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QUARTERLY RESULTS GERDAU S.A. 4019

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4019 HIGHLIGHTS

São Paulo, February 19, 2020 – Gerdau S.A. (B3: GGBR4 / NYSE: GGB) announces its results for the fourth quarter of 2019. The consolidated financial statements of the Company are presented in Brazilian real (R\$), in accordance with International Financial Reporting Standards (IFRS) and the accounting practices adopted in Brazil. The information in this report does not include the data of associates and jointly controlled entities, except where stated otherwise.

CONSOLIDATED HIGHLIGHTS

- Free cash flow generation was R\$ 2.3 billion in 4019, due to the robust release of working capital in the period.
- Net debt of R\$ 9.8 billion and net debt/EBITDA ratio of 1.67x in 4Q19, the best result since 2011.
- Growth of 13% in shipments in the domestic market of the Brazil BD in 4019 compared to 4018, confirming the recovery in demand, especially in the construction industry.



Free Cash Flow (R\$ million)

Net debt / EBITDA



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CONSOLIDATED INFORMATION



GERDAU'S PERFORMANCE IN 4019

Operating Results

| CONSOLIDATED | 4019 | 4018 | Δ | 3019 | Δ | 12M19 | 12M18 | Δ |
|-------------------------------------|---------------|---------------|--------|---------------|--------|--------------|---------------|--------|
| Volumes (1,000 tonnes) | | | | | | | | |
| Production of crude steel | 2,952 | 3,221 | -8.4% | 2,733 | 8.0% | 12,453 | 15,342 | -18.8% |
| Shipments of steel | 3,078 | 3,167 | -2.8% | 3,056 | 0.7% | 12,090 | 14,561 | -17.0% |
| Results (R\$ million) | | | | | | | | |
| Net Sales | 9,533 | 10,900 | -12.5% | 9,931 | -4.0% | 39,644 | 46,159 | -14.1% |
| Cost of Goods Sold | (8,857) | (9,596) | -7.7% | (8,946) | -1.0% | (35,441) | (40,010) | -11.4% |
| Gross profit | 676 | 1,304 | -48.2% | 985 | -31.4% | 4,203 | 6,149 | -31.6% |
| Gross margin (%) | 7.1% | 12.0 % | | 9.9 % | | 10.6% | 13.3% | |
| SG&A | (353) | (400) | -11.8% | (372) | -5.1% | (1,430) | (1,652) | -13.4% |
| Selling expenses | (118) | (138) | -14.5% | (123) | -4.1% | (476) | (570) | -16.5% |
| General and administrative expenses | (235) | (262) | -10.3% | (249) | -5.6% | (954) | (1,082) | -11.8% |
| %SG&A/Net Sales | 3.7 % | 3.7 % | | 3.7 % | | 3.6 % | 3.6% | |
| Adjusted EBITDA | 1,132 | 1,404 | -19.4% | 1,457 | -22.3% | 5,712 | 6,657 | -14.2% |
| Adjusted EBITDA Margin | 11.9 % | 12.9 % | | 14.7 % | | 14.4% | 14.4 % | |

Production and Shipments

In 4Q19, crude steel production decreased in relation to 4Q18, mainly due to the lower production volume at the Special Steel BD and to the divestment of the rebar operations in the North America BD. Compared to 3Q19, crude steel production increased, due to the resumption of operations at Blast Furnace 1 in Ouro Branco, Minas Gerais, even with the scheduled shutdown of the melt shops in Brazil.

Steel shipments decreased in 4019 compared to 4018, due to lower shipments in the Special Steel BD and to the divestment of rebar assets in the North America BD.

Operating result

The reduction in net sales and the lower consolidated costs of shipments in 4Q19 in relation to 4Q18 were mainly due to the decrease in net sales per tonne sold, which was affected by the lower prices in international markets and the decrease of the costs per tonne sold.

Consolidated gross profit and gross margin decreased, reflecting the lower shipments and lower international prices mentioned above.

Selling, general and administrative expenses decreased in 4019 in relation to 4018, given the ongoing operating efficiency gains and the digital innovation initiatives, as well as the divestments. Meanwhile, as a ratio of net sales, selling, general and administrative expenses remained stable at 3.7% in 4019.

In 2019, this ratio was 3.6%, in line with 2018.

| Breakdown of Consolidated EBITDA | 4019 | 4018 | Δ | 3019 | Δ | 12M19 | 12M18 | Δ |
|---|-------|-------|---------------|-------|---------------|-------|-------|--------|
| (R\$ million) | | | | | | | | |
| Net income | 102 | 389 | -73.8% | 289 | -64.7% | 1,217 | 2,326 | -47.7% |
| Net financial result | 273 | 392 | -30.4% | 562 | -51.4% | 1,509 | 1,890 | -20.2% |
| Provision for income and social contribution taxes | 193 | (149) | - | (150) | - | 458 | (169) | - |
| Depreciation and amortization | 538 | 504 | 6.7% | 502 | 7.2% | 2,073 | 1,892 | 9.6% |
| EBITDA - Instruction CVM ¹ | 1,106 | 1,136 | -2.6 % | 1,203 | -8.1 % | 5,257 | 5,939 | -11.5% |
| Gains and losses on assets held for sale and sales in subsidiaries | - | 186 | - | - | - | - | 414 | - |
| Equity in earnings of unconsolidated companies | 2 | 29 | -93% | (9) | - | 16 | (10) | - |
| Proportional EBITDA of associated companies and jointly controlled entities | 86 | 53 | 62.3% | 82 | 4.9% | 320 | 314 | 1.9% |
| Impacts from refurbishment of Blast Furnace 1 at the Ouro Branco Mill | 131 | - | - | 238 | -45.0% | 369 | - | - |
| Tax reversals/provisions | (193) | - | - | (57) | 238.6% | (250) | - | - |
| Adjusted EBITDA ² | 1,132 | 1,404 | -19.4% | 1,457 | -22.3% | 5,712 | 6,657 | -14.2% |
| Adjusted EBITDA Margin | 11.9% | 12.9% | | 14.7% | | 14.4% | 14.4% | |

| CONCILIATION OF CONSOLIDATED EBITDA (R\$ million) | 4019 | 4018 | 3019 | 12M19 | 12M18 |
|---|-------|-------|-------|---------|---------|
| EBITDA - Instruction CVM ¹ | 1,106 | 1,136 | 1,203 | 5,257 | 5,939 |
| Depreciation and amortization | (538) | (504) | (502) | (2,073) | (1,892) |
| OPERATING INCOME BEFORE FINANCIAL RESULT AND TAXES ³ | 568 | 632 | 701 | 3,184 | 4,047 |

1 - Non-accounting measure calculated in accordance with CVM Instruction 527.

2 - Non-accounting measure calculated by the Company. The Company presents Adjusted EBITDA to provide additional information on cash generation in the period.

3 - Accounting measure reported in the consolidated Income Statement.

Adjusted EBITDA and adjusted EBITDA margin declined in 4019 compared to 4018, mainly due to the performance of the Special Steel BD and the lower international prices.

EBITDA (R\$ million) and EBITDA Margin (%)



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Financial result and net income

| CONSOLIDATED (RS million) | 4019 | 4018 | Δ | 3019 | Δ | 12M19 | 12M18 | Δ |
|--|-------|-------|----------------|-------|----------------|---------|---------|----------------|
| Income before financial income expenses and taxes ¹ | 568 | 632 | -10.1% | 701 | -19.0% | 3,184 | 4,047 | -21.3% |
| Financial Result | (273) | (392) | -30.4% | (562) | -51.4% | (1,509) | (1,890) | -20.2% |
| Financial income | 85 | 82 | 3.7% | 49 | 73.5% | 223 | 204 | 9.3% |
| Financial expenses | (404) | (425) | -4.9% | (368) | 9.8% | (1,470) | (1,579) | -6.9% |
| Exchange variation, net (including net investment hedge) | 94 | 181 | -48.1% | (193) | - | (120) | (346) | -65.3% |
| Exchange variation (other currencies) | (49) | 6 | - | (41) | 19.5% | (127) | 23 | - |
| Bonds repurchase expenses | - | (224) | - | - | - | - | (224) | - |
| Gains (losses) on financial instruments, net | 1 | (12) | - | (9) | - | (15) | 32 | - |
| Income before taxes ¹ | 295 | 240 | 22.9 % | 139 | 112.2% | 1,675 | 2,157 | -22.3% |
| ncome and social contribution taxes | (193) | 149 | - | 150 | - | (458) | 169 | - |
| Exchange variation including net investment hedge | (81) | (129) | -37.2% | 211 | - | (109) | 358 | - |
| Otherlines | (91) | (209) | -56.5% | (61) | 49.2% | (526) | (646) | -18.6% |
| Non-recurring items | (21) | 487 | - | - | - | (40) | 457 | - |
| Consolidated Net Income ¹ | 102 | 389 | -73.8 % | 289 | -64.7 % | 1,217 | 2,326 | -47.7 % |
| Non-recurring items | (41) | (77) | -46.8% | 119 | - | 78 | 181 | -56.9% |
| Gains and losses on assets held for sale and sales on interest in subsidiaries | - | 186 | - | - | - | - | 414 | - |
| Maintanence stoppage / Impacts from refurbishment of BF 1 | 131 | - | - | 238 | -45.0% | 369 | - | - |
| Bonds repurchase expenses | - | 224 | - | - | - | - | 224 | - |
| Tax reversals/provisions | (193) | - | - | (57) | 238.6% | (250) | - | - |
| Income and social contribution taxes - non-recurring items | 21 | (487) | - | (62) | - | (40) | (457) | -91.2% |
| Consolidated Adjusted Net Income ² | 61 | 312 | -80.4% | 408 | -85.0 % | 1,295 | 2,507 | -48.3% |
| | | | | | | | | |

1 - Accounting measure disclosed in the consolidated Income Statement.

2 - Non-accounting measure calculated by the Company to show net profit adjusted by non-recurring events that influenced the result.

In 4Q19 compared to 4Q18, the variation in the financial result was basically due to the effects from exchange variation on liabilities contracted in U.S. dollar and in other currencies, which were practically offset by the line "Income Tax/Social Contribution – effects from exchange variation that include net investment hedge." In addition, financial expenses decreased due to the ongoing efforts to reduce debt.

Adjusted net income in 4019 decreased in relation to 4018, in line with EBITDA in the period.

Dividends

Gerdau S.A. approved the payment of dividends in the amount of R\$ 51 million (R\$ 0.03 per share) in 4019, which was distributed as an advance on the minimum mandatory dividend stipulated in the Bylaws.

Payment date: March 11, 2020 Record date: shareholdings on February 28, 2020 Ex-dividend date: March 02, 2020

Working Capital and Cash Conversion Cycle

The cash conversion cycle (working capital divided by daily net revenue in the quarter) went from 78 days in September 2019 to 62 days in December 2019, due to the reduction in inventory.

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Working Capital (R\$ million) and Cash Conversion Cycle (days)

Working Capital (R\$ billion) —— Cash Conversion Cycle (days)

Financial Liabilities

| Debt composition | 12.31.2019 | 09.30.2019 | 12.31.2018 |
|---|------------|------------|------------|
| (R\$ Million) | | | |
| Short Term | 1,562 | 2,262 | 1,825 |
| Long Term | 14,488 | 13,232 | 13,082 |
| Gross Debt | 16,050 | 15,494 | 14,907 |
| Cash, cash equivalents and short-term investments | 6,295 | 3,432 | 3,349 |
| Net Debt | 9,755 | 12,062 | 11,558 |

On December 31, 2019, gross debt was 9,7% short term and 90.3% long term. Broken down by currency, 18.4% of gross debt was denominated in Brazilian real, 81.2% in U.S. dollar and 0.4% in other currencies.

On December 31, 2019, 52% of cash was denominated in U.S. dollar.

The evolution in key debt indicators is shown below:

| Indicators | 12.31.2019 | 09.30.2019 | 12.31.2018 |
|---|------------|------------|------------|
| Gross debt / Total capitalization ¹ | 37% | 36% | 36% |
| Net debt ² (R\$) / EBITDA ³ (R\$) | 1.67x | 1.96x | 1.71x |

1 - Total capitalization = shareholders' equity + gross debt - interest expenses

2 - Net debt = gross debt - interest on debt - cash, cash equivalents and financial investments.

3 - Adjusted EBITDA in the last 12 months.

The reduction in the net debt/EBITDA ratio from 1.96x on September 30, 2019 to 1.67x on December 31, 2019 is explained mainly by the free cash flow generation in the period.





Payment schedule of gross debt (non-current)

On December 31, 2019, the nominal weighted average cost of gross debt was 5.5%, considering 4.7% for the portion denominated in Brazilian real, 5.6% plus exchange variation for the portion denominated in U.S. dollar contracted by companies in Brazil and 6.1% for the portion contracted by subsidiaries abroad. On December 31, 2019, the average gross debt term was 7.4 years, with the debt maturity schedule well balanced and well distributed over the coming years.

Investments

Capital expenditure amounted to R\$ 1.746 million in 2019, with R\$ 797 million allocated to general maintenance, R\$ 424 million to maintenance of the Ouro Branco Mill and R\$ 525 million to technological expansion and modernization. Of the total amount invested in the quarter, 49% was allocated to the Brazil BD, 24% to the Special Steel BD, 23% to the North America BD and 4% to the South America BD.

The Company reaffirms its investment plan for 2020 of R\$ 2.6 billion, which is part of the CAPEX program of R\$ 7 billion for the three-year period (2019-2021).

The investments in technological expansion and modernization will be made as expectations for the market's recovery and for free cash flow generation in the period are confirmed.



General maintenance Ouro Branco Maintenance Technological expansion and updating

* Estimated Information



Gerdau S.A. announced to its shareholders and the general market that, on November 26, 2019, its subsidiary Gerdau Aços Longos S.A. entered into a final agreement with Hierros Añón, S.A. and Gallega de Mallas, S.L. for the acquisition of 96.35% of the shares issued by Siderúrgica Latino-Americana S.A. ("SILAT"), a company located in Caucaia, in the metropolitan area of Fortaleza, State of Ceará, for economic value of US\$ 110.8 million, subject to the typical adjustments to the acquisition price. The consummation of the transaction is subject to approval by Brazil's antitrust agency CADE (*Conselho Administrativo de Defesa Econômica*) and to the fulfillment of conditions precedent typical to transactions of this type. SILAT has annual installed production capacity of 600,000 tonnes of rolled products. The acquisition is part of Gerdau's strategy to improve service to its clients in the Brazilian market.

Free Cash Flow

Free cash flow generation increased significantly in 4019 compared to both 4018 and 3019, to R\$ 2.3 billion, due to the robust release of working capital in the period, mainly due to the reduction in the inventories of raw materials and finished products given the shutdown of the melt shops in December.



Free Cash Flow (R\$ million)

Free Cash Flow - Quarterly (R\$ million)





PERFORMANCE BY BUSINESS DIVISION (BD)

The information in this report is divided into four Business Divisions (BD) in accordance with Gerdau's corporate governance, as follows:

- Brazil BD (Brazil Business Division) includes the operations in Brazil (except special steel) and the iron ore operation in Brazil;
- North America BD (North America Business Division) includes all operations in North America (Canada, United States and Mexico), except special steel, as well as the jointly controlled entities and associate company, both located in Mexico;
- South America BD (South America Business Division) includes all operations in South America (Argentina, Peru, Uruguay and Venezuela), except the operations in Brazil, and the jointly controlled entities in the Dominican Republic and Colombia;
- Special Steel BD (Special Steel Business Division) includes the special steel operations in Brazil and the United States.



NET SALES

EBITDA & EBITDA MARGIN





BRAZIL BD

| BRAZIL BD | 4019 | 4018 | Δ | 3019 | Δ | 12M19 | 12M18 | Δ |
|------------------------------|--------------|---------|--------|---------|--------|----------|---------------|--------|
| | | | | | | | | |
| Volumes (1,000 tonnes) | | | | 4 | | | | |
| Production of crude steel | 1,439 | 1,454 | -1.0% | 1,079 | 33.4% | 5,563 | 5,845 | -4.8% |
| Shipments of steel | 1,493 | 1,311 | 13.9% | 1,415 | 5.5% | 5,609 | 5,535 | 1.3% |
| Domestic Market | 1,004 | 887 | 13.2% | 1,031 | -2.6% | 3,959 | 3,951 | 0.2% |
| Exports | 490 | 424 | 15.6% | 384 | 27.6% | 1,650 | 1,585 | 4.1% |
| Shipments of long steel | 1,059 | 921 | 14.9% | 1,072 | -1.2% | 4,134 | 4,079 | 1.4% |
| Domestic Market | 637 | 589 | 8.1% | 698 | -8.7% | 2,633 | 2,683 | -1.9% |
| Exports | 423 | 332 | 27.4% | 374 | 13.1% | 1,500 | 1,396 | 7.5% |
| Shipments of flat steel | 434 | 390 | 11.4% | 343 | 26.5% | 1,475 | 1,457 | 1.3% |
| Domestic Market | 367 | 298 | 23.2% | 333 | 10.2% | 1,325 | 1,268 | 4.5% |
| Exports | 67 | 92 | -27.0% | 10 | 570.0% | 150 | 189 | -20.6% |
| Results (R\$ million) | | | | | | | | |
| Net Sales ¹ | 4,057 | 3,946 | 2.8% | 4,198 | -3.4% | 16,122 | 15,745 | 2.4% |
| Domestic Market | 3,175 | 3,023 | 5.0% | 3,446 | -7.9% | 12,912 | 12,320 | 4.8% |
| Exports | 882 | 923 | -4.5% | 752 | 17.3% | 3,210 | 3,425 | -6.3% |
| Cost of Goods Sold | (3,782) | (3,374) | 12.1% | (3,835) | -1.4% | (14,363) | (13,044) | 10.1% |
| Gross profit | 275 | 571 | -51.9% | 363 | -24.2% | 1,759 | 2,701 | -34.9% |
| Gross margin (%) | 6.8 % | 14.5% | | 8.6% | | 10.9% | 17.2 % | |
| Adjusted EBITDA ² | 543 | 647 | -16.0% | 706 | -23.1% | 2,639 | 3,032 | -12.9% |
| Adjusted EBITDA Margin (%) | 13.4% | 16.4% | | 16.8% | | 16.4% | 19.3% | |
| 1 Includes iron are cales | | | | | | | | |

1 - Includes iron ore sales.

2 - Adjusted EBITDA due to the impacts from refurbishment of Blast Furnace 1 at the Ouro Branco Mill, net of tax reversals/provisions in 4019, 3019 and 12M19. **Production and shipments**

In 4019, crude steel production was stable in relation to 4018, a period when the shutdown of the melt shops was neutralized by the higher production of Blast Furnace 1 at the Ouro Branco Mill. Compared to 3019, production increased, since during that period Blast Furnace 1 at Ouro Branco was undergoing maintenance.

Shipments in Brazil's domestic market increased in 4019 compared to 4018, confirming the stronger demand in the construction and manufacturing sectors. Note that shipments of reinforced concrete products (rebar and fabricated rebar) increased by 17%, while shipments of heavy plates increased by 36%. Export shipments grew in relation to both 4018 and 3019.

In 4019, 442,000 tonnes of iron ore were sold to third parties and 1,216,000 tonnes were consumed internally. In 4018, shipments to third parties amounted to 642,000 tonnes and 1,224,000 tonnes of iron ore were consumed internally. The lower iron ore shipments in the comparison period impacted the net sales of the Brazil BD.

Operating Result

Net sales increased in 4019 in relation to 4018, supported by the growth in shipments, which was influenced by the recovery in domestic demand. Compared to 3019, the decrease in net sales is explained by the worse mix of sales in the domestic and export markets (share of exports in total shipments increased from 27% to 33%), combined with the lower prices in international markets.

Cost of goods sold increased in 4019 in relation to 4018, due to the impacts of the refurbishment of Blast Furnace 1 at the Ouro Branco Mill and the shutdown of the melt shops.

The decreases in gross profit and gross margin in 4019 compared to 4018 and 3019 were due to the lower profitability of exports and to the impacts from the shutdowns of the melt shops, which resulted in a lower dilution of fixed costs.

In 4019, EBITDA and EBITDA margin decreased in relation to 4018 and 3019, accompanying the decrease in gross profit and gross margin, which was smoothed by excluding the effects from nonrecurring items



associated with the refurbishment of Blast Furnace 1 at the Ouro Branco Mill and the shutdowns of the melt shops (-R\$ 131 million), net of tax reversals/provisions in 4Q19 (+R\$ 193 million).

17.8% 17.5% 16.4% 16.8% 13.4% 716 674 706 647 543 4018 1019 2019 3019 4019 Adjusted EBITDA — Adjusted EBITDA Margin

EBITDA (R\$ million) and EBITDA Margin (%)

NORTH AMERICA BD

| NORTH AMERICA BD | 4019 | 4018 | Δ | 3019 | Δ | 12M19 | 12M18 | Δ |
|---------------------------|--------------|--------------|--------|---------------|--------|---------------|--------------|--------|
| Volumes (1,000 tonnes) | | | | | | | | |
| Production of crude steel | 1,053 | 1,179 | -10.7% | 1,086 | -3.0% | 4,601 | 6,431 | -28.5% |
| Shipments of steel | 1,050 | 1,198 | -12.4% | 1,083 | -3.0% | 4,275 | 6,085 | -29.7% |
| Results (R\$ million) | | | | | | | | |
| Net Sales | 3,375 | 4,335 | -22.1% | 3,627 | -6.9% | 14,656 | 19,927 | -26.5% |
| Cost of Goods Sold | (3,201) | (3,915) | -18.2% | (3,310) | -3.3% | (13,351) | (18,165) | -26.5% |
| Gross profit | 174 | 420 | -58.6% | 317 | -45.1% | 1,305 | 1,763 | -26.0% |
| Gross margin (%) | 5.2 % | 9.7 % | | 8.7 % | | 8.9 % | 8.8 % | |
| EBITDA | 257 | 437 | -41.2% | 380 | -32.4% | 1,569 | 1,787 | -12.2% |
| EBITDA margin (%) | 7.6 % | 10.1% | | 10.5 % | | 10.7 % | 9.0 % | |

Production and shipments

Production and shipments decreased in 4019 in relation to 4018, due to the deconsolidation of the rebar units as from November 2018. Excluding the effects from divestments, shipments grew by 4%. In relation to 3019, a slight seasonal effect was observed in the reduction in sales, indicating that demand remains at healthy levels.

Operating Result

Net sales and cost of goods sold decreased in 4019 in relation to 4018, due to the aforementioned divestments, as well as to the lower prices in the period. In relation to 3019, the reduction in net sales is explained by the seasonal reduction in shipments and by the lower prices practiced in the period.

Cost of goods sold decreased in 4019 compared to 3019, due to lower volumes sold.



Gross profit and gross margin decreased in 4019 compared to 4018 and to 3019, mainly due to the narrowing of the metals spread. In 4019, the spread was at US\$ 426/st, compared to US\$ 470/st in 4018 and US\$ 456/st in 3019.

The reduction in EBITDA and EBITDA margin in 4019 compared to 4018 lagged the reduction in gross profit and gross margin, mainly due to the decrease in selling, general and administrative expenses in the period. In relation to 3019, the decrease in EBITDA followed a path similar to that of gross profit in the period.



EBITDA (R\$ million) and EBITDA Margin (%)

SOUTH AMERICA BD

| SOUTH AMERICA BD | 4019 | 4018 | Δ | 3019 | Δ | 12M19 | 12M18 | Δ |
|---------------------------|---------------|---------------|---------------|---------------|--------------|---------------|--------------|----------------|
| Volumes (1,000 tonnes) | | | | | | | | |
| Production of crude steel | 161 | 144 | 11.7% | 153 | 5.2% | 609 | 746 | -18.3% |
| Shipments of steel | 274 | 262 | 4.4% | 279 | -1.8% | 1,059 | 1,307 | -18.9% |
| Results (R\$ million) | | | | | | | | |
| Net Sales | 908 | 819 | 10.9% | 771 | 17.8% | 3,259 | 3,801 | -14.3% |
| Cost of Goods Sold | (770) | (701) | 9.8% | (643) | 19.8% | (2,762) | (3,231) | -14.5% |
| Gross profit | 138 | 118 | 17.2 % | 128 | 7.8 % | 497 | 570 | -12.8 % |
| Gross margin (%) | 15.2% | 14.4% | | 16.6% | | 15.3% | 15.0% | |
| EBITDA | 182 | 128 | 42.1% | 165 | 10.3% | 673 | 679 | -0.9% |
| EBITDA margin (%) | 20.0 % | 15.6 % | | 21.4 % | | 20.7 % | 17.9% | |

Production and shipments

Steel production and shipments increased in 4019 in relation to 4018, supported by the higher shipments to Argentina and Peru, countries where the construction industry remains at healthy levels.

Operating Result

Net sales increased in 4019 compared to 4018, mainly due to the higher shipments.

The cost of goods sold increased in 4019 compared to 4018, reflecting the higher shipments.



Gross profit increased in 4019 compared to both 4018 and 3019. Gross margin expanded in 4019 compared to 4018, since the increase in net sales per tonne sold outpaced the increase in cost per tonne sold.

EBITDA and EBITDA margin increased in 4019 in relation to 4018, due to the growth in equity income, with the highlight the better performance of the joint venture in the Dominican Republic.

EBITDA (R\$ million) and EBITDA Margin (%)



SPECIAL STEEL BD

| SPECIAL STEEL BD | 4019 | 4018 | Δ | 3019 | Δ | 12M19 | 12M18 | Δ |
|---------------------------|--------------|--------------|--------|---------------|--------|---------------|---------------|--------|
| Volumes (1,000 tonnes) | | | | | | | | |
| Production of crude steel | 299 | 444 | -32.6% | 415 | -28.0% | 1,680 | 2,321 | -27.6% |
| Shipments of steel | 343 | 474 | -27.6% | 386 | -11.1% | 1,586 | 2,111 | -24.9% |
| Results (R\$ million) | | | | | | | | |
| Net Sales | 1,397 | 1,989 | -29.8% | 1,621 | -13.8% | 6,702 | 8,159 | -17.9% |
| Cost of Goods Sold | (1,373) | (1,814) | -24.3% | (1,476) | -7.0% | (6,168) | (7,065) | -12.7% |
| Gross profit | 24 | 175 | -86.3% | 145 | -83.4% | 534 | 1,094 | -51.2% |
| Gross margin (%) | 1.7 % | 8.8 % | | 8.9 % | | 8.0 % | 13.4 % | |
| EBITDA | 113 | 226 | -50.1% | 207 | -45.4% | 799 | 1,299 | -38.5% |
| EBITDA margin (%) | 8.1 % | 11.4% | | 12.8 % | | 11.9 % | 15.9 % | |

Production and shipments

In Brazil, crude steel production decreased in 4019 compared to 4018, influenced by the shutdown of the mill in Mogi das Cruzes, São Paulo. Shipments decreased in the same period, despite the higher vehicle sales, reflecting the destocking trend in the automotive chain and the weaker vehicle exports.

In the United States, the reductions in crude steel production and in shipments is explained by the weaker demand in the oil and gas sector and the lower vehicle production in the period.

Operating Result

The reductions in net sales and cost of goods sold in 4019 compared to both 4018 and 3019 is due to the lower shipments in Brazil and the United States.

Gross profit and gross margin decreased significantly in 4019 due to the lower capacity utilization rate in the period, which reduced the dilution of fixed costs.

The reduction in EBITDA in 4019 compared to 4018 accompanied the performance of gross profit and gross margin in the period.





EBITDA (R\$ million) and EBITDA Margin (%)

THE MANAGEMENT

This document contains forward-looking statements. These statements are based on estimates, information or methods that may be incorrect or inaccurate and that may not occur. These estimates are also subject to risks, uncertainties and assumptions that include, among other factors: general economic, political and commercial conditions in Brazil and in the markets where we operate, as well as existing and future government regulations. Potential investors are cautioned that these forward-looking statements do not constitute guarantees of future performance, given that they involve risks and uncertainties. Gerdau does not undertake and expressly waives any obligation to update any of these forward-looking statements, which are valid only on the date on which they were made.

GƏ GERDAU O futuro se molda

GERDAUS.A. CONSOLIDATED BALANCE SHEETS In thousands of Brazilian reais (R\$)

| | December 31, 2019 | December 31, 2018 |
|---|-------------------|-------------------|
| CURRENT ASSEIS | | |
| Cash and cash equivalents | 2,641,652 | 2,890,144 |
| Short-term investments | 3,652,949 | 459,470 |
| Trade accounts receivable - net | 2,672,370 | 3,201,656 |
| Inventories | 7,659,737 | 9,167,689 |
| Tax credits | 504,302 | 527,428 |
| Income and social contribution taxes recoverable | 483,088 | 445,561 |
| Unrealized gains on financial instruments | 2,846 | 30,711 |
| Other current assets | 618,769 | 780,423 |
| | 18,235,713 | 17,503,082 |
| NON-CURRENT ASSETS | | |
| Tax credits | 465,549 | 32,065 |
| Deferred income taxes | 4,071,219 | 3,874,054 |
| Unrealized gains on financial instruments | - | 2,706 |
| Related parties | 95,445 | 27,939 |
| Judicial deposits | 1,991,715 | 2,135,414 |
| Other non-current assets | 464,169 | 449,592 |
| Prepaid pension cost | 45,381 | 17,952 |
| Advance for future investment in equity interest | - | 375,456 |
| Investments in associates and jointly-controlled entities | 1,812,399 | 1,367,802 |
| Goodwill | 9,469,311 | 9,112,390 |
| Leasing | 777,314 | - |
| Other Intangibles | 673,262 | 836,096 |
| Property, plant and equipment, net | 15,901,493 | 15,546,481 |
| | 35,767,257 | 33,777,947 |
| TOTAL ASSETS | 54,002,970 | 51,281,029 |



GERDAUS.A. CONSOLIDATED BALANCE SHEETS In thousands of Brazilian reais (R\$)

| | December 31, 2019 | December 31, 2018 |
|---|-------------------|-------------------|
| CURRENT LIABILITIES | | |
| Trade accounts payable | 3,762,768 | 4,335,054 |
| Short-term debt | 1,544,211 | 1,822,183 |
| Debentures | 18,015 | 2,755 |
| Taxes payable | 432,988 | 351,545 |
| Income and social contribution taxes payable | 205,092 | 395,682 |
| Payroll and related liabilities | 479,693 | 588,627 |
| Dividends payable | 50,968 | 169,616 |
| Leasing payable | 202,536 | - |
| Employee benefits | 495 | 157 |
| Environmental liabilities | 60,913 | 60,419 |
| Unrealized losses on financial instruments | - | 5,245 |
| Other current liabilities | 666,858 | 772,970 |
| | 7,424,537 | 8,504,253 |
| NON-CURRENT LIABILITIES | | |
| Long-term debt | 11,594,612 | 11,545,658 |
| Debentures | 2,893,029 | 1,536,118 |
| Related parties | | 1,350 |
| Deferred income taxes | 517,413 | 118,368 |
| Provision for tax, civil and labor liabilities | 809,299 | 770,305 |
| Environmental liabilities | 51,395 | 72,228 |
| Employee benefits | 1,469,949 | 1,356,560 |
| Obligations with FIDC | 1,018,501 | 938,526 |
| Leasing payable | 601,733 | - |
| Other non-current liabilities | 449,375 | 499,092 |
| | 19,405,306 | 16,838,205 |
| EQUITY | | |
| Capital | 19,249,181 | 19,249,181 |
| Treasury stocks | (242,542) | (280,426) |
| Capital reserves | 11,597 | 11,597 |
| Retained earnings | 5,644,706 | 4,806,089 |
| Operations with non-controlling interests | (2,870,825) | (2,870,825) |
| Other reserves | 5,163,584 | 4,814,988 |
| EQUITY ATTRIBUTABLE TO THE EQUITY HOLDERS OF THE PARENT | 26,955,701 | 25,730,604 |
| NON-CONTROLLING INTERESTS | 217,426 | 207,967 |
| EQUITY | 27,173,127 | 25,938,571 |
| TOTAL LIABILITIES AND EQUITY | 54,002,970 | 51,281,029 |
| | | |



GERDAUS.A. CONSOLIDATED STATEMENTS OF INCOME In thousands of Brazilian reais (R\$)

| In thousands of Brazilian reais (R\$) | For the three-mo | nth period ended on | For the year ended on | |
|---|------------------------|-----------------------|-----------------------|------------------------|
| | December 31, 2019 | December 31, 2018 | December 31, 2019 | December 31, 2018 |
| NET SALES | 9,533,467 | 10,899,702 | 39,644,010 | 46,159,478 |
| Cost of sales | (8,856,923) | (9,596,145) | (35,440,726) | (40,010,100) |
| GROSS PROFIT | 676,544 | 1,303,557 | 4,203,284 | 6,149,378 |
| | | | | |
| Selling expenses | (117,788) (234,806) | (138,493) | (476,339) | (570,431) |
| General and administrative expenses Other operating income | (234,806) 329,286 | (262,000) 82,041 | (954,117) 636,847 | (1,082,449) 235,421 |
| Other operating expenses | (78,181) | (146,073) | (187,647) | (270,413) |
| Impairment of assets | (78,181) | (140,075) | (187,047) | (270,413) |
| Impairment loss on trade receivables | (5,349) | 7,402 | (21,044) | (9,914) |
| Results in operations with subsidiaries and associate company | (3,349) | (185,559) | (21,044) | (414,507) |
| Equity in earnings of unconsolidated companies | (2,376) | (185,559) (28,796) | (17,050) | 10,141 |
| INCOME (LOSS) BEFORE FINANCIAL INCOME (EXPENSES) AND TAXES | 567,330 | 632,079 | 3,183,934 | 4,047,226 |
| Financial income | 85,566 | 81,580 | 223,213 | 204,000 |
| Financial expenses | (403,836) | (424,802) | (1,469,754) | (1,579,341) |
| Bonds repurchases | (405,050) | (223,925) | (1,40),754) | (223,925) |
| Exchange variations, net | 45,299 | 187,052 | (247,555) | (322,621) |
| Gain and losses on financial instruments, net | 1,153 | (11,959) | (15,118) | 32,092 |
| INCOME (LOSS) BEFORE TAXES | 295,512 | 240,025 | 1,674,720 | 2,157,431 |
| Current | 52,012 | (210,567) | (240,400) | (629,209) |
| Deferred | (245,319) | 359,707 | (217,433) | 798,160 |
| Income and social contribution taxes | (193,307) | 149,140 | (457,833) | 168,951 |
| NET INCOME (LOSS) | 102,205 | 389,165 | 1,216,887 | 2,326,382 |
| | 101.110 | | | |
| (+) Maintenance Stoppage / Impacts of the Blast Furnace 1 reform of the Ouro Branco steel mill | 131,110 | - | 368,813 | - |
| (-) Tax reversal/provisions | (193,083) | - | (250,311) | - |
| (-) Results in operations with subsidiaries and associate company | - | 185,559 | - | 414,507 |
| (+) Bonds repurchases | - | 223,925 | - (40.201) | 223,925 |
| (+) Income tax of extraordinary items (=) Total of extraordinary items | 21,071 (40,902) | (486,647) (77,163) | (40,291) 78,211 | (457,400) 181,032 |
| ADJUS TED NET INCOME* | (1.202 | 212.002 | 1 207 000 | 2.507.414 |
| ADJUSTED NET INCOME* | 61,303 | 312,002 | 1,295,098 | 2,507,414 |

*Adjusted net income is a non-accounting indicator prepared by the Company, reconciled with the financial statements and consists of net income adjusted for extraordinary events that influenced the net income (loss), v



GERDAUS.A. CONSOLIDATED STATEMENTS OF CASH FLOWS In thousands of Brazilian reais (R\$)

| Far the faree - model period median The fare - model period median The fare - model and - mod | In thousands of Brazilian reais (R\$) | For the three we | th nonical and ad an | For the year ended on | | |
|---|--|------------------|----------------------|-----------------------|-------------|--|
| Net more (bas) for the year 140.205 889.16 1.216,887 2.238,882 Deprection and amotization 5.99,672 509,595 509,595 1.70,290 1(10,11) Becknage variation, net 6.35,399 (187,012) 3.27,55 3.28,61 Drive emplyyment benefits 4.437 4.535 165,627 108,607 Stock horse runnencition 9,977 (148,140) 40,737 (148,140) Drave emplyyment benefits 5.439 (7,402) 2.122 (10,109) Restrict in operations with subsidiates and acocities company - 844,507 (44,247) Provisom for ax, hior and civit claims 43,402 (127,600) 38,117 (56,249) Provisom for ax, hior and civit claims 43,489 (51,77) (72,784) (44,745) Provisom for ax, hior and civit claims 18,493 226,843 93,120 11,77,866 Interest orgenes in teach is and and instruct parise (23,135) (24,279) - (44,742) 620,229 Interest orgenes in teach is and and instruct parise (23,135) (24,777) | | | | | | |
| Net more (bas) for the year 140.205 889.16 1.216,887 2.238,882 Deprection and amotization 5.99,672 509,595 509,595 1.70,290 1(10,11) Becknage variation, net 6.35,399 (187,012) 3.27,55 3.28,61 Drive emplyyment benefits 4.437 4.535 165,627 108,607 Stock horse runnencition 9,977 (148,140) 40,737 (148,140) Drave emplyyment benefits 5.439 (7,402) 2.122 (10,109) Restrict in operations with subsidiates and acocities company - 844,507 (44,247) Provisom for ax, hior and civit claims 43,402 (127,600) 38,117 (56,249) Provisom for ax, hior and civit claims 43,489 (51,77) (72,784) (44,745) Provisom for ax, hior and civit claims 18,493 226,843 93,120 11,77,866 Interest orgenes in teach is and and instruct parise (23,135) (24,279) - (44,742) 620,229 Interest orgenes in teach is and and instruct parise (23,135) (24,777) | | | | | | |
| Depreciation and animization 199,072 201/205 1.498,184 Equip it contains of the consolided companies 2.376 2.3796 17,050 (01,11) Exchange variation, aret (65,290) (15,153) 21,253 322,261 (01,153) 11,199 15,118 62,020 17,550 16,457 189,601 32,0261 (64,647) 189,601 33,09 (74,14) 42,323 (64,647) 189,601 33,09 (74,12) 12,123 (64,165,51) 14,100 42,823 (66,551) 12,123 (21,124) 2,172 (41,100) 42,934 (67,873) (42,994) (47,994) 49,994 - 14,994 14,994 (47,994) | | 102.205 | 200.1.55 | 1.01.000 | 0.000 | |
| Eq. 1000000000000000000000000000000000000 | · · · · · · | , | | | | |
| Phenneg variation, net (45,299) (107)23 247,555 322,611 (Gainy) Losses on financial interments, net (11,53) 11,999 15,118 (20,902) Prot-employment benefits 40,437 45,251 116,547 (189,603) Stock based enumention 949,307 (19,109) (45,233) (18,051) Losses (Gain) on disposal oppoperty, plant and equipment 38.99 (12,230) 21.29 (14,107) Insistent in contract hard read-tables 5,349 (1,412) 21.044 (9,914) Provision fortax, hiers and evia chains 43,502 (21,700) 38,417 (56,000) Reversal of contingent liabilities, act (28,013) (20,007) (402,097) (41,707) (545) Interest expanse on bans 18,18,93 26,043 (92,124) (40,224) (40,224) (40,224) Consec (Gaines on band lighting alignment in inventory (21,363) (14,757) (25,433) (42,771) Derivace (Gareese on band signment in inventory (21,364) (42,224) (42,224) (42,224) (42,224) (42,224) | | | | | | |
| Class Lasses on financial instruments, net (1,15) | | | | | | |
| Pertamphymetre herefinis 46,47 45,251 165,867 189,053 Nock based remunention 94,949 6,734 43,885 41,885 Incore tax 193,307 (149,140) 457,853 (168,551) Lasses (tais) on disposal of property, plant and equipment 3,839 (7,402) 21,014 9,914 Provision for tax, holor and civil chains 41,692 (27,690) 33,417 (56,499) Reversal of contingent liabilities, net (28,433) (15,173) (27,780) (49,777) Intreast ones and adjustment in inventory (21,833) 1,077,686 \$228 Decrease (and crasslaby value adjustment in inventory (21,833) (40,777) (426,99) Decrease (and crasslaby value adjustment in inventory (21,833) (13,87,72) (43,873) Decrease (and crasslaby value adjustment in inventory (21,835) (46,973) (24,973) (45,73) Decrease (and crasslaby value adjustment in inventory (23,873) (24,973) (46,973) (46,973) Decrease (dneracsc) in trads accounts payable (23,707) | | | | | | |
| Sock based remuneration 9,49 6734 43,895 41,895 Income tax 193,397 (14),410 457,833 (168,951) Lesses (Gains) on disposal of property, plant and equipment 3,819 (13,226) 2,129 (41,097) Impairment loss on trade receivables 5,349 (7,402) 32,044 99,94 Provision for tax laborat activite company 5,349 (17,402) 32,044 99,94 Interest icons on in varianter (28,133) - (402,499) - - Interest icons on in varianter (23,433) (17,743) (49,745) Interest icons on in varianter (21,438) (15,177) (17,548) (48,475) (17,613) Decrease (Increase) in indivention (14,100) (351) (17,61) (22,22,99) (13,627) 666,83 71,631 Decrease (Increase) in indiventions (22,920) (14,944,97) (14,920) (11,94,99) (14,920) (11,94,99) (14,920) (14,91,90) (16,220) (16,102,90) (16,102,90) (16,102,90) (16,102,90) (16,102,90) | | | | | | |
| Income tax 193,37 (14),149 457,83 (168,85) Losses (fails) on disposal opporty, plant and equipment 3,837 (14),149 457,83 (168,85) 2.12 (41,109) Reveals of contingent labilities, net 43,692 (127,690) 38,417 (55,490) Networks of contingent labilities, net (28,133) (40,27,690) (40,27,690) (40,27,690) Interest expense on loans (18,183) 226,680 (35,12) (1,17,7,86) Interest on coans with related parties (2,100) (35,1) (4,7,7) (45,55) Reversal of net radisable value adjustment in inventory (22,43,8) (1,67,7) (24,24,77) Decrease (facrease) in metal accounts precivable (2,107,1) 2,427,473 (2,427,473) Obcrease in tothe accounts payable (2,20,77) 4,996,44 (4,62,500) (1,108,62) Decrease (facrease) in metal accounts payable (2,20,77) 4,997 14,862 (11,898) Decrease (facrease) in metal accounts payable (2,20,77) 4,997 14,862 (11,898) Decrease (facrease) in metal accounts payable <td></td> <td></td> <td></td> <td></td> <td></td> | | | | | | |
| Lasses (Gains) on disposal of property, plant and equipment 3.819 (1.1226) 2.129 (1.140) Results in operations with sublatines and subcitize company 3.349 (7.402) 21.044 9.914 Drovision for sub-bard activitications 3.349 (7.402) 3.1417 (56,409) Reversal of contingent liabilities, net (280,133) - (402,499) (47,475) Interest income on investments (28,483) (51,717) (72,484) (46,745) Interest income on investments (21,498) (11,677) (42,456) (42,228) Densers of locames of intert each adjustment in inventory (72,488) (16,77) 24,666 (42,228) Densers of locames in inventories (21,297) (44,972) (46,883) (71,61) Densers of locames in inventories (24,277) (24,277) (24,277) (24,277) Densers of locames in inventories (22,277) (24,277) (24,277) (24,277) Densers of locames in inventories (25,077) (24,477) (24,677) (24,277) Densered (borease) (11,72,66) | | | | | | |
| Results in operations with subsidiaries and associate company - 185,599 - 414,607 Impairment isso and accivabals 5,349 (7,42) 21,044 90,14 Provision for tax, holo and civil claims 43,002 (127,000) 38,417 (55,000) Reversal of contingent liabilities, net (28,438) (15,173) (7,2740) (49,745) Interest operase on hoans 181,893 206,661 93,8120 11,77,666 Interest operase on hoans 181,893 206,661 93,8120 11,77,666 Reversal of net realsoftle value adjustment in inventory (27,438) 1,67,72 4,665,831 71,635 Decrease (Increase) in media accounts recivable 121,952 (40,944) 1,555,713 (42,247,473) Obcrease in indra accounts payable (24,071) 278,440 (642,099) 90,9384 Decrease in indra accounts payable (25,07) 4,997 14,625 (11,63,250) - Decrease in indra accounts payable (25,013) (447,77) (36,754) (51,21,23) Decrease in indra accounts payable (25,013) (447,77) (36,754) (51,21,23) <t< td=""><td></td><td></td><td></td><td></td><td>. , ,</td></t<> | | | | | . , , | |
| Impairment loss on trade receivables 5,349 (7,402) 21,041 9,914 Provision for tax, hord and civic leainins (28,0133) (40,2,497) (47,248) Interest income on investments (28,438) (15,173) (27,2749) (49,749) Interest income on investments (28,438) (15,173) (27,248) (47,676) (54,97) Reversal of net realisable value adjustment in inventory (27,438) 1,637 24,665 82,288 Descrease (increase) in two accounts receivable 710,309 1,186,573 (62,249) 60,022,949 Descrease (increase) in two accounts receivable 710,200 1,186,573 (62,427,473) (24,274) Descrease (increase) in two accounts pay able (25,017) 24,864 (41,82,990) 90,388 Charges in trade accounts pay ables (25,017) 4,997 1,46,852 (11,86,502) Descrease (in other receivables (77,99) 1,46,852 (11,86,502) (11,86,502) Descrease (in other receivables (25,50136) (449,415) (42,929) (44,877) (53,67,414) (53,67,414) (53 | | 3,819 | | 2,129 | | |
| Provision for tax, kbor and civil claims 43.092 (227,090) 38.417 (56,409) Reversal of contingent labilities, net (28,418) (15,173) (27,276) (49,785) Interest reverse on loams (18,1893) 206,661 (93,120) (1,177,666) Interest reverse on loams with related parties (21,10) (351) (47,67) (545) Reversal of net realisable value adjustment in inventory (27,488) (15,173) (24,668) 8228 Changes in assets and labilities (21,00) (351) (47,67) (55,67) (1,61) Decrease (increase) in trade accounts payable (21,07) 27,864 (62,299) 90,303 Obcrease in contex accounts payable (22,07) 4,997 14,6425 (118,683) Decrease in other receivables (23,07) 4,997 14,6425 (118,683) Decrease in other receivable (7,799) - (83,620) - (63,620) - (53,620) - (53,620) - (63,620) (1,62,69) 7,799 - (83,620) - (25,6 | | - | | - | | |
| Reversal of contingent liabilities, net (20,133) 1. (402,090) 1. Interest mome on investments (20,433) (15,173) (72,784) (49,725) Interest on loans with related parties (21,103) (13,77) (27,84) (47,77) Reversal of net realisable value adjustment in inventory (22,143) 1.637 24,665 § 228 Changes in assets and liabilities 70,250 (1,86,732 66,683) 71,611 Decrease (increase) in treated accounts receivable (22,77) 2,472,733 (24,72,79) (46,26,99) 900,388 Increase) increase in that accounts payable (22,77) 2,472,473 (24,73) (24,74,99) 900,388 Decrease (increase) increase in that accounts payable (22,77) 4,997 14,8625 (11,80,620) 1,997 14,8625 (11,80,620) 1,997 14,8625 (11,80,620) 1,997 14,8625 1,80,800 5,337 7,990 - 8,63,000 5,337 7,990 - 8,63,000 5,337 7,990 - 8,63,000 5,337 7,991,900 1,997,94,444,415 1,529,595 <td>•</td> <td>,</td> <td></td> <td></td> <td></td> | • | , | | | | |
| Interest income on investments (28,48) (15,173) (72,74) (49,745) Interest one noans with related parties (2,110) (351) (4767) (555) Revenal of net realisable value adjustment in inventory (27,438) 1.677 24,665 & & & & & & & & & & & & & & & & & & & | | , | (127,690) | | (56,409) | |
| Interest expense on banas 181,893 296,861 998,120 1,177,666 Interest on banas with related parties (21,10) (351) (4767) (5459) Reversal of net realisable value adjustment in inventory (27,438) 1.637 24,665 & 8,228 Changes in assets and liabilities 702,502 (40,994) (1,55,713 (24,277) Decrease (increase) in inventors 1.21,552 (40,994) (1,55,713 (24,277) Decrease in interventors (22,077) 24,999 900,388 (1,610,626) Decrease in other payables (20,936) (449,415) (462,906) (1,10,626) Present value adjustistemit portion on leases (7,799) - (83,630) - Dividends from jointly-controlled entries 5,085 6,218 44,047 (55,275) Proceeds from maturities and sales of trading securities (24,173) (3,67,474) (1,12,269) Cash provided by operating activities (24,173) (3,67,474) (1,22,395) (28,623) Net cash (used) providing securities (24,1923) (36,440) (94, | Reversal of contingent liabilities, net | (280,133) | - | (402,499) | - | |
| Interest on loans with related parties (2,110) (35) (4,77) (543) Reversal of ner realisable value adjustment in inventory (27,439) (1,537) 24.665 8.228 Changes in assets and liabilities 7 743.648 999.844 4.782.445 6.002.949 Decrease (increase) in trade accounts receivable (1,217) 278.640 (642.679) 90.03.88 (Increase) Chercase in other receivables (2,071) 278.640 (642.679) 90.03.88 (Increase) Chercase in other receivables (2,077) 4.997 14.6825 (118.085) Decrease in other receivables (2,075) (449.415) (642.677) 53.675 Droidends from numbrities and sales of radius scurities 5.085 6.218 44.087 53.57 Parchases of radius scurities (2,506,136) (443.477) (3,676,744) (1,512.123) Parchases of ronding scurities (2,510.28) (2,612.89) (3,61.402) (2,94.692) Interest paid on loans and financing (2,61.28) (3,61.402) (2,94.692) (2,11.62.564) Increas tip add thy opera | | | | | | |
| Reversal of net realisable value adjustment in inventory (27,38) (733,648 1.67 2.2665 8.228 Obarges in assets and liabilities 743,648 909,844 4,782,445 6022,949 Decrease (Increase) in inventories 770,259 1,186,733 66,8531 71,651 Decrease (Increase) in inventories 1,219,552 (40,994) 1,556,713 (2,427,473) (Increase) Decrease in indre accounts payable (42,071) 278,660 (492,699) 900,384 (Increase) Decrease in other payables (22,500) (449,415) (462,200) (1,100,60) - Present value adjustment portion on lasses (77,799) - (83,622) - (1,21,21) Proceeds from muturities and sales of trading securities 2,506,150 (448,717) (2,510,21) - (1,62,364) Interest paid on lans and financing (26,192) (2,61,22) (2,91,22) (2,91,22) - (2,94,679) (2,92,663) Interest paid on lans and financing (2,61,22) (2,61,272) (1,162,264) (46,077) (1,162,264) (42,772) (1,999,963) < | Interest expense on loans | 181,893 | 296,861 | 938,120 | 1,177,686 | |
| Changes in assets and liabilities 743,648 969,844 4,782,445 6,602,949 Decrease (increase) in inde accounts receivable 770,220 1,186,732 666,831 71,631 Decrease (increase) in inde accounts receivable 1,219,552 (40,994) 1,256,713 (2,427,473) Decrease in other receivables (2,071) 4,997 146,825 (118,089) Decrease in other receivables (2,577) 4,997 146,825 (118,069) Present value adjustment portion on leases (7,79) - (33,630) - Droidends from inturty: control entities 5,085 6,218 44,037 55,357 Purchases of trading securities (2,566,136) (448,1737) (3,676,744) (1,512,123) Interest paid on loans and financing (261,928) (363,442) (945,027) (1,162,646) Interest paid on loans and financing (261,928) (363,442) (945,027) (1,162,646) Interest paid on loans and financing (21,7374) (3,646,07) (29,646) (24,679) Interest paid (33,750) (44,817) | Interest on loans with related parties | (2,110) | (351) | (4,767) | (545) | |
| Changes in assets and liabilities No. Decrease (Increase) in true accounts receivable 770.250 1,186.732 656.881 71,631 Decrease (Increase) in true accounts payable (42,071) 278.640 (642,099) 900.388 Increases Decrease in other payables (25,707) 4.997 14.6825 (118,088) Decrease in other payables (20,395) (449,415) (462,090) (116,052) Present value adjustment portion on bases (77,799) - (83,620) - Dividends from jointly-controlled entities 5.085 6.218 44.037 55.357 Proceeds from maturities and sales of trading securities 12.418 655.292 521.616 1.629.595 Cash provided by operating activities (23,05,14) (11,12,125) 1.642.792 1.999.683 Interest paid on loans and financing (33,750) (38,344) (245,479) (28,663) Income and social contribution taxes paid (33,750) (38,142) (21,62,67) 2.984.639 Net cash (used) provided by operating activities (217,374) 1.717.295 1.642.792 | Reversal of net realisable value adjustment in inventory | (27,438) | | 24,665 | 8,228 | |
| Decrease (Increase) in inde accounts recivable 770,220 1.186,732 666,831 71,631 Decrease (Increase) in inventories 1.219,552 (40,994) 1.556,713 (2,427,4738) (Decrease) Increase in trade accounts payable (42,071) 278,640 (642,969) 900,383 (Increase) Decrease in other receivables (2,577) 4.997 146,825 (1189,889) Decrease in other payable (2,577) 4.997 146,825 (1189,889) Decrease in other payable (2,577) 4.997 146,825 (1189,889) Dividends from jointly-controlled entities 5,585 6,218 44,037 5337 Proceeds from maturities and sales of trading securities (2,506,136) (448,737) (4,562,050) (1,521,23) Proceeds from maturities and sales of trading securities (2,61,928) (363,442) (945,027) (1,962,959) Cash provided by operating activities (2,17,374) 1.717,255 1,492,979) (298,663) Net cash fused provided in provided by operating activities (2,17,374) 1.717,255 1,494,979) (2,45,679) (2,98,679) | | 743,648 | 969,844 | 4,782,445 | 6,022,949 | |
| Decrease (increase) in investionies 1,219,522 (40,94) 1,556,713 (2,47,77) (Decrease) Increase in tube accounts payable (42,071) 278,640 (642,699) 900,338 (Increase) Decrease in other receivables (20,395) (449,415) (462,050) (110,026) Present value digustment portion on leases (77,799) - (85,620) - Dividends from jointly-controlled entities 5,085 6,218 (44,037) (55,737) Prunchases of trading securities (2,260,136) (449,737) (3,67,744) (1,512,123) Proceeds from maturities and sales of finding securities 12,418 (655,292) 521,016 1,629,595 Cash provided by operating activities (26,1928) (363,412) (945,679) (228,679) Interest paid on loans and financing Incrome and social contribution taxes paid (33,750) (81,840) (254,679) (228,649) Not cash (used) projectry, plant and equipment, investments and other intangibles 1,498 2,249,25 1,192,948 4,021,251 Purchases of opporty, plant and equipment, investments and other intangibles 1,498 2,244,925 </td <td></td> <td>770.250</td> <td>1 106 722</td> <td>656 021</td> <td>71 (21</td> | | 770.250 | 1 106 722 | 656 021 | 71 (21 | |
| Concrease) Increase in rade accounts payable (42,071) 278,640 (642,099) 900.388 (Increase) Decrease in other receivables (23,707) 4.997 146,825 (118,988) Decrease in other payable (20,376) (449,415) (462,906) (1,180,629) Present value adjustment portion on leases (77,799) - (85,620) - Dividend 5 monitury-cornelled entities (25,085) (24,1877) (3,676,744) (1,121,22) Dividend 5 moniturity-cornelled entities (26,1928) (363,442) (945,027) (1,162,364) Interest paid on loans and financing (261,928) (363,442) (945,027) (1,162,364) Income and social contribution taxes paid (33,759) (81,840) (254,679) (298,663) Act ash flows from investing activities (217,374) (1,717,275) 1,642,792 (1,99,948) Purchases of property, plant and equipment, investments and other intangibles (485,960) (30,100) (1,746,600) (1,194,934) Purchases of property, plant and equipment, investments and other intangibles (488,960) (30,100) (1,746,600) | | | , , | | , | |
| (Increase) Decrease in other receivables (25,707) 4,997 146,825 (118,988) Decrease in other payables (20,936) (449,415) (462,906) (1,100,62) Drividends from jointly-controlled entities 5,088 6,218 44,037 55,337 Drividends from jointly-controlled entities 5,088 6,218 44,037 55,337 Drividends from instructies and sales of trading securities 12,418 655,292 521,616 1,629,595 Cash provided by operating activities 78,804 2,162,577 2,842,498 3,460,710 Interest paid on loans and financing (63,750) (61,928) (363,442) (945,027) (1,162,369) Net cash (used) provided by operating activities (217,374) 1,717,295 1,642,792 1,999,683 Cash flows from investing activities (217,374) 1,717,295 1,642,792 1,999,683 Cash dused provided by operating activities (217,374) 1,717,295 1,642,792 1,999,683 Cash duse for protyr, plant and equipment (485,960) (360,100) (1,746,600) (1,194,94) | | , , | | | | |
| Decrease in other payables (20,936) (449,415) (462,906) (1,160,62) Present value adjustment portion on leases (77,799) - (83,620) - Dividends from jonituly-controlled entities 5,085 6,218 44,037 55,357 Purchases of trading securities (2,206,136) (448,737) (3,676,744) (1,512,123) Proceeds from maturities and sales of trading securities 12,418 655292 521,616 1,629,595 Cash provided by operating activities 78,304 2,162,577 2,842,498 3,460,710 Increase for portery, plant and equipment spaid (33,750) (81,840) (254,679) (298,663) Net cash (used) provided by operating activities (21,7374) 1,717,295 1,642,792 1,999,683 Cash flows from investing activities (33,750) (81,840) (254,679) (298,663) Purchases of property, plant and equipment (485,960) (360,100) (1,149,494) Proceeds from sales of property, plant and equipment in vestiments and other intangibles 1,498 2,244,925 21,805 4,021,251 Purch | | | , | | , | |
| Present value adjustment portion on leases (77,799) - (83,620) Dividends from jontly-controlled entities 5,085 6,218 44,037 55,537 Dividends from jontly-controlled entities 12,418 655,592 521,616 1,629,595 Cash provided by operating activities 12,418 655,292 521,616 1,629,595 Cash provided by operating activities 78,304 2,162,577 2,842,498 3,460,710 Increme and social contribution taxes paid (33,750) (81,840) (24,677) (286,663) Net cash (used) provided by operating activities (217,374) 1,717,295 1,642,792 1,999,683 Cash flows from investing activities (217,374) 1,717,295 1,642,792 1,999,683 Cash flows from investing activities (485,960) (360,100) (1,746,600) (1,194,934) Pruchases of property, plant and equipment, investments and other intangibles 1,498 2,244,925 21,805 4,021,251 Purchases of treas ury shares (35,872) (25,241) (100,313) (67,388) Advance for future investment in equip | | | | | , | |
| Dividends from jointly-controlled entities 5.085 6.218 44.037 55.357 Purchases of trading securities (2,506,136) (448,737) (3,676,744) (1,151,123) Proceeds from muturities and sales of trading securities 12,418 $655,292$ 521,166 $1,629,959$ Cash provided by operating activities 78,304 2,162,577 2,842,498 $3,460,710$ Interest paid on loans and financing (261,928) (363,422) (945,027) (1,162,364) Income and social contribution taxes paid (33,750) (81,840) (254,679) (298,663) Net cash (used) provided by operating activities (217,374) 1,717,295 1,642,792 1,999,663 Purchases of property, plant and equipment (485,960) (30,100) (1,746,600) (1,194,934) Purchases of property, plant and equipment (485,960) (30,100) (1,746,600) (1,94,934) Purchase of future investiment in equity interest . (35,872) (25,241) (100,313) (67,354) Qanate for future investiment in equity interest . (37,456) (94,487) .< | 1 5 | | (449,415) | | (1,160,626) | |
| Purchases of trading securities $(2,506,136)$ $(448,737)$ $(3,676,744)$ $(1,512,123)$ Proceeds from matrities and sales of trading securities $12,418$ $655,292$ $521,616$ $1.629,595$ Cash provided by operating activities $12,418$ $655,292$ $521,616$ $1.629,595$ Cash provided by operating activities $12,418$ $655,292$ $521,616$ $1.629,595$ Increme and social contribution taxes paid $(33,750)$ $(81,840)$ $(24,679)$ $(298,663)$ Net cash (used) provided by operating activities $(217,374)$ $1.717,295$ $1.642,792$ $1.999,683$ Cash flows from investing activities $(217,374)$ $1.717,295$ $1.642,792$ $1.999,683$ Purchases of property, plant and equipment, investments and other intangibles 1.498 $2.244,92$ $21,805$ $40,21,251$ Purchase of ther intangibles $1.699,990$ $1.448,108$ $(1.894,4173)$ $(67,954)$ $(202,251)$ $(00,313)$ $(67,954)$ $(202,156)$ $(243,966)$ Cash flows from financing activities $(499,990)$ $1.448,128$ $(1.899,451)$ | | | - | | - | |
| Proceeds from naturities and sales of trading securities 12.418 655.292 52.1616 1.629.595 Cash provided by operating activities 78.304 2.162.577 2.842.498 3.460.710 Interest paid on bans and financing (261.928) (363.442) (945.027) (1.162.364) Income and social contribution taxes paid (23.750) (81.840) (224.679) (298.663) Net cash (used) provided by operating activities (21.7374) 1.17.295 1.42.792 1.999.683 Cash flows from investing activities (21.7374) 1.17.295 1.42.792 1.999.683 Purchases of property, plant and equipment, investments and other intangibles (485.960) (360.100) (1.746.600) (1.194.934) Purchases of other intangibles (35.872) (25.241) (100.313) (67.388) Advance for future investment in equipment, investments and other intangibles (35.872) (25.241) (100.313) (67.388) Advance for future investing activities (20.374) - 20.344 - 20.344 - 20.344 - 20.344 - 20.344 <td< td=""><td></td><td></td><td></td><td></td><td></td></td<> | | | | | | |
| Cash provided by operating activities 78,304 2,162,577 2,842,498 3,460,710 Interest paid on loans and financing (261,928) (363,442) (945,027) (1,162,364) Income and social contribution taxes paid (33,750) (81,840) (254,679) (298,663) Net cash (used) provided by operating activities (217,374) 1,717,295 1,642,792 1,999,683 Cash flows from investing activities (485,960) (360,100) (1,746,600) (1,194,934) Purchases of property, plant and equipment, investments and other intangibles 1,498 2,244,925 21,805 4,021,251 Purchases of other intangibles (35,872) (25,241) (100,313) (67,388) Advance for future investment in equity interest - (37,456) (94,687) (37,456) Cash flows from financing activities (499,990) 1,484,128 (1,899,451) 2,383,473 Cash flows from financing activities - (93,685) - (243,396) Dividends and interest on capital paid (67,954) (220,756) (484,173) (599,099) P | - | | | | | |
| Interest paid on loans and financing (261,928) (363,442) (945,027) (1,162,364) Income and social contribution taxes paid (231,759) (298,663) (244,792) (298,663) Net cash (used) provided by operating activities (217,374) 1,717,295 1,642,792 (1,999,683) Cash flows from investing activities (217,374) 1,717,295 1,642,792 (1,999,683) Purchases of property, plant and equipment (485,960) (360,100) (1,746,600) (1,194,934) Purchases of other intangibles 1,498 2,244,925 21,805 4,021,251 Purchases of other intangibles (35,872) (252,41) (100,013) (67,388) Advance for future investiment in equip interest - (37,5456) (94,687) (37,5456) Capital decrease in joint venture 20,3344 - 20,344 - 20,344 - Net cash (used) provided in investing activities (499,990) 1,484,128 (1,899,451) 2,383,473 Cash flows from financing activities - (93,685) - (243,396) Dividends and interest on capital paid (67,954) (220,756) (484, | - | | | | | |
| Income and social contribution taxes paid (33,750) (81,840) (254,679) (298,663) Net cash (used) provided by operating activities (217,374) 1,717,295 1,642,792 1,999,683 Cash flows from investing activities (485,960) (360,100) (1,746,600) (1,194,934) Proceeds form sales of property, plant and equipment, investments and other intangibles 1,498 2,244,925 21,805 4,021,251 Advance for future investment in equity interest - (375,456) (94,687) (375,456) Cash flows from financing activities 20,344 - 20,345 30,000 30,000 30,000 <td< td=""><td>Cash provided by operating activities</td><td>78,304</td><td>2,162,577</td><td>2,842,498</td><td>3,460,710</td></td<> | Cash provided by operating activities | 78,304 | 2,162,577 | 2,842,498 | 3,460,710 | |
| Net cash (used) provided by operating activities (217,374) 1,717,295 1,642,792 1,999,683 Cash flows from investing activities (485,960) (360,100) (1,746,600) (1,194,934) Proceeds from sales of property, plant and equipment, investments and other intangibles 1,498 2,244,925 21,805 4,021,251 Purchases of or future investment in equity interest - (35,872) (25,241) (100,313) (67,388) Cash flows from financing activities - 20,344 - 20,344 - Net cash (used) provided in investing activities (499,990) 1,484,128 (1,899,451) 2,383,473 Cash flows from financing activities - (93,685) - (243,396) Dividends and interest on capital paid (67,954) (220,756) (484,173) (599,099) Proceeds from loans and financing 2,112,754 1,596,573 2,586,783 2,560,789 Repayment of bans and financing (1,014,210) (4,2485,083) (6,000,433) - (161,824) - Intercompany bans, net 52,466 13,794 (| Interest paid on loans and financing | (261,928) | (363,442) | (945,027) | (1,162,364) | |
| Cash flows from investing activities (11)94/934) Purchases of property, plant and equipment, investments and other intangibles 1,498 2,244/925 21,805 4/021,251 Purchases of other intangibles (35,872) (25,241) (100,313) (67,388) Advance for future investment in equipy interest - (375,456) (94,687) (375,456) Capital decrease in joint venture 20,344 - 20,344 - 20,344 - Net cash (used) provided in investing activities (499,990) 1,484,128 (1,899,451) 2,383,473 Cash flows from financing activities - (93,685) - (243,396) Dividends and interest on capital paid (67,954) (220,756) (484,173) (599,099) Proceeds from lonas and financing (1,014,210) (4,294,202) (4,885,083) (6,000,433) Leasing payment - (3,202) - (161,824) - Intercompany loans, net - 52,466 13,794 (64,089) 25,755 Net cash provided (used) in financing activities 1,079,854 | Income and social contribution taxes paid | (33,750) | (81,840) | (254,679) | (298,663) | |
| Purchases of property, plant and equipment $(485,960)$ $(360,100)$ $(1,746,600)$ $(1,194,934)$ Proceeds from sales of property, plant and equipment, investments and other intangibles $1,498$ $2,244,925$ $21,805$ $4,021,251$ Purchases of other intangibles $(35,872)$ $(25,241)$ $(100,313)$ $(67,388)$ Advance for future investment in equity interest $ (375,456)$ $(94,687)$ $(375,456)$ Capital decrease in joint venture $20,344$ $ 20,344$ $-$ Net cash (used) provided in investing activities $(499,990)$ $1,484,128$ $(1,899,451)$ $2,383,473$ Cash flows from financing activities $(499,990)$ $1,484,128$ $(1,899,451)$ $2,383,473$ Purchase of treasury shares $ (93,685)$ $ (243,396)$ Dividends and interest on capital paid $(67,954)$ $(220,756)$ $(484,173)$ $(599,099)$ Proceeds from loans and financing $2,112,754$ $1,596,573$ $5,585,573$ $2,560,789$ Repayment of loans and financing $(1,014,210)$ $(4,294,202)$ $(4,885,083)$ $(6,000,433)$ Leasing payment $(3,202)$ $ (161,824)$ $-$ Intercompany loans, net $52,426$ $13,794$ $(64,089)$ $25,755$ Net cash provided (used) in financing activities $(12,254)$ $(108,199)$ $17,763$ $208,034$ Increase (Decrease) in cash and cash equivalents $350,236$ $94,948$ $(248,492)$ $334,806$ Cash and cash equivalents at beginning of period <t< td=""><td>Net cash (used) provided by operating activities</td><td>(217,374)</td><td>1,717,295</td><td>1,642,792</td><td>1,999,683</td></t<> | Net cash (used) provided by operating activities | (217,374) | 1,717,295 | 1,642,792 | 1,999,683 | |
| Purchases of property, plant and equipment $(485,960)$ $(360,100)$ $(1,746,600)$ $(1,194,934)$ Proceeds from sales of property, plant and equipment, investments and other intangibles $1,498$ $2,244,925$ $21,805$ $4,021,251$ Purchases of other intangibles $(35,872)$ $(25,241)$ $(100,313)$ $(67,388)$ Advance for future investment in equity interest $ (375,456)$ $(94,687)$ $(375,456)$ Capital decrease in joint venture $20,344$ $ 20,344$ $-$ Net cash (used) provided in investing activities $(499,990)$ $1,484,128$ $(1,899,451)$ $2,383,473$ Cash flows from financing activities $(499,990)$ $1,484,128$ $(1,899,451)$ $2,383,473$ Purchase of treasury shares $ (93,685)$ $ (243,396)$ Dividends and interest on capital paid $(67,954)$ $(220,756)$ $(484,173)$ $(599,099)$ Proceeds from loans and financing $2,112,754$ $1,596,573$ $5,585,573$ $2,560,789$ Repayment of loans and financing $(1,014,210)$ $(4,294,202)$ $(4,885,083)$ $(6,000,433)$ Leasing payment $(3,202)$ $ (161,824)$ $-$ Intercompany loans, net $52,426$ $13,794$ $(64,089)$ $25,755$ Net cash provided (used) in financing activities $(12,254)$ $(108,199)$ $17,763$ $208,034$ Increase (Decrease) in cash and cash equivalents $350,236$ $94,948$ $(248,492)$ $334,806$ Cash and cash equivalents at beginning of period <t< td=""><td>Cash flows from investing activities</td><td></td><td></td><td></td><td></td></t<> | Cash flows from investing activities | | | | | |
| Proceeds from sales of property, plant and equipment, investments and other intangibles 1.498 $2.244,925$ $21,805$ $4.021,251$ Purchases of other intangibles $(35,872)$ $(25,241)$ $(100,313)$ $(67,388)$ Advance for future investment in equity interest $ (375,456)$ $(94,687)$ $(375,456)$ Capital decrease in joint venture $20,344$ $ 20,344$ $-$ Net cash (used) provided in investing activities $(499,990)$ $1.484,128$ $(1,899,451)$ $2,383,473$ Cash flows from financing activities $ (93,685)$ $ (243,396)$ Dividends and interest on capital paid $(67,954)$ $(220,756)$ $(484,173)$ $(599,099)$ Proceeds from loans and financing $2,112,754$ $1.596,573$ $5,585,573$ $2,560,789$ Repayment of loans and financing $(1,014,210)$ $(4,294,202)$ $(4,885,083)$ $(6,000,433)$ Leasing payment $(3,202)$ $ (161,824)$ $-$ Intercompany loans, net $52,466$ $13,794$ $(64,089)$ $22,575,55$ Net cash provided (used) in financing activities $(12,254)$ $(108,199)$ $17,763$ $208,034$ Increase (Decrease) in cash and cash equivalents $350,236$ $94,948$ $(248,492)$ $334,806$ Cash and cash equivalents at beginning of period $2,291,416$ $2,795,196$ $2,280,144$ $2,555,338$ | - | (485,960) | (360.100) | (1.746.600) | (1.194.934) | |
| Purchases of other intangiblesIIAdvance for future investment in equity interest $(35,872)$ $(25,241)$ $(100,313)$ $(67,388)$ Advance for future investment in equity interest $(375,456)$ $(94,687)$ $(375,456)$ Capital decrease in joint venture $20,344$ $ 20,344$ $-$ Net cash (used) provided in investing activities $(499,990)$ $1,484,128$ $(1,899,451)$ $2,383,473$ Cash flows from financing activities $ (93,685)$ $ (243,396)$ Dividends and interest on capital paid $(67,954)$ $(220,756)$ $(484,173)$ $(599,099)$ Proceeds from loans and financing $2,112,754$ $1,596,573$ $5,585,573$ $2,560,789$ Repayment of loans and financing $(1,014,210)$ $(4,294,202)$ $(4,885,083)$ $(6,004,33)$ Leasing payment $(3,202)$ $ (161,824)$ $-$ Intercompany loans, net $52,466$ $13,794$ $(64,089)$ $25,755$ Net cash provided (used) in financing activities $(1,02,254)$ $(108,199)$ $17,763$ $208,034$ Increase (Decrease) in cash and cash equivalents $350,236$ $94,948$ $(248,492)$ $334,806$ Cash and cash equivalents at beginning of period $22,91,416$ $2,795,196$ $2,890,144$ $2,555,338$ | | | | | | |
| Advance for future investment in equity interest(375,456)(94,687)(375,456)Capital decrease in joint venture $20,344$ - $20,344$ Net cash (used) provided in investing activities(499,990)1,484,128(1,899,451)2,383,473Cash flows from financing activities-(93,685)(243,396)Dividends and interest on capital paid(67,954)(220,756)(484,173)(599,099)Proceeds from loans and financing2,112,7541,596,5735,585,5732,560,789Repayment of loans and financing(1,014,210)(4,294,202)(4,885,083)(60,00,433)Leasing paymentIntercompany loans, netNet cash and cash equivalentsIncrease (Decrease) in cash and cash equivalentsIncrease (Decrease) in cash and cash equivalentsCash and cash equivalentsStand cash equivalents | | | | , | | |
| Capital decrease in joint venture $20,344$ - $20,344$ -Net cash (used) provided in investing activities(499,990) $1,484,128$ (1,899,451) $2,383,473$ Cash flows from financing activitiesPurchase of treasury shares-(93,685)-(243,396)Dividends and interest on capital paid(67,954)(220,756)(484,173)(599,099)Proceeds from loans and financing2,112,7541,596,5735,585,5732,560,789Repayment of loans and financing(1,014,210)(4,294,202)(4,885,083)(6,000,433)Leasing payment(3,202)-(161,824)-Intercompany loans, net52,46613,794(64,089)25,755Net cash provided (used) in financing activities1,079,854(2,998,276)(9,596)(4,256,384)Exchange variation on cash and cash equivalents350,23694,948(248,492)334,806Cash and cash equivalents25,755,1382,291,4162,795,1962,890,1442,555,338 | 5 | (55,672) | | | | |
| Net cash (used) provided in investing activities $(499,990)$ $1,484,128$ $(1,899,451)$ $2,383,473$ Cash flows from financing activities $ (93,685)$ $ (243,396)$ Dividends and interest on capital paid $(67,954)$ $(220,756)$ $(484,173)$ $(599,099)$ Proceeds from loans and financing $2,112,754$ $1,596,573$ $5,585,573$ $2,560,789$ Repayment of loans and financing $(1,014,210)$ $(4,294,202)$ $(4,885,083)$ $(6,000,433)$ Leasing payment $(3,202)$ $ (161,824)$ $-$ Intercompany loans, net $52,466$ $13,794$ $(64,089)$ $25,755$ Net cash provided (used) in financing activities $(12,254)$ $(108,199)$ $17,763$ $208,034$ Increase (Decrease) in cash and cash equivalents $350,236$ $94,948$ $(248,492)$ $334,806$ Cash and cash equivalents at beginning of period $22,55,338$ $2,291,416$ $2,795,196$ $2,890,144$ $2,555,338$ | | 20 344 | (575,155) | | (575,155) | |
| Purchase of treasury shares- $(93,685)$ - $(243,396)$ Dividends and interest on capital paid $(67,954)$ $(220,756)$ $(484,173)$ $(599,099)$ Proceeds from bans and financing $2,112,754$ $1,596,573$ $5,585,573$ $2,560,789$ Repayment of bans and financing $(1,014,210)$ $(4,294,202)$ $(4,885,083)$ $(6,000,433)$ Leasing payment $(3,202)$ - $(161,824)$ -Intercompany loans, net $52,466$ $13,794$ $(64,089)$ $25,755$ Net cash provided (used) in financing activities $1,079,854$ $(2,998,276)$ $(9,596)$ $(4,226,384)$ Exchange variation on cash and cash equivalents $(12,254)$ $(108,199)$ $17,763$ $208,034$ Increase (Decrease) in cash and cash equivalents $350,236$ $94,948$ $(248,492)$ $334,806$ Cash and cash equivalents at beginning of period $2,291,416$ $2,795,196$ $2,890,144$ $2,555,338$ | | | 1,484,128 | | 2,383,473 | |
| Purchase of treasury shares- $(93,685)$ - $(243,396)$ Dividends and interest on capital paid $(67,954)$ $(220,756)$ $(484,173)$ $(599,099)$ Proceeds from bans and financing $2,112,754$ $1,596,573$ $5,585,573$ $2,560,789$ Repayment of bans and financing $(1,014,210)$ $(4,294,202)$ $(4,885,083)$ $(6,000,433)$ Leasing payment $(3,202)$ - $(161,824)$ -Intercompany loans, net $52,466$ $13,794$ $(64,089)$ $25,755$ Net cash provided (used) in financing activities $1,079,854$ $(2,998,276)$ $(9,596)$ $(4,226,384)$ Exchange variation on cash and cash equivalents $(12,254)$ $(108,199)$ $17,763$ $208,034$ Increase (Decrease) in cash and cash equivalents $350,236$ $94,948$ $(248,492)$ $334,806$ Cash and cash equivalents at beginning of period $2,291,416$ $2,795,196$ $2,890,144$ $2,555,338$ | Cook flow from from ing activities | | | | | |
| Dividends and interest on capital paid $(67,954)$ $(220,756)$ $(484,173)$ $(599,099)$ Proceeds from loans and financing $2,112,754$ $1,596,573$ $5,585,573$ $2,560,789$ Repayment of loans and financing $(1,014,210)$ $(4,294,202)$ $(4,885,083)$ $(6,000,433)$ Leasing payment $(3,202)$ - $(161,824)$ -Intercompany loans, net $52,466$ $13,794$ $(64,089)$ $25,755$ Net cash provided (used) in financing activities $1,079,854$ $(2,998,276)$ $(9,596)$ $(4,226,384)$ Exchange variation on cash and cash equivalents $(12,254)$ $(108,199)$ $17,763$ $208,034$ Increase (Decrease) in cash and cash equivalents $350,236$ $94,948$ $(248,492)$ $334,806$ Cash and cash equivalents at beginning of period $2,291,416$ $2,795,196$ $2,890,144$ $2,555,338$ | | | (02 (05) | | (242.200) | |
| Proceeds from loans and financing $2,112,754$ $1,596,573$ $5,585,573$ $2,560,789$ Repayment of loans and financing $(1,014,210)$ $(4,294,202)$ $(4,885,083)$ $(6,000,433)$ Leasing payment $(3,202)$ - $(161,824)$ -Intercompany loans, net $52,466$ $13,794$ $(64,089)$ $25,755$ Net cash provided (used) in financing activities $1,079,854$ $(2,998,276)$ $(9,596)$ $(4,226,384)$ Exchange variation on cash and cash equivalents $(12,254)$ $(108,199)$ $17,763$ $208,034$ Increase (Decrease) in cash and cash equivalents $350,236$ $94,948$ $(248,492)$ $334,806$ Cash and cash equivalents at beginning of period $2,291,416$ $2,795,196$ $2,890,144$ $2,555,338$ | | - | | - | | |
| Repayment of loans and financing (1,014,210) (4,294,202) (4,885,083) (6,000,433) Leasing payment (3,202) - (161,824) - Intercompany loans, net 52,466 13,794 (64,089) 25,755 Net cash provided (used) in financing activities 1,079,854 (2,998,276) (9,596) (4,256,384) Exchange variation on cash and cash equivalents (12,254) (108,199) 17,763 208,034 Increase (Decrease) in cash and cash equivalents 350,236 94,948 (248,492) 334,806 Cash and cash equivalents at beginning of period 2,291,416 2,795,196 2,890,144 2,555,338 | | | | | () , | |
| Leasing payment (3,202) - (161,824) - Intercompany loans, net 52,466 13,794 (64,089) 25,755 Net cash provided (used) in financing activities 1,079,854 (2,998,276) (9,596) (4,256,384) Exchange variation on cash and cash equivalents (12,254) (108,199) 17,763 208,034 Increase (Decrease) in cash and cash equivalents 350,236 94,948 (248,492) 334,806 Cash and cash equivalents at beginning of period 2,291,416 2,795,196 2,890,144 2,555,338 | | | | | | |
| Intercompany loans, net 52,466 13,794 (64,089) 25,755 Net cash provided (used) in financing activities 1,079,854 (2.998,276) (9,596) (4,256,384) Exchange variation on cash and cash equivalents (12,254) (108,199) 17,763 208,034 Increase (Decrease) in cash and cash equivalents 350,236 94,948 (248,492) 334,806 Cash and cash equivalents at beginning of period 2,291,416 2,795,196 2,890,144 2,555,338 | 1.5 | | (4,294,202) | | (6,000,433) | |
| Net cash provided (used) in financing activities 1,079,854 (2,998,276) (9,596) (4,256,384) Exchange variation on cash and cash equivalents (12,254) (108,199) 17,763 208,034 Increase (Decrease) in cash and cash equivalents 350,236 94,948 (248,492) 334,806 Cash and cash equivalents at beginning of period 2,291,416 2,795,196 2,890,144 2,555,338 | | | - | | - | |
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| Increase (Decrease) in cash and cash equivalents 350,236 94,948 (248,492) 334,806 Cash and cash equivalents at beginning of period 2,291,416 2,795,196 2,890,144 2,555,338 | Net cash provided (used) in financing activities | 1,079,854 | (2,998,276) | (9,596) | (4,256,384) | |
| Cash and cash equivalents at beginning of period 2,291,416 2,795,196 2,890,144 2,555,338 | Exchange variation on cash and cash equivalents | (12,254) | (108,199) | 17,763 | 208,034 | |
| | Increase (Decrease) in cash and cash equivalents | 350,236 | 94,948 | (248,492) | 334,806 | |
| Cash and cash equivalents at end of period 2,641,652 2,890,144 2,641,652 2,890,144 | Cash and cash equivalents at beginning of period | 2,291,416 | 2,795,196 | 2,890,144 | 2,555,338 | |
| | Cash and cash equivalents at end of period | 2,641,652 | 2,890,144 | 2,641,652 | 2,890,144 | |



To present the results of the business divisions excluding the effects from the divestment program, the pro forma Business Division and Consolidated results for 2018 follow:

| Brazil BD - Pro forma | 1018 | 2018 | 3018 | 4018 | 2018 |
|----------------------------------|---------------------|---------------|----------------|----------------|---------------------------------------|
| Volumes (1,000 tonnes) | | | | | |
| Production of crude steel | 1,532 | 1,381 | 1,479 | 1,454 | 5,846 |
| Shipments of steel | 1,438 | 1,364 | 1,422 | 1,311 | 5,535 |
| Results (R\$ million) | , | | | | |
| Net Sales | 3,611 | 3,798 | 4,390 | 3,946 | 15,745 |
| Cost of Goods Sold | (2,929) | (3,139) | (3,602) | (3,374) | (13,044) |
| Gross profit | 682 | 659 | 788 | 571 | 2,700 |
| Gross margin (%) | 18.9 % | 17.4 % | 1 7.9 % | 14.5 % | 17.2% |
| Adjusted EBITDA | 751 | 743 | 891 | 647 | 3,032 |
| Adjusted EBITDA Margin | 20.8% | 19.6 % | 20.3 % | 1 6.4 % | 19.3 % |
| North America BD - Pro forma | 1018 | 2018 | 3018 | 4018 | 2018 |
| Volumes (1,000 tonnes) | | | | | |
| Production of crude steel | 1,328 | 1,297 | 1,221 | 1,008 | 4,854 |
| Shipments of steel | 1,061 | 1,125 | 1,027 | 1,003 | 4,216 |
| Results (R\$ million) | ., | .,0 | .,02. | ., | ., |
| Net Sales | 2,933 | 3,818 | 4,030 | 3,705 | 14,486 |
| Cost of Goods Sold | (2,693) | (3,376) | (3,516) | (3,325) | (12,910) |
| Gross profit | 240 | 442 | 514 | 380 | 1,576 |
| Gross margin (%) | 8.2% | 11.6 % | 12.8% | 10.3% | 10.9% |
| Adjusted EBITDA | 239 | 437 | 522 | 406 | 1,604 |
| Adjusted EBITDA Margin | 8.1 % | 11.4 % | 13.0 % | 11.0% | 11.1% |
| South America BD - Pro forma | 1018 | 2018 | 3018 | 4018 | 2018 |
| Volumes (1,000 tonnes) | | | | | |
| Production of crude steel | 146 | 169 | 142 | 144 | 601 |
| Shipments of steel | 262 | 275 | 284 | 262 | 1,083 |
| Results (R\$ million) | | | | | |
| Net Sales | 691 | 808 | 907 | 819 | 3,225 |
| Cost of Goods Sold | (583) | (667) | (762) | (701) | (2,713) |
| Gross profit | 108 | 141 | 145 | 118 | 512 |
| Gross margin (%) | 1 5.6 % | 17.5 % | 16.0 % | 14.4 % | 15.9% |
| Adjusted EBITDA | 154 | 174 | 185 | 128 | 641 |
| Adjusted EBITDA Margin | 22.3 % | 21.5 % | 20.4 % | 15.6 % | 19.9% |
| Special Steel BD - Pro forma | 1018 | 2018 | 3018 | 4018 | 2018 |
| Volumes (1,000 tonnes) | | | | | |
| Production of crude steel | 522 | 568 | 578 | 444 | 2,112 |
| Shipments of steel | 445 | 502 | 494 | 474 | 1,915 |
| Results (R\$ million) | | | | | |
| NetSales | 1,557 | 1,931 | 2,116 | 1,989 | 7,593 |
| Cost of Goods Sold | (1,321) | (1,633) | (1,819) | (1,814) | (6,587) |
| 0 (1) | | | 297 | 175 | 1,006 |
| Gross profit | 236 | 298 | 237 | 170 | 1,000 |
| Gross profit Gross margin (%) | 236 15.2% | 15.4% | 14.0% | 8.8% | |
| | | | | | 13.2% 1,202 15.8% |



| Volumes (1,000 tonnes) 7 3,527 3,412 3,421 3,051 13,411 Shipments of steel 3,060 3,117 3,124 2,971 12,272 Results (RS million) | Consolidated - Pro forma | 1018 | 2018 | 3018 | 4018 | 2018 |
|--|---------------------------|---------------|----------------|---------------|---------------|---------------|
| Shipments of steel 3,060 3,117 3,124 2,971 12,272 Results (R\$ million) | Volumes (1,000 tonnes) | | | | | |
| Results (R\$ million) Net Sales 8,443 9,937 10,927 10,270 33,577 Cost of G oods Sold (7,167) (8,337) (9,177) (9,006) (33,747) Gross profit 1,276 1,540 1,750 1,264 5,830 Gross profit 1,276 1,540 1,750 12,84 5,830 Gross profit 16,1% 15.5% 16.0% 12,3% 14,7% Adjusted EBITDA 1,410 1,657 17,89 1,373 6,339 Adjusted EBITDA Margin 16.7% 17.4% 13,4% 16,0% Divestments 1018 2018 3018 4018 2018 Volumes (1,000 tonnes) 7 90 630 6,582 Production of crude steel 638 575 548 170 1,931 Shipments of steel 1,946 2,097 1,909 630 6,582 Cost of G oods Sold (1,883) (1,993) (1,797) (590) (6,2632) Gross profit 63 104 112 40 319 <t< td=""><td>Production of crude steel</td><td>3,527</td><td>3,412</td><td>3,421</td><td>3,051</td><td></td></t<> | Production of crude steel | 3,527 | 3,412 | 3,421 | 3,051 | |
| Net Sales 8,443 9,937 10,927 10,270 39,577 Cost of G cods Sold (7,167) (8,397) (9,177) (9,006) (33,747) Gross profit 1,276 1,540 1,750 1,264 5,830 Gross margin (%) 15.1% 15.5% 16.0% 12.3% 14.7% Adjusted EBITDA 1,410 1,657 1,899 1,373 6,339 Adjusted EBITDA Margin 16.7% 16.7% 17.4% 13.4% 16.0% Divestments 1018 2018 3018 4018 2018 Volumes (1,000 tonnes) F F 546 170 1,931 Shipments of steel 638 575 548 170 1,931 Shipments of steel 811 718 564 196 2,289 Results (R\$ million) F F 546 170 1,931 Adjusted EBITDA 74 99 114 31 318 Adjusted EBITDA 74 | Shipments of steel | 3,060 | 3,117 | 3,124 | 2,971 | 12,272 |
| Cost of Goods Sold (7,167) (8,397) (9,177) (9,006) (33,747) Gross profit 1,276 1,540 1,750 1,264 5,830 Gross margin (%) 15.1% 15.5% 16.0% 12.3% 14.7% Adjusted EBITDA 1,410 1,657 1,899 1,373 6,339 Adjusted EBITDA Margin 16.7% 15.7% 17.4% 13.4% 16.0% Divestments 1018 2018 3018 4018 2018 Volumes (1,000 tonnes) 7 19.94 19.94 Production of crude steel 638 575 548 170 1,931 Shipments of steel 811 718 564 198 2,289 Results (R\$ million) | Results (R\$ million) | | | | | |
| Gross profit 1,276 1,540 1,750 1,264 5,830 Gross margin (%) 15.1% 15.5% 16.0% 12.3% 14.7% Adjusted EBITDA 1,410 1,657 1,899 1,373 6,339 Adjusted EBITDA Margin 1018 2018 3018 4018 2018 Divestments 1018 2018 3018 4018 2018 Shipments of steel 631 775 548 170 1,931 Shipments of steel 811 718 564 196 2,289 Results (R\$ million) Net Sales 1,946 2,097 1,909 630 6,582 Cost of Goods Sold (1,883) (1,993) (1,797) (590) (6,263) Gross profit 63 104 112 40 319 Gross profit 63 104 112 40 319 Gross profit 63 104 112 40 319 Gross profit 1018 2018 3018 4018 2018 Volumes (1,000 tonnes) | NetSales | 8,443 | 9,937 | 10,927 | 10,270 | 39,577 |
| Gross margin (%) 15.1% 15.5% 16.0% 12.3% 14.7% Adjusted EBITDA 1,410 1,657 1,899 1,373 6,339 Adjusted EBITDA Margin 10.18 2018 3018 4018 2018 Divestments 1018 2018 3018 4018 2018 Volumes (1,000 tonnes) 19 117.4% 13.4% 16.0% Production of crude steel 638 575 548 170 1,931 Shipments of steel 811 718 564 196 2,289 Results (R\$ million) Net Sales 1,946 2,097 1,909 630 6,582 Cost of G oods Sold (1,883) (1,993) (1,797) (590) (6,263) Gross profit 63 104 112 40 319 Gross profit 63 104 112 40 319 Adjusted EBITDA 74 99 114 31 318 Adjusted EBITDA 74 | Cost of Goods Sold | (7,167) | (8,397) | (9,177) | (9,006) | (33,747) |
| Adjusted EBITDA 1,410 1,657 1,899 1,373 6,339 Adjusted EBITDA Margin 16.7% 16.7% 17.4% 13.4% 16.0% Divestments 1018 2018 3018 4018 2018 Volumes (1,000 tonnes) 8 575 548 170 1,931 Production of crude steel 638 575 548 170 1,931 Shipments of steel 811 718 564 196 2,289 Results (R\$ million) 8 104 2,097 1,909 630 6,582 Cost of Goods Sold (1,883) (1,993) (1,797) (590) (6,263) Gross margin (%) 63 104 112 40 319 Adjusted EBITDA 74 99 114 31 318 Adjusted EBITDA Margin 1018 2018 3018 4018 2018 Volumes (1,000 tonnes) 1018 2018 3018 4018 2018 Production of crude steel 3,871 3,835 3,688 3,167 14,542 <tr< td=""><td>Gross profit</td><td>1,276</td><td>1,540</td><td>1,750</td><td>1,264</td><td>5,830</td></tr<> | Gross profit | 1,276 | 1,540 | 1,750 | 1,264 | 5,830 |
| Adjusted EBITDA Margin 16.7% 17.4% 13.4% 16.0% Divestments 1018 2018 3018 4018 2018 Volumes (1,000 tonnes) Production of crude steel 638 575 548 170 1,931 Shipments of steel 811 718 564 196 2,289 Results (R\$ million) Net Sales 1,946 2,097 1,909 630 6,582 Cost of Goods Sold (1,883) (1,993) (1,797) (590) (6,263) Gross profit 63 104 112 40 319 Adjusted EBITDA 74 99 114 31 318 Adjusted EBITDA Margin 1018 2018 3018 4018 2018 Volumes (1,000 tonnes) 9 114 31 318 Production of crude steel 3,871 3,885 3,688 3,167 14,561 Shipments of steel 3,871 3,835 3,688 3,167 14,561 Resu | Gross margin (%) | 15.1% | 15.5 % | 16.0 % | 12.3 % | 14.7 % |
| Divestments 1018 2018 3018 4018 2018 Volumes (1,000 tonnes) Production of crude steel 638 575 548 170 1,931 Shipments of steel 811 718 564 196 2,289 Results (R\$ million) Net Sales 1,946 2,097 1,909 630 6,582 C ost of G oods Sold (1,883) (1,993) (1,797) (590) (6,263) Gross profit 63 104 112 40 319 Gross profit 63 104 112 40 319 Adjusted EBITDA 74 99 114 31 318 Adjusted EBITDA Margin 1018 2018 3018 4018 2018 Volumes (1,000 tonnes) Production of crude steel 4,165 3,987 3,969 3,221 15,342 Shipments of steel 3,871 3,835 3,688 3,167 14,561 Results (R\$ million) Net Sales 10,389 12,034 | Adjusted EBITDA | 1,410 | 1,657 | 1,899 | 1,373 | 6,339 |
| Divestments Volumes (1,000 tonnes) Production of crude steel 638 575 548 170 1,931 Shipments of steel 811 718 564 196 2,289 Results (R\$ million) | Adjusted EBITDA Margin | 16.7 % | 1 6.7 % | 17.4 % | 13.4 % | 16.0 % |
| Production of crude steel 638 575 548 170 1,931 Shipments of steel 811 718 564 196 2,289 Results (R\$ million) | Divestments | 1018 | 2018 | 3018 | 4018 | 2018 |
| Production of crude steel 638 575 548 170 1,931 Shipments of steel 811 718 564 196 2,289 Results (R\$ million) | Volumes (1,000 tonnes) | | | | | |
| Shipments of steel 811 718 564 196 2,289 Results (R\$ million) | | 638 | 575 | 548 | 170 | 1,931 |
| Results (R\$ million) Net Sales 1,946 2,097 1,909 630 6,582 Cost of G oods Sold (1,883) (1,993) (1,797) (590) (6,263) G ross profit 63 104 112 40 319 Gross margin (%) 74 99 114 31 318 Adjusted EBITDA 74 99 114 31 318 Adjusted EBITDA Margin Volumes (1,000 tonnes) Volumes (1,000 tonnes) Production of crude steel 4,165 3,987 3,969 3,221 15,342 Shipments of steel 3,871 3,835 3,688 3,167 14,561 Results (R\$ million) Volumes (1,000 tonnes) Net Sales 10,389 12,034 12,836 10,900 46,159 Cost of G oods Sold (9,050) (10,390) (10,974) (9,596) (40,010) G ross profit 1,339 1,644 1,862 1,304 6,149 Gross margin (%) 12.9% 13.7% 14.5% 12.0% 13.3% </td <td></td> <td></td> <td></td> <td></td> <td></td> <td></td> | | | | | | |
| Net Sales 1,946 2,097 1,909 630 6,582 Cost of Goods Sold (1,883) (1,993) (1,797) (590) (6,263) Gross profit 63 104 112 40 319 Gross margin (%) 74 99 114 31 318 Adjusted EBITDA 74 99 114 31 318 Adjusted EBITDA Margin 74 99 114 31 318 Consolidated 1018 2018 3018 4018 2018 Volumes (1,000 tonnes) 7 99 3,835 3,669 3,221 15,342 Shipments of steel 3,871 3,835 3,688 3,167 14,561 Results (R\$ million) 9 10,389 12,034 12,836 10,900 46,159 Cost of Goods Sold (9,050) (10,390) (10,974) (9,596) (40,010) Gross margin (%) 12,9% 13,7% 14,5% 12,0% 13,3% | | | | | | _, |
| C ost of G oods Sold (1,883) (1,993) (1,797) (590) (6,263) G ross profit 63 104 112 40 319 G ross margin (%) 74 99 114 31 318 Adjusted EBITDA 74 99 114 31 318 Adjusted EBITDA Margin Volumes (1,000 tonnes) Consolidated 1018 2018 3018 4018 2018 Volumes (1,000 tonnes) 7 3,887 3,969 3,221 15,342 Shipments of steel 3,871 3,835 3,688 3,167 14,561 Results (R\$ million) 7 9,050) (10,390) (10,974) (9,596) (40,010) G ross profit 1,339 1,644 1,862 1,304 6,149 G ross margin (%) 12.9% 13.7% 14.5% 12.0% 13.3% Adjusted EBITDA 1,484 1,756 2,013 1,404 6,657 | | 1,946 | 2,097 | 1,909 | 630 | 6,582 |
| G ross profit 63 104 112 40 319 G ross margin (%) 74 99 114 31 318 Adjusted EBITDA Margin 1018 2018 3018 4018 2018 Consolidated 1018 2018 3018 4018 2018 Volumes (1,000 tonnes) 1 3,877 3,969 3,221 15,342 Shipments of crude steel 4,165 3,987 3,969 3,221 15,342 Shipments of steel 3,871 3,835 3,688 3,167 14,561 Results (R\$ million) Net Sales 10,389 12,034 12,836 10,900 46,159 Cost of G oods Sold (9,050) (10,390) (10,974) (9,596) (40,010) G ross profit 1,339 1,644 1,862 1,304 6,149 Gross margin (%) 12.9% 13.7% 14.5% 12.0% 13.3% Adjusted EBITDA 1,484 1,756 2,013 1,404 6,657 | Cost of Goods Sold | (1,883) | (1,993) | | (590) | |
| Gross margin (%) Adjusted EBITDA 74 99 114 31 318 Adjusted EBITDA Margin 1018 2018 3018 4018 2018 Consolidated 1018 2018 3018 4018 2018 Volumes (1,000 tonnes) 1 5 3,987 3,969 3,221 15,342 Shipments of steel 4,165 3,835 3,688 3,167 14,561 Results (R\$ million) 10,389 12,034 12,836 10,900 46,159 Net Sales 10,389 12,034 12,836 10,900 46,159 C ost of G oods Sold (9,050) (10,390) (10,974) (9,596) (40,010) G ross profit 1,339 1,644 1,862 1,304 6,149 Gross margin (%) 12.9% 13.7% 14.5% 12.0% 13.3% Adjusted EBITDA 1,484 1,756 2,013 1,404 6,657 | Gross profit | | , | | . , | |
| Adjusted EBITDA 74 99 114 31 318 Adjusted EBITDA Margin 1018 2018 3018 4018 2018 Consolidated 1018 2018 3018 4018 2018 Volumes (1,000 tonnes) Production of crude steel 4,165 3,987 3,969 3,221 15,342 Shipments of steel 3,871 3,835 3,688 3,167 14,561 Results (R\$ million) U U U U Net Sales 10,389 12,034 12,836 10,900 46,159 (40,010) Gross profit 1,339 1,644 1,862 1,304 6,149 Gross margin (%) 12.9% 13.7% 14.5% 12.0% 13.3% | Gross margin (%) | | | | | |
| Adjusted EBIT DA MarginConsolidated10182018301840182018Volumes (1,000 tonnes)Production of crude steel4,1653,9873,9693,22115,342Shipments of steel3,8713,8353,6883,16714,561Results (R\$ million)Net Sales10,38912,03412,83610,90046,159Cost of Goods Sold(9,050)(10,390)(10,974)(9,596)(40,010)Gross profit1,3391,6441,8621,3046,149Gross margin (%)12.9%13.7%14.5%12.0%13.3%Adjusted EBITDA1,4841,7562,0131,4046,657 | - | 74 | 99 | 114 | 31 | 318 |
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| , | - | | | | | |
| | Adjusted EBITDA Margin | 14.3% | 14.6% | 15.7% | 12.9% | 14.4% |



APPENDIX II - ENVIRONMENTAL, SOCIAL AND GOVERNANCE (ESG) FACTORS

ESG Scorecard

The meeting of the Board of Directors held on February 18, 2020 approved, in addition to the ESG scorecard, the materiality matrix, the sustainability policy, the adjustments to internal regulations to reflect the new duties related to ESG and the monitoring of the activities for adhering to the Carbon Disclosure Project (CDP) and to System B.

The ESG Scorecard will be assessed by the Board of Directors and Strategy & Sustainability and Disclosure committees at a predefined frequency.

Risk management

Gerdau, through its existing processes and instruments, works on mitigating corporate, compliance and operating risks. Corporate risks are those associated with the Company's strategy, its market and competition, the political and social environment, mergers and acquisitions and the availability of raw materials. Compliance risks are those related to compliance with the rules to which the Company and its employees are subject. Operating risks are related to internal processes, people or technology.

Risk factors include workplace safety, environmental, financial, tax, labor, operational, strategic, social, reputational, organizational climate, commercial and regulatory risks.

The Risk Management strategy is decentralized, capitalizes on and leverages the technical knowledge and profile of the professionals of each Business Division (Brazil BD, North America BD, South America BD and Special Steel BD). These divisions have controls in place to mitigate the risks identified and hold regular meetings to report results.

To act on material risks, the Company has established three lines of defense. The first line is the internal controls established in critical activities, procedures and guidelines with clear definitions of responsibilities, automated and manual controls and others.

The second line is related to management activities, including the monitoring, evaluation and improvement of processes and accountability. In addition to the work of the managers in the process to monitor their risks, the Internal Controls and Compliance areas support the Business in improving the control environment. The Compliance area is independent and reports to the Board of Directors. The Internal Controls area continuously assesses the control environment related to compliance with Sox Certification.

The third level is composed of the activities of the Internal Audit, which regularly conducts independent assessments of processes, supported by risk assessment, and reports periodically to the Audit Board and the Board of Directors.

The Internal Audit uses the annual plan to define the material risks and processes to be reviewed. Then it conducts a review to determine if the business areas comply with all laws and regulations, the Company's policies and best practices. It also periodically monitors the action plans to ensure that corrective actions are being implemented to mitigate risks.

The Company structured its committees to ensure a network for protecting and monitoring its relevant risks and processes. To advise the Board of Directors, the Corporate Governance Comittee, Strategy and Sustainability Comittee, Compensation Comittee and Finance Comittee were created. To support the executive line in mitigating risks, there are the Risk Comittee, Disclosure Committee and other committees in the business divisions.

The Company also has a <u>code of ethics</u> for employees and another document for <u>third parties</u>, in addition to a <u>Risk Management</u> and <u>Compliance</u> Policy in place.

All employees undergo training and comply with the code of ethics, and everyone involved in sales activities has been trained in competition practices. All of our executives have completed training in anti-corruption practices.



Moreover, the code of ethics for third parties was submitted to all active suppliers and clients through e-mail, declarations of acceptance, purchase orders and/or formal contracts.

Gerdau's ethics channel, which supports its risk management is a tool for complaints / ethical doubts and is available to employees and to external stakeholders on the internet, via e-mail, telephone or by contacting the Audit Board and intranet. The ethics channel also is promoted through regular campaigns and accountability via e-mails, posters, banners, intranet, is mentioned in various guidelines and is permanently included in presentations on Compliance and ethics.

The website https://ri.gerdau.com/en provides the market, regulatory agencies (CVM and SEC) and stock exchanges (B3, NYSE and Latibex), through the 20-F Form and Reference Form, all details on risk management and key factors to which the organization is exposed.

Overall compensation of management

The objectives of Gerdau's compensation policy are: to attract and retain high performance executives based on competitive compensation practices; to encourage the achievement and surpassing of challenging goals; and to leverage short- and long-term results consistently and sustainably.

The <u>Reference Form (FR)</u>, in addition to such definition, provides on item 13.1.b.iii: "All elements of the compensation of the Directors and Officers, as well as the policies that determine them, are proposed and managed by the Human Resources area and are subject to approval by the Board of Directors with the support of the Compensation Committee. Meanwhile, the Human Resources area draws on support from a specialized compensation consulting firm with global operations to determine the relative value of the positions (evaluation of position) and to seek reference values in the market. The reference market is formed by Brazilian companies similar in scale to Gerdau that operate at in the local and international markets, by foreign companies also similar in scale to Gerdau operating in the steel or related industries and by companies that compete for the same professionals.

Item 13.1.e also determines that: "Compensation is structured in a way to balance the short-, medium- and long-term incentives. In the short team, the base compensation aligned with best market practices should be sufficient to retain talent. For performance to create value in the short and medium term, the Short-Term Incentive (ICP) is structured in a way to reflect the selected indicators in the determination of executive compensation levels (EBITDA and Net Income), seeking to align management performance with the Company's overall objectives and targets. In the long term, the objective is to promote alignment by structuring the granting of stock options and/or restricted shares and/or shares conditioned upon results and/or deferred shares and/or a combination thereof, which can be converted into long-term gains as the shares appreciate in the market, also considering that the exercise of part of the grants is dependent on the achievement of performance targets that currently are linked to Return on Capital Employed (ROCE)."

As described in item 12.1 of the FR, the Compensation Committee is responsible for defining the overall compensation amounts; revising the compensation and general salary adjustment practices; and examining and determining compensation plans and granting stock options, as well as benefits and retirement packages for officers and strategic executives. The Compensation Committee is responsible for participating in the establishment of evaluation criteria, as well as in the performance review of the Company's key executives.

In terms of the Compensation Committee, procedures are adopted to ensure its independence. As described in item 12.5/6 of the FR, the Compensation Committee is composed of five members, two of whom are independent directors and one of whom is the coordinator of such body.

To ensure the independence of decisions related to compensation, the Company maintains a flow of analyses and deliberations that includes the people area, the Compensation Committee and the Board of Directors. One of the mechanisms for ensuring no conflicts of interest is prohibiting the participation of members affected by conflicts of interest with the matter on the agenda. The compensation of the Board of Directors is submitted for analysis only by its independent members.



The Compensation Committee holds three meetings per year to present matters related to the compensation and benefits of all employees. All meetings have an agenda and the minutes containing its recommendations are reported to the Board of Directors.

Throughout its 118 years, Gerdau has carried out four successions of generations, demonstrating the solidity of its governance and management process. On January 1, 2018, the Company took yet another step in this governance process, in which the members of the Gerdau Johannpeter family began to dedicate themselves exclusively to the Board of Directors. To lead this new phase of the Company, the Board of Directors chose Gustavo Werneck as the new CEO.

The three members of the Gerdau Johannpeter family, through December 31, 2017, were members of the executive committee and also members of the Board of Directors, receiving wages only as statutory executive officers, as described in item 13.1.b.v of the FR: "We inform that the members that accumulate the function of statutory officers and members of the Board of Directors are compensated only as statutory officers." The same rule is currently applied to the CEO, which, as of April 2019, also was elected a member of the Board of Directors.

By dedicating themselves exclusively to the Board of Directors, their compensation was reduced in line with the new function.

In addition to the movement of the members of the Gerdau Johannpeter family, with the new governance, executive officers who previously were part of the Company's management bodies were elected statutory officers. With this, their compensation now reported to the Securities and Exchange Commission of Brazil (CVM). Note that because these officers already were part of the Company's executive team, there was no increase in costs.

The compensation of management, which follows market practices and is based on surveys conducted by various global compensation consulting firms, represents approximately 0.5% of EBITDA, which represents a ratio lower than that of most companies listed on the B3, according to issue no. 7 of the corporate governance yearbook published by *Revista Capital Aberto*. Available at: https://capitalaberto.com.br/edicoes/especial/anuario-2019-2020/.

The Company also has performance review processes and the Statutory Officers are assessed by the Board of Directors. The Governance Committee is responsible for assessing the Board of Directors, using an individual questionnaire aligned with the best practices of the Brazilian Corporate Governance Institute (IBGC). The assessment also includes the adherence of each member and of the body as a whole with the business principles and purpose.

As described, Gerdau monitors market practices and trends in compensation. The Board of Directors, supported by the Compensation Committee, approved in October 2019 a new performance assessment and short-term incentive program valid as of 2020. The new model is aligned with the cultural transformation, focusing on collaboration, simplicity, value creation and meritocracy.

Moreover, starting in 2020, the maximum limit for variable compensation was reduced from 20% to 15% of Gerdau's overall net income. The decision, which aims to align the payment of variable compensation with the interests of shareholders, was based on Gerdau's historical data and on market references.

The long-term compensation plan (ILP) is the plan in which the executives, directors and officers are eligible to receive shares in the Company. As described in item 13.4.e of the FR: "The Plan aims to align the interests of the Company and its executives and shareholders over the medium and long term, especially by the granting of restricted shares and/or linked to the achievement of future results. Therefore, the gains for participants are heavily linked to the consistent delivery of results and to the appreciation in value of the Company over time. Furthermore, the possibility of becoming a shareholder attracts and retains the executives sought by the Company, making a positive contribution to the perpetuity of the business."