

Y 2021 Earnings Call

Company Participants

- Gustavo Werneck Da Cunha, Chief Executive Officer
- Harley Lorentz Scardoelli, Investor Relations Director
- Rafael Dorneles Japur, Chief Financial Officer
- Rodrigo Maia, Investor Relations Manager

Presentation

Rodrigo Maia {BIO 19840176 <GO>}

Good afternoon. This is Rodrigo Maia, I am Investor Relations Head at Gerdau. Welcome you all to our earnings release call for the fourth quarter of 2021. Here we have Gustavo Werneck, the CEO of Gerdau; and the CFO, Rafael Japur, who will do the presentation for you. Analysts and investors can send their questions beforehand using the Q&A option.

Any forward-looking statement that may be made during this conference call related to Gerdau's outlook, projections and operating and financial targets are simply predictions based on the management's outlook. Even though Gerdau believes that its comments are based on reasonable assumptions, there is no guarantee that future events may affect this evaluation.

Now, I would like to turn the floor to Gustavo Werneck. Gustavo, you have the floor.

Gustavo Werneck Da Cunha {BIO 20318216 <GO>}

Thank you, Rodrigo, and good afternoon, one and all. I would like to start by welcoming each one of you to Gerdau's earnings conference call to discuss the results for the fourth quarter of 2021. I honestly hope that you're all still very well and healthy.

Today, this is a special call for us, because it marks the end and the beginning of a new cycle. I would then like to start by deeply thanking Scardoelli for the partnership, the learnings, the friendship and the legacy he leaves behind to all of us at Gerdau after more than three decades of extreme dedication. Scardoelli's dedication has been a determining factor for our financial soundness. Also, it was important for market confidence and a positive image with all of our stakeholders, particularly our investors.

Gerdau, at the present, which in 2021 celebrated its 120th anniversary, posted the best performance of its centennial history and this is certainly thanks to Scardoelli's efforts and leadership to guidance, support the teams and also his long-term strategic view. So Scardoelli, I wish you in this new phase of your life, it's a phase of great accomplishments and joys with your family. And so for this reason, I would like to take this opportunity to

present Scardoelli with this tribute on behalf of Gerdau's 30,000 employees for being a personal and professional role model for all of us at Gerdau. So, thank you very much, Scardoelli. I make this acknowledgment before everyone here today.

And, now, I'll give you the floor, so you can address your many friends that you have in the company.

Harley Lorentz Scardoelli {BIO 7283603 <GO>}

Well, thank you, Gustavo. This is a very important moment to me. First of all, I'm very thankful for all of the years that I spent with Gerdau family, the company and colleagues like you. I would also like to welcome Gerdau, a long time friend and colleagues that now takes my position at Gerdau. And, also, I would like to thank the partnership of all of those who are with us today, analyst and investors that throughout the many years have always been side-by-side with the company, understanding our business, asking the questions and the pertinent questions, sometimes questions that help us clarify the understanding of the market. They interpret our results, they understand our business model, so all in all they've been real agents that bring benefits into the market. So, thank you so very much. You know that I've been very close to many of you, so I'm very thankful to all of the years that I spent with you, the company, the family and all of my colleagues.

I just received a plaque with some very kind words thanking me for my journey throughout over 30 years in the company and it talks about this friendship that will last forever, that will be perennial. So I'm very thankful and also I would like to say welcome to Japur. I know he will do an excellent job, because we always hope that whoever comes after us shouldn't be like us but should supersede us, should be better than we were, because he can certainly take the company to new standings. I mean, I know that we came from a year of record numbers and it's always good. It's like in soccer, we always prefer to leave when things are outperforming. So -- but I am also cheering that this is not the best year yet, that we continue to supersede our results and to be better all the time.

Thank you very much.

Rafael Dorneles Japur

Scardoelli, thank you so much for your kind words. I am very, very happy to be in this occasion now with you. I remember like it was yesterday, the first time I talked to you when we had a chance to speak in more details and I was really impressed with the deep knowledge you have of this business. I mean, we all know that very well. But what really drew my attention is that you are such a humble person and so simple when it comes to dealing with all of the things we deal every day. You have been a role models during all these years, not only a role model for me but for everyone else who had a privilege of working side-by-side with you. So I'm honored to give continuity to the legacy you are leaving at and I'm sure that we will continue to inspire other people in your journey ahead. Thank you very much.

Gustavo Werneck Da Cunha {BIO 20318216 <GO>}

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So thank you again Scardoelli and Japur for your initial remarks, and I emphasize that the preparation for the transition between the executives also reflects our very strong culture of developing our teams and it has been carefully planned with the purpose of maintaining Gerdau's financial soundness. Japur has been with us for several years. He worked directly with Scardoelli. Japur is only 39 years old. He is very young, but he is certainly well prepared to give continuity to Scardoelli's legacy. And, as Scardoelli mentioned, I'm sure we will be able to look for even better results going forward.

Well, we know that the search for these results and our excellent relationship with shareholders and partners in the financial markets are important in this transition process with Japur. Welcome and I wish you all the best with these new challenges and I hope we can work together throughout this journey. We are starting today a very successful partnership as it has been the case in other partnerships, like mine with Scardoelli and I'm sure the same thing will happen between the two of us and certainly we will contribute to help the company continue to post excellent results.

So Japur will start by talking about the highlights of the overall results for the fourth quarter and also he will talk about the full year of 2021. Also he will talk about the performance of our business operations and next I will share with you some information about our ESG agenda, which has been increasingly important for our journey, and then I'll talk to you about the markets in which we operate. And to conclude this first part, Japur and I will be available to talk to you later on about any questions or any details that you would like to elaborate further.

So with no further ado, Japur, I'll give the floor to you and then I will come back after your final remarks.

Rafael Dorneles Japur

Thank you, Gustavo. Good afternoon. It's a great pleasure to be with you in my first earnings release call and I hope you're all well. We will start the presentation with the financial results for the year 2021, which was a historical year for Gerdau. On our 120th anniversary, we've reached BRL23 billion in EBITDA. Most of the factors that influenced our results this year were sustained in the fourth quarter with an EBITDA of BRL6 billion and an EBITDA margin of 27.8%.

Now, I would like to show the results for each of our business operations. The Brazil BD reported an EBITDA of BRL2.8 billion in the fourth quarter and an EBITDA margin of 31%, reflecting the strong demand for the industry even with the normal seasonality of the construction sector that occurs usually at the end of each year.

With this, exports were intensified, growing from 12% of shipments in Q3 of 2021 to 25% in Q4 of 2021. Taking advantage of a moment of accommodation, after consecutive quarters of strong demand driven by the replenishment of the supply chain and then in the fourth quarter, we carried out some maintenance downtime in our mills.

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Now moving to our North American operation. That operation posted a record performance of BRL2.2 billion in EBITDA in the fourth quarter, which is a level higher than the EBITDA for the entire year. The EBITDA margin of 27% is also a record for this operation. This result reflects the resilience of the construction and industrial sectors as well as the maintenance of the metal spread at high levels.

In regards to volumes, this BD posted a slight decrease due to the effects of seasonality and climate with demand for non-residential construction and industry is still at high levels. The special steels operation followed a gradual recovery path throughout 2021. The challenges with semiconductor shortages were partially offset, but the good performance of the oil and gas sector in the US and the heavy vehicle segment in Brazil, which consumes significantly more special steels when compared to light vehicles and therefore is less impacted by the supply of semiconductors. With that, the operation reported an EBITDA BRL540 million and a margin of 18% in the quarter.

We are finally in the same slide. South America achieved an EBITDA of BRL521 million with a margin of 23% in the fourth quarter 2021. This operation has also benefited from the good performance of civil construction, especially in Peru and Argentina. Gustavo will give you more details about our operations during his presentation.

Now moving to our free cash flow slide, we will talk about free cash flow and working capital. As we see in the chart on the left, we had a positive free cash flow of BRL3.4 billion in Q4 2021. This is the second best quarterly result in terms of cash flow in our historical series. In the last 12 months, the cash flow was positive by BRL9.6 billion, an all-time record for annual cash flow and double that of the previous year.

Now looking at the chart on the right, we noticed that there was a reduction in our cash conversion cycle from 63 days in Q3 of 2021 to 60 days in the fourth quarter due to the higher net revenue in the period in our operations and also by inventory normalization adjustments throughout the chain. Working capital was down by BRL567 million in the quarter, a natural movement in a moment when we experienced a return to the typical seasonality of our business. As a consequence of the strong operating results, well, in 2021, in the capital allocation policy, which was very rigorous, by the end of 2021, our return on invested capital was 33.4%.

And finally on that same slide, in terms of capital allocation, I would like to highlight that approximately 60% of the BRL9.6 billion (sic - BRL9.6 billion) of free cash flow that we generated throughout 2021 was earmarked to shareholders in the form of dividends, whereas almost 40% was used to reduce our liabilities and indebtedness. We will talk a little bit more about our debt position and liquidity in the next slides.

Well, we were able to reduce our gross debt in the fourth quarter of 2021 by BRL3.1 billion, mainly due to the offer to repurchase part of our bonds in the amount of BRL2.2 billion and the payment of some bilateral loans. With this, our gross debt was BRL14 billion by the end of 2021, approaching ourselves to the main objective of our financial policy of keeping our gross debt below BRL12 billion. Our debt is almost 90% long-term and has a well distributed amortization schedule over the next few years.

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Now speaking about our liquidity, besides the robust cash generation in the period in the fourth quarter we had significant movements in our liquidity position with the highlight being the payment of BRL3.4 billion in dividends and the receipt of BRL1.4 billion related to the reimbursement of losses incurred with Eletrobras compulsory loan. With this at the end of the period, our cash balance was BRL6.8 billion. At the end of 2021, our net debt was BRL7.3 billion, BRL1.4 billion less than the amount reported in the third quarter. This position, coupled with the significant results of 2021, led to a reduction in our financial leverage, measured by the net debt over EBITDA ratio for the last 12 months which landed at 0.30 times in Q4 2021.

And to conclude, on this last slide, we have the evolution of the adjusted net income and dividends paid out over the last years, showing that the combination of best results and the significant reduction of our debt position through our time had a very positive effect on the dividend yield, meaning that the percent -- meaning the percentage of dividends and interest on equity paid in the closing price of the share at the beginning of each period. We went from 0.7% in 2017 to 12.8% in 2021. Due to the results of the fourth quarter, the company will pay dividends equivalent to BRL0.20 per share. And with that we will distribute throughout 2021 the extraordinary amount of BRL5.4 billion, more than the sum of dividends distributed by Gerdau S.A. in the last 10 years.

I would like to thank you for your attention. And, now, I'll turn the floor to Gustavo, who will comment on the market outlook and our businesses. Thank you.

Gustavo Werneck Da Cunha {BIO 20318216 <GO>}

Thank you, Japur, and thank you for your participation. Now, I will ask you to move to the next slide. Here, I would like to start by providing an update on some important points of Gerdau's ESG agenda, presenting the highlights and progress of our journey. I would like to emphasize our commitment to reduce greenhouse gas emissions from Scopes 1 and 2 to a value below 50% of the global average for the steel industry.

Currently, we have one of the lowest averages of greenhouse gas emissions of 0.93 tonnes of CO2 equivalent per tonne of steel, which represents approximately half of the global average for the sector, which stands at 1.89 tonnes of CO2 equivalent per tonne of steel according to the 2020 data released by the World Steel Association.

By 2031, our carbon emissions will decrease to 0.83 tonnes of CO2 equivalent per tonne of steel. In order to reduce greenhouse gas emissions in this period, we will expand the use of steel scrap as raw material for steel production, we will expand our planted forestry area responsible for the production of charcoal, which works, as you know, as a bio-reducer in the production of pig iron, and we will increase the use of renewable energy, such as the solar farms already announced in Brazil and in the US. We will also invest in initiatives to enhance energy and operating efficiency of all of our units. We will invest in new technologies and also we will continue with our open innovation plan. We also aim at being carbon-neutral by 2050. But I would like to point out that carbon-neutrality demands mature technologies is still non-existing -- existent on an industrial scale in addition to public policies that enable the global steel industry to neutralize its carbon emissions.

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Moreover, earlier this February, we signed a binding agreement with Shell to form a joint venture with equal stakes from both companies in this business 50:50 for the development, construction and operation of a new solar farm in the State of Minas Gerais to be built in 2023. This agreement, which still depends on the approval of conditions precedent, including the approval by the Brazilian Regulatory and Competition Authorities, sets the basis for the joint ventures activity in generation and long-term contracting for the acquisition of clean energy. This new solar farm, which should have an installed capacity of approximately 260 megawatts will supply 50% of the volume produced to Gerdau steel production units in Brazil in the form of self-production and the other half will be traded in the free market through Shell Energy Brazil, which is Shell's energy trader.

These investments in solar energy reinforce Gerdau's commitment to significantly reduce greenhouse gas emissions in the coming years in Brazil and also worldwide, building a more sustainable future for all of us. I emphasize that our initiatives in renewable energy are part of a broader plan to diversify into businesses that are complementary to steel. And, currently, we are also evaluating opportunities in wind power in the other countries, where we are present in the Americas.

Now let's move to the next slide and here I would like to talk about the markets in which Gerdau operates and also I will talk about the steel industry outlook for the coming months. Initially, I would like to point out that as in previous quarters, shipments from our North American business operation remained at high levels in the fourth quarter, even considering the seasonality which is common for the period. The outlook for the first quarter remains positive since our backlog of orders in the United States is still above the historical average level, equivalent right now at about 70 days of purchases.

In view of the scenario, we continue to operate our units in the region with capacity utilization levels above 90%. Therefore, we remain very optimistic about demand for steel in North America, mainly coming from the construction industry and with the local economy as a whole. I mean, the US GDP grew 5.7% in 2021 being the highest annual increase since 1984, according to the Center For Economic Analysis of the country. Now, for 2022, the forecast is that, GDP should grow about 4% according to the latest projections from the IMF.

Another example that reinforces this positive view is the Architectural Billing Index (sic - Architecture Billings Index) that measures the activity of the non-residential construction sector in the country and the Institute For Supply Management Index, which monitors the performance of the manufacturing sector. Both indexes remain above 50 points between December and January, which indicates the continuity of the solid and strong trajectory reported throughout the year of 2021.

So in this regard, we continue to invest in improving the productivity and profitability of our units in North America, delivering even more value to our customers.

For 2022, I would like to underscore the investments planned for the Whitby side in Canada, which will allow us to achieve a higher level of productivity and also broaden the

portfolio of products offered to Canadian and North American customers in the manufacturing, construction and also distribution sectors.

So point of attention, however, remained labor shortages, the inflation rate and also logistical challenges that have impacted many companies in North America in the last few months.

Now, I will talk at our special steels' operations starting with the United States, where we estimated that approximately 2.5 million vehicles were not produced in the country due to the well-known shortage of semiconductors in the market, which led local production of units to total 13 million units in 2021, stable year-on-year. Now, for 2022, the expectation is of recovery with vehicle production reaching 15 million units according to projections made by several local consultants, who also predict a gradual normalization in the supply of components, especially semiconductors until the full normalization of the market in 2023.

The outlook for the heavy vehicles market is more positive following, I would say, the favorable signs for the economy with the production of trucks expected to total 300,000 units in 2022 when compared to 215,000 -- 250,000 last year. In turn, the oil and gas sector should maintain its pace of recovery, which we already saw last year with rig counts reaching an average of 604 in 2021 and rising to 730 this year.

Also, I would like to say that we are making progress with our business strategy at our Monroe plant in Michigan, which with the conclusion of the investment cycle last year will offer an additional 150,000 tonnes of special steels to the market as early as 2022. Moreover, this year, we plan to start the expansion works for the unit's rolling mill capacity aiming to deliver products with higher added value to customers in the coming years.

Now moving to Brazil, I will still talk about special steels. In Brazil, the market has also been impacted by the lack of chips, which led to a weak growth in vehicle production of about 11% in 2021 in the annual comparison according to data recently released by Anfavea. It is estimated that worldwide 10 million vehicles were not produced last year due to the shortage of electronic components.

In 2022, the production of vehicles in Brazil should rise around 9% according to Anfavea. However, last year the heavy vehicle segment posted its best performance since 2012 and still according to Anfavea the production of heavy vehicles grew 70% -- almost 75%, driven by the high levels of activities in the sectors of construction, agribusiness and machinery and equipment. This year, the production of heavy trucks should confirm its growth trend with a high of more than 8%.

In addition, I would like to comment that consumption of special steel in Brazil has been influenced by a larger shipments of auto parts, whose local producers have been benefiting from opportunities in the global supply chain, which has made their products more competitive in the foreign market. Also, we intend to start up the new continuous casting unit in the Pindamonhangaba operation in the state of Sao Paulo. This new equipment will allow Gerdau to have a more automated process with improved

performance, resulting in the delivery of differentiated products and an even higher level quality for the demanding markets.

The technological update of our Pindamonhangaba unit is also aligned with the future perspective for the growing use of the so-called clean steel. As I said, it's a steel superior quality with greater inclusion cleanliness. I take this opportunity to comment that in 2021 the special steel operation in Brazil reported the highest historical annual revenues coming from new products, especially clean steel, which reinforces our commitment to the growing demands from our customers.

Now still [ph] about Brazil, I will talk about longs and flat steels whose performance in the fourth quarter reflects the normal seasonality for the industry in this period of the year due to summer vacations and also due to accommodation of the demand for steel in high levels in a scenario that should be maintained at the beginning of 2020 -- '22, especially considering the inventories of all the chains more back to normal levels, our shipments of long and flat steels in the local market grew 14% in 2021 year-on-year, in line with the strong performance of all-consuming sectors especially from civil construction and industry.

The construction sector continues to have a positive outlook for this year with the sector's GDP forecasted to advance 3.2% according to pendences [ph] consultancy, an example that really reinforces this optimism is the number of active construction sites in the country, which in January hit its highest number in the last two years.

Another point that brings us confidence is the number of real estate inventories which is normalize at 9.9 months, retail sales boosted by emergency aid measures implemented by the Federal Government last year have stabilized at high levels, and this is a trend that should be maintained in the coming months, still anticipating a favorable scenario of credit availability.

Anamaco projects growth of up to 2% in retail sales in 2022. In term investments in infrastructure are being unlocked. I highlight the resumption of auctions in the Energy segment with 50 auctions expected this year alone. And according to the Ministry of Infrastructure, investments are -- in infrastructure are expected to reach BRL165 billion in 2022.

Also I mentioned the continued high demand for steel from the industrial sector, driven by the agribusiness activity, capital goods, machinery and equipment, road equipment and an energy. The machinery and equipment sector foresees a growth of 4% in 2022, according to Abimac [ph] while the Road segment should increase by 8%.

Furthermore, I would also like to highlight the investment of BRL200 million in the Hugrandensi [ph] unit in Rio Grande do Sul earmarked for the modernization of the melt shop as well as improvements in the industry for that old journey, which is so important for us and enhancement of improvements in environmental and safety conditions in the steel production process such as the update of the dedusting system. I also emphasize that focusing on our values and increasingly closer to our customers, we started the

production of a new high-strength rebar, the Gerdau GG70 which meets the needs of our customers, since it offers a high performance solution with important productivity gains and sustainability.

This new product is intended for several segments of the construction industry with emphasis on industrial and commercial constructions. In Argentina, in turn, the demand for steel from the construction and agribusiness sectors remain strong, which has boosted sales in the local market. Argentine civil construction activity for instance grew about 27% in 2021 and has already posted a 4% increase in January in a year-over-year comparison according to monthly data from the Chamber of Construction of the country, Camargo.

The same scenario is replicated in the Uruguay steel market. Finally in Peru, steel consumption continues at good levels encouraged by the industry and aligned with the levels of demand for cement. Estimates from the country central bank indicates that GDP will grow around 13% in 2021 with the local economy returning to pre-pandemic levels.

Now on the next slide, let's talk about CapEx. I begin by saying that throughout the fourth quarter of 2021 Gerdau invested BRL1.2 billion, of which BRL961 million in maintenance, and BRL255 million in expansion initiatives and technological upgrading over year 2021 disbursements total BRL3 billion.

I underscore that we continue to adopt an austerity stance in the approval of our investment plan which by 2022 is estimated at BRL4.5 billion. This robust plan covers initiatives to improve the competitiveness of our operations, including projects for technological modernization and growth of our business, such as the ones I mentioned before and I can give you more detail in the Q&A session. And we also continue to focus on performance and operating excellence of our activities related to CapEx investments.

Well, I would like to close this first part by thanking you all for attentively listening to our early explanations. And now, am I right Rodrigo. Rodrigo will be leading us now. Japur and I will be here to take your questions. And any detail points of greatest interest to you. Over to you, Rodrigo.

Questions And Answers

A - Rodrigo Maia {BIO 19840176 <GO>}

Thank you, Gustavo. We will begin now the Q&A session. We thank you all for being with us. We have more than 350 listeners in our conference call. Now we have eight questions. Feel free to send further questions via Q&A. I'll begin by reading the questions in the Q&A by mentioning the analyst in question.

Our first question is from Rodolfo Angele with JPMorgan, the topic is capital allocation. The Company generated more than BRL4 billion of cash last quarter and is expected to have another strong year of free cash flow in 2022. We already know CapEx will be BRL4.5 billion for the year. Rodolfo is mentioning our material fact of today in addition BRL7.3 billion of net debt. The company's balance sheet is not a concern.

If we don't have M&A in our plans, all we have is dividends, as an option of allocation of capital, should we expect that excess free cash flow turns into dividend. What do we need to come to a more aggressive solution in this case, still about capital allocation. Could you give us more detail on the investment plan of BRL1.4 billion to expand your operations? Thank you. Rodolfo.

A - Gustavo Werneck Da Cunha {BIO 20318216 <GO>}

Rodolfo, it's a pleasure to talk to you. Gustavo speaking. Let me begin by giving an overview about CapEx and then I'll turn it over to Japur, he's give you more detail on dividends and other aspects related to capital allocation. Firstly in the disbursement plan of BRL4.5 billion in 2022, there is a part of it about BRL500 million as disbursement not made in 2021.

When I mentioned in my earlier remarks about austerity stance, and being stringent with CapEx in disbursement, this is very much related to the moment that we're facing, not only in Brazil but also in the US, a little bit more challenging execution of CapEx owing to labor, availability of equipment and suppliers.

We are being very careful and diligent in our disbursement, understanding that some investments that are not as critical when it times to -- when it comes to our timeline, we decided to postpone some disbursement trying to go for more favorable commercial negotiations. So these 5 million came from last year particularly for this reason, and over these year we will be addressing the same way. We will be very careful, so we can actually implement and work on investments that really bring the return -- rates of return expected by the Company of the BRL4.5 billion, we begin to consider like I said, for a couple of quarters ago, the need to invest in maintenance in Ouro Branco, which is a plant, a mill that is coming to the end of its cycle, unlike our many mills. Annually, we maintain them and they are able again to run operations under adequate healthy conditions of our equipment. Our integrated plants have longer life cycles. Ouro Branco is coming to the end of the cycle and it will take for the future years a higher level of investment but perfectly absorbed by the company's balance sheet in order to renew the lifecycle of these equipment like plus furnaces, coking units. So of the CapEx. That's it.

And also searching for opportunities to increase our productions in a timely manner for some product categories in which we are leaders. We understand our -- we have a level profitability, which is adequate, like for instance the coiled hot-rolled strips, with disbursement already started. We are also increasing by 250,000 [ph] in Ouro Branco with our rolling mill after the startup in 2015. It's fully -- at full capacity, so we understand that we are own supply channel commercial get down [ph]. We have plenty of conditions to meet our customers' needs fully with the 250 additional thousand plan units. So we'll be very careful adding capacity, so we can bring returns in the same time frames and adequate rates for the company. As for the rest, Rodolfo we're investing in IT upgrading. We understand that Forjados is very relevant to reduce our costs. So that's the rationale about CapEx.

Certainly Japur can give you more color on what I said. And also address dividends. I turn it over to Japur now.

A - Rafael Dorneles Japur

Thank you, Gustavo.

Rodolfo, like to talk to you again, very nice. Something we've been working internally Gustavo is that we were not go to level our requirements on quality for investment purposes. We will be very stringent not only in returns but also in the scope of quality of the investments that we want to make. When it comes to capital allocation. I understand that we've been reasonably aggressive this year increasing by 60% our cash generation after paying CapEx and further obligations and working on the necessary working capital to meet market needs and have the level of profitability we had. So 60% of free cash allocation was earmarked to dividends over 2021. If we look at our payout included on our slide, we can see that for the last four years, we always paid more than 30% of our income.

So we understand that if things remain positive, when it comes to cash generation, we will keep on having the same flow of approving and having dividends greater than the 30% in our bylaws, but it's too early to make any deep changes right now. So important changes of changing or amending our bylaws to change our payout provision considering that today, we have the availability required when you have higher or lower cash generation, we have the right level of dividends in order to maintain our commitments to our business and our commitments and remuneration to our shareholders.

A - Rodrigo Maia {BIO 19840176 <GO>}

Thank you. The next question is from Caio Ribeiro with Bank of America.

Good afternoon. Thank you for taking my question. My question has to do to costs in the Brazil BD. I would like to know if you could make comments on how you envisage evolution in the future quarters, particularly when it comes to charcoal? And what about the evolution of margins in Brazil over the year?

Secondly long steel prices in Brazil. Today, we can see a very high discount vis-a-vis the Turkish rebar prices apparently are going down in the domestic market, could you comment on what the trigger would be to revert the trend and close this discount vis-a-vis the Turkish rebar? Thank you.

A - Gustavo Werneck Da Cunha {BIO 20318216 <GO>}

Caio. Thank you very much for your remarks, I would like to answer your questions. Firstly, by giving a broader overview on what's happening at Gerdau as a whole. And then Japur is going to give you more detail on what has taken place in terms of volumes, margin, cost, profitability over Q4 and earlier this year.

When you look at the year 2021, we had a historical EBITDA of BRL23 billion. This was a very special year for us to the steel market as a whole, a year in which we celebrated a 120 years of existence. The best result in the past was the previous year '20 -- BRL27.7 [ph] billion EBITDA, so there was a positive operation that was very significant in our gross cash generation from 7 to 23. If we look at year 2022, the current year, we already begin

the year very convinced that this will be the best year of the company. Except for 2021 naturally, we want to be as close as possible to 2021 but 2022 also be one of the greatest years of the history of Gerdau, I can say that we are closer to deliver what we did in 2021 of BRL23 billion than having a year of 2020, which was BRL7 billion.

The first quarter of the year begins very strongly for us. It starts even stronger than the first quarter of last year, which was a record year, pretty much driven by results in North America BD, which was more than enough to mitigate some challenges that I'll mention next in which we had in Brazil by the end of last year and early this year.

Our vision for this year for results at Gerdau was extremely positive and I highlight that first quarter of this year is very strong, even stronger than the first of last year like I said before but we have to wait and see how the markets will unfold over the second quarter and the third quarter of this year, so the outlook is extremely positive.

Now what about Brazil? Before we move into cost and profitability, I'll just like to give a better understanding of what happened in Q4 and earlier this year in order not to have the false conclusion that what we saw in Q4 and more specifically in December and January is a reality in the market for the future.

Firstly, in December, we had, again, the typical end of year seasonality. In 2020, we have pent-up demand. We were recovering inventory levels, seasonality, which is typical of every year also happened by the end of last year at Christmas or holiday season, there was an impact on seasonality. Another important impact is that inventory in the chain are at regular levels.

So you are not going to see an artificial demand over 2022 or grow in inventory in the chain that we had in 2021. This was done before, and our inventory levels are regular. Third factor in our case was the scheduled maintenance in December, typically of seasonality time and we did not do all of them in 2020 but now we're back to a natural routine in our business. I would also like you to understand that in December, we had something atypical, which was the entry of imported products, which were negotiated and traded especially by some traders over 2020 and got to Brazil in 2021. So that's a non-recurring factor so to speak and you mentioned margins, Caio. On our end, we are strongly working in December to support our margins.

So there was an important trade off to be taken into account in December by the end of last quarter, involving volumes, margins and on our end, we worked very strongly to maintain the margins that we had up to then. So these are some drivers and factors that they are not recurrent in Q4 and in January, we started the year with more challenges particularly owing to COVID.

It was a very significant impact on general business in Brazil, I would say more than the first two weeks of January and pretty much influenced by the heavy rainfall particularly in Minas Gerais states over January. So there were some challenges in the first days of January, but starting January 15, we began to notice a regular pace of entry of orders, which is also confirmed in February.

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So what we see in terms of value -- valuation has to do with distribution owing to what I mentioned about inventories before and other segments like civil construction and particularly the industrial segment, retail and also infrastructure, the real level of demand is very similar to what we had last year.

As for costs, the greatest impact is still charcoal. There was an expectation that charcoal would have reduction in price in February, but it didn't happen. We keep on considering there will be a price reduction in the coming months. But that will have an impact on cost for us, and to some extent if you think Gerdau Brazil as a whole, this is mitigated by the flexibility of route we have.

So the scrap in the bioreducer will have stronger control on these and these mitigate in Gerdau Brazil as a whole in the coming months, it mitigates the cost issue. So just to conclude, when it comes to import premium, as we speak, this varies a lot. But in our plants, it is a positive rate around 8% and for long steel, it is negative, we believe it's going to move naturally to the right place over the coming weeks. Well that's a topic to be discussed always having this consideration that we need regular distribution inventories. There are no expectation to increase our import volume in Brazil for the coming months, we believe we have in regular [ph] and normal import amounts. So I decided to give a more detail explanation so that you understand more about the global scenario and a little bit of the Brazilian scenario as well when it comes to volume and margins.

So I gave you more conditions to go deeper into these details based on my general remarks about the world, and Brazil. Japur, anything to add. Feel free to add anything you want please.

A - Rodrigo Maia {BIO 19840176 <GO>}

Thank you. Our next question, Leonardo Correa with BTG Pactual.

Thank you. Good afternoon, everyone. I thanks Scardoelli for everything and congratulations for your job and good luck. For Japur, good luck, Japur. There are two questions that have already been mentioned before in the call. Gustavo, Japur, anything to add. First question, margin pressure in the Brazilian operation in Brazil, do you think you can have a stable profitability level in the region or do you expect to see some pressure in the first half of 2022?

Second question. The goal for gross debt of BRL12 billion particularly now with BRL closer to five, should we expect to see a new dividend policy to come up soon? And by the way, we can also ask question by Thiago Lofiego with Bradesco which has to do with gross debt as well. And also, he wants to know if it makes sense for Gerdau to consider a minimum dividend formula back to EBITDA or free cash flow in order to provide more visibility to investors on this topic. Thank you.

A - Gustavo Werneck Da Cunha {BIO 20318216 <GO>}

So Japur, I'll answer first. And you can add to my comments. Okay. About dividends. Well great to see you. It's a pleasure to hear your question, Scardoelli is also here with me also

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thanking you for your kind words and also Japur is also here and thanking you for your wishes of good luck. Japur has been with us for many years now and we're very fortunate, he will continue the legacy made by Scardoelli and other previous CFOs that contributed so much to Gerdau over a 120 years of history. I also greet Thiago for asking the question about dividends to be answered by Japur.

Well, let me talk about margin pressure in Brazil, we reached a margin level in Brazil last year and this is in our numbers around 40%, that's a very -- a much higher margin compared to what we had in previous years in Brazil. So margins in Brazil will remain high this year not at this level, but they will be at historically high levels, like I said, we have more challenging in distribution, but distribution is a share of 30% of Gerdau's deliveries in Brazil.

So we have another 70% not related to distribution. And directly related to industries that have a very strong real demand, take for instance the industrial area. So margins will be high in Brazil that's the outlook for the year, but not as high as the ones we had last year, however, I would say, overall speaking, they were mitigated in Gerdau owing to the historically high margins that we had in North America and that will remain in the coming quarters.

This slightly upwards and downwards margin level is very much related to prices in the international market. We are not going to reduce at all our production capacity in Brazil, we are not going to remove any capacity from production or personnel or shifts. So production is not absorbed by the domestic market will be fully driven to exports and the foreign market.

So this difference between domestic and international markets, they may contribute [ph] so that the general margin of the Brazil BD be slightly higher or lower, depending on the market driven to international market in the coming months. So it's a very high margin level, historically high that's what we expect to see Leo. Now Japur anything else to say, and you can also talk to Leo and Thiago and everybody about dividends and debt.

A - Rafael Dorneles Japur

Thank you, Gustavo. Just greeting Leo and Thiago. Thank you for your kind words and best wishes to Scardoelli and myself.

An important point to say, Gustavo, not only the chain and our customers who have been through an important moment of supply replenishment in their inventories for Gerdau if you compare our level of working capital in absolute BRL numbers or cash conversion cycles, over 2021 we had important investment in working capital in the construction of our cash flow. So it also ensures over 2022 that results that perhaps might not be as good, when it comes to EBITDA or margins compared to 2021. However, when it comes to cash generation we are very bullish about the outlook for the North America and Brazil BDs and also other businesses of the company.

As for dividends that's an interesting point and once again, we understand the adequate means to ensure long-term return to shareholders is not only with dividend paid outs but

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also having a healthy balance sheets within the policies we set in order to have a perennial capacity to invest in business generating value and dividends to our shareholders, right. When you check our historical outlook, we are very close to our BRL1 billion Escrow [ph] but we are at 14, we have to sell a lot of steel in order to generate or reduce BRL2 billion [ph] in our debt.

Our dividends from the moment we have assured cash generation, then you revisit this topic and like I said, once we have surplus cash generation, we can earmark these funds over the 30% set, as we're having a new policy that's interesting but we understand, it is too early to say anything and we would like to wait a little bit longer and unfold our CapEx program, move forward in the results up to Q4 and maybe one day, we can have a more structured discussion of amending a policy in our bylaws because it has been working fine for the last years.

A - Rodrigo Maia {BIO 19840176 <GO>}

Thank you. Our next question is by Daniel Sasson with Itau BBA.

With regards to the US, the goal prior to COVID was having an EBITDA margin of 10% regardless of the scenario. In the post COVID world, what do you consider to be a sustainable margin level, in the North America BD and I also add a question by Andreas Bokkenheuser with UBS.

US non-residential construction spending increased 11% year-over-year in 2021 but construction cost inflation is over 20% year-over-year. Does that mean that real non-residential construction activity is declining. Thank you.

A - Gustavo Werneck Da Cunha {BIO 20318216 <GO>}

Well, Daniel. Thank you. It's a pleasure to talk to you, you have great memory. I'll never forget this promise that I made to you four years ago when our margins -- our EBITDA margins at the US were 6.2 and we broke down our work in terms of OpEx and CapEx, so we could increase the margin two digits, so we lowered our hands, we worked hard, we did our job, we increased the market margin to 10. So I think, what we did our structure job of searching for cost competitiveness and the CapEx plan in North America for the last four years, they all brought the necessary strengths for us to be competitive on equal footing with any US player, when it comes to structural profiles, commercial profiles and these allowed us to have a stronger economy in the US and a strong order backlog so we could deliver margins in Q4 around 27%. These margins, we are working in order to improve these margins in the first quarter of the year. There is a chance of this to happen. We have some job to be done and we understand that margins at these levels will be a reality in the coming quarters.

Naturally, I know nobody expects that we cannot say how far this will go, but if you think about 2022, we're very confident based on what we've seen so far that we'll manage to deliver margins at these levels or even greater than what we had in Q4. I would just like to highlight, Daniel that this order backlog that is so strong right now has no demand

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coming from the infrastructure package approved by the US government. The famous infrastructure bill.

This would only be translated into steel demand by the end of this year and early next year. So that's the kind of technical demand reserve and it could be used some time. So nothing related to infrastructure package. Actually that's very strong savings that we have and the spread level that is unprecedented, Daniel, very high spread rates and our CapEx structure being reverted into better service to customers, better product mix, so just as it happened in Brazil, we have an internal capacity to deliver good results with favorable market conditions. So we're very optimistic about what lies ahead and certainly in the first quarter, we will begin to see as soon as we deliver the earnings, we will understand how everything will become concrete in terms of our financial results.

And about Andreas' question. Andreas, we have a slightly different understand. Non-residential construction is very high for us. I said 71 days of order backlog. In our case, it was no strike in variation. We understand demand by non-residential construction will still be at a high level, that's what we hear from our closer customers in the market at large.

So I highlight, our vision is very positive in the US market, pretty much based on what we see in the daily operations, the entry of orders, new projects and new investments made in North America.

A - Rodrigo Maia {BIO 19840176 <GO>}

Thank you. Our next question is from Marco Travaris [ph] from GTI Investments.

Good afternoon. I would like to understand, how do you see domestic demand for long steels in the next coming months with inventory levels in clients and consumption. The Steel Institute Brazil showed a very strong drop in January and this week, we already saw a steep decline in rebars in the southeast of Brazil, I would like to add another question from (inaudible) from Goldman Sachs.

Could you please talk a little bit about imports in the second half of 2021, when do you believe that this overhang will be over, and it will be consumed by your domestic demand and how has that impacted pricing discussions?

A - Gustavo Werneck Da Cunha {BIO 20318216 <GO>}

Well, thank you. Thank you both of you for your questions. The major difference between 2021 and '22, I mean, the biggest difference refers to inventories in the distributioning, last year there was replenishment of inventories because inventories were low, but this year, they will not -- we won't see any replenishments because we already started the year at good levels of inventory. Even when we look at that excluding that factor, right now, we believe the steel demand in Brazil in general, like, if we take the number from IABR should evolve considering 2021 and 2022, between 1% to 4%. This is our expectation. But let's leave this fact on this side and let's remember that the actual demand in our industry, civil construction, industrial sector, in retail, in infrastructure, because there are many things now being unlocked. It's still at very high levels, probably the only thing I could say about

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rebars prices and import premium is the rebar distribution, that's the segment that really felt a stronger dispute for market share.

And as Masue [ph] talk about, the entry of imported goods in Brazil that is something that occurred in the second half of last year. Products were somehow reclaimed [ph] at Brazilian ports because there was difficulty in logistics, that was across the board but the products are ready for distribution and this contributed to increase volatility of rebar in terms of distribution, I would like to remind you that distribution accounts were 30% of our shipments and within distribution there is a whole range of products, not only rebar, rebar is just one of them.

And that's where we saw greater volatility in both December and January, therefore it is not -- indeed it's the most relevant element in our business and the expectation is that, I mean, we will not see a larger amount of imports even because there is no stimulus to increase imports or any import premium and we believe that still within this quarter there is a equation related to rebars more particularly and even referring to distribution will be normalized resuming getting back to normal levels. Now this is just a general overview about this topic. Thank you.

A - Rodrigo Maia {BIO 19840176 <GO>}

Thank you, our next question from Rafael Barcellos from Santander Bank.

Could you please elaborate on the competitive environment in Brazil today. Is it possible to see further price discounts in longs in Brazil in the next coming months? Is there any specific effect related to Omicron and the January rainfall in Brazil, go -- carrying it further in the first quarter of 2022, and then in regards to the United States, how do you see metal spreads in early 2022?

A - Gustavo Werneck Da Cunha {BIO 20318216 <GO>}

Thank you, Rafael. We have no sound. I do apologize. I think, his microphone is muted. I think, his microphone is on mute. I believe his microphone is muted. The interpreter apologizes but there is no sound coming from the main room.

Now, okay. So whatever we look in the United States and whenever we look at the different dimensions of the business, they are all very favorable so as they maintain -- the maintenance of relevant margins. But speaking about Brazil, as I was saying, the situation was a bit more complex, especially at the end of the fourth quarter and early this year, because on the one side, Omicron hit our business not only our business but business in general, in Brazil in the first few weeks of January. Our internal statistic shows that as of January 15, we've been reducing the number of cases and the number of people outside the job because of Omicron even though we pay close attention to this subject because health and the well-being of people is number one in our priority list, but there has been a significant reduction in the number of cases, in the number of people that have been put aside because of Omicron.

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But on the other hand, rainfall was a severe problem in the state of Minas Gerais and I take this time to express my solidarity to the people of Minas Gerais. We've been amply helping the population of Minas Gerais and now in Rio de Janeiro, they are also struggling with extreme climate conditions. We are doing all we can to help the state to put things back on track again. Therefore, excess rain has hampered our business in Minas Gerais not only Gerdau but most of our competitors have business in the state of Minas. But I think, this may reflect in some cost increases in the next coming quarters or months but nothing very material. We already found ways to mitigate this cost increase through other alternatives and the competitive environment.

I think, that was your first question. And as I was saying, much earlier on when we talk to Thiago and Leo, it was a bit more difficult in December and January because of seasonality, the entry of imported rebar because that also falls into the distribution arena.

December and January were more complex months for Brazil. But now almost at the end of February, we see things going back to normal, therefore going forward, we do not anticipate any of these factors reoccurring and hampering the competitive environment in the weeks to come. Okay.

A - Rodrigo Maia {BIO 19840176 <GO>}

Now going to pull five questions about CapEx in order to have a single answer they come from Victor Burk, Antonio Luis Eso [ph], Rafael Shakur with SFA Investments and (inaudible).

Overall speaking, they want to know how CapEx will be included in the strategy for go and sustainability at Gerdau, Gerdau Next, Innovation and any possible acquisitions of new assets? Thank you.

A - Gustavo Werneck Da Cunha {BIO 20318216 <GO>}

Japur, would you like to take this one.

A - Rafael Dorneles Japur

Sure. Let's go for it. Good afternoon, everyone. It's a pleasure to talk to you all. When it comes to our CapEx, let's go by parts. In our greenhouse gas effect reduction plan, we consider energy efficiency, general efficiency of our operations, investment in forest and investment in clean and renewable energies. We are searching for alternatives and initiatives in each one of these verticals in our program, not only for this year, but also on the long term.

And we had has material fact showing today, making it crystal clear that in this disbursement for 2022, we have about BRL800 and greater than we had over 2021 to increase investments that generate return or impact in sustainability, better energy efficiency, reduction in emission, wastewater control and increase in water recirculation. So we believe that in each one of our operations, we are investing in a very mindful manner. We're very cognizant in order to have investments that really assure per annual business on the long term.

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As for strategies in new investments, like Gustavo addressed in a couple of questions, our current investments are pretty much focused on our assets. We don't have big investments in green fields for the future. We are more focused on maximizing returns on our current assets, particularly in North America, where we've been investing for the last four years, trying to revamp, modernizing our units, reducing lack of efficiency and, Gustavo, we managed to have success when it comes to competition. And in Brazil, like we said, our idea, our intention is to invest in expansion of coiled hot rolled strips, which is a line of product that we embarked on in a couple of years. And now we have the portfolio sold up to them. So this is the rationale of our investments. Pretty much focus once again on improving the profitability of the assets that the company's management already has to generate more and more value to our shareholders. Gustavo, anything to add?

A - Gustavo Werneck Da Cunha {BIO 20318216 <GO>}

Just adding something. I think I talked before in the past that when we look at the future of Gerdau, we will grow again differently from what we grew in the past. This time, more organically focusing on niche market, high profitability, opportunities are coming in. But if you think about the future of Gerdau, if you think about what happened in last year about sequential acquisitions, this is not part of our plans, like I said before. So any opportunities like Salati [ph] in Sierra [ph], any opportunities for M&A, these are not part of the CapEx plan. This will be addressed differently.

I also want to make it really clear to our colleagues who asked questions that these investments already approved for Gerdau Next are included in the CapEx plan. So we are not -- we don't expect to see any additional plan to be announced for Next CapEx plan. The organic growth plan is for 10 years and we understand Gerdau Next is on the right track, the pillars already well set. So decisions like this, there were announced with the JV with Shell for instance. This disbursement is going to take a couple of years. And it's included in the amount that we disclosed. So there won't be an additional CapEx plan for Gerdau Next. We're going to do it smoothly, calmly over the coming year accommodated in the CapEx amount that we announced.

A - Rodrigo Maia {BIO 19840176 <GO>}

Thank you. Please, could you go deeper into Brazilian exports in the Auto Parts segment. This is a question by Luis (inaudible) Is that a new structural factor or is this only a moment related to opportunities? Do you see the auto part industry becoming more competitive? Are these exports related to light or heavy vehicles, please quantify?

A - Gustavo Werneck Da Cunha {BIO 20318216 <GO>}

Okay. So that's a good statement, a good question and it's very much related to what happened over the pandemic. In terms of finding windows of exports with our customers, a disruption of global logistics chain, we understand this is not going to be solved in the short run. So, not only in automotive but also machinery and equipment segments, many Brazilian companies, our clients proved to be ready and prepare to benefit from these opportunities. And just as a side comment, many times we hear that the Brazilian industry is not updated enough quite the opposite, if it weren't like this it wouldn't be able to

benefit from these opportunities. So our industry is very well prepared, not only the steel industry, but our customers industries as well.

What we ask over time is to have the right conditions, so we can be competitive enough to be on equal footing with any international investor or player. It's not by chance that we're very excited about progress in the tax reform and other policies that will bring more competitiveness to the industry. So everybody is very competitive and ready and some players found these opportunities in the logistics disruption and we are also ready. And when we put it altogether, we found opportunities in the auto part industry and all the other industries as well.

So we could really work on short-term opportunities translating them into volume. Other than that there is a lot of things being done in Brazil over the years. We are taking the leading role in this, in terms of generating competitiveness for Brazilian auto parts to increase the export volume not by chance that our investments in the BMW and GABA [ph] in cleanliness. This is going to happen over time. That's a strategic plan, a very robust plan involving Gerdau and our customers. We want to increasingly become a relevant player in the global auto part market. Thank you.

A - Rodrigo Maia {BIO 19840176 <GO>}

The next question is from Carlos de Alba from Morgan Stanley.

First, thanks for the partnership with Scardoelli in the last few years, and its position is with interest rates escalating both US and Brazil. How is the company getting to pair to react to a possible change in the demand landscape in the coming months? Thank you.

A - Gustavo Werneck Da Cunha {BIO 20318216 <GO>}

Well, hello, Carlos. Well, suppose we'll talk about the macroeconomic landscape, but first of all Scardoelli is right next to me. He is thanking you and also thanking you for this good partnership. Well, I will not refer particularly to the interest rate because I'll leave that to Japur. But I will refer to the capacity that we acquired in the past few years of an agility. In terms of capturing these opportunities and market volatilities, we've been talking for quite some time about our cultural in digital transformation. At Gerdau today, we have a very lean and horizontal structure with very quick decision making process. Therefore, I reinforce my point with indicators related to market share in Brazil, something that we were able to capture in 2020 and '21. And also our capacity to be able to operate in very complex and volatile landscape, and he will continue to be like that. And as Gerdau and in all of our geographies, we are very well prepared. We have very good risk plans and opportunity plan and capture the volatility that will certainly occur in the world in the next coming years. So in terms of a more conceptual answer, this is what I have for you, but I think, Japur, can elaborate more on the number part.

A - Rafael Dorneles Japur

We are starting the year with an inventory of construction sites very high, historically especially and then compare with numbers from the past, we are two, three times higher and even though we have a landscape of higher interest rates in Brazil and in other

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geographies as well. I believe we have a very good visibility in terms of the demand coming from the construction industry in Brazil. At least in all for the next coming quarters. And eventually, we also understand that the major investments are approved [ph] in infrastructure and the resumption of the industry, the rebound of the industry, we will also serve to accommodate some movements coming from the construction demand if we feel that indeed there will be a reduction in terms of new launches in the fourth quarter of 2022 or in early 2023. But we are very optimistic about the demand in Brazil and in the US and we continue to operate with very high volumes, very much driven by the industrial sector and the construction sector as well. So I think in general, this is what I would like to highlight.

But before we proceed, I just heard that there was a problem because when I was talking about the spreads, Rafael from Santander, my microphone was on mute. So I would like just to repeat what I said because some people couldn't hear me. Our spread in North America is at historically high levels. Therefore, our outlook for the next coming quarters at least in 2022, is that these levels will be maintained, driven by the strength in demand. In March, US scrap could increase to be around \$30 to \$50, which will help sustain the prices in North America. Therefore, our outlook going forward is that this spread at high levels should be maintained.

A - Rodrigo Maia {BIO 19840176 <GO>}

Thank you, Gustavo. Our last question comes from Jacqueline [ph] (inaudible).

As Gerdau is finds itself in a debt position of almost zero cash and with the free cash flow that is positive. Could you give us an outlook for your net debt target?

A - Gustavo Werneck Da Cunha {BIO 20318216 <GO>}

Well, thank you, Jacqueline for your question. Our financial policy has some well-defined targets. One is our limit of gross debt of BRL12 billion and the other one is our net debt over EBITDA target. In fact that Gerdau present in several geographies. You know, we are not in single geography. We have some limitations in terms of moving our cash. So when we compare ourselves to other companies in terms of the consolidated numbers, maybe in our case, our numbers are higher when compared to other peers. Taking into account these two factors and usually historically Gerdau as always had a cash level of about BRL5 million to BRL6 million. And so I think we can probably estimate what lays ahead. So once again, our main focus is gross debt. We believe that, in fact, especially in situations like this one, when we have increased interest rates. I mean, we cannot carry cash and carry debt at the same time, that's why we are very much focused in reducing our gross debt throughout 2022, if it's possible. Thank you.

A - Rodrigo Maia {BIO 19840176 <GO>}

Now our last question (inaudible) from GTI.

Dividends announced by Metalurgica Gerdau include the transfer of the share received by Gerdau maintaining a high level of cash at the holding company.

A - Gustavo Werneck Da Cunha {BIO 20318216 <GO>}

Thank you for the question, Marco, [ph] the dividends of \$0.10 per share is basically a pass-through of dividends received by Metalurgica Gerdau with 32%. We don't have any resolution, any decision vis-a-vis the use of this cash at Metalurgica. In the past, we had a leverage at the holding company with a net cash position of the holding company and now we have flexibility in some strategic alternatives, which have not been decided yet.

A - Rodrigo Maia {BIO 19840176 <GO>}

Thank you. So this concludes the question-and-answer session. Just making comment at here backstage there are several messages paying compliments to Harley Scardoelli his full support to Investor Relations on behalf of the team for more than 10 years. And I also wish a lot of success to Japur, we've met many years ago, and I'm very confident that Japur will be very successful in this challenge. Questions which have not been answered can be submitted to the Investor Relations team, and they will contact you with the answer.

Now, I would like to give the floor back to Gustavo for the final remarks.

A - Gustavo Werneck Da Cunha {BIO 20318216 <GO>}

Thank you, Rodrigo. Japur and Scardoelli and myself, thank you all. Thank you all again for being with us today. As usual, it's a huge pleasure to have this interaction with you when we share and learn so much from you. This is part of our goal to be closer and closer to all of you. So, right now I invite you all to be in our next earnings presentation call for the first call -- first quarter 2022 on May 5. So thank you very much. All the best and take care.

A - Rodrigo Maia {BIO 19840176 <GO>}

This concludes Gerdau's earnings conference call. Thank you all for being with us, and with the statement by Rafael Japur's AKA, congratulations, fantastic, Harley and all the best to you. Thank you.

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