

Q2 2005 Earnings Call

Company Participants

- Osvaldo Schirmer, EVP, Director-IR

Other Participants

- Andres Perez, Analyst
- Daniel Altman, Analyst
- Edmo Chagas, Analyst
- John Novak, Analyst
- Leo Larkin, Analyst
- Marcelo Aguiar, Analyst
- Unidentified Speaker

Presentation

Operator

Good afternoon, ladies and gentlemen. and welcome to the audio call of Gerdau. Thank you for standing by. At this time, all participants are in a listen-only mode. Later, we will conduct a question and answer session and instructions to participate will be given at that time. (Operator Instructions)

This conference call includes estimates based on current expectations on future events and trends that affect our business. These estimates are subject to risks, uncertainties and suppositions and include, among others, overall economic, political and commercial environment in Brazil and in markets we are present in, in addition to government regulations present and future.

At this time, I would like to turn the call over to Mr. Osvaldo Schirmer, Executive Vice President and Investor Relations Director. Sir, please go ahead.

Osvaldo Schirmer {BIO 1754610 <GO>}

Thank you. Good afternoon, ladies and gentlemen. Welcome to our Second Quarter 2005 conference call. The quarter's results are available at our website and have been sent to the regulatory agencies and the exchange. The quarterly data in US GAAP are also available at our website.

Highlights. Gerdau S.A. has announced Second Quarter's consolidated net profit of 893 million reais and a net margin of 16%. Operating profit was almost one billion reais, net

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revenues were 5.4 billion. And generated an EBITDA of 1.3 billion reais, an EBITDA margin of 24%, the same as that of the First Quarter.

Consolidated shipments reached 3.4 million metric tons. Dividends for the period will be paid on August 24th. Metalurgica Gerdau S.A. will pay \$0.79 cents of real per-share and yield of 12%, while Gerdau S.A. will pay \$0.48 of real per-share and yield 9%, with both companies providing a payout of 30%.

Steel sector Second Quarter 2005. At international level, the majority of steel producers have displayed discipline and repeatedly announcing the reduction in the supply of steel products and even halting some mills. In general, prices of steel products in the Second Quarter 2005 fell in comparison to First Quarter 2005.

The drop in prices in North America is being largely compensated by the drop in the price of steel scrap, which has allowed the maintenance of the metal spread at levels equivalent to those of the First Quarter, about \$340 per ton. Sales volumes in the Second Quarter were impacted negatively by the ceasing of operations at Beaumont, Texas. Imports of wire rod are still strong. And its negative effects have been partially offset by the halting of operations at this mill.

In the Brazilian domestic market, sales for the Second Quarter were quite similar to those of the First Quarter, not showing the seasonal improvement expected for this time of the year. Sales to the industrial sector were slow. But were partially compensated by the relatively good performance of the civil construction sector.

The agricultural business reflects the negative performance of the industrial sector. And has suffered with the unfavorable FX factor, the drought in the South and falling commodity prices.

Prices for the main products in reais continue at the same levels of the end of the year. Inventories at distributors suffered important reductions throughout the Second Quarter and are at normal levels of roughly 30 days.

At Gerdau Group, the specialty steel sector is a positive highlight, due to the good performance of the automotive sector. The forecast for 2005 is that 2.4 million cars will be manufactured in the country this year, of which 800,000 will go to foreign countries. A great effort to export has been made to compensate, given, if only partially, the drop in the domestic demand.

But the uncertainties that result from the current political crisis in Brazil, no matter how serious they may be, haven't had the capability of altering existing investment plans underway such as the Sao Paulo mill and the expansion at Acominas.

Gerdau, as usual, has always with a long-term perspective in mind, especially because investments in the steel industry take longer to mature and require evaluations in the same time frame.

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Shipments, Gerdau consolidated. Gerdau's consolidated Second Quarter shipments reached 3.4 million metric tons, 1% greater than that of the First Quarter. In Brazil, Gerdau Acominas presented a growth of 5%, mainly pushed by exports.

In North America, sales were 2% lower in the quarter as a result of a lower demand for wire rod and flat steel.

In the South American countries where Gerdau operates, sales increased by 4.6% as a consequence of the improved demand, mainly in Argentina and Uruguay.

Volumes shipped in the semester increased 7% compared to the same period last year, reaching 7 million metric tons. This is explained by the incorporation of the new North American units in November, 2004. Tonnage shipped from mills abroad combined with exports from Brazil represented more than 70% of the consolidated volume in the Second Quarter of 2005.

Costs and prices. The increase in exports from Brazil have had a negative impact on margins, due to lower international prices and a less favorable foreign exchange rate. On the bright side, you can see on the charts there is a trend towards a downturn in the cost of metallic inputs, namely steel scrap and pig iron, which allows margins to remain at reasonable levels. In every market in which there was a decrease in revenues, there was an equivalent decrease in the cost of goods sold in the correspondent currency.

In Brazil, the appreciation of the real caused costs expressed in U.S. dollars to increase and margins to fall. To compensate the reduction in domestic demand, about 11% year-to-date, a great effort has been made to increase exports, even with the extremely unfavorable FX and export prices under pressure.

Margin evolution. Gross margins stayed at 27% level in the Second Quarter. And shows a relatively stability [ph] in cost of sales, compared to those of the First Quarter, when gross margin was about 28%.

Gross profits suffered the same FX impact that net revenues suffered, as described earlier. And reached [ph] the market of 1.5 billion reais in the months of April through June, 9.5% lower than that of the First Quarter of 2005.

EBITDA in the Second Quarter was 1.3 billion reais; 1.4 in the First Quarter. EBITDA margins stayed at the same levels as those of the First Quarter, with 24%.

Net profit in the Second Quarter was 893 million reais, 10% greater than that of the First Quarter. And the net margin was 16% in the Second Quarter, up from 14% in the first.

Corporate restructuring. The Gerdau Group corporate reorganization, as already anticipated, was approved by its shareholders on July 29. This consisted of the splitting of Gerdau Acominas into four new units -- Gerdau Acos Longos, Gerdau Acos Especiais. And Gerdau Comercial (inaudible). And maintaining Gerdau Acominas in existence.

These companies will be focused on long steel, specialty steel and the reselling of steel products, respectively.

Gerdau Acominas will keep the old (inaudible) unit, Mina Gerais, where slabs, blooms and billets are manufactured, mostly for export. Gerdau America do Sul Participa [ph] will run the South American operations, excluding Brazil. These companies are non-listed corporations controlled by Gerdau S.A.

The corporate governance structure at Gerdau will stay unchanged, with its Board of Directors responsible for the general direction of business and the Executive Committee in charge of operations as a whole. Brazilian and foreign shareholders of the publicly-traded Brazilian-based companies will not be affected by the reorganization. Shareholders will have all their rights and values preserved.

In line with the strategic targets of profitability and growth, the historical commitment of Gerdau is to generate value for the shareholders. This reorganization reflects these objectives. The reorganization should make it easier to understand each segment of the business and will offer greater transparency along with improved efficiency and effectiveness in the administrative processes.

Financials. From the First Quarter on, we implemented an accounting change related to the translation of the results of dollars into reals. We started to convert income statement numbers using the average foreign exchange rate. Balance sheet numbers continued to be converted by end-of-the-period foreign exchange rate. These changes align our accounting practices to the U.S. GAAP.

Consolidated net revenues reached 5.4 billion reals in the Second Quarter this year, 7% lower than that of the first. Although there was an increase of 1.3% in volume shipped, revenues in U.S. dollars, when converted into Brazilian reals, contributed less due to the appreciation of the currency vis-a-vis the U.S. dollars.

Operations in Brazil contributed with 2.7 billion for revenues in the quarter, with 49% of the total. Business in North America contributed with revenues of 2.5 billion reals. And units in South America was 258 million -- 46% and 4.8% respectively -- the level of contribution of each one.

Companies abroad and exports from Gerdau in Brazil, when combined, contributed with more than 67% due to the consolidated net revenues of the Second Quarter this year.

Indebtedness. Among the indicators that I use to monitor the indebtedness, gross debt over EBITDA generated in the last 12 months was less than 1 time. The same EBITDA compared to the net financial expenses, excluding FX and monetary variations, provided a cover of [ph] 20 times. Cash and equivalents total at June 30, 2.6 billion, of which 1.4 billion reals, roughly 50%, were indexed to foreign currencies, namely the U.S. dollar.

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Outlook. After a period of adjustments to steel product prices in international markets, there are signs that long steel products may be on the recovery path starting at the end of the Second Quarter, which may indicate that the valley has already been reached. The last data on economic growth of the main world economies are encouraging and indicated that, after a period of adjustment in inventory and prices, steel products may be about to enter a new, favorable cycle.

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The performance of the Brazilian economy, on the other hand, continues to reflect the negative effects of the extremely high interest rates and an overappreciated foreign exchange rate. The good news is essentially that inflation is under control and declining. As already anticipated in our discussions about the First Quarter results, GDP's growth in 2005 is below our expectations and should bring steel companies to consumption levels similar to those of 2003, as already indicated by the Brazilian Steel Institute, IBS.

The consumer goods industry and real estate sectors, two pillars of the U.S. economy, are showing positive data in the month of June, suggesting that economic growth in the country may well speed up in the second semester. The orders for durable goods have increased by 1.4%. The increase during May was the highest in the last three years, according to data from the Department of Commerce. Sales of new homes increased by 4%, reaching an annual volume that sets a new record, 1.4 million new houses.

The market already expects a GDP growth of about 4.5% in the Third Quarter, with house sales increasing all over the country. Also, in the U.S. the long steel sector represents a greater strength when compared with flat steel.

Inventories in general are declining. And the outlook for the Third Quarter is quite positive. The economies of South American countries continue to grow at a steady pace and with margins relatively stable.

Now we will open the floor for questions.

Questions And Answers

Operator

(Operator Instructions) Daniel Altman of Bear Stearns.

Q - Unidentified Speaker

(inaudible) from Bear Stearns. Congratulations on the good results. Two questions. Firstly, I'm trying to understand in the swap that you are proposing between -- it looks like Met Gerdau will swap shares in Gerdau S.A. for shares in the underlying subsidiaries, if I understand correctly.

A - Osvaldo Schirmer {BIO 1754610 <GO>}

Correct.

Q - Unidentified Speaker

I just wonder, what are they going to do -- what will Met Gerdau do, then, with shares in each of these individual companies?

A - Osvaldo Schirmer {BIO 1754610 <GO>}

What Metalurgica will do?

Q - Unidentified Speaker

Yes.

A - Osvaldo Schirmer {BIO 1754610 <GO>}

The idea here is to provide an exit to those minority shareholders that are currently holding shares of Gerdau Acominas only. We have the employees and a few others in the market that are existing shareholders of Gerdau Acominas.

After this is spun off, they will hold shares of all those, let me say, private company. So the idea is to use the holdings that Metalurgica Gerdau has in the format of Gerdau S.A. stocks and swap with them, at their option, for ordinary common shares or preferred shares -- that will depend on them. And then we intend to offer them in the very, very near future -- we are going to be submitting to the local authorities the procedures and announce to the market. The objective is only one -- to give them the alternative to have an exit through the market, through the stock exchange.

For Gerdau S.A. changes nothing, because Gerdau S.A. is already the owner basically roughly 90% of those companies.

Q - Unidentified Speaker

Okay. I was trying to figure out from the Met Gerdau perspective, will they then own the stake in Gerdau S.A. and then separate stakes in Acominas, Acos Longos, etc.?

A - Osvaldo Schirmer {BIO 1754610 <GO>}

Yes.

Q - Unidentified Speaker

Have you got the sense whether the minority shareholders in Ameristeel are interested in swapping for Gerdau S.A. shares?

A - Osvaldo Schirmer {BIO 1754610 <GO>}

No, it's not going to be extended to them, because the North American structure is out of this spinoff. It's only Gerdau Acominas, which holds the Brazilian assets and the Brazilian operation, which is in play.

Q - Unidentified Speaker

In the press release, there is a sense -- maybe I misunderstood -- it says, 'including those in North America.' That is where I get confused, on the bottom of page 4.

A - Osvaldo Schirmer {BIO 1754610 <GO>}

I don't know. But I said in my speech, by the way, that shareholders of the Brazilian base company, being them Brazilians or foreigners, are not going to be affected -- shareholders, not the companies. I'm not implying shareholders of Gerdau Ameristeel. But only falling [ph] shareholders of Gerdau S.A. that are currently holding ADRs, for instance.

Q - Unidentified Speaker

I understand. My last question is, is there a cash-flow statement for U.S. GAAP? We haven't seen one so far.

A - Osvaldo Schirmer {BIO 1754610 <GO>}

There is a cash-flow statement.

Q - Unidentified Speaker

Statement for the U.S. GAAP report?

A - Osvaldo Schirmer {BIO 1754610 <GO>}

(inaudible) have for cash flow? Hold on.

Q - Unidentified Speaker

Okay.

A - Osvaldo Schirmer {BIO 1754610 <GO>}

They have not been presented until this very moment. But they are going to be presented. The accounting people is confirming it.

Q - Unidentified Speaker

Okay, thanks very much.

Operator

Edmo Chagas Of UBS.

Q - Edmo Chagas {BIO 1786085 <GO>}

Two questions, as well. One is on your outlook for scrap costs in Brazil in the Third Quarter and the Fourth Quarter, a comment on that. And the second question is on your Ameristeel mill in Texas. Can you give us an update of how negotiations there are

proceeding, if you expect that to come back to production? And this two business briefing also has an article saying that you may face more labor challenges in your St. Paul mill, also in Ameristeel. Can you give us an overview of what may happen there because the contract has expired?

A - Osvaldo Schirmer {BIO 1754610 <GO>}

(inaudible) You asked something about the trend on scrap prices in Brazil -- that was your question?

Q - Edmo Chagas {BIO 1786085 <GO>}

Yes, that was my question.

A - Osvaldo Schirmer {BIO 1754610 <GO>}

We have experienced some relevant decline in the price of scrap in Brazil in the recent months, basically due what happened to the pig iron market in the world and also to the pig iron producers in Brazil. There are many of them even reducing the operation; this will give some relief to the scrap price. I cannot say that we have reached the bottom.

But at the same time, internationally, the scrap is really start to picking up again, which may influence the pig iron market. As I usually say, the markets do communicate. But not perfectly, because Brazil is not a real player in the export-import market of scrap. So to answer your question, I believe we haven't reached the bottom. We may experience some further reduction. But perhaps not too much.

Q - Edmo Chagas {BIO 1786085 <GO>}

Are you talking prices in U.S. dollars?

A - Osvaldo Schirmer {BIO 1754610 <GO>}

The scrap in U.S. dollars and in reals. So the reduction could be even higher if the real was up so appreciated against the dollar. So in dollars, the calculation is slightly different. But in reals, you have been reduced in reals.

Q - Edmo Chagas {BIO 1786085 <GO>}

Okay.

A - Osvaldo Schirmer {BIO 1754610 <GO>}

You mentioned about St. Paul and Beaumont. In Beaumont, unfortunately we don't have any recent news to disclose. We are in conversations with the union. The level of conversation improved, I could say -- the tone is a better. I'm not in the position or in the capability of indicating how long or how many more weeks is it going to take. But the tone and the environment is better, I would say.

You are correct -- St. Paul also has its contract expired. We offered them an extension of the contract so we can properly develop the negotiations of their union. They are analyzing this offer. I am not -- nobody is at this very moment in the condition to say if they are going to have a stoppage or a strike. But we hope we are going to have good negotiations with them.

Q - Edmo Chagas {BIO 1786085 <GO>}

Okay, thank you.

Operator

Leo Larkin, Standard and Poor.

Q - Leo Larkin {BIO 1756825 <GO>}

Could you just briefly review your expectation for Brazil's GDP this year? I'm sorry -- I missed it as you were going along.

A - Osvaldo Schirmer {BIO 1754610 <GO>}

There is no surprise in our opinion. I believe most of the Brazilian entrepreneurs are sharing the same common feeling. Our GDP is going to be -- the GDP growth is going to be much lower than expected at the beginning of the year. Even demand of our products, which have a very straight correlation with GDP, is also less than expected.

The final number I don't have. But the consensus in the market that Brazil is not going to grow more than 2.3, 2.4%

Q - Leo Larkin {BIO 1756825 <GO>}

2.3, 2.4. One other thing, CapEx for '05 and '06?

A - Osvaldo Schirmer {BIO 1754610 <GO>}

The CapEx program, I can even give you more detail if you allow me. We have a formal program announced at the end of 2004, which is very much in place, which calls for \$3.2 billion total investment, Brazil and abroad, from 2005 to 2007. Out of this 3.2 billion, the Brazil will account for roughly 2.4 billion. Being out of this 2.4, kind of 1.5 in already in March. And 0.9 -- roughly 1 billion -- still in the phase of detailing and studying and visibility.

So out of the 3.2, 2.4 will go for Brazil, 1.5 being in firm course of investment. You can find works all over. And 0.9 is still in the detailing phase.

Abroad, out of this 3.2, you're going to find 800 million allocated for updating, not for new projects or expansions. If you take this 2.3 billion reserved for Brazil, 1.6 is going to be related to expansions and roughly 7.5, 800 will be for updating, renovation of existing equipment.

This will bring us an increase in terms of crude steel from '05 to '07 an additional amount of 4.1 million tons of crude and 1.8 million tons of rolled products. I'm talking about metric tons.

Q - Leo Larkin {BIO 1756825 <GO>}

Okay.

A - Osvaldo Schirmer {BIO 1754610 <GO>}

Good enough?

Q - Leo Larkin {BIO 1756825 <GO>}

Thank you, very much.

Operator

(Operator Instructions) Andres Perez of Morgan Stanley.

Q - Andres Perez {BIO 18609546 <GO>}

I just wanted to get your opinion on the (inaudible) of Brazil creation. Do you think that this is going to change the competitive landscape at all in Brazil? And if so, are you relooking at your investment plans, are you rethinking any parts of your strategy going forward because of this new enterprise?

A - Osvaldo Schirmer {BIO 1754610 <GO>}

First of all, as you probably can imagine, it is not new for us. Mr. (inaudible) has been announcing this for a long time -- maybe a year or so -- that the intention of the Company would be to concentrate the efforts in Brazil and use Brazil as kind of a platform for the group. There is no major change in environmental or better in the competitive environment related to that.

This only confirms things that we have been saying along the year, that Brazil is an excellent place to produce steel, it's a very competitive base to produce steel. We are not changing our overall strategy at all due to that.

Q - Andres Perez {BIO 18609546 <GO>}

In regards to the other regions in the Americas, they cited that at a later date they may also consolidate some of their other subsidiaries and use this vehicle to grow further within the Americas outside of Brazil.

A - Osvaldo Schirmer {BIO 1754610 <GO>}

They have had a presence in Argentina, as you probably know. They have (inaudible) down there, which is a very important play in the market. So they probably spot other countries in this same geography in the future very likely.

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Q - Andres Perez {BIO 18609546 <GO>}

From your standpoint, you don't see a need to make any changes for the time being?

A - Osvaldo Schirmer {BIO 1754610 <GO>}

No.

Q - Andres Perez {BIO 18609546 <GO>}

Okay, thank you.

Operator

John Novak at CIBC World Markets.

Q - John Novak {BIO 18277034 <GO>}

In the past, you've talked about potentially looking at further acquisitions within North America. And I guess it was suggested that flat rolled could be an area of interest. Can you update us on your thinking with respect to further acquisition activity. And if flat-rolled still fits into the Company's longer-term plans?

A - Osvaldo Schirmer {BIO 1754610 <GO>}

We haven't changed that understanding. We can foresee, perhaps, if acquisitions will be feasible to acquire one or two more plants, let's say, in the long steel sector. And after that, there will be no other alternative but to pursue product in the flat steel.

By the way, as you probably remember, we already have some exposure to the flat steel sector in the U.S. by holding 50% of that JV with the Fasco at the Gallatin plant in Kentucky.

So very likely in the future, flat steel is going to be in our radar screen.

Q - John Novak {BIO 18277034 <GO>}

Are you actively looking at anything currently, or we talking two, three years in the future?

A - Osvaldo Schirmer {BIO 1754610 <GO>}

Forced by the reason of being in the sector, we are actively monitoring all the movements, which does not mean that you are pursuing any particular case right now. But we are monitoring all the potential business opportunities, if I can say, including flat.

Q - John Novak {BIO 18277034 <GO>}

Okay, thank you very much.

Operator

Marcelo Aguiar with Merrill Lynch.

Q - Marcelo Aguiar {BIO 3721791 <GO>}

A simple question for you. How long is it going to take you to amortize the whole goodwill generated with the incorporation of (inaudible)?

A - Osvaldo Schirmer {BIO 1754610 <GO>}

That will depend pretty much on the velocity of profit generation in the underneath or the new operation just created. But theoretically, we will have 10 years to amortize that.

Q - Marcelo Aguiar {BIO 3721791 <GO>}

Thank you.

Operator

(Operator Instructions) Daniel Altman of Bear Stearns.

Q - Daniel Altman {BIO 1855515 <GO>}

Just a question on pricing. Are you able to compare the rebar price or merchant bar price in Brazil to the average selling price for rebar/merchant bar in the U.S. and also the selling price that you got on the export market? Thank you.

A - Osvaldo Schirmer {BIO 1754610 <GO>}

The current prices in Brazil are slightly higher than those practiced in North America by roughly 20%. And the export prices are in between those two references. They are lower than we are practicing in North America and -- the fact is that we normally export better than rebar. So the mix is slightly different. So there is no direct comparison between export prices and so.

But taking rebars, as you said, in the U.S. and rebars in Brazil, rebars in Brazil are slightly higher about 20%, what you are practicing in the U.S.

Q - Daniel Altman {BIO 1855515 <GO>}

Thanks very much.

Operator

Leo Larkin of Standard & Poor.

Q - Leo Larkin {BIO 1756825 <GO>}

Good afternoon, just two follow-ups. The tax rate that you estimate for this year and also DD&A?

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A - Osvaldo Schirmer {BIO 1754610 <GO>}

The tax rate for this year is going to be around 22, 23%, as opposed to 17, 18 last year.

Q - Leo Larkin {BIO 1756825 <GO>}

And DD&A?

A - Osvaldo Schirmer {BIO 1754610 <GO>}

Around 7%.

Q - Leo Larkin {BIO 1756825 <GO>}

Of sales?

A - Osvaldo Schirmer {BIO 1754610 <GO>}

If I'm understanding, DD&A (multiple speakers) the same SG&A.

Q - Leo Larkin {BIO 1756825 <GO>}

No -- DD&A.

Q - Unidentified Speaker

The depreciation is around \$20.

A - Osvaldo Schirmer {BIO 1754610 <GO>}

Somewhere between 200 and 220 could be used for the year.

Q - Leo Larkin {BIO 1756825 <GO>}

Okay, thank you.

A - Osvaldo Schirmer {BIO 1754610 <GO>}

Million dollars.

Operator

(Operator Instructions) (inaudible) with Banco Itau.

Q - Unidentified Speaker

I have already give more detail on the restructuring of your business in Brazil. But I have two basic questions. I could not understand clearly why you are diluting your stake on your residuals in Brazil from almost 91%, 92% previous restructuring to 89 now. If you could clarify that a little bit more -- I could not understand. And second (multiple speakers) --.

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A - Osvaldo Schirmer {BIO 1754610 <GO>}

It is not easy. I suspect that perhaps it was not clear. I tried to explain it in my previous conference call. What happened were two stages. In one stage -- three stages rather.

The first stage was to assess the value of the companies through a discounted cash flow method and bringing present new value, economic value of the companies. And then compare them to the book values. This generated a premium.

So when we decided to capitalize Gerdau Participa (inaudible), which was already incorporated by Gerdau Acominas, we brought the South (inaudible) operations that were in Chile and Argentina into Gerdau Participa (inaudible) at economic value. In that very occasion, since the since the others do not follow that capital increase, we increased our participation.

In the second moment, we had capital increase again in Gerdau Participa (inaudible). It was new capital. In that second stage, we decreased our participation, reaching that number of 89. And that second capital increase was then also at economic value.

Q - Unidentified Speaker

And the question I have is you are thinking on migrating your minorities from Gerdau Acominas to the (inaudible) in the second moment by giving them your Gerdau shares belonging to Metalurgica Gerdau.

A - Osvaldo Schirmer {BIO 1754610 <GO>}

Correct.

Q - Unidentified Speaker

And so, there is going to be a direct stake from Metalurgica to (multiple speakers).

A - Osvaldo Schirmer {BIO 1754610 <GO>}

In those underlying, yes.

Q - Unidentified Speaker

And you are thinking on moving them afterwards as trades to the Gerdau level or they are going to be these two participations?

A - Osvaldo Schirmer {BIO 1754610 <GO>}

For the time being, after the swap takes place, it's going to be depending on the option of the minority shareholders of Gerdau Acominas today to do it, we're going to keep it at Metalurgica. We may find some ways perhaps to take it out of there. But straightforward speaking, Metalurgica will hold shares of Gerdau S.A. directly and will hold shares swapped with those minority in those companies.

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Q - Unidentified Speaker

Okay, thank you.

Operator

This concludes today's question-and-answer session. Mr. Schirmer, at this time, you may proceed with your closing statements.

A - Osvaldo Schirmer {BIO 1754610 <GO>}

Thank you, very much again for your interest and attention. I hope to have you on board again at the end of the next quarter. Thank you, very much. Have a good day.

Operator

This does conclude Gerdau audio conference for today. Thank you, very much for your participation. Have a good day and thank you for using Conference Call du Brazil [ph].

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