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CREDIT OPINION
30 March 2020

Update

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RATINGS

Gerdau S.A.

Domicile	Sao Paulo, Brazil
Long Term Rating	Ba1
Type	LT Corporate Family Ratings - Dom Curr
Outlook	Stable

Please see the ratings section at the end of this report for more information. The ratings and outlook shown reflect information as of the publication date.

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Gerdau S.A.

Update following affirmation of Ba1 rating and change of outlook to stable

Summary

Gerdau S.A.'s (Gerdau) Ba1 ratings are supported by the company's sound liquidity and financial flexibility in the current environment, which allow it to withstand short-term shocks caused by the coronavirus outbreak. The ratings also reflect the company's historically solid cash flow generation because of its (1) strong market positions in the several markets where it operates, (2) good operational and geographic diversification, (3) cost-driven management, and (4) conservative financial policies. Despite a volatile global operating environment and Brazil's (Ba2 stable) economic recession, Gerdau has generated positive free cash flow (FCF) since 2013 and was able to reduce debt, partially with proceeds from asset divestitures. Constraining the ratings are (1) the company's exposure to the cyclicality of the steel industry, especially in Brazil and the US, and (2) the weak industry conditions globally stemming from the coronavirus outbreak, as Gerdau remains vulnerable to the outbreak continuing to spread.

To respond to the steep decline in demand and lockdown requirements coming from the coronavirus outbreak in the markets where it operates, Gerdau has suspended its special steel operations in North America, and its plants in Argentina and Peru. We estimate that these operations collectively generate about BRL850 million ($170 million) in EBITDA annually, which would alone increase Gerdau's leverage to 4.0x from 3.4x as of year-end 2019, if operations remain suspended for one year. This, combined with the effect of the sharp depreciation of the Brazilian real in the company's US dollar-denominated debt and other likely spillover effects of the outbreak, will strain Gerdau's credit metrics in the short term. The depth and duration of the strain remain uncertain, however.

Despite the risks associated with the coronavirus outbreak and the likely strain in credit metrics, Gerdau has a strong liquidity position, which provides it with flexibility to withstand short-term shocks. Gerdau had a BRL6.3 billion cash position as of year-end 2019, plus a BRL3.2 billion ($800 million) revolver facility due in 2024 (of which BRL3 billion was available as of year-end 2019) and only BRL2.8 billion in debt coming due until year-end 2021. Historically, Gerdau has generated positive FCF even during downturns, thanks to its financial discipline and working capital management, but we expect liberalization of working capital in the current environment to be minimal, which could result in limited FCF in 2020.

Credit strengths

- » Status as a leading producer of long steel in the Americas and one of the largest suppliers of special long steel in the world
- » Good geographic diversification and relevant market share in the US and Brazil
- » Variable cost structure, high integration level and large scale, which provide operating flexibility and limit downside risks to a certain degree
- » Adequate liquidity even during market downturns
- » Financial flexibility to withstand short-term shocks

Credit challenges

- » Exposure to the cyclicality of the steel industry
- » Weak industry conditions globally stemming from the coronavirus outbreak
- » Credit metrics to deteriorate in 2020; depth and recovery pace remains uncertain
- » Potential liquidity impairment following the Conselho Administrativo de Recursos Fiscais' (Administrative Council of Tax Appeals or CARF) ruling in Brazil

Outlook

The stable outlook reflects our expectation that the company will prudently manage its liquidity and expenses to preserve its metrics and credit quality in the medium term, despite the deterioration in the operating environment for steel companies as a result of a material deceleration in global economic activity.

Factors that could lead to an upgrade

Although unlikely in the short term, the ratings could be upgraded if Gerdau is able to maintain:

- » profitability, as measured by EBIT margin, in high single digits in percentage terms (8.7% in 2019)
- » total adjusted debt/EBITDA around 2.5x and EBIT/interest expense above 4.0x on a sustained basis
- » strong liquidity and conservative financial policies

Factors that could lead to a downgrade

Negative pressure on the rating or outlook could result from any continued deterioration in global market conditions that leads to weaker liquidity or persistently high leverage. A deterioration in volumes and margins in Gerdau's main markets (namely Brazil and the US), affecting its ability to generate positive FCF or limited flexibility for capital spending and dividend reduction, could strain the rating. A sharp deterioration in the controlling shareholder's (Metalúrgica Gerdau) financial position could also result in a downgrade.

Quantitatively, a downgrade could occur if:

- » total debt/EBITDA remains above 3.5x on a sustained basis (3.4x in 2019)
- » interest coverage (EBIT/interest expense) remains below 3x (3.5x in 2019)

Key indicators

Exhibit 1
Gerdau S.A.

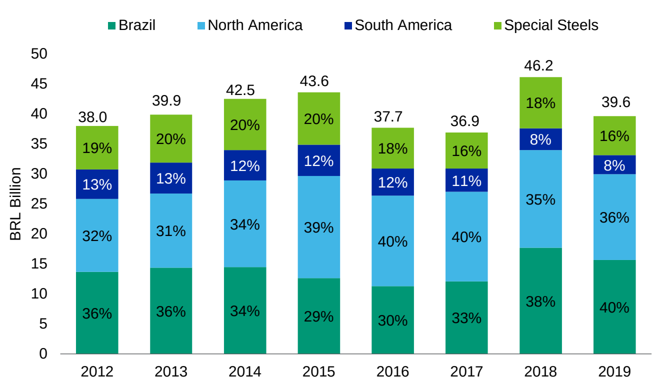
USD Millions	Dec-14	Dec-15	Dec-16	Dec-17	Dec-18	Dec-19	Next 12-18 Months
Revenue	18,128	13,294	10,854	11,564	12,715	10,068	7,000 - 10,000
EBIT Margin %	8.3%	4.7%	4.2%	4.2%	9.3%	8.7%	5 - 8%
EBIT / Avg. Tangible Assets	7.5%	4.0%	3.3%	3.7%	10.4%	8.1%	4 - 7%
Debt / EBITDA	3.6x	6.2x	5.5x	5.1x	2.7x	3.4x	4.0 - 5.5x
(CFO - Dividends) / Debt	12.0%	16.2%	13.3%	8.1%	8.4%	23.2%	10 - 15%
EBIT / Interest Expense	2.6x	1.2x	0.9x	1.1x	2.9x	3.5x	1.5 - 2.5x
Debt / Book Capitalization	37.6%	46.7%	48.2%	43.9%	39.4%	40.7%	40 - 45%

All figures and ratios are calculated using Moody's estimates and standard adjustments. Moody's Forecasts (f) or Projections (proj.) are Moody's opinion and do not represent the views of the issuer. Periods are financial year-end unless indicated. LTM = Last 12 months.
Source: Moody's Financial Metrics™

Profile

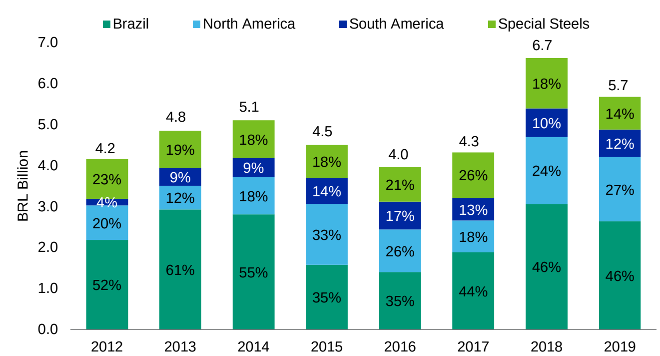
Based in Brazil, Gerdau S.A. (Gerdau) is the leading producer of long steel in the Americas and one of the largest suppliers of special long steel in the world, with total capacity of over 20 million tons per year of crude steel and 16.7 million tons per year of rolled products. Its US subsidiary, Gerdau Ameristeel Corporation (Gerdau Ameristeel), is the second-largest long steel producer in North America. In 2019, Gerdau reported consolidated annual revenue of around BRL39.6 billion ($10.1 billion, converted at the average exchange rate). The group has operations in 10 countries, with relevant market shares in Brazil, the US, Canada, Peru, Uruguay, Argentina, Mexico and Venezuela, along with joint ventures in Colombia, Mexico and the Dominican Republic.

Exhibit 2
Gerdau has a globally diversified asset base, with balanced revenue generation
Net revenue by region (in BRL billion)



Source: Gerdau's earnings release

Exhibit 3
Gerdau generates roughly 85% of EBITDA in Brazil and the US (including special steel)
EBITDA by region



Source: Gerdau's earnings release

Detailed credit considerations

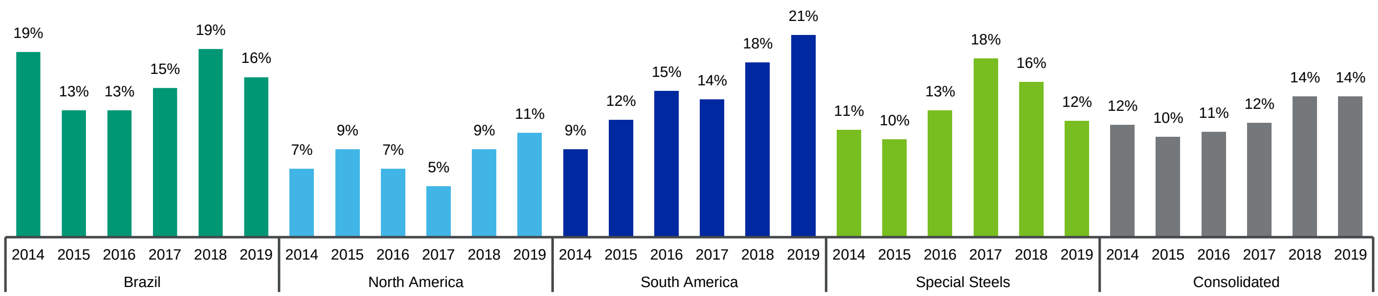
Large scale and geographic diversification normally help offset the difficult conditions for the industry

Gerdau operates a total of 39 mills globally — with 14 mills in North America, 12 in Brazil and 13 in other countries, which produce a wide range of products — in addition to owning several downstream fabrication facilities. The company's Brazilian steel operations (excluding special steel) represented about 40% of its consolidated net revenue and 46% of reported EBITDA for 2019, while the North American steel segment represented 36% and roughly 27%, respectively. The special steel segment, with facilities in Brazil and the US, represented 16% of consolidated net revenue and 14% of EBITDA over the same period. Such geographic diversification normally helps offset the impact of difficult market conditions.

However, the rapid and widening spread of the coronavirus outbreak, deteriorating global economic outlook, falling oil prices, and asset price declines are creating a severe and extensive credit shock across many sectors, regions and markets. The combined credit effects of these developments are unprecedented. The steel sector has been affected by the shock given its sensitivity to demand and sentiment. We regard the coronavirus outbreak as a social risk under our ESG framework, given the substantial implications for public health and safety.

Exhibit 4

Profitability is likely to decline in 2020 amid deterioration in global economic conditions resulting from the coronavirus outbreak
EBITDA margin by region



Source: Gerdau's earnings release

High level of integration and flexible operations provide higher efficiency and ability to adjust operations during market downturns

Gerdau's ratings take into consideration its low-cost minimill operating structure, which accounts for about 78% of its current crude steel capacity and provides it with good cost flexibility. Minimills have a significant proportion of variable costs, which can be crucial for cash flow generation in times of volatile demand and input costs. Particularly in Brazil, Gerdau benefits from efficient raw material acquisition, including steel scrap (80% from a captive diversified base of small suppliers) and iron ore for its Açominas integrated facility, which has an annual capacity of 12 million tons.

In North America, Gerdau North America's 21 scrap-recycling facilities supply most of its main raw material requirements, thereby reducing the volatility related to scrap pricing. In addition, Gerdau North America's downstream operations allow it to capture value-added margins on the steel produced at its minimills. Many of these businesses have different supply-demand dynamics compared with the mill products and, thus, enhance diversity.

This flexible operational structure has some advantages in times of a market downturn. For example, Gerdau has decided to shut down or paralyze production in some plants in Brazil during the downturn in the country and improve capacity utilization in other facilities, without jeopardizing its total output and still meeting the existing demand for its products. The measures Gerdau took to improve its product mix and reduce costs in the past years helped it maintain relatively stable margins during the economic recession in Brazil. Accordingly, Gerdau's adjusted EBIT margin remained within 4%-5% during 2015-16 — which was a resilient performance despite the contraction in volumes in Gerdau's operations — and recovered to 8.7% in 2019, also supported by stronger performance of the company's US operations.

We expect Gerdau's flexible structure to also support a rapid response to the coronavirus outbreak in 2020, although the depth of the outbreak impact on the company's consolidated credit metrics and production volumes remains uncertain.

Credit metrics will deteriorate in 2020

Gerdau was able to post better-than-expected operating performance in the last couple of years, which, combined with asset sales and liability management initiatives, allowed the company to intensify its debt-reduction efforts and consequently improve credit metrics within a very short time. Accordingly, adjusted leverage declined to 2.7x as of year-end 2018 from 5.1x a year earlier. As a result of the worse-than-expected performance of the steel sector in Brazil during 2019 and the weak performance of the company's special steel operations, Gerdau's consolidated adjusted EBITDA contracted by 11% compared with a year earlier and its leverage increased to 3.4x in 2019 (or 3.2x excluding the effect of the scheduled downtime of Blast Furnace 1 at the Ouro Branco mill).

The company's operating performance is likely to deteriorate in 2020 because of the coronavirus outbreak. To respond to the steep decline in demand and lockdown requirements in the markets where it operates coming from the outbreak, Gerdau has suspended its special steel operations in North America, and its plants in Argentina and Peru. We estimate that these operations collectively generate BRL850 million ($170 million) in EBITDA annually, which would alone increase Gerdau's leverage to around 4.0x from 3.4x as of year-end 2019 if operations remain shut for one year. This, combined with the effect of the sharp depreciation of the Brazilian real in the company's US dollar-denominated debt, and other likely spillover effects of the coronavirus, will likely strain Gerdau's credit metrics in the short term. The depth and duration of the strain remain uncertain, however.

Since the beginning of 2014, Gerdau has raised BRL7.4 billion from asset sales, which were directed at reducing debt and contributed to significant improvement in credit metrics. In addition, the asset divestiture program also allowed Gerdau to streamline its operations and focus on the more profitable, core US and Brazilian markets, supporting the company's future profitability and providing additional financial flexibility to withstand the cyclicality of the steel industry.

Gerdau's debt-reduction efforts have intensified since Q4 2017. The company sold its special steel operations in Spain in May 2016; created a joint venture in Colombia and the Dominican Republic; sold coke units and coking coal reserves in Colombia; and divested its operations in Guatemala, its downstream operations in the US and its 50% share in Gallatin Steel Company. In October 2017, Gerdau sold 100% of its operations in Chile for $154 million. All these transactions, including the deal with Commercial Metals Company (Ba1 negative) in the US and the sale of the special steel operations in India, have generated BRL7.4 billion in economic value (around BRL6.4 billion in cash proceeds) since 2014 (BRL1.1 billion in 2014-15, BRL1.3 billion in 2016, BRL800 million in 2017 and BRL4.2 billion in 2018), and the proceeds were mostly used for debt reduction.

In October 2017, Gerdau issued $650 million in 10-year bonds and conducted a tender offer for its 2020, 2021 and 2024 bonds, which resulted in $590 million of debt amortization. Besides, Gerdau fully amortized its $790 million bond due in October 2017. In 2018, Gerdau raised BRL4.2 billion from asset sales; announced an issuance of BRL1.5 billion in debentures; and concluded a $1.0 billion (BRL3.8 billion) tender offer for its 2020, 2021, 2023, 2024 and 2027 bonds, which contributed to further debt reduction. On November 2019, Gerdau concluded a $500 million bond issuance due 2030 in its North America subsidiary as part of its liability management strategy.

All these actions left the company in a better position to withstand the current downturn. Historically, Gerdau has demonstrated prudent financial management, which is reflected in the maintenance of solid liquidity, moderate dividend payout and strong commitment to reduce net leverage below its 2.5x target (1.7x in Q4 2019). Gerdau's adjusted leverage peaked at 5.5x-6.5x during Brazil's economic recession in 2015-16, mainly as a result of the sharp EBITDA contraction and strong depreciation of the local currency against the US dollar — around 80% of total debt is denominated in US dollars and around 35% of EBITDA is generated in foreign currencies.

Even with the expected deterioration in credit metrics coming from the coronavirus outbreak, we expect Gerdau to maintain its financial discipline, and to quickly adjust its operating and financial profiles during the outbreak. In the medium term, we expect the company to continue to use the excess cash to reduce debt in the medium term, achieving its target of BRL12 billion total debt (BRL16.1 billion as of year-end 2019).

Corporate governance

Gerdau is a public company, indirectly controlled by the Gerdau family (through Metalurgica Gerdau S.A., which owns 37% of the company), with shares listed on the NYSE, Latibex and BM&F Bovespa, where it has been listed under Level 1 Regulation for Corporate Governance Standards since 2001. The Level 1 Regulation requires a high level of disclosure and transparency, and the maintenance of a minimum free float of 25%. Gerdau is in compliance with the Sarbanes-Oxley corporate governance standard and, since 2001, has a permanent and independent board of auditors comprising five members, of which three are appointed by the controlling shareholders and two are elected by the minority shareholders. Two out of the nine members of the board of directors are independent, and the remaining seven are nominated by the Gerdau family, of which four are family members. Several committees, such as the corporate governance committee, the executive committee, the risk management committee, and the compensation and succession committee, support the board of directors.

Gerdau has taken important steps to improve its corporate governance practices and standards, including the appointment of an executive outside the Gerdau Johannpeter family as CEO, while the family members will only be part of the board of directors and no longer members of the management team. Starting January 1, 2018, Gustavo Werneck became the new CEO of Gerdau. Werneck was formerly the executive director of the company's Brazilian operations.

Gerdau's bylaws establish a minimum dividend payout of 30% based on its expected financial performance in the upcoming year, which is above the 25% required by Brazilian Corporate Law. Gerdau has paid around 30% of its net earnings in dividends over the past few fiscal years. We expect the company to continue to prudently manage its dividend distribution to preserve its liquidity.

Risks from the US class-action lawsuit, Brazilian tax ruling and the ongoing Zelotes investigation have tempered

In addition to the uncertainties related to the global steel industry, Gerdau faces a BRL7 billion Brazilian tax ruling.

A July 2016 ruling by the CARF found Gerdau guilty in the administrative proceedings that questioned its deduction of amortized goodwill from its calculation of corporate income tax and social contributions as a result of corporate restructuring in 2004-05. The case has moved from the administrative branch to the judicial branch and the timing for any ruling on this is uncertain and could take many years. Preliminary estimates suggest that if Gerdau fails to reverse the CARF decision, the company would owe nearly BRL7 billion in penalties. An eventual tax payment of about BRL7 billion could damage Gerdau's liquidity, but the impact would be subject to the payment schedule — which would likely be divided in several installments, thus mitigating immediate liquidity risks. Gerdau has not made provisions for this ruling.

Additionally, Gerdau faced a US lawsuit on related allegations, which was concluded, and the amount paid by Gerdau was about $15 million. The class action alleged that Gerdau violated the US securities law by making false or misleading statements and hiring advisers to bribe CARF officials in exchange for a favorable ruling.

In March 2015, the press reported that the Brazilian Federal Police had started an operation called Zelotes to investigate whether a number of corporate taxpayers attempted to influence the decisions of the CARF through illegal means. The investigations are underway and no major developments have occurred so far. However, Gerdau's board of directors decided to hire an external legal investigation, which reports to a special committee of the board.

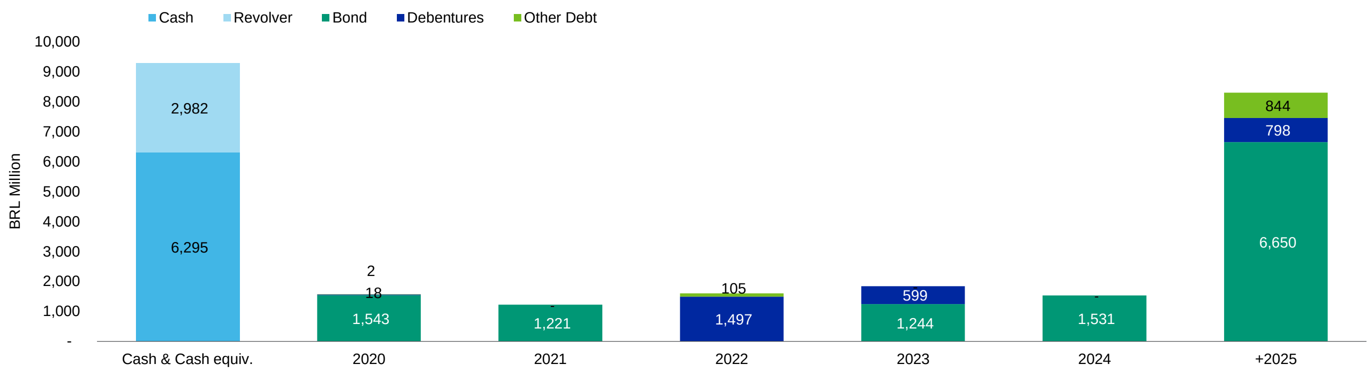
Liquidity analysis

Despite the risks associated with the coronavirus outbreak and the likely strain in credit metrics, Gerdau has a strong liquidity position, which provides it with flexibility to withstand short-term shocks. Gerdau has a good liquidity profile, supported by BRL6.3 billion in cash ($1,562 million) as of year-end 2019, a BRL3.2 billion ($800 million) revolver facility due in 2024 and BRL2.8 billion in short-term debt. Gerdau renewed the committed credit facility in October 2019, extending its tenor to five years from previous three years and reducing its cost.

Gerdau has maintained robust liquidity over time, in particular during periods of weakening market fundamentals, and has generated positive FCF since 2013. The company was also able to reduce debt, partially with proceeds from asset divestitures, and has historically pursued liability management initiatives proactively to reduce its debt cost and increase its debt tenor.

Historically, Gerdau has generated positive FCF even during market downturns, thanks to its financial discipline and working capital management. While the company has flexibility to reduce capital spending and dividend payments to the minimum required by law to adjust its cash outflow to the current lower demand environment, we believe that liberalization of working capital in the current environment will be minimal, if any. This takes into consideration the potential liquidity squeezes throughout Gerdau's consumer and supply chains, and could result in limited FCF in 2020 if the downturn persists for a prolonged period of time.

Exhibit 5
Gerdau's debt amortization schedule
As of December 2019 (in BRL million)



Sources: Gerdau's earnings release and Moody's Investors Service

Methodology and scorecard

Gerdau's scorecard-indicated outcome under our Steel Industry rating methodology maps to Ba1 (based on the financials for 2019), in line with the assigned ratings. Our 12-18-month forward-looking scorecard-indicated outcome maps to Ba3, reflecting the likely deterioration in Gerdau's credit metrics due to the coronavirus outbreak.

Exhibit 6
Rating factors
Gerdau S.A.

Steel Industry Scorecard [1][2]	Current FY 12/31/2019		Moody's 12-18 Month Forward View As of 03/25/2020 [3]	
Factor 1: Scale (20%)	**Measure**	**Score**	**Measure**	**Score**
a) Revenue (USD Billion)	$10.1	Baa	$7-$10	Ba
Factor 2: Business Profile (20%)				
a) Business Profile	Ba	Ba	Ba	Ba
Factor 3: Profitability (15%)				
a) EBIT Margin	8.7%	Baa	5-8%	Ba
b) Return on Tangible Assets (EBIT / Tangible Assets)	8.1%	Baa	4-7%	Ba
Factor 4: Leverage and Coverage (35%)				
a) Debt / EBITDA	3.4x	Ba	4.0-5.5x	B
b) Debt / Book Capitalisation	40.8%	Baa	40-45%	Baa
c) (CFO - Dividends) / Debt	23.2%	Ba	10-15%	B
d) EBIT / Interest Expense	3.5x	Ba	1.5-2.5x	B
Factor 5: Financial Policy (10%)				
a) Financial Policy	Baa	Baa	Baa	Baa
Rating:				
a) Indicated Outcome from Scorecard		Ba1		Ba3
b) Actual Rating Assigned		Ba1		Ba1

[1] All ratios are based on 'Adjusted' financial data and incorporate Moody's Global Standard Adjustments for Non-Financial Corporations.
[2] As of 9/30/2019(L).
[3] This represents Moody's forward view, not the view of the issuer, and unless noted in the text, does not incorporate significant acquisitions and divestitures.
Source: Moody's Financial Metrics™

Appendix

Exhibit 7

Peer comparison

	Gerdau			Usiminas			CSN		
	Ba1 Positive			Ba3 Stable			B2 Stable		
(in USD millions)	FYE Dec-18	FYE Dec-19	LTM Dec-19	FYE Dec-18	FYE Dec-19	LTM Dec-19	FYE Dec-17	FYE Dec-18	LTM Sep-19
Revenue	$12,715	$10,068	$10,068	$3,784	$3,797	$3,797	$5,803	$6,327	$6,463
EBITDA	$1,707	$1,402	$1,402	$734	$554	$554	$1,255	$1,272	$1,311
Total Debt	$4,369	$4,734	$4,734	$1,823	$1,689	$1,689	$8,967	$7,518	$7,189
EBIT Margin	9.3%	8.7%	8.7%	11.9%	8.0%	8.0%	13.7%	14.5%	14.8%
EBIT/Avg. Tang. Assets	10.4%	8.1%	8.1%	6.4%	4.6%	4.6%	6.8%	8.5%	8.9%
EBIT / Int. Exp.	2.9x	3.5x	3.5x	2.1x	1.4x	1.4x	0.9x	1.5x	1.5x
DEBT / EBITDA	2.7x	3.4x	3.4x	2.7x	3.1x	3.1x	7.4x	6.3x	5.9x
Total Debt/Capital	39.4%	40.7%	40.7%	31.0%	30.4%	30.4%	75.9%	73.3%	73.7%
(CFO - Dividends) / Debt	8.4%	23.2%	23.2%	12.9%	30.3%	30.3%	2.0%	5.9%	8.5%

All figures and ratios are calculated using Moody's estimates and standard adjustments. FYE = Financial year-end. LTM = Last 12 months. RUR* = Ratings under review, where UPG = for upgrade and DNG = for downgrade.
Source: Moody's Financial Metrics™

Exhibit 8

Moody's-adjusted debt breakdown
Gerdau S.A.

(in US Millions)	FYE Dec-14	FYE Dec-15	FYE Dec-16	FYE Dec-17	FYE Dec-18	FYE Dec-19
As Reported Debt	**7,343.9**	**6,688.4**	**6,324.2**	**4,977.1**	**3,846.1**	**4,189.8**
Pensions	359.4	318.3	368.5	334.2	279.6	291.2
Non-Standard Adjustments	3.4	215.9	309.5	342.2	243.5	253.2
Moody's-Adjusted Debt	**7,706.6**	**7,222.5**	**7,002.1**	**5,653.5**	**4,369.3**	**4,734.2**

All figures are calculated using Moody's estimates and standard adjustments.
Source: Moody's Financial Metrics™

Exhibit 9

Moody's-adjusted EBITDA breakdown
Gerdau S.A.

(in US Millions)	FYE Dec-14	FYE Dec-15	FYE Dec-16	FYE Dec-17	FYE Dec-18	FYE Dec-19
As Reported EBITDA	**2,021.0**	**-614.6**	**431.0**	**1,056.5**	**1,501.5**	**1,190.4**
Pensions	3.2	-37.3	11.2	15.0	14.6	10.2
Unusual	425.5	2,068.8	742.1	72.5	190.7	201.7
Moody's-Adjusted EBITDA	**2,449.7**	**1,416.8**	**1,184.3**	**1,144.0**	**1,706.8**	**1,402.4**

All figures are calculated using Moody's estimates and standard adjustments.
Source: Moody's Financial Metrics™

Exhibit 10

Select historical Moody's-adjusted financial data

Gerdau S.A.

(In USD million)	2014	2015	2016	2017	2018	2019
INCOME STATEMENT						
Revenue	18,128	13,294	10,854	11,564	12,715	10,068
EBITDA	2,450	1,417	1,184	1,144	1,707	1,402
EBIT	1,501	621	453	489	1,186	876
BALANCE SHEET						
Cash & Cash Equivalents	2,200	1,749	1,870	1,018	864	1,565
Total Debt	7,707	7,223	7,002	5,653	4,369	4,734
CASH FLOW						
Capex = Capital Expenditures	970	683	343	285	348	510
Dividends	194	109	25	27	165	123
Retained Cash Flow	1,379	1,009	772	812	1,044	888
RCF / Debt	15.8%	11.6%	11.8%	13.8%	22.4%	18.4%
Free Cash Flow (FCF)	81	726	531	192	43	613
FCF / Debt	0.9%	8.3%	8.1%	3.3%	0.9%	12.7%
PROFITABILITY						
% Change in Sales (YoY)	6.7%	2.4%	-13.6%	-1.9%	25.0%	-14.1%
SG&A % of Sales	6.4%	5.9%	5.9%	4.5%	3.6%	3.6%
EBIT Margin %	8.3%	4.7%	4.2%	4.2%	9.3%	8.7%
EBITDA Margin %	13.5%	10.7%	10.9%	9.9%	13.4%	13.9%
INTEREST COVERAGE						
EBIT / Interest Expense	2.6x	1.2x	0.9x	1.1x	2.9x	3.5x
EBITDA / Interest Expense	4.3x	2.7x	2.3x	2.6x	4.2x	5.6x
(EBITDA - CAPEX) / Interest Expense	2.6x	1.4x	1.6x	2.0x	3.4x	3.6x
LEVERAGE						
Debt / EBITDA	3.6x	6.2x	5.5x	5.1x	2.7x	3.4x
Debt / (EBITDA - CAPEX)	5.9x	11.9x	7.8x	6.8x	3.4x	5.4x
Avg.Assets / Avg.Equity	1.9x	2.1x	2.2x	2.2x	2.1x	2.0x

All figures and ratios are calculated using Moody's estimates and standard adjustments.

Source: Moody's Financial Metrics™

Ratings

Exhibit 11

Category	Moody's Rating
GERDAU S.A.	
Outlook	Stable
Corporate Family Rating -Dom Curr	Ba1
GTL TRADE FINANCE INC.	
Outlook	Stable
Bkd Senior Unsecured -Dom Curr	Ba1
GERDAU TRADE INC.	
Outlook	Stable
Bkd Senior Unsecured -Dom Curr	Ba1
GERDAU AMERISTEEL US INC.	
Outlook	
Bkd LT IRB/PC	Ba1

Source: Moody's Investors Service

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