1Q16 Earnings Conference Call

André B. Gerdau Johannpeter
President & Chief Executive Officer

Harley Lorentz Scardoelli
Chief Financial Officer



Heavy plate rolling mill at Ouro Branco Unit in Minas Gerais state to start operating in July

World steel demand should continue to contract in 2016

- Global steel demand should decrease 0.8% in 2016, to 1.5 billion tons, compared to the 3% contraction in 2015, according to the World Steel Association.

- The global steel industry should continue to suffer from: overcapacity, China's economic slowdown, volatility in financial markets and slow growth in world trade.

- In Brazil, political instability and a recession continue to adversely affect key steel-consuming industries. Apparent steel consumption in Brazil should fall 9% in 2016, after declining 17% in 2015, according to the Brazil Steel Institute.

- In North America, the non-residential construction continues with good prospects and the infrastructure segment has shown growth.

- In special steel segment, the automotive industry continues to improve in the United States, India and Europe. In Brazil, light and heavy vehicle sales and production have registered sharp declines.

Steel demand in NATFA should grow by 3% in 2016

GERDAU

Net sales of R$ 10.1 billion in 1Q16

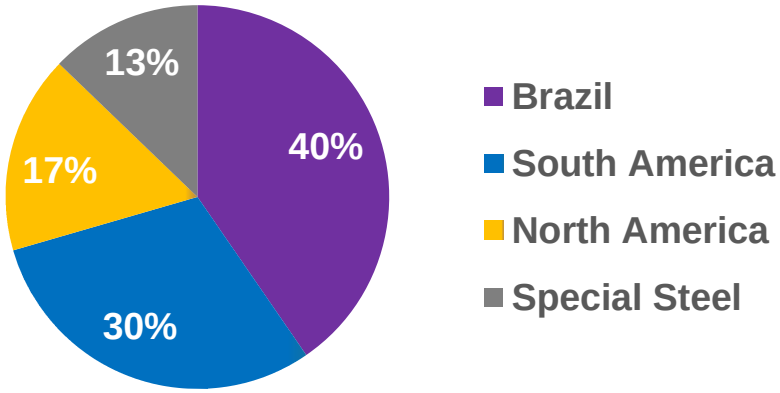
- Net sales fell 3% from the same quarter of 2015
- Operating cash generation (EBITDA) contracted 16% from 1Q15, to R$ 930 million
- Compared to 4Q15, EBITDA advanced 2%

	Unit	1Q16	1Q15	Δ%	4Q15	Δ%
SHIPMENTS	'000 ton	3,851	4,143	-7.0%	3,887	-0.9%
NET SALES	R$ million	10,085	10,447	-3.5%	10,449	-3.5%
COST OF GOODS SOLD	R$ million	(9,272)	(9,335)	-0.7%	(9,662)	-4.0%
SG&A EXPENSES	R$ million	(644)	(660)	-2.4%	(655)	-1.7%
EBITDA	R$ million	930	1,106	-15.9%	911	2.1%
EBITDA MARGIN	%	9.2%	10.6%	-	8.7%	-
NET INCOME	R$ million	14	267	-94.8%	(41)*	-
FREE CASH FLOW	R$ million	11	(502)	-	1,225	-99.1%

* In the 4Q15, the net income was adjusted by extraordinary events

General and administrative expenses decline 10% in 1Q16 compared to 1Q15

Investments of R$ 485 million in 1Q16



Main projects

- Heavy plate rolling mill at Ouro Branco Unit in Minas Gerais
- Melt shop in Argentina

CAPEX planned for 2016 is R$1.5 billion (35% lower than in 2015)

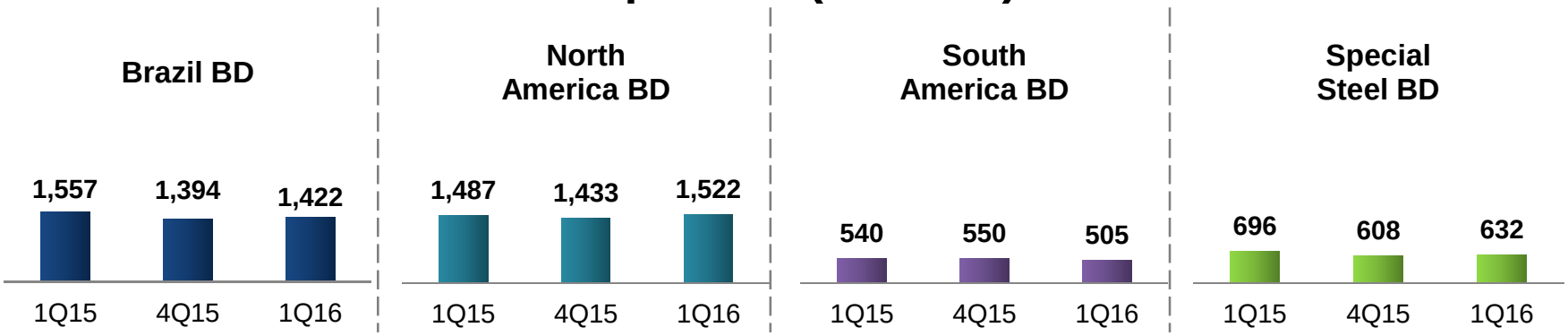
GERDAU

Financial Results

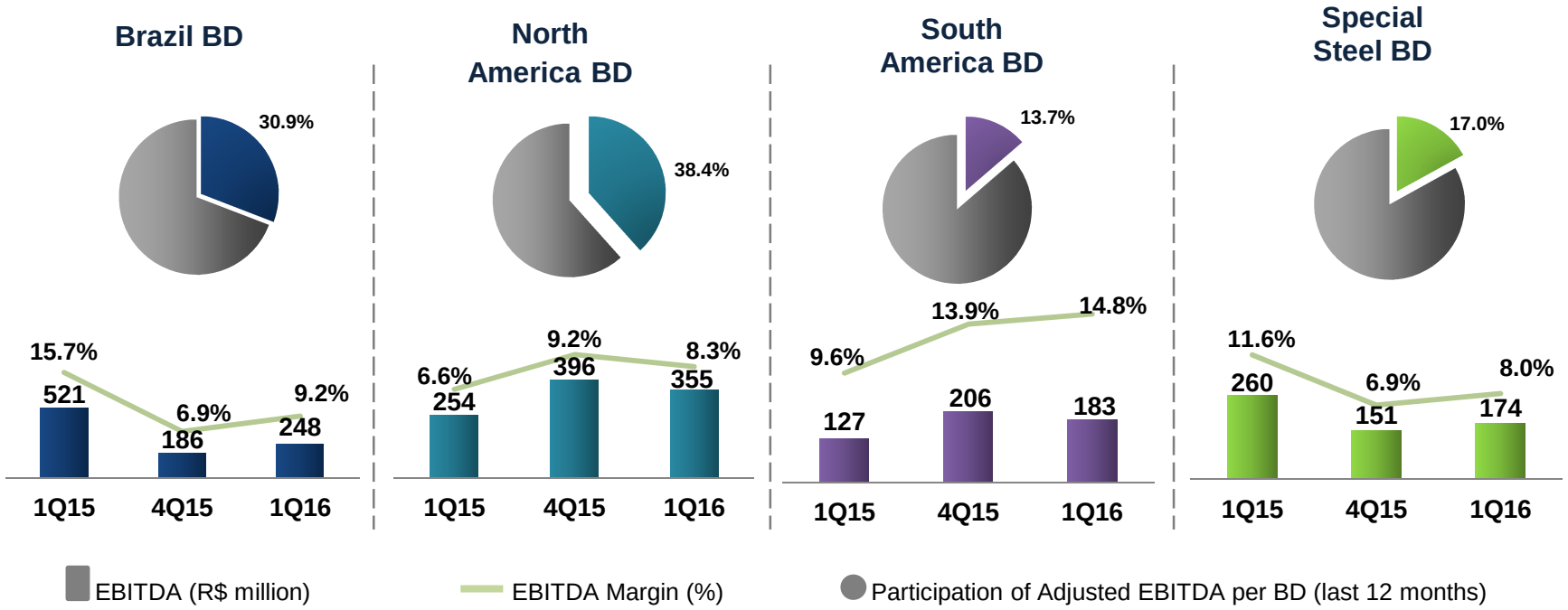
Gerdau S.A. Consolidated – IFRS

Exposure to North America reduces volatility of results

Shipments ('000 ton)



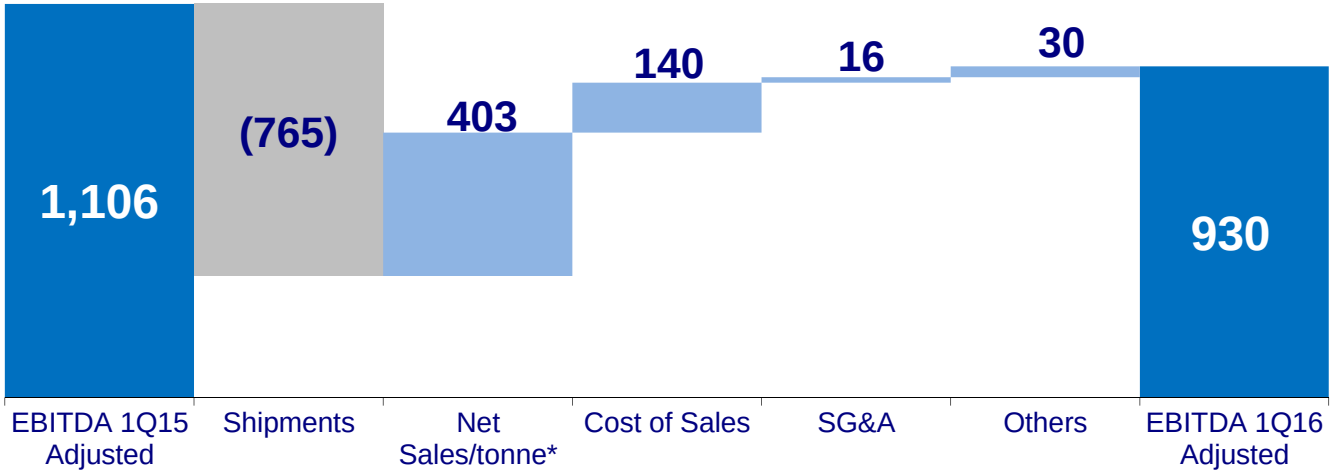
EBITDA and EBITDA margin per BD



GERDAU

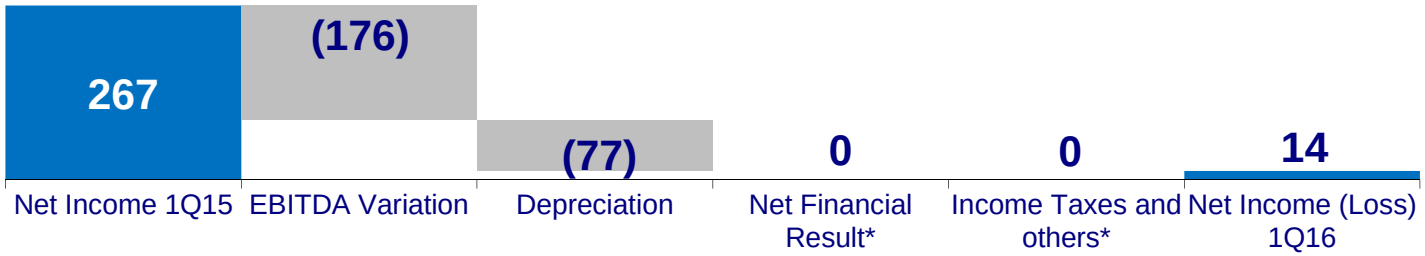
Lower shipments affect EBITDA

EBITDA (R$ million)



* Includes Net Sales of Iron Ore

Net Income (R$ million)



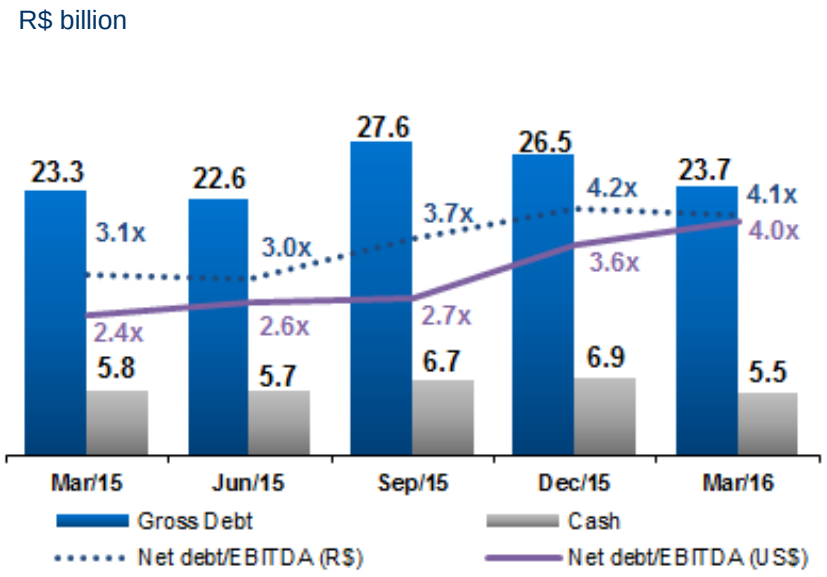
* Net of the effect from Net Investment Hedge.

Better performances in the North and South America BDs partially offset the weaker performances in the Brazil and Special Steel BDs

GERDAU

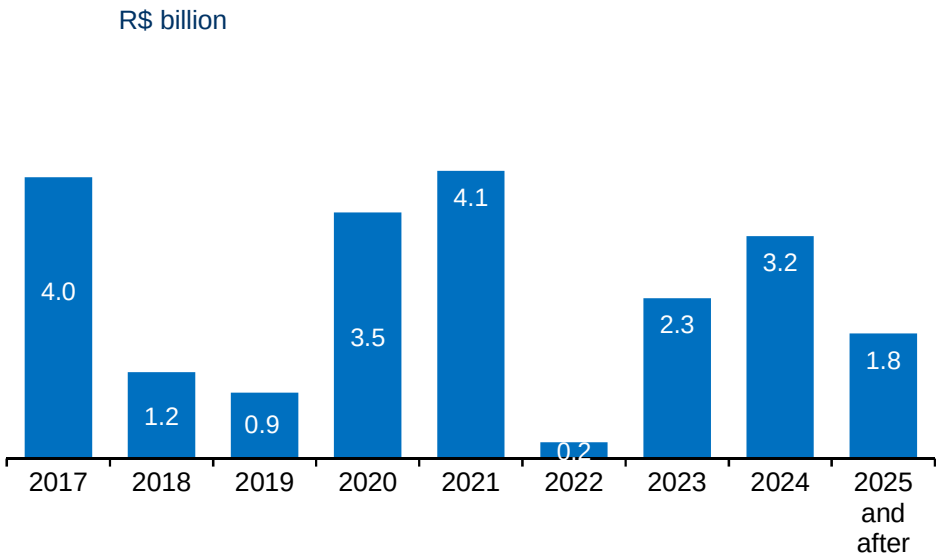
Indebtedness under control

Debt & Leverage Ratio



Average Debt Cost: 7.1%

Long-Term Debt Amortization Schedule



Average Debt Term: 6.3 years

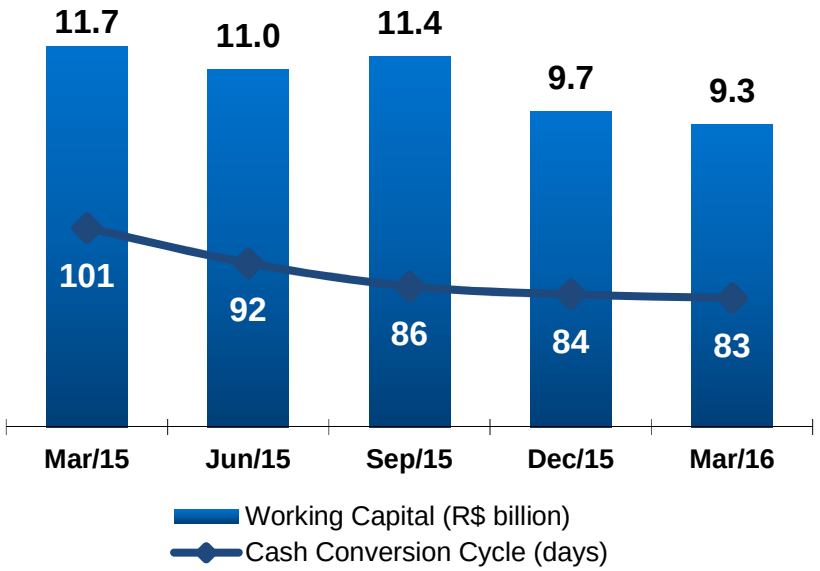
(1) EBITDA in the last 12 months.

Gross debt falls R$ 2.8 billion, with R$ 1.9 billion due to FX effect and R$ 0.9 billion due to amortizations

GERDAU

Consistent reduction in cash conversion cycle

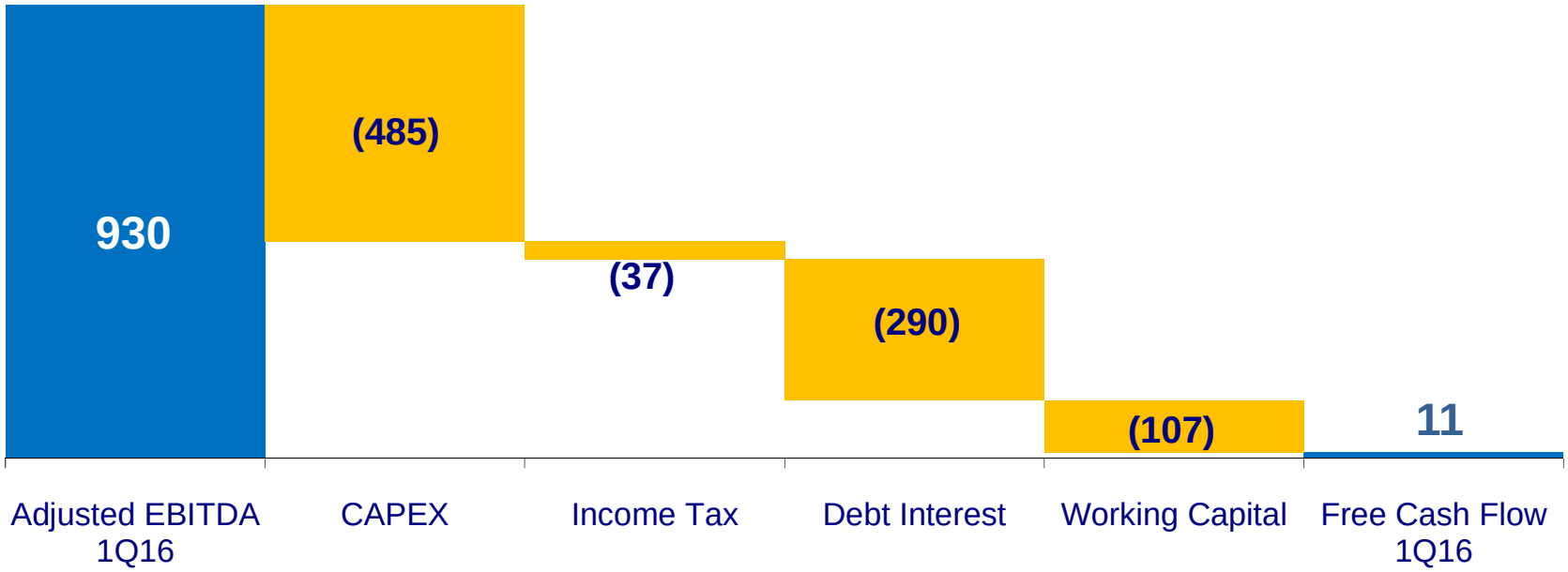
Working Capital (R$ million)	**03.31.2015**	**12.31.2015**	**03.31.2016**
Trade accounts receivable (+)	5,272	4,587	4,528
Inventories (+)	10,190	8,781	8,118
Trade accounts payable (-)	3,745	3,630	3,343
Working Capital	**11,717**	**9,738**	**9,303**



Shorter average term for realizing inventories, benefitting the cash conversion cycle

GERDAU

Positive free cash flow despite the challenging scenario



EBITDA sufficient to honor all commitments

GERDAU

Closing Remarks

- Strong presence in North America and management efforts in all operations supported a 21% decrease in working capital in 1Q16 compared to 1Q15, resulting in positive free cash flow.

- Improvement in consolidated EBITDA compared to 4Q15.

- Compared to 1Q15, the highlights are the EBITDA growth in the North America BO (+40%) and South America BO (+44%).

- Gerdau's performance in 1Q16 is not indicative of trend for the whole of the year.

- Recent recovery in international commodity prices.

- Gerdau continues to undergo a transformation process: creating more value and strengthening the competitiveness of its operations

- Focus on generating free cash flow and reducing financial leverage in 2016:

    - Restrictions on new investments
    - Cost cutting

- Continued efforts to modernize the business culture and definition of strategic initiatives that include a reassessment of the potential profitability of assets.

GERDAU