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Gerdau Group turnover for the quarter grows to R\$ 10 billion

The Gerdau Group closed the first quarter of 2008 with a gross turnover of R\$ 10 billion, up 23.8% in comparison with the same period the previous year as a result of the consolidation of new companies — highlighted by Chaparral (USA) and Sidertul (Mexico) — and increased demand in Brazil, other Latin American countries and Spain.

From 2008, the specialty steel sector started being reported separately, given its growing relevance in the Gerdau Group business. With the acquisition of Macsteel (USA), for US\$ 1.7 billion, the Gerdau Group became global leader in specialty long steel production for the automotive industry.



The specialty steel sector serves, principally, the international automotive market, as well as the petrochemical, energy and machinery and equipment production areas. Making up this sector are Sidenor (Spain), Gerdau Aços Especiais Piratini (Brazil), Aços Villares (Brazil) and Macsteel (USA), with the latter being consolidated in the Gerdau Group balance

sheet from Q2 2008. In total, these companies add up to an installed annual capacity of 3.7 million tons of specialty steel.

In the quarter, Brazilian operations (except Piratini and Villares) accounted for 36.2% of the gross turnover, the North American units totalled 35.3%, Latin American plants, 10.4% and the specialty steel sector, 18.1%. An important indicator in evaluating operational management efficiency, EBITDA (profit before interest, tax, depreciation and amortizations), also known as operational cash generation, evolved 30.4% to R\$ 2 billion.

Consolidated net profit reached R\$ 1.1 billion and was slightly less than the result of R\$ 1.2 billion recorded in Q1 2007 due to the financial impacts, principally exchange rates, during the period. However, if compared with Q4 2007, the net profit showed a 14.6% growth.

From January to March, Gerdau Group sales reached 4.9 million tons, 18.9% more than Q1 2007. Steel production for the same period rose from 4.1 million to 5.1 million tons.

Gerdau Group define installation site for heavy plate rolling mill

After carrying out economic-financial viability studies, the Gerdau Group has decided that the new heavy plate rolling mill will be installed in Gerdau Açominas, the plant located in Ouro Branco (in the state of Minas Gerais). Gerdau Group's intention to carry out this investment in Brazil was announced in December 2007. As well as a heavy plate rolling mill, aimed at producing flat steel, a new medium profile rolling mill will be installed at the unit. Together, the investments amount to US\$ 835 million in resources and will be focused on meeting the needs of the internal market. This value includes equipment, services and infrastructure necessary for the setting up of the rolling mills.

The heavy plate rolling mill will have the capacity of producing 870,000 tons per year and the medium profile rolling mill, 650,000 tons annually. It is estimated that approximately 7,000 temporary jobs will be created at the peak of the works, between the second half of 2009 and the start of 2010. The forecast is that the rolling mills will begin operations in the second half of 2010, generating more than 400 permanent jobs at the unit.

The installation of the heavy plate and medium profile rolling mills confirms the Gerdau Group strategy of seeking new market opportunities, with the aim of offering a broad product line to its clients.

The heavy plates are used in civil construction (metallic constructions), in the heavy equipment industry (machines and tools) and, especially, in the production of medium and large seamed pipes (gas pipelines for the petrochemical industry and minerodutos, for example) and in the shipbuilding industry.

The medium profiles complement the structural profiles line already produced by the unit and are destined for the civil construction, agricultural and highway machinery and equipment, metallic structure, mechanical construction and shipbuilding industries. Gerdau Açominas is a pioneer in the structural profiles sector in Latin America. Currently, the annual production capacity of structural profiles is 520,000 tons. It will reach 700,000 tons at the beginning of 2009 and, in the future, 1.2 million tons.

New mill is built in Mexico

The Gerdau Group and Aceros Corsa announced the start of construction of a new steel mill, in a foundation stone ceremony in Mexico. The unit will have an annual installed capacity of a million tons of steel and 700,000 tons of rolled products in its first phase and will be located in the Sahagún industrial park, in the municipality of Tepeapulco (in the state of Hidalgo).

The investments for construction of the unit will be US\$ 430 million with operations starting in 2010. The new plant will principally meet internal Mexican demand, supplying structural profiles for civil construction and industry — high added value products with world quality levels. Around 90% of the production will be for the domestic market and the remaining 10% will be exported to other Latin American markets.

"Mexico is the third steel consumer market on the American continent. The unit will be the leader in structural profile production and will allow us to continue consolidating the Gerdau Group in the world steel producing sector", states Claudio Gerdau Johannpeter, COO of the Gerdau Group. The plant will create 500 direct and 2,000 indirect jobs.

The ceremony was attended by the Hidalgo State Governor, Miguel Ángel Osorio Chong, which showed his support for investments in the development of the region. The event also attracted a number of governmental authorities and business leaders.



Hidalgo State Governor, Miguel Angel Osório Chong, took part in the foundation stone ceremony held in Mexico

Gerdau Best of the Land Award stimulates technological innovation in the field



Gerdau Group COO, Claudio Gerdau Johannpeter, took part in the press conference for the launch of the Gerdau Best of the Land Award

Entries are open for the 2008 Best of the Land Award, the largest award recognition for the agricultural machinery and equipment sector in South America. The launch of the 2008 event was held at Agrishow, in Ribeirão Preto (in the state of Sao Paulo). "Our goal is to encourage the search for products and services which increase productivity in the field and that are environmentally sustainable", says Claudio Gerdau Johannpeter, Gerdau Group COO and award coordinator-general.

A judging commission made up of 13 specialists from universities and agricultural and cattle raising institutes in South America, recognized in the agricultural mechanization area, will evaluate entries in the three award categories — Research & Development, Highlight and New Product.

The Highlight category recognizes machinery and equipment launched on the market for more than a year. Entered equipment is evaluated by the

judging commission from interviews in the presence of the users — rural owners in Brazil, Argentina, Paraguay, Uruguay and Chile. The award judges personally visit the locations where the machinery and equipment are used, so as to verify their performance in situ.

Technological innovations on the market for a maximum of one year compete in the New Product category. Machinery and equipment launched at the Expointer 2007 agricultural and cattle raising fair, held in the town of Esteio (in the state of Rio Grande do Sul) and participants of this year's event, from 30th August to 7th September, can compete. The judging commission will evaluate equipment on participating companies' stands during the fair. 15th August is the last day for entries in the New Product category.

This year, there is a change in the Research and Development category, which will now also evaluate projects not linked to universities and research institutes. Up until 2007, only graduate, post-graduate and agricultural science professional's projects were assessed. Students, professionals and inventors from all states in Brazil, as well as Argentina, Uruguay, Paraguay and Chile, can enter by 8th August.

Entries for the award are free and can be made through the website www.melhoresdaterra.com.br or by letter sent to Public Affairs and Corporate Communications - Attn: Luciana Pons - Av. Farrapos, 1811 - Porto Alegre - RS - Cep: 90220-005 - Porto Alegre - RS - Brazil. The Gerdau Best of the Land Award ceremony will take place on 29th August, at Gerdau Riograndense, in Sapucaia do Sul (in the state of Rio Grande do Sul).

Gerdau Group enters Central America

The Gerdau Group signed a strategic alliance with Corporación Centroamericana del Acero, the largest steel producer in Central America. With this alliance, the Gerdau Group has a 30% shareholding in the company and is committed to investing US\$ 180 million in Corporación Centroamericana del Acero operations in Central America. Corporación Centroamericana del Acero has an annual installed capacity of 500,000 tons of steel and 690,000 tons of rolled products — long steel aimed at civil construction and industry.

"The partnership with Corporación Centroamericana del Acero positions the Gerdau Group as one of the major players in Central America and the Caribbean. Central America is a strategic region and becomes an important operation, together with the units in Mexico and the Dominican Republic, in meeting the demands of the local market. As well as this, Central America has demonstrated a significant economic growth in recent years", states André Gerdau Johannpeter, Gerdau Group CEO.

The deal involves a steel mill unit (Guatemala), four rolling mill units (Guatemala and Honduras), commercial offices (Guatemala, Honduras and El Salvador) and distribution units (Guatemala, Belize, El Salvador, Honduras and Nicaragua). In addition, the company has a minority shareholding in Intrefica (Honduras), aimed at die plate activities. Management of the business will be shared between the current shareholders.

Practicing sport is encouraged in Chile

Gerdau AZA, the Gerdau Group unit in Chile held, for the fifth consecutive year, the "Beca Deportista 2008" award giving ceremony. The initiative is aimed at athletes of up to 21 years old, who need financial support to develop in their sporting event.

The athlete awarded by Gerdau AZA was the cyclist Cristóbal Olavarria. The award, worth R\$ 19,500, will help the young man reach his sporting goals such as, for example, to be Pan-American champion in his specialty.

During the ceremony, renewal of the scholarship from Gerdau AZA for the athletes Natalia Duco and Ivan López was announced. "Both have demonstrated and maintained a highly competitive level in 2007", stated General Manager of the unit, Hermann Von Mühlencrock.



General Manager of Gerdau AZA, Hermann Von Mühlencrock announces the value of the scholarship for the athletes

Gerdau Barão de Cocais gains ISO 14001 certification



Unit employees celebrate the achievement

Gerdau Barão de Cocais, located in the state of Minas Gerais, received ISO 14001 certification, an international distinction in recognition of the quality of the environmental management system at the mill.

The certification is the result of efforts, competence, work and the combined involvement of all the employees of Gerdau Barão de Cocais around the commitment of producing steel, respecting the environment and contributing to sustained development.

To achieve ISO 14.001 rigorous environmental control practices must be implemented, which are audited by independent agencies. Currently, 23 Gerdau Group units have ISO 14001. The goal is to achieve this environmental

certification in the other factories by 2009.

Gerdau Açonorte competes in the National Quality Award 2008

The Gerdau Açonorte steel mill, located in Pernambuco, will represent the Gerdau Group in the National Quality Award (PNQ) 2008, which recognizes management excellence in Brazilian organizations. The unit has already been among the winners of the Pernambuco Quality Program for two years and is now preparing to compete nationally. In 2007, Gerdau Riograndense, the mill located in Rio Grande do Sul, was awarded with the PNQ.

The Program evaluation stages began on the 28th March and will continue until 24th November, when the PNQ 2008 presentation ceremony will be held.



With operations beginning in 1973, Gerdau Açonorte has an installed capacity of 280,000 tons of steel per year and has ISO 14001 and 9001 certification

Micro and small companies are nationally recognized for process improvements



The objective of this initiative was to promote concepts of competitiveness, quality and management for the development of micro-companies in Brazil

More than a hundred micro and small companies were nationally recognized for process improvements, in an event held in Brasilia (Federal District). The V National Recognition for Micro and Small Companies was presented to companies which obtained satisfactory results from the implantation of production methodologies and processes directed by the Brazil+ Cooperation Network. The initiative, in which the Gerdau Group participates, is a project run in conjunction with the Competitive Brazil Movement (MBC), the National Quality Foundation (FNQ) and the Brazilian Service for Support to Micro and Small Companies (Sebrae).

The objective of this initiative was to recognize improved practices and promote greater awareness about the importance of concepts of competitiveness, quality, management, innovation and productivity, helping in the development of micro-companies in Brazil.

The Gerdau group, through the Gerdau Institute and in partnership with Sebrae, the National Quality Foundation (FNQ) and the Competitive Brazil Movement (MBC), held competitiveness awards in various states in the country. In 2007, 30,000 companies took part, an increase of 400 entries on 2006.

Management for Scholastic Success Program trains professionals from five Brazilian municipalities

The Gerdau Group has already begun the 2008 Management for Scholastic Success Program (GSE), on-line training for public school directors focused on strengthening their role as leaders and managers. The objective is to improve the quality of teaching in public schools. Directed by the Gerdau Institute, which coordinates Group social responsibility policies and guidelines, the program has the Lemann Foundation, the Social Reason Institute and IBM as partners; the latter through the donation of all hardware and software infrastructure. This year, the municipalities of Cotia (in the state of São Paulo), Araçariguama (in the state of São Paulo), Divinópolis (in the state of Minas Gerais), Barão de Cocais (in the state of Minas Gerais) and Maracanaú (in the state of Ceara) will participate in the program.



Children using computers in one of the schools supported by the project

The GSE uses methods focused on the development of leaders, the strengthening of the school's image and in stimulating the use of electronic media for pedagogical ends. The teaching is remote and lasts approximately nine months, divided into five modules. To measure student's performance evolution, evaluations by external consultants provide the school with a learning diagnosis at the start and at the end of the project.

Management for Scholastic Success began to be put in place in 2003 and is in its fifth group. Since then, more than 600 directors from 207 Brazilian municipalities have taken part in the program, helping 355,000 students.

