

Q4 2003 Earnings Call

Company Participants

- Osvaldo Schrimmer, Financial Executive VP and IR Director

Other Participants

- Andres Perez, Analyst
- Coburg Sancho, Analyst
- Daniel Altman, Analyst
- Dave Single, Analyst
- Fabio Zagatti, Analyst
- Mark Far, Analyst
- Mr. Bulachevo, Analyst
- Participant, Analyst
- Paula Bouchier, Analyst

Presentation

Operator

I would now like to turn the conference over to Mr. Osvaldo Schrimmer, Financial Executive Vice President and Investor Relation Director of Gerdau SA. Please go ahead sir.

Osvaldo Schrimmer

Thank you. Good afternoon, ladies and gentlemen. Welcome to our Fourth Quarter conference call. Our 2003 year-end financials were released today, January 28th and now are available at our website.

Brazil. 2003 ended a really positive scenario simply not imagined back in December a year ago. From a domestic perspective there are some important achievements in the social and economic field worth mentioning such as the social security reform and the implementation of consistent monetary and foreign exchange policies.

This accomplishment led to a drastic and positive change in the country's risk perception, which dropped from a high 1450 basis points to almost 400 basis points. The bank interest rate, which opened the year at 25% per annum, dropped to 16.5% in December.

In macro economic terms, the variables are in line to reach a new and important growth period.

North America. Economic growth forecast for this region are being confirmed and form a favorable environment with the recovery of margins and reserves in various segments, including steel.

Latin America. In the South Cone for Chile, as the second Latin American and the first South American country to get investment grade ratings for its foreign debt. The economic scenario looks bright.

The recovery in international commodity prices generated important commercial surpluses in countries such as Chile, Uruguay and especially Argentina, forming a strong base for the resumption of growth.

In fiscal year 2003 the group registered several noteworthy events. Most of them have already been disclosed and formerly informed every quarter. For this reason during our conference today I will focus on those of the Fourth Quarter only. But I will be glad to answer questions regarding specific orders during the Q&A session later.

In the Fourth Quarter the most relevant fact was the operational restructuring of Acominas, which became Gerdau Acominas after incorporating all of Gerdau's operations in Brazil.

Another important event of strategic importance was the acquisition of 15 mining exploitation rights together with 7,000 hectares of land where the reserves are located. This property with estimated reserves of about 500,000 million metric tons of iron ore in an area very close to the mill will allow the Ouro Branco unit to complement its iron ore supplies at extremely low logistics costs. Given that these mines are to be exploited in the long run, the company expects to maintain active the purchase contracts with its local suppliers that have been providing it with iron ore on a regular basis for many, many years.

Additional surveys to better assess the reserves will be conducted and an exploitation plan will be developed this year.

Also with strategic importance, given the behavior of international market prices with regard to steel scrap substitutes, the company acquired a deep barrel producing unit (Matagula) located near the city of Sao Luis in the State of (Maryeastern) for \$10m.

With a normal capacity of up to 200,000 metric pounds of steel iron a year, this company should ship about 60% of its output to export markets and the remaining 40% will be placed domestically. Given its location, this unit will be in the ideal position to supply pig iron to some of our North American operations with low freight costs and at a competitive price.

In the First Quarter (inaudible) increased 90% over the previous quarter. But the highlight was the performance of the South American companies, which presented a 28% improvement over the Third Quarter.

Profitability at the operational level saw a 15% mark over the previous quarter and reached R\$300m. EBITDA per ton was up R\$111, presenting no changes with regards to the preceding quarter.

The investments in the quarter was reduced by 4% and ended the year with R\$5.2b, of which about 61% are long-term debt.

An important element in the formation of the quarter's results was the recognition in the quarter of tax credits from fiscal losses accrued by Gerdau Acominas in an amount of R\$145.7m. This led to the creation of a positive income tax and social contribution provision of R\$416m. By the way, this accrual added to the R\$198 million accrued in the Second Quarter of 2003 comprised a total of R\$343.7 million for the year as tax credit. Therefore, if the net profit of R\$1.3 million in this period were netted of this tax credit, the figure would have been R\$920.6m. Applying the same criteria to the last year's results, net profit would have been up R\$780m, which would indicate an increase of 18% in the profitability year-over-year.

At the investment level, it is worth mentioning that the Ouro Branco, Minas Gerais mill is now up and running. The investment rate totaled R\$66 million and it can produce up to 560,000 tons per year. In this first year of operation it is expected that it will reach an output of approximately 200,000 metric tons to 300,000 metric tons, most of which will be shipped to international markets.

Scope for the next quarter. North America. Prices. Clear recovery of margins by increasing prices more than raw materials.

Volumes. Stable with tendency towards growth as a result of economic recovery.

Imports. Declining due to the purchasing power reduction of the US dollar and with strong demand in international markets.

Capturing synergies. On schedule.

Operating costs. Tendency to fall due to the greater utilization of mills and the lack of necessity for maintenance and outages in the quarter.

Brazil. Demand. Domestic market. Expectation is of a 12% growth in long targets.

Exports. Stable volumes and prices still in the rising mode.

Prices of imports. Increased significantly at the end of the last quarter (inaudible) costs very strongly.

Foreign exchange valuation. Expected to be in line with inflation or slightly higher.

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Interest rates. Conditions are ripe for additional reduction.

South Cone. The three countries are faced with positive outlooks, mainly Chile were GDP is expected to grow beyond 6% and Argentina, which there is a clear trend towards economic recovery and of course additional consumption of steel products.

I now open the lines for the Q&A session.

Questions And Answers

Operator

Our first question comes from Mr. de Mello Souza with Merrill Lynch.

Thomas de Mello e Souza: Hi. Good afternoon gentlemen. I have a quick question regarding some mixes in metric and in quart volumes in the Brazilian operations. You suggested the domestic market will (inaudible) this year. I would like to know if you plan to reduce exports or how do you plan to attend this increase in local brands? Thank you.

A - Osvaldo Schrimmer

Technically speaking we will be able to maintain the level of exports in terms of volumes and even satisfy a domestic demand increase. Nevertheless, depending on how the local demand will react, some products may force us to change the mix. But theoretically we will be able to maintain the same level of export in terms of tonnage and to satisfy the additional demand in the local market because we still have some idle capacity to take advantage of it.

Thomas de Mello e Souza: In 2005 if we assume Brazil do you see the exports coming down or do you see idle capacity will reverse the market trend?

2005 is really quite far away still. But nevertheless by that time if the market continues to grow in the way we are expecting, very likely the São Paulo project will be picking up and will help us to face this additional demand.

Thomas de Mello e Souza: Mr. Schrimmer, thank you very much.

Operator

Our next question comes from Mr. Daniel Altman of Bear Stearns.

Q - Daniel Altman {BIO 1855515 <GO>}

Hi. Two questions. One is if you can give us a breakdown for the Brazilian business in terms of domestic revenue and export revenue so that we can figure out a revenue per ton? And also if you have that number for the Third Quarter that would be really useful?

Also regarding the South American business, just dividing the revenue by the tonnage it looks like there is a big increase in pricing. Is that a correct assumption?

A - Osvaldo Schrimmer

It is a correct assumption, the prices are moving up in North America ahead of inputs.

Q - Daniel Altman {BIO 1855515 <GO>}

Sorry, in South America is what I meant to say.

A - Osvaldo Schrimmer

I understood. The increasing price. There is substantial appreciation of the prices, especially in Argentina.

Q - Daniel Altman {BIO 1855515 <GO>}

Okay.

A - Osvaldo Schrimmer

Not as much due to push through prices in the local market. But rather the exchange rate. The Peso has appreciated substantially against the dollar which reflects in a higher price in dollar terms.

Q - Daniel Altman {BIO 1855515 <GO>}

Okay.

A - Osvaldo Schrimmer

In terms of average price per exports.

Q - Daniel Altman {BIO 1855515 <GO>}

Revenue versus export revenue.

A - Osvaldo Schrimmer

The intention was to have it on a per ton basis. Calculated on a per ton the average price in Brazil for the exports. Average price on price right. I think it was R\$240. That's the final price for exports and the average price for Brazilian pigment net sales divided by the total tonnage. (inaudible) because we have net sales of R\$4.8 million and we have total shipments of 2.8 million tons. This is price per ton. Now in terms of -- so this would mean price for the total (inaudible). 2003 I will give you. 2003. You can have local market R\$394m.

Q - Daniel Altman {BIO 1855515 <GO>}

Okay.

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A - Osvaldo Schrimmer

Against R\$213 million in 2002, which I believe is what I'm trying to reach. The export prices on average were R\$245 million 2003 against R\$192 million 2002. As I said somewhere in my speech international prices for steel prices were at about 40%. So the right number is 37.5%.

Q - Daniel Altman {BIO 1855515 <GO>}

Okay and do you have a similar breakdown for the Fourth Quarter?

A - Osvaldo Schrimmer

Fourth quarter right. At the end of December market. Gross market (41). The previous quarter R\$419, 7.3% at least. Export price R\$250 million against R\$234m. 7.7% increase.

Q - Daniel Altman {BIO 1855515 <GO>}

Okay and can you just give us an idea on the export price we're looking at for Acominas from the First Quarter?

A - Osvaldo Schrimmer

International prices have gone to (inaudible) in excess of \$380 per ton.

Q - Daniel Altman {BIO 1855515 <GO>}

Is that with Acominas?

A - Osvaldo Schrimmer

We have had quotes for that already.

Q - Daniel Altman {BIO 1855515 <GO>}

Many thanks. Okay. Thank you, very much for your help.

Operator

Our next question comes from Mr. (Bulachevo) with JP Morgan.

Q - Mr. Bulachevo

Good afternoon. A quick question. You mentioned that the margins on the North American operation should be recovering. Could you give us a sense as to how much of that is local prices and refers to any other operating synergies?

A - Osvaldo Schrimmer

Well the price is ahead of the correction of imports and helped a lot in the Fourth Quarter. To give you an indication, we're talking about EBITDA per ton of \$17 per ton in the Fourth Quarter compared against \$11 per ton in the First Quarter and that was a big mix price

prior account. The industry as a whole (inaudible) growing final price minus price of scrap in excess of \$220 per ton, which of course is the highest point in 10 years. So prices are helping.

In the First Quarter we intend to pursue a continuation of our improvement in terms of return to efficiency and I hope that the price help will continue. So we may improve the prices based on these two factors. How much to internal effort and how much to credit? The spread provided by the market is difficult one to anticipate.

Q - Mr. Bulachevo

Okay. So with Acominas, how much is we could see for this year (inaudible)?

A - Osvaldo Schrimmer

Well as you probably understood we approved in this First Quarter those 333 for the whole year and the equivalent portion for the year. Now it's a matter of producing profits to play against those credits. So first we have to produce the profits and second we take advantage of them. There is no additional accrual projected for the year.

Q - Mr. Bulachevo

Right, thank you.

Operator

The next question is from Fabio Zagatti with HSBC.

Q - Fabio Zagatti {BIO 3846027 <GO>}

I'm sorry I wasn't able to attend the morning session on the Portuguese conference call but I just wanted to know what happened to your SG&A line on the Fourth Quarter?

A - Osvaldo Schrimmer

Yes, this was addressed this morning already. It increased by (\$R7m) to R\$3 million from the Fourth Quarter where we had R\$291 million as opposed to R\$364 million in the Fourth Quarter. That was very much due to the export effort. We had more cargo, loads and unloads and dispatches and all that. We also had some increase in perhaps freight costs in North America and other SG&A expenses, which were increased maybe by \$6 million or \$7 million in the quarter. So this combination of those factors.

The question this morning is really the same that you maybe willing to know, how much can we expect for the following quarter? I would say the number is maybe in the Fourth Quarter may repeat in the First Quarter. To some exception due to North America. The mill is now in full operation. There is no one under maintenance or under outage for maintenance. This may help us to optimize utilization of the different mills. In particular probably more specialized and the (inaudible) correction on that front. But assuming that Brazil is going to continue to export in the way it has exported in the Fourth Quarter, we expect a substantial reduction of that particular item.

FINAL

Q - Fabio Zagatti {BIO 3846027 <GO>}

Okay and then what is the reduction in this line? You just mentioned the First Quarter will be the same as the Fourth Quarter and what are your expectations regarding actual reduction on these losses?

A - Osvaldo Schrimmer

In the rest of the year you mean?

Q - Fabio Zagatti {BIO 3846027 <GO>}

Yes.

A - Osvaldo Schrimmer

As we ship more in the domestic market with slightly higher margins and higher prices we may dilute partially those costs. But I cannot be specific when exactly this is going to take place. We have seen in the country the domestic demand will increase throughout the year in virtually 12%. So on average, throughout the year we may have a lower number for this particular item. But in the First Quarter you can use the same number.

Q - Fabio Zagatti {BIO 3846027 <GO>}

Okay and if you allow me to pose a new question. Since we are just finishing the first month of 2004 what sort of guidance can you give us regarding prices on the domestic market please?

A - Osvaldo Schrimmer

I have no plan to (inaudible) additional costs that we have said already. An average on the (square) damages, labor etc. in the First Quarter. So we have no formal plans for that. But as the year goes by we may have to redress those additional costs to the price. But not right away.

Operator

The next question comes from Mr. Andres Perez with Morgan Stanley.

Q - Andres Perez {BIO 18609546 <GO>}

Hi Osvaldo how are you?

A - Osvaldo Schrimmer

Hello.

Q - Andres Perez {BIO 18609546 <GO>}

Just two quick questions if I may. One is if you could give us an update on what you're seeing on the scrap prices both in North America and in Brazil in dollar terms?

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My second question is you mentioned that you're looking for a 12% rise in the long stream market in Brazil. Could you just give us a slight how much of this growth do you think is going to be derived from public sector spend versus the private sector?

A - Osvaldo Schrimmer

The second part is a difficult question. Let's do it all by parts. As far as the scrap is concerned we are continuing with the theme push through in prices in the North American market for the very old same reason of China importing everything that they are able to find. We're talking about price around \$140 \$150 per ton as opposed to the \$110 which has been the average for the year. But we are also counting on being able to correct the prices, to increase prices in a faster way preserving the margin to some extent.

Then in Brazil the scenario is slightly different. The markets are totally (communicated). So the supply base in Brazil is much more widespread than in the US. There is only one problem; independent to markets to the price of pig iron, which is the natural replacement or natural substitute for scrap. So we are really working on different prices. Brazil both on exports. Spread is on imports and it has a wide base of suppliers. In total we're talking about at least 40% or around that differential in the price.

The second part of your question was how much can you expect on the 12% gross in the local market. How much can we credit to government spending and private spending? Very likely the problem is we like to spend a lot because they either have (inaudible) but the fact is that the government is not really counting on big fortunes to spend. So the investments have to come from private sector. The bulk of it will have to come from private sector. And assuming this is going to grow around the numbers everybody is talking 3%-4%, foreign investments will continue to flow into the country and those will generate those investments. So I don't have a crystal ball to give you specific percentage. But the bulk will come from the private sector.

Q - Andres Perez {BIO 18609546 <GO>}

And reserves on target entrants you have in mind in Brazil for the steel mill with private sector spending?

A - Osvaldo Schrimmer

Continued diversification of the commodity. The agri sector in Brazil continues to grow and to bump money into this particular sector, which at the end of the day is for tractors, combine harvesting machines, agricultural implements and so on where we keep a good portion of our production. Roughly 40% to the industry. The other part of course is civil construction. Not necessarily houses. But infrastructure, energy transmission and all that kinds. So you would say refer as an important part of demand will come from the agri industry sector.

Q - Andres Perez {BIO 18609546 <GO>}

Okay. Thank you.

Operator

Ladies and gentlemen as a reminder, if you would like to pose a question please press the '*' key followed by the '1' key on your touchtone phone now. The next question comes from Miss Paula (Bouchier) with Schrodgers.

Q - Paula Bouchier

Good afternoon. I have two questions. The first one is on domestic demand. (Acominas) will be between 3% and 4%. Long scale demand to grow about 12% seems pretty aggressive (inaudible). Then on the income side the acquisition of Acominas in (inaudible) would change the cost structure for the Brazilian and the US operations?

A - Osvaldo Schrimmer

You are absolutely right in the first part of your reservation is 12% growth in local demand when the country is growing only 3%-4%. It is almost three times. It is more than average. Historically there is this correlation of 1.5 times the growth of GDP. The fact that the internal demand went down by 12% last year, which is really in places a local recovery where the market used to be. So that's why we are believing based on our sales people information and sales people feeling that the market will go back to the original levels compensating for the 12% decrease last year.

Q - Paula Bouchier

I'm sorry, I remember meeting or talking with you mostly about 12 months ago and before the quarter closed, the Fourth Quarter. And there seems to be more optimistic about even the Fourth Quarter. Now in the Fourth Quarter we saw not a good recovery quarter-on-quarter and (inaudible). So when I see declining interest rates it seems like the recovery in the domestic market is occurring at a very slow pace?

A - Osvaldo Schrimmer

I'm sure if I quite understood your question. You are trying to make classification between the reduction on the interest rates and pick up in demand. There is a correlation between the two. I also mentioned in my original speech that there is room for further down big cuts in the interest rates, which very likely will improve the local demand. Local demand relies pretty much on credit terms and local rates will encourage to buy. So those things are really linked together no doubt about it. The second part of your question.

Since we are also supporting our expectation for pick up in demand, assuming that interest rates can really go further down.

The second part of your first question would you mind refreshing it to me because I forgot.

Q - Paula Bouchier

About the imports?

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A - Osvaldo Schrimmer

Yes, you mentioned one thing like another correlation again, this has described in the second part.

Q - Paula Bouchier

My last question was recent acquisition of--?

A - Osvaldo Schrimmer

Now I remember yes. You mentioned how much impact those two acquisitions will generate on our cost base. Well first of all the big iron unit will dedicate only 40% or maybe less of its output to the domestic market. Which means to our operation in the north east of the country. It is quite expensive to bring them all the way down to the central part of the country. Nevertheless it is very cheap to ship the final product from Sao Luis Maranhao to some of our mills in North America. So even let's say managing a transfer price accordingly, it should have all the conditions to reach those mills in a very competitive price.

As far as the iron ore mine, there will be no impact whatsoever in the short run on our cost base because as I said in my original speech, we intend to preserve the network of suppliers that we have around the mill in Minas Gerais for quite some time. Only throughout the year we will put together additional studies to better serve the reserves and then decide when and how and with what intensity we will exploit those mines.

Q - Paula Bouchier

(inaudible) will belong in that amount?

A - Osvaldo Schrimmer

It will belong?

Q - Paula Bouchier

Yes, I mean you will (inaudible) production?

A - Osvaldo Schrimmer

Those reserves are much in excess of our needs. So they are anticipating around 500 million tons. So quite a long period to be exploited. But what I'm saying to you, since you're not counting on exploiting them right away, the impact of such a gross iron ore source will not impact our costs in the short run.

Q - Paula Bouchier

Okay. So not a big cost impact because of this acquisition?

A - Osvaldo Schrimmer

Not right now.

Q - Paula Bouchier

And in the exploration for exporting to (Europe) in your corporation with sort of (inaudible)?

A - Osvaldo Schrimmer

You can factor in of course.

Q - Paula Bouchier

Thank you.

A - Osvaldo Schrimmer

You can produce pig iron on much lower costs than national price currently. What's going to be the transfer price right now? I'm not going to go back and provide the market. But it will be an advantage starting with the freight costs. Even the location of the unit.

Q - Paula Bouchier

Okay. Thank you.

Operator

Your next question comes from Mr. Thomas Souza with Merrill Lynch.

Thomas de Mello e Souza: Just two follow up questions. Could you maybe remind us or elaborate a little bit more on the MPV (inaudible) and even beyond that? Maybe you have had more time to probably go over the numbers and the second question relates to Capex. If you could just refresh us in terms of 2004/2005 maintenance Capex please?

A - Osvaldo Schrimmer

Okay. You're talking about the MPV for the mills of the tax credit or are you talking about MPV for the new project?

Thomas de Mello e Souza: No, no. I'm talking about the MPV of the synergies with the Acominas restructuring in terms of factors and financial?

We basically see already what is expected to be achieved with this restructure. Those 343, which I have described we contemplate what you expect to be able to recover making the present value in let's say in 10 years projections for Acominas. So what may change that is that how fast we will be able to produce profits to play them against those tax credits and that will depend pretty much on market conditions and other variables.

So basically you are not expecting to have additional let's say numbers to be accrued on an accounting basis. What was the second part of your question Thomas?

Thomas de Mello e Souza: The second part if you could refresh us in terms of the Capex for 2004/2005 and maybe maintenance Capex long-term just for our MPV calculations?

We basically had maintenance Capex around \$170m-\$180 million in the year and we are expecting that in the following two years, not including the Sao Paulo project, around \$300 million a year. The breakdown of that is basically 75%-80% for Brazil and the remaining for the foreign operations. This is only for the following two years.

If Sao Paulo price comes into the picture, you may consider \$130m-\$140 million to be spent about two and a half years or so.

Thomas de Mello e Souza: Mr. Schrimmer, thank you very much.

Operator

Our next question comes from Mr. Mark Far with National Investments.

Q - Mark Far {BIO 18481839 <GO>}

Thank you, very much. Can you hear me all right?

A - Osvaldo Schrimmer

Yes I can.

Q - Mark Far {BIO 18481839 <GO>}

Thank you. I was wondering if you could share the mix of your export business? You know in terms of the country of destination and whether or not you expect the mix to change in '04?

A - Osvaldo Schrimmer

As we said this morning in another interview, basically the bulk goes to Asia. Even though we are exporting to more than 60 countries at this stage a good portion of this goes to North America, Central America and even South America. But the bulk is still going to Asia. This area is pretty much on the type of province, the Acominas province, which are basically high quality villas. So they go to end users in different countries in different geographies as opposed to (Whyrack)(ph.) and (Rebark)(ph.) which are normally sold to traders that place the products in different countries according to price. They are pretty much commodities that fly around.

As far as the mix for 2004 and even going forward, the news is the position of the output coming from the mill of Acominas. That will take part of the debit production to take over

into (Whyrack)(ph.) and this maybe recharge the market, which is so to anticipate. But the bulk is going to go to international markets anyway.

Q - Mark Far {BIO 18481839 <GO>}

Okay. Thank you, very much.

Operator

The next question comes from Mr. Coburg Sancho with (inaudible).

Q - Coburg Sancho

Hello Schrimmer.

A - Osvaldo Schrimmer

Hello.

Q - Coburg Sancho

My first question regards (Werewolves) minority stake in Acominas. I would like to know if now have any intentions of acquiring this stake in the short-term?

A - Osvaldo Schrimmer

There is no plan. There is no official offer. According to what has been generally discussed the entities want to stay exactly where they are as minority shareholders of Gerdau Acominas as they used to be minority shareholders of Acominas in the recent past. This topic of course will be always open to be able to be discussed. But for the time being this is exactly where they intend to be, where they are.

Q - Coburg Sancho

Okay. My second question regards margins. Given the costs went up by the end of the Fourth Quarter and prices should remain stable during the First Quarter as you said in local markets, should we expect a decrease in operating margins in the First Quarter?

A - Osvaldo Schrimmer

Yes. No decrease. To some extent yes. Theoretically speaking if prices were increased and the imports have increased and the final price has not been changed, the margins should be reduced. What we are counting on perhaps is a better mix from the export side to compensate part of it. To keep working hard and usually work in terms of improving efficiencies internally to compensate and try to preserve the margin.

Q - Coburg Sancho

Okay. Thank you, very much.

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Operator

The next question is (inaudible).

Q - Participant

Could you give us a breakdown of the 12% growth you're expecting in volumes in Brazil? This growth is going to come essentially from which segment? I recall curious. Can you give us a breakdown on what you roughly expect and where the growth is going to come?

A - Osvaldo Schrimmer

As you know, we basically sell to three basic segments; civil construction, industry and the agriculture sector. The agriculture and the agri industry pretty much inter-related due to the fact that the money generated by the exports fashioned from others injected in the economy from those two factors. I strongly believe that the higher portion will come from the industry rather than the civil construction even though most likely it would be reasonable to (reach) that people are able to save in this country. Looking at the two (inaudible) reserve structures, the dollar and others, may run a bit after real assets. The new apartment may be a source of protection for those investors. So we are also getting some kicks on the recovery of the civil construction section. Not to mention that when I say a reduction for some level this year. And when you have those sort of effects, there is always an additional spending in public work. Not so much because (inaudible) at the bottom level.

Q - Participant

Roughly give us a breakdown for Fourth Quarter of this (inaudible)?

A - Osvaldo Schrimmer

Give it some other comments from me and I will let you know. It is 55 industry 40 something industry and the remaining goes to the agriculture. So someone will do the checks for me while we talk. How much is that? I was not totally wrong. Civil construction 42, industry 66, agriculture 2. Did you follow?

Q - Participant

Yes.

A - Osvaldo Schrimmer

I missed your last point.

Q - Participant

Okay that is great. Thank you.

Operator

The next question comes from Mr. Fabio Zagatti with HSBC.

Q - Fabio Zagatti {BIO 3846027 <GO>}

I just wanted to check the number you gave us for the Capex for 2004 is down. You mentioned that it would be \$170 million for the whole year?

A - Osvaldo Schrimmer

I said around \$300 million each year. Not including the Sao Paulo project. What I said I think was the Merrill Lynch question how much would be our maintenance or maintenance Capex. I said \$170 million more or less depreciated in our maintenance cost. (inaudible). I gave \$10 million for one of the years and then I added that (inaudible).

Q - Fabio Zagatti {BIO 3846027 <GO>}

Okay. Thank you.

Operator

The next question is from Mr. Dave Single with Goldmans.

Q - Dave Single {BIO 6506109 <GO>}

The question has been asked already. Can you give us some idea of what kind of pricing is being realized in export markets and what kind of change that represents over prior periods please?

A - Osvaldo Schrimmer

Average at the end of the year \$240 million I think it was. An increase of about 40% from average prices the year before.

Q - Dave Single {BIO 6506109 <GO>}

Okay. Can you give us any color in terms of how that is breaking down between long products and I think you do some slabs and billet?

A - Osvaldo Schrimmer

I can give you current quotes. About \$384 for billets current quotes in the market. Maybe \$360 for slabs. Maybe (Whyrack)(ph.) perhaps something for the (Whyrack)(ph.) concrete. December roughly about \$250.

Q - Dave Single {BIO 6506109 <GO>}

Pardon me?

A - Osvaldo Schrimmer

December, I don't have the recent quotes around price.

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Q - Dave Single {BIO 6506109 <GO>}

(inaudible)?

A - Osvaldo Schrimmer

In excess of \$300 the revised late December. I don't have right in front of me quotes for current price of (Rebark)(ph.). So what did you say?

Q - Dave Single {BIO 6506109 <GO>}

(Rebark)(ph.) as of December at over \$300?

A - Osvaldo Schrimmer

Over \$300. Now I have the recent quotes for billets in excess of \$380.

Q - Dave Single {BIO 6506109 <GO>}

Right and that's in Brazil or is that delivered?

A - Osvaldo Schrimmer

That's full be.

Q - Dave Single {BIO 6506109 <GO>}

That's a full be. Okay. Thank you.

A - Osvaldo Schrimmer

Okay. Since there are no more questions I would like to thank you for your interest and it was a pleasure to have you once more for this quarter release and I hope to meet you again at the end of the following quarter with good results again. Have a good day. Thank you, very much.

Operator

That concludes the Gerdau conference for today. Thank you, very much for your participation. Have a good day and thank you for using Conference Calls International.

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