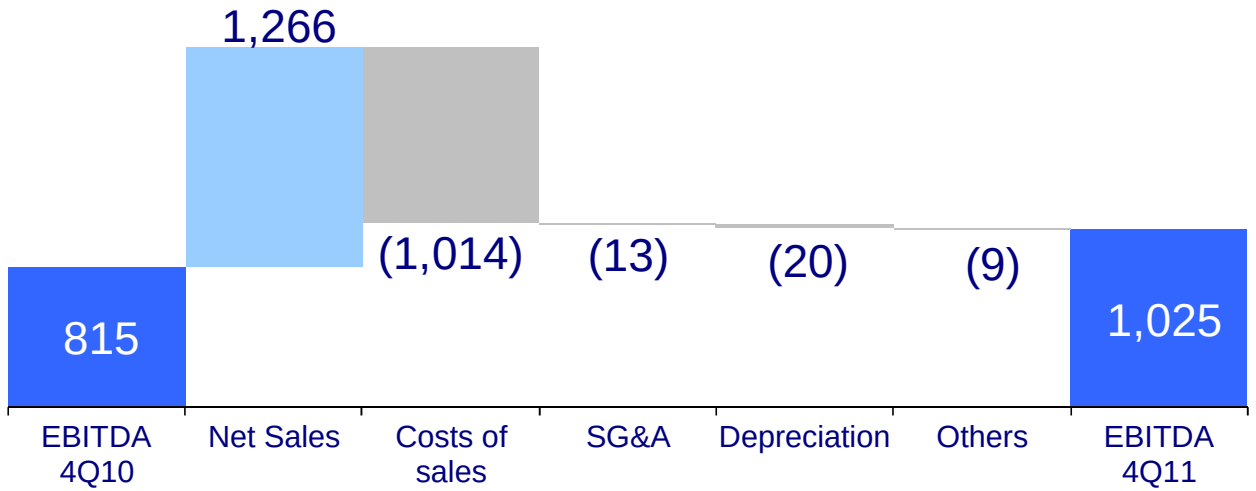
✓Continuous pursuit of our operations improvement;

✓Efforts to reduce the impact of costs.

# Performance of Gerdau 4Q11 x 4Q10 – Consolidated

In R$ million

| | 4Q11 | 4Q10 | Δ 4Q11/4Q10 | 3Q11 | Δ 4Q11/3Q11 |
|---|---|---|---|---|---|
| NET SALES | 9,066 | 7,800 | 16% | 8,967 | 1% |
| Cost of sales | (7,865) | (6,851) | 15% | (7,628) | 3% |
| SG&A | (642) | (629) | 2% | (591) | 9% |
| Other operating income and expenses | 32 | 34 | -6% | 24 | 33% |
| Reversal of impairment of assets | - | 336 | - | - | - |
| Equity in earnings of unconsolidated companies | (22) | (15) | 47% | 5 | - |
| Financial result, net | (82) | (184) | -55% | (58) | 41% |
| Income and social contribution taxes | (16) | (71) | -77% | (6) | 167% |
| NET INCOME | 472 | 420 | 12% | 713 | -34% |
| EBITDA | 1,025 | 815 | 26% | 1,215 | -16% |
| EBITDA Margin | 11% | 10% | - | 14% | - |
| SHIPMENTS (thousand tonnes) | 4,709 | 4,513 | 4% | 4,849 | -3% |

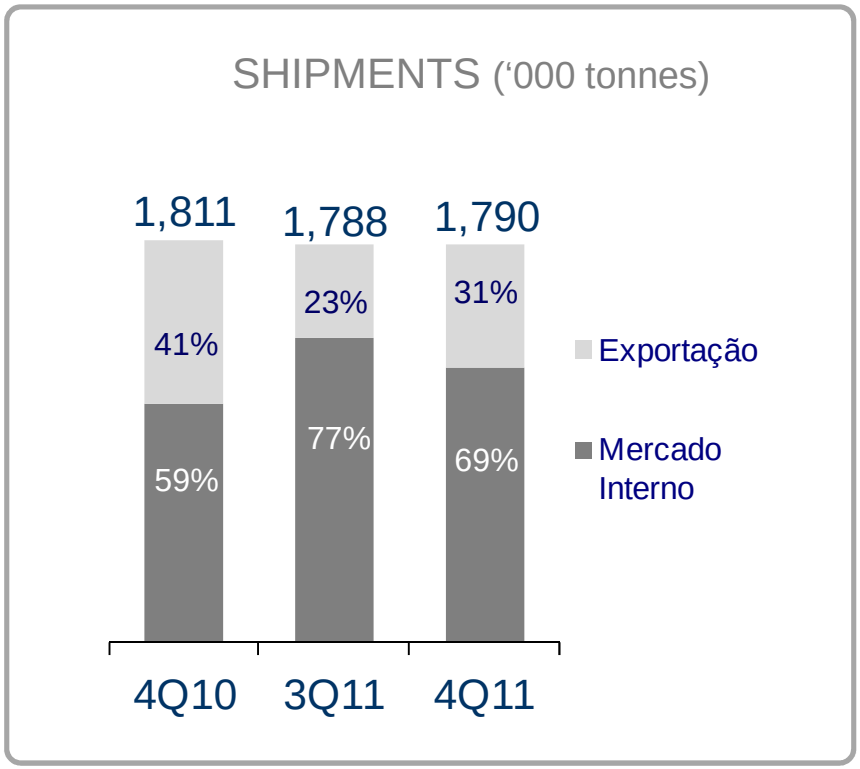


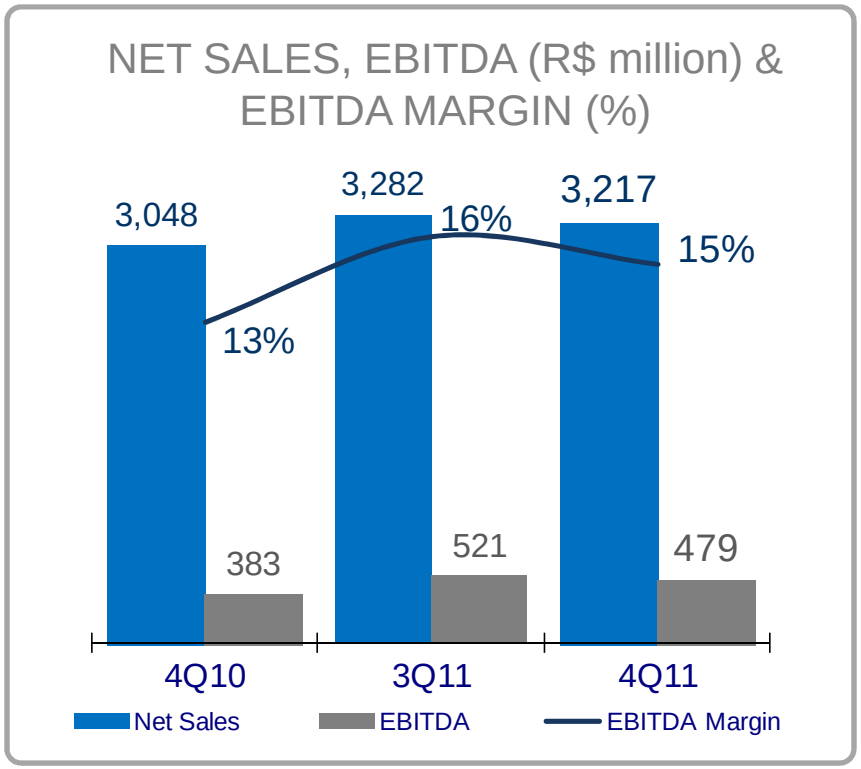



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# Gerdau Performance in 4Q11 x 4Q10 – Brazil BO[1]

| | |
|---|---|
| Shipments: -1% | • Decrease in exports.<br>• Solid demand in the domestic market. |
| Net sales: +6% | • Higher shipments sold to the domestic market. |
| Costs: +1% | • Higher raw material costs. |




Note1: Includes all operations in Brazil, except specialty steel.

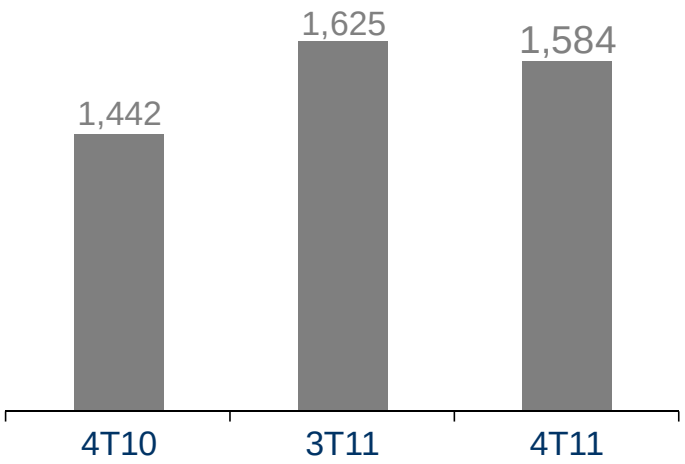


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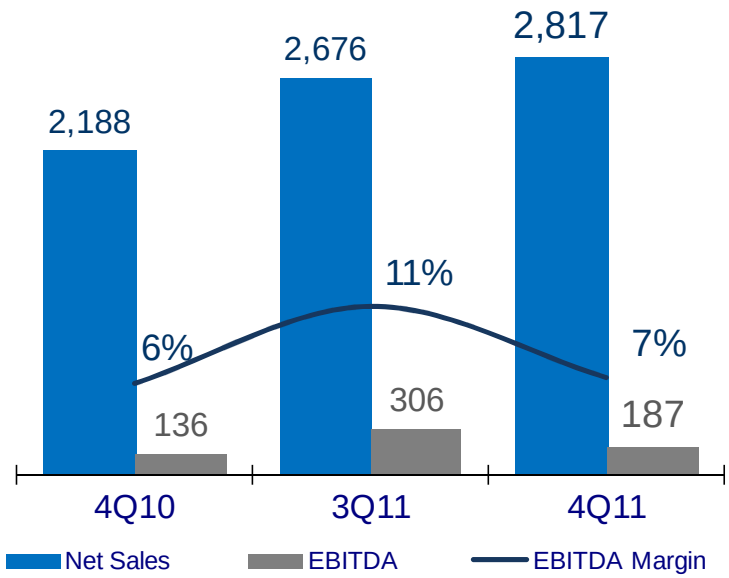
# Gerdau Performance in 4Q11 x 4Q10 – North America BO1

| | |
|---|---|
| Shipments: +10% | • Higher demand in the industry and energy sectors. |
| Net sales: +29% | • Higher shipments.<br>• Higher net sales per tonne sold. |
| Costs: +30% | • Increase in shipments.<br>• Higher raw material costs. |

SHIPMENTS[2] ('000 tonnes)




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



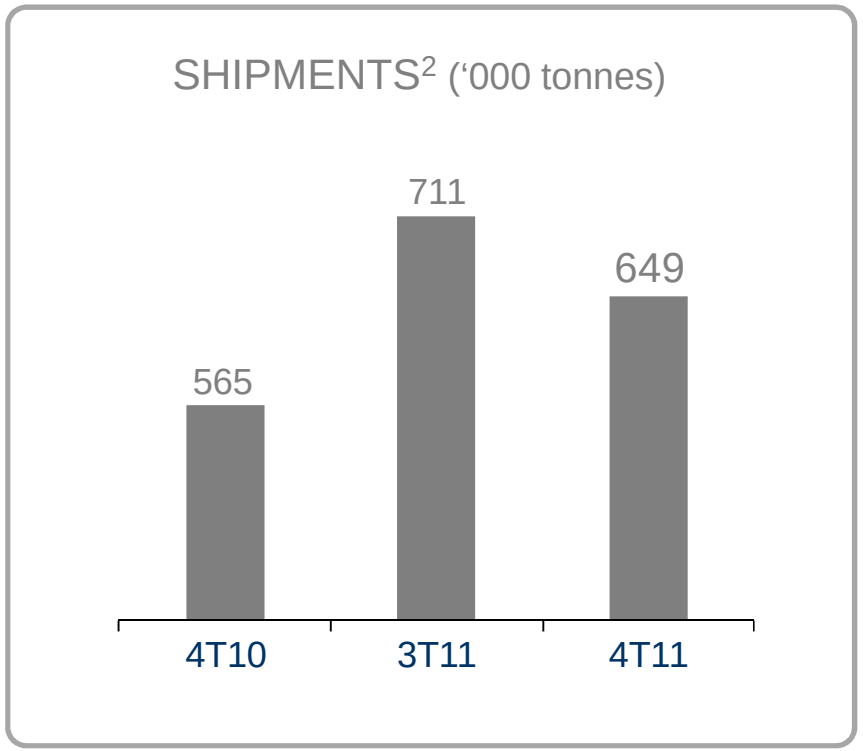

Note 1: Includes all operations in North America, except Mexico and specialty steel.
Note 2: Excludes data from associated companies and jointly controlled entities.

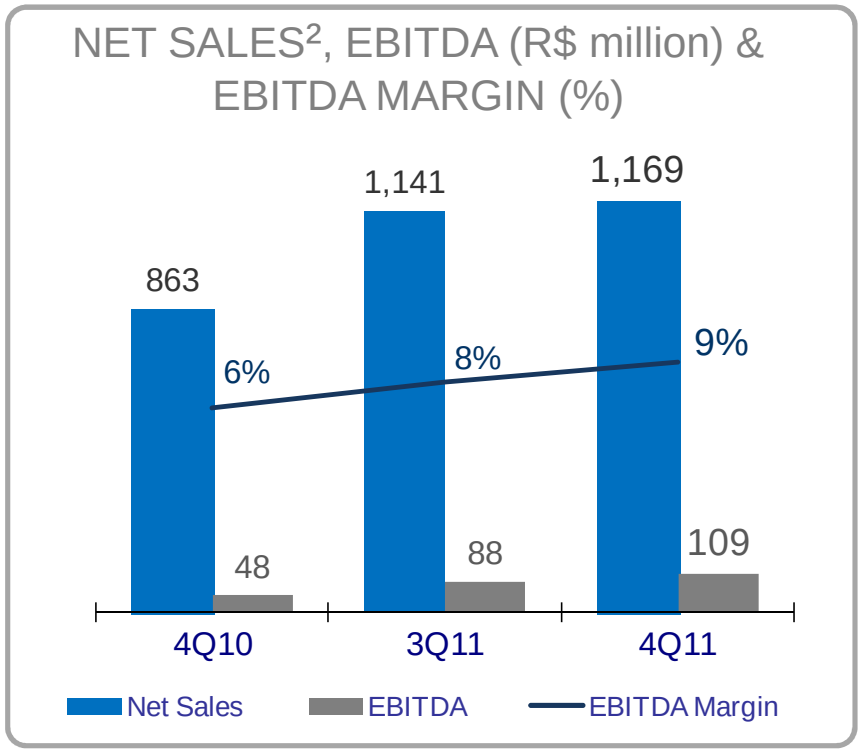


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# Gerdau Performance in 4Q11 x 4Q10 – Latin America BO[1]

| | |
|---|---|
| Shipments: +15% | • Highlights were on the higher sales in Argentina, Colombia and Peru, with solid demand from the construction sector. |
| Net sales: +35% | • Higher shipments.<br>• Higher net sales per ton. |
| Costs: +27% | • Increase in shipments.<br>• Higher raw material costs. |



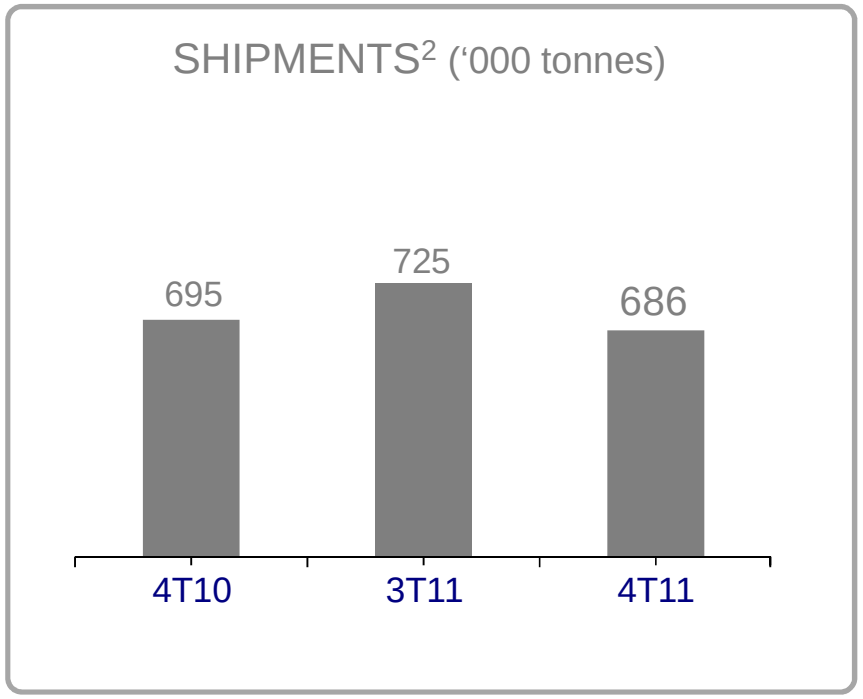

Note 1: Includes all operations in Latin America, except Brazil.
Note 2: Excludes data from associated companies and jointly controlled entities.

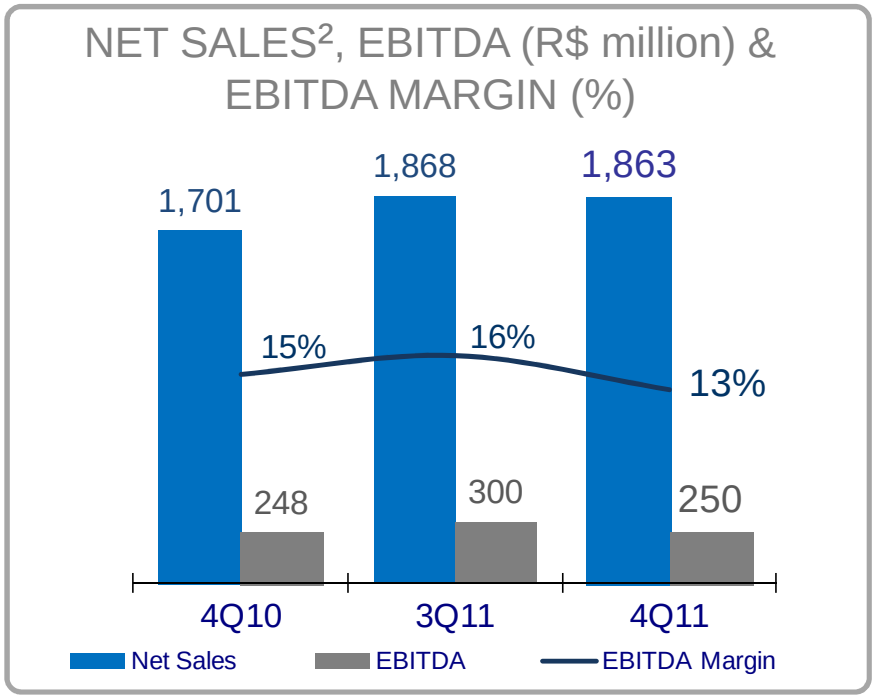


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# Gerdau Performance in 4Q11 x 4Q10 – Specialty Steel BO[1]

| | |
|---|---|
| Shipments: -1% | • Stability due to the high level already achieved. |
| Net sales: +10% | • Better prices. |
| Costs: +11% | • Higher raw material costs. |



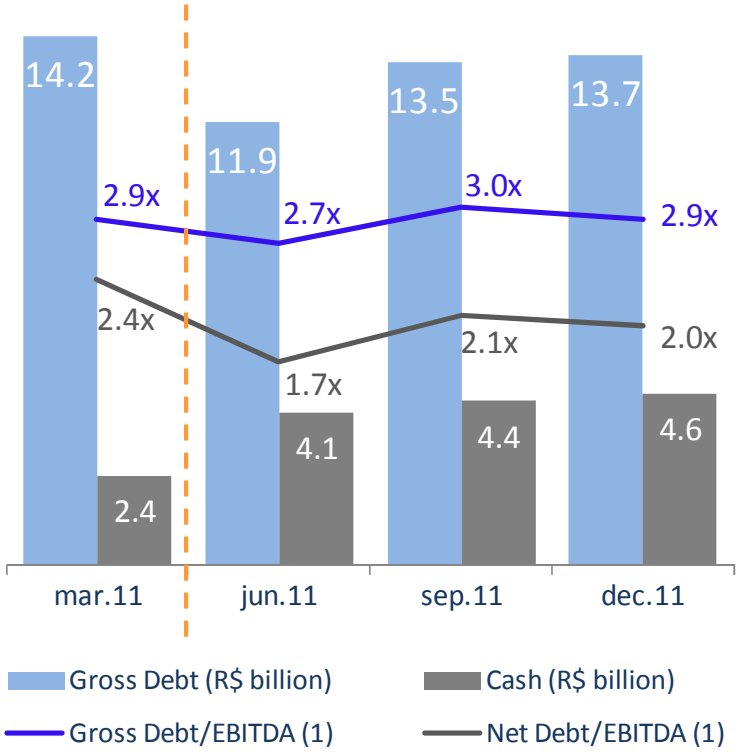

Note 1: Includes all Specialty Steel operations in Brazil, Spain and USA.
Note 2: Excludes data from associated companies and jointly controlled entities.



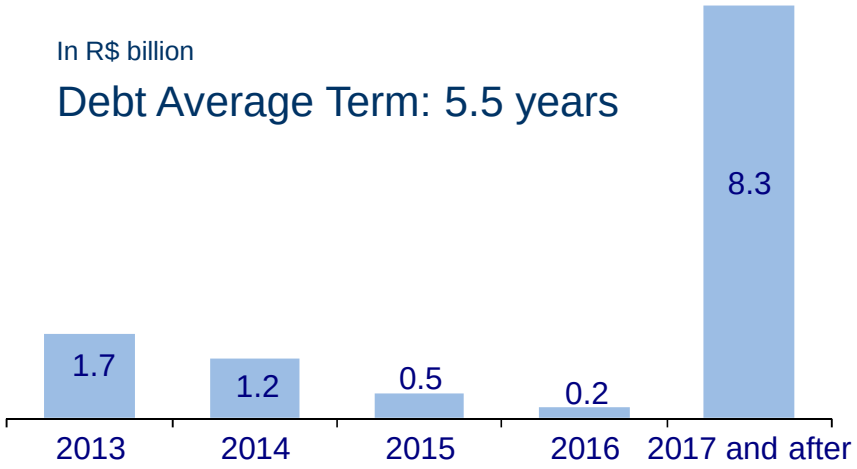
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# Indebtedness and Liquidity

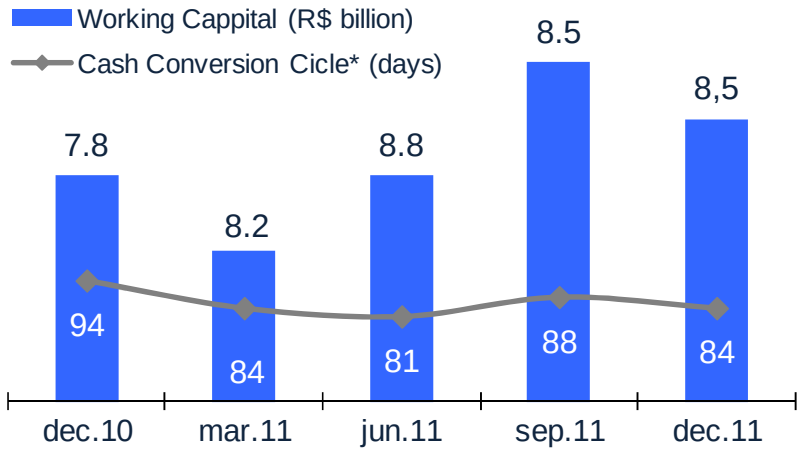
Equity Offering: R$ 3.6 billion
Prepayment: R$ 2.1 billion




## AMORTIZATION SCHEDULE




## WORKING CAPITAL AND CASH CONVERTION CICLE




## COST OF DEBT: 6.2%

Local currency: 8.1%

Foreign currency: 5.7% + VC

Companies abroad: 5.8%

**(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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