

OFFERING MEMORANDUM
US\$750,000,000

GERDAU TRADE INC.

(incorporated with limited liability in the British Virgin Islands)



4.750% Bonds Due 2023

Unconditionally and irrevocably guaranteed by

Gerdau S.A.

Gerdau Açominas S.A.

Gerdau Aços Longos S.A.

Gerdau Aços Especiais S.A.

(Each incorporated in the Federative Republic of Brazil)

Gerdau Trade Inc., which we refer to as the “Issuer,” has offered US\$750,000,000 aggregate principal amount of its 4.750% guaranteed bonds, which we refer to as the “bonds.” The bonds were initially sold to investors at a price equal to 99.020% of the principal amount thereof. Interest on the bonds will accrue at a rate of 4.750% per year and will be payable semi-annually in arrears on April 15 and October 15 of each year, commencing on October 15, 2013.

The bonds will mature on April 15, 2023. The Issuer may, at its option, redeem the bonds, in whole but not in part, at 100% of their principal amount plus accrued interest at any time upon the occurrence of specified events relating to applicable tax law, as described under “Description of the Bonds—Early Redemption.” The bonds will also be repayable prior to maturity thereof upon the occurrence of a change of control as described herein. See “Description of the Bonds—Covenants—Repurchase of Bonds upon a Change of Control.”

The bonds will be unconditionally and irrevocably, jointly and severally, guaranteed by Gerdau S.A., the ultimate holding company of Gerdau Trade Inc., which we refer to as the “Company,” and its majority-owned Brazilian subsidiaries Gerdau Açominas S.A., Gerdau Aços Longos S.A. and Gerdau Aços Especiais S.A., which, collectively, we refer to as the “Guarantors”. The assets of the Guarantors represent in the aggregate 95% of the Net Assets of Gerdau consolidated group. The EBITDA of the Guarantors represent in the aggregate 81% of the EBITDA of Gerdau consolidated group.

The bonds will be senior unsecured obligations of the Issuer, ranking equal in right of payment with all of the Issuer’s other existing and future senior unsecured debt. The guarantees of the bonds rank *pari passu* with all unsecured and unsubordinated obligations of each of the Guarantors.

Application has been made to list the bonds in the Official List of the Luxembourg Stock Exchange and to trade the bonds on the Euro MTF Market of that exchange, which we refer to as “Euro MTF”. See “Listing and General Information.”

Investing in the bonds involves risks. See “Risk Factors” beginning on page 13.

Price: 99.020%

The bonds and the guarantees of the bonds have not been registered under the U.S. Securities Act of 1933, as amended, which we refer to as the “Securities Act,” or under any state securities laws. Therefore, the bonds were not offered or sold within the United States to, or for the account or benefit of, any U.S. person unless the offer or sale would qualify for a registration exemption from the Securities Act and applicable state securities laws. Accordingly, the bonds were offered and sold (1) to qualified institutional buyers (as defined in Rule 144A under the Securities Act) and (2) to non-U.S. persons outside the United States in compliance with Regulation S under the Securities Act. See “Notice to Investors” for additional information about eligible offerees and transfer restrictions. To the extent that the offering of the bonds was made to persons within the European Economic Area, it has been exclusively made to “qualified investors” within the meaning of EU Directive 2003/71/EC, which we refer to as the “Prospectus Directive,” and therefore was exempted from the requirement to publish a compliant prospectus under the Prospectus Directive.

The bonds were delivered to purchasers in book-entry form through The Depository Trust Company and its direct and indirect participants, including Clearstream Banking, S.A. Luxembourg and Euroclear Bank S.A./N.V., as operator of the Euroclear System, on April 15, 2013.

Joint Bookrunners

J.P. Morgan

Morgan Stanley

Co-Managers

BNP PARIBAS

Mitsubishi UFJ Securities

Standard Chartered Bank

May 29, 2013

You should rely only on the information contained in this offering memorandum. Neither the Company nor the Issuer have authorized anyone to provide you with different information. The initial purchasers are not and the Company and the Issuer are not making an offer of the bonds in any jurisdiction where the offer is not permitted. You should not assume that the information contained in this offering memorandum is accurate as of any date other than the date on the cover of this offering memorandum regardless of the time of delivery of this offering memorandum or of any sale of the bonds.

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Unless otherwise indicated or the context otherwise requires, all references in this offering memorandum to (i) the “Issuer” refer to Gerdau Trade Inc., a company incorporated with limited liability in the British Virgin Islands, or “BVI”, (ii) “Gerdau,” “the Company” or similar terms refer to Gerdau S.A., a corporation organized under the laws of the Federative Republic of Brazil, which we refer to as “Brazil,” and its consolidated subsidiaries, (iii) the “Guarantors” refer to Gerdau S.A., Gerdau Açominas S.A., which we refer to as “Gerdau Açominas,” Gerdau Aços Longos S.A., which we refer to as “Gerdau Aços Longos,” and Gerdau Aços Especiais S.A., which we refer to as “Gerdau Aços Especiais,” and (iv) “Gerdau Ameristeel” refer to Gerdau Ameristeel Corp., a corporation organized under the laws of the Province of Ontario, Canada, and wholly-owned subsidiary of Gerdau.

The Company and the Issuer are relying on an exemption from registration under the Securities Act for offers and sales of securities that do not involve a public offering. By purchasing bonds, you will be deemed to have made the acknowledgments, representations, warranties and agreements described under “Notice to Investors” in this offering memorandum.

You should understand that you will be required to bear the financial risks of your investment for an indefinite period of time.

The Company and the Issuer have submitted this offering memorandum to a limited number of investors so that they can consider a purchase of the bonds. Neither the Company nor the Issuer have authorized its use for any other purpose.

The Company and the Issuer, having made all reasonable inquiries, confirm that, as of the date of this offering memorandum, the information contained in this offering memorandum with regard to the Issuer, the Company and the other Guarantors is true and accurate in all material respects, that the opinions and intentions expressed in this offering memorandum are honestly held, and that there are no other facts the omission of which would make this offering memorandum as a whole or any of such information or the expression of any such opinions or intentions misleading in any material respect. The Company and the Issuer accept responsibility accordingly.

In making an investment decision, you must rely on your own examination of the Company and the terms of the offering and the bonds, including the merits and risks involved.

In connection with this offering, the initial purchasers may over-allot bonds or effect transactions with a view to supporting the market price of the bonds at a level higher than that which might otherwise prevail. However, there is no assurance that the initial purchasers will undertake stabilization action. Any stabilization action may begin on or after the date on which adequate public disclosure of the terms of the offer of the bonds is made and, if begun, may be ended at any time, but it must end no later than the earlier of 30 days after the issue date of the bonds and 60 days after the date of the allotment of the bonds.

The initial purchasers assume no responsibility for, and make no representation or warranty, express or implied, as to the accuracy or completeness of the information contained in this offering memorandum. Nothing contained in this offering memorandum is, or shall be relied upon as, a promise or representation by the initial purchasers as to the past or future. The initial purchasers accept no responsibility in relation to the information contained in this offering memorandum or any other information provided by the Company, the Issuer or any of the Guarantors in connection with the bonds.

No representation is being made to any purchaser of the bonds regarding the legality of an investment in the bonds by such purchaser under any investment or similar laws or regulations. You should not consider any information in this offering memorandum to be legal, business or tax advice. You should consult your own attorney, accountant, business advisor and tax advisor for legal, financial, business and tax advice regarding an investment in the bonds.

Neither the U.S. Securities and Exchange Commission, which we refer to as the “SEC,” nor any state securities commission has approved or disapproved of these securities or determined if this offering memorandum is truthful or complete. Any representation to the contrary is a criminal offense.

With respect to the United Kingdom, this document is only being distributed to, and is only directed at, (1) persons who are outside the United Kingdom, (2) persons that are qualified investors (“qualified investors”) within the meaning of Article 2(1)(e) of the Prospectus Directive (as defined below) who are also investment professionals falling within Article 19(5) of the Financial Services and Markets Act 2000 (Financial Promotion) Order 2005 (as amended), which we refer to as the “Order,” or (3) high net worth entities falling within Article 49(2) of the Order; or (4) other persons to whom it may be lawfully communicated (all such persons together being referred to as “relevant persons”). The bonds are only available in the United Kingdom to, and any invitation, offer or agreement to subscribe, purchase or otherwise acquire such bonds will be engaged in only with, relevant persons. Any person in the United Kingdom who is not a relevant person should not act or rely on this document or any of its contents. See “Plan of Distribution.”

This Offering Memorandum constitutes a Prospectus for the purpose of Luxembourg law dated July 10th, 2005 on Prospectus for Securities.

NOTICE TO NEW HAMPSHIRE RESIDENTS

NEITHER THE FACT THAT A REGISTRATION STATEMENT OR AN APPLICATION FOR A LICENSE HAS BEEN FILED UNDER RSA 421-B WITH THE STATE OF NEW HAMPSHIRE NOR THE FACT THAT A SECURITY IS EFFECTIVELY REGISTERED OR A PERSON IS LICENSED IN THE STATE OF NEW HAMPSHIRE CONSTITUTES A FINDING BY THE SECRETARY OF STATE THAT ANY DOCUMENT FILED UNDER RSA 421-B IS TRUE, COMPLETE AND NOT MISLEADING. NEITHER ANY SUCH FACT NOR THE FACT THAT AN EXEMPTION OR EXCEPTION IS AVAILABLE FOR A SECURITY OR A TRANSACTION MEANS THAT THE SECRETARY OF STATE HAS PASSED IN ANY WAY UPON THE MERITS OR QUALIFICATION OF, OR RECOMMENDED OR GIVEN APPROVAL TO, ANY PERSON, SECURITY OR TRANSACTION. IT IS UNLAWFUL TO MAKE OR CAUSE TO BE MADE TO ANY PROSPECTIVE PURCHASER, CUSTOMER OR CLIENT ANY REPRESENTATION INCONSISTENT WITH THE PROVISIONS OF THIS PARAGRAPH.

PRESENTATION OF FINANCIAL AND OTHER INFORMATION

General

The Company's audited consolidated financial statements as of December 31, 2012 and 2011, and for each of the three years ended December 31, 2012, which are incorporated by reference in this offering memorandum to the Company's Annual Report on Form 20-F for the year ended December 31, 2012 filed with the SEC on March 28, 2013, which we refer to as the "2012 Annual Report," has been presented in Brazilian *reais* and prepared in accordance with International Financial Reporting Standards, which we refer to as "IFRS," as issued by the International Accounting Standards Board, which we refer to as the "IASB." The 2012 Annual Report may be obtained free of charge at the office of the paying agent in Luxembourg.

Gerdau's operations are located in Argentina, Brazil, Canada, Chile, Colombia, Dominican Republic, Guatemala, India, Mexico, Peru, Spain, the United States, Uruguay and Venezuela. The local currency is the functional currency for those operations. The financial statements of the subsidiaries located outside Brazil, which already prepare their financial statements in Brazilian *reais*, are translated from the functional currency into Brazilian *reais*. Such financial statements have been translated into Brazilian *reais* following the criteria established in International Accounting Standard, which we refer to as "IAS," No. 21, "The Effects of Changes in Foreign Exchange Rates" from the financial statements expressed in the local currency of the countries where the Company and each of its subsidiaries operate. Under such criteria assets and liabilities are translated at the exchange rate in effect at the end of each year and average exchange rates are used for the translation of revenues, expenses, gains and losses in the statement of income. Capital contributions, treasury stock transactions and dividends are translated using the exchange rate as of the date of the transaction. Translation gains and losses resulting from the translation methodology described above are recorded directly in "Cumulative translation difference" within Equity. Gains and losses on foreign-currency denominated transactions are included in the consolidated statements of income.

All references in this offering memorandum to "*real*," "*reais*" or "R\$" are to the currency of Brazil. All references in this offering memorandum to "U.S. dollars," "dollars" or "US\$" are to the currency of the United States of America. You should not construe these translations as representations by us that the *real* amounts actually represent these U.S. dollar amounts or could be converted into U.S. dollars at the rates indicated. See "Presentation of Financial and Other Information" and "Exchange Rates" for more detailed information regarding exchange rates for the Brazilian currency.

Gerdau Operating Segments

The Company sells its products to a diversified list of customers for use in the construction, manufacturing and agricultural industries. Shipments by the Company's Brazilian operations include both domestic and export sales. Most of the shipments by the Company's business operations in North and Latin America (except Brazil) are aimed at their respective local markets.

The Company's corporate governance establishes business segmentation, as follows:

- Brazil (Brazil Business Operation) — includes the operations in Brazil (except special steel) and the metallurgical and coking coal operation in Colombia;
- North America (North America Business Operation) — includes all North American operations, except Mexico and special steel;
- Latin America (Latin America Business Operation) — includes all Latin American operations, except the operations in Brazil and the metallurgical and coking coal operations in Colombia;
- Special Steel (Special Steel Business Operation) — includes the special steel operations in Brazil, Spain, United States and India.

Installed Capacity and Shipments

As used in this offering memorandum:

- “installed capacity” means the annual projected capacity for a particular facility (excluding the portion that is not attributable to the Company’s participation in a facility owned by a jointly-controlled entities and associate companies), calculated based upon operations for 24 hours each day of a year and deducting scheduled downtime for regular maintenance;
- “tonne” means a metric tonne, which is equal to 1,000 kilograms or 2,204.62 pounds; and
- “consolidated shipments” means the combined volumes shipped from all the Company’s operations in Brazil, Latin America, North America and Special Steel, excluding the Company’s jointly-controlled entities and associate companies.

Rounding

The Company has made rounding adjustments to reach some of the figures included in this offering memorandum. As a result, numerical figures shown as totals in some tables may not be an arithmetic aggregation of the figures that preceded them.

Market Information

The Company makes statements in this offering memorandum about its competitive position and market share in, and the market size of, the steel industry. These statements are based on statistics and other information from third-party sources that the Company believes are reliable. The Company derived this third-party information principally from reports published by the International Iron and Steel Institute, which we refer to as “IISI,” Brazilian Steel Institute – *Instituto Aço Brasil*, and the Commodities Research Unit, which we refer to as the “CRU,” among others. Although the Company has no reason to believe that any of this information or these reports are inaccurate in any material respect, the Company has not independently verified the competitive position, market share and market size or market growth data provided by third parties or by industry or general publications.

WHERE YOU CAN FIND MORE INFORMATION

To comply with Rule 144A under the Securities Act in connection with resale of the bonds, the Issuer is required to furnish upon request of a holder of a bond, each a “holder,” or of a prospective purchaser designated by such holder the information required to be delivered under Rule 144A(d)(4) under the Securities Act if, at the time of such request, the Issuer is neither a reporting company under Section 13 or Section 15(d) of the Securities Exchange Act of 1934, as amended, which we refer to as the “Exchange Act,” nor exempt from reporting pursuant to Rule 12g3-2(b) thereunder. The Company will agree to furnish the information necessary in order to permit the compliance by the Issuer with the information delivery requirements under Rule 144A(d)(4) under the Securities Act.

Gerdau S.A. is a reporting company subject to the informational requirements of the Exchange Act and, in accordance therewith, files reports and other information with the SEC. As foreign private issuer, Gerdau S.A. is exempt from the Exchange Act rules regarding the provision and control of proxy statements and regarding short-swing profit reporting and liability. Such reports and other information can be inspected and copied at the public references facilities of the SEC at Room 1580, 100 F Street N.E., Washington, D.C. 20549. Copies of such material can also be obtained at prescribed rates by writing to the Public Reference Section of the SEC at 100 F Street, N.E., Washington, D.C. 20549. Gerdau S.A. files materials with, and furnishes material to, the SEC electronically using the EDGAR System. The SEC maintains an Internet site that contains these materials at www.sec.gov. In addition, such reports, and other information concerning Gerdau S.A. can be inspected at the offices of the New York Stock Exchange, Inc., 20 Broad Street, New York, New York 10005, on which equity securities of Gerdau S.A. are listed.

INCORPORATION BY REFERENCE

The Company’s 2012 Annual Report is incorporated by reference herein. You may request a copy of this filing, at no cost, either by contacting Gerdau S.A. at the number or address specified below, or at the office of the paying agent in Luxembourg..

Gerdau’s principal executive office, as well as that for the other Guarantors, is at Av. Farrapos 1811, CEP 90220-005, Porto Alegre, Rio Grande do Sul, Brazil, and the telephone number at this address is (+55-51) 3323-2000.

FORWARD-LOOKING STATEMENTS

This offering memorandum contains forward-looking statements within the meaning of the Private Securities Litigation Act of 1995. These statements relate to the Company's future prospects, developments and business strategies.

Statements that are predictive in nature, that depend upon or refer to future events or conditions or that include words such as "expects," "anticipates," "intends," "plans," "believes," "estimates" and similar expressions are forward-looking statements. Although the Company believes that these forward-looking statements are based upon reasonable assumptions, these statements are subject to several risks and uncertainties and are made in light of information currently available to the Company.

It is possible that the Company's future performance may differ materially from its current assessments due to a number of factors, including the following:

- general economic, political and business conditions in the Company's markets, both in Brazil and abroad, including demand and prices for steel products;
- interest rate fluctuations, inflation and exchange rate movements of the *real* in relation to the U.S. dollar and other currencies in which the Company sells a significant portion of its products or in which its assets and liabilities are denominated;
- the Company's ability to obtain financing on satisfactory terms;
- price and availability of steel scrap, energy and other raw materials;
- changes in international trade;
- changes in laws and regulations;
- electric energy shortages and government responses to them;
- the performance of the Brazilian and the global steel industries and markets;
- global, national and regional competition in the steel market;
- protectionist measures imposed by steel-importing countries; and
- other factors identified or discussed under "Item 3.D. Risk Factors," in our 2012 Annual Report, incorporated by reference herein.

The Company's forward-looking statements are not guarantees of future performance, and the actual results or developments may differ materially from the expectations expressed in the forward-looking statements. As for the forward-looking statements that relate to future financial results and other projections, actual results will be different due to the inherent uncertainty of estimates, forecasts and projections. Because of these uncertainties, potential investors should not rely on these forward-looking statements.

The Company undertakes no obligation to publicly update any forward-looking statement, whether as a result of new information, future events or otherwise.

SUMMARY

This summary highlights information presented in greater detail elsewhere in this offering memorandum. This summary is not complete and does not contain all the information you should consider before investing in the bonds. You should carefully read this entire offering memorandum before investing, including "Risk Factors," the Company's consolidated financial statements included in its 2012 Annual Report, incorporated by reference herein. See "Presentation of Financial and Other Information" and "Summary Financial and Other Information of Gerdau" for information regarding the Company's consolidated financial statements.

Gerdau

Overview

According to the Brazilian Steel Institute (*IABr - Instituto Aço Brasil*), Gerdau is Brazil's largest producer of long rolled steel. Gerdau holds significant market share in the steel industries of almost all countries where it operates and has been classified by World Steel Association as the world's 14th largest steel producer based on its consolidated crude steel production in 2011 (last date for which information is available).

Gerdau operates steel mills that produce steel by direct iron-ore reduction (DRI) in blast furnaces and in electric arc furnaces (EAF). In Brazil, it operates four integrated steel mills, including its largest mill, Ouro Branco, an integrated steel mill located in the state of Minas Gerais. The Company currently has a total of 61 steel producing facilities globally, including jointly-controlled entities and associate companies. The jointly-controlled entity is Gallatin Steel Company, located in the United States for the production of flat rolled steel. The associate companies are Aceros Corsa in Mexico; Corporación Centroamericana del Acero in Guatemala; and INCA in the Dominican Republic.

In the year ended December 31, 2012, approximately 38% of all physical sales volumes was generated from the Brazil Business Operation, 34% from the North America Business Operation, 14% from the Latin American Business Operation and 14% from the Special Steel Business Operation.

As of December 31, 2012, total consolidated installed capacity, excluding the Company's investments in jointly-controlled entities and associate companies, unconsolidated companies, was approximately 25.7 million tonnes of crude steel and 21.5 million tonnes of long rolled steel products. In the same period, the Company had total consolidated assets of R\$53.1 billion, consolidated net sales of R\$38.0 billion, total consolidated net income (including non-controlling interests) of R\$1.5 billion and shareholders' equity (including non-controlling interests) of R\$28.8 billion.

Gerdau offers a wide array of steel products, which are manufactured according to an extensive variety of customer specifications. Its product mix includes crude steel (slabs, blooms and billets) sold to rolling mills, finished products for the construction industry such as rods and structural bars, finished products for use in the consumer goods industry such as commercial rolled steel bars and machine wire and products for farming and agriculture such as poles, smooth wire and barbed wire. Gerdau also produces special steel products, normally with a certain degree of customization, utilizing advanced technology, for the manufacture of tools and machinery, chains, locks and springs, mainly for the automotive and mechanical industries.

A significant and increasing portion of Gerdau's steel production assets is located outside Brazil, particularly in the United States and Canada, as well as in Latin America and Europe. The Company began its expansion into North America in 1989, when consolidation in the global steel market effectively began. The Company currently operates 19 steel production units in the United States and Canada through its principal entity, Gerdau Ameristeel, and believes that it is one of the market leaders in North America in terms of production of certain long steel products, such as rods, commercial rolled steel bars, extruded products and girders.

The Company's operating strategy is based on the acquisition or construction of steel mills located close to its customers and sources of the raw materials required for steel production, such as scrap metal, pig iron and iron ore. For this reason, most of its production has historically been geared toward supplying the local markets in which it has production operations. However, the Company also exports a significant portion of its production mainly to Asia and elsewhere in South America.

Through its subsidiaries and affiliates, the Company also engages in other activities related to the production and sale of steel products, including reforestation; electric power generation projects; coking coal, iron ore and pig iron production; as well as fabrication shops and downstream operations.

The Company maintains insurance coverage in amounts that it believes suitable to cover the main risks of its operating activities. The Company has purchased insurance for its Ouro Branco mill to insure against casualty and operating losses. The declared insurable value of the Ouro Branco mill is approximately US\$4.6 billion (R\$9.4 billion as of April 30, 2012), including material damage to installations (US\$3.3 billion) and loss of gross revenues (US\$1.3 billion), such as would arise from halts in production due to business interruptions caused by accidents for a period up to twelve months. The Company's current insurance policy relating to the Ouro Branco mill remains effective until April 30, 2013. The Company's mini-mills are also covered under insurance policies which insure against certain operational losses resulting from business interruptions.

Metalúrgica Gerdau S.A. is a holding company that controls, directly and indirectly, all Gerdau companies in Brazil and abroad, including the Guarantors. See "Ownership and Capital Structure."

Business Strategy

The Company's goal is to produce high quality steel and steel related products in a cost effective manner that satisfies both the needs of its customers and the goals of its security holders. The Company seeks to accomplish the foregoing through the following measures:

Increase Market Share for Value-Added Products

The Company intends to focus on increasing its market share of value-added products that meet the specific needs of its customers through advanced customization and technology. The three main markets in which the Company operates are:

- construction, to which it supplies rebars, merchant bars, nails and meshes,
- manufacturing, to which it supplies bars for machinery and agricultural implements, tools and other industrial products, and
- agriculture, to which it supplies wires and posts for agricultural facilities and reforestation projects.

The Company also produces special steel products, normally with a certain degree of customization, utilizing advanced technology, for the manufacture of tools and machinery, chains, locks and springs, mainly for the automotive and mechanical industries. The Company intends to increase its market share of value-added products in such a way as to directly meet the specific needs of its customers and, consequently, capture the higher prices paid for these products.

In addition, the Company intends to add value to its products through rebar fabricating facilities and downstream operations, such as epoxy coating and production of products with specialty sections, wire and nails, cold-drawn products, elevator guide rails and super-light profiles. Finally, the Company intends to expand its portfolio of products manufactured by the Company in Brazil, so as to operate in all Brazilian market segments, including flat steel.

Increase Presence in Global Markets

In the fiscal year ended December 31, 2012, approximately 38% of all physical sales volumes was generated from the Brazil Business Operation, 34% from the North America Business Operation, 14% from the Latin American Business Operation and 14% from the Special Steel Business Operation. Outside of Brazil, the Company has been pursuing a long term strategy of expanding through acquisitions of mills at which the Company believes it can increase the profitability through its management expertise rather than through significant capital investments. Over the years the Company has increased participation principally in the North American market and

today it is the second largest producer of long rolled steel products in that market. Globally, the Company is the second largest rolled steel producer.

The Company's main recent acquisition included:

- In June 2007, Gerdau and the Kalyani Group from India initiated an agreement to establish a jointly-controlled entity for an investment in Tadipatri, India. The jointly-controlled entity included an interest of 45% in Kalyani Gerdau Steel Ltd., a producer of steel with two LD converters, one continuous casting unit and facilities for the production of pig iron. The agreement provided for shared control of the jointly-controlled entity, and the purchase price was \$73.0 million (R\$127.3 million). In May 2008, Gerdau announced the conclusion of this acquisition. On July 7, 2012, the Company obtained control of Kalyani Gerdau Steel Ltd (KGS), in which the Company had an interest of 91.28% as of the control acquisition date. In 2012, until the date the Company acquired control over KGS, the Company made capital increases in KGS, which resulted in an increase of shareholding interest held on December 31, 2011 from 80.57% to 91.28%.
- In February 2008, the Company invested in the verticalization of its businesses and acquired an interest of 51% in Cleary Holdings Corp. for \$73.0 million (R\$119.3 million). The Company controls a metallurgical coke producer and coking coal reserves in Colombia. In August 2010, the Company concluded the acquisition of an additional 49% of the total capital of Cleary Holdings Corp. for \$57 million.

Respond to Customer Needs Through Diversified and Decentralized Production

The Company intends to continue its practice of diversifying production of long steel by using electric arc furnace mini-mills and integrated mills with blast furnaces, with continuous casting technology being used with both processes. All of the Company's plants are sized and located to meet primarily the needs of local markets and provide efficient access to customers and raw materials. This is a strategy that the Company has developed in response to the geographic size of Brazil, the United States and Canada and the resulting high transportation and freight costs in these countries. The Company is able to supply its customers and obtain raw materials locally, which reduce production and transportation costs and allow it to deliver quality products to its customers at cost-effective prices. The diversification of geographical location of the Company's mills has allowed it to better serve its clients' needs by ease of delivery of products. Proximity to its clients in the various geographic locations in which the Company operates also enables it to maintain a productive relationship with its customers, providing it with the ability to tailor production according to the customers' specifications, in particular with respect to merchant bars.

Maintain Multiple Sources of Raw Materials

The Company does business with several steel scrap distributors worldwide and numerous suppliers for pig iron, iron ore and, to a lesser extent, coking coal. In Brazil, the majority of the scrap suppliers is captive and the Company works with a variety of collection units and scrap processing companies. In 2010, the Company acquired a coking coal mill and a coking coal reserve in Colombia. The Company believes that this allows it to avoid any dependency on specific suppliers and reduces possible negative impacts in the event of raw material shortages. The Company believes that the diversification of productive processes mitigates its exposure to the scarcity of inputs.

Continued Focus on Technology and Efficient Operations

The Company believes that continuous focus on technology will allow it to maintain its position as a world class steel producer. In the fiscal year ended December 31, 2012, investments in fixed assets, such as new fabrication shops units, investments in a hot rolled coil mill, expansion of mining capacity and new reheat furnace, among others, totaled R\$3,127 million. Of this total, 71% was allocated to units in Brazil and the remaining 29% was allocated to the other operations among the countries in which Gerdau operates. The capital expenditure plan for the period from 2013 to 2017 is estimated at R\$8.5 billion, and includes both strategic investments and maintenance investments.

The Company believes that attention to its production processes and upgrading where appropriate will allow it to continue to maintain its efficiencies and deliver products that are responsive to the needs of its customers. In addition, the Company continues to seek ways in which it can improve the efficiency in its production process by, among other things:

- using proven quality management control systems, including a proprietary management system that supports the Company's operations and integrates acquired mills, most of the internationally recognized techniques and processes and ISO 14,000 processes;
- reducing production costs by implementing efficient control processes and using less expensive raw materials and fuels and adopting new process technologies;
- reducing energy consumption, with an emphasis on using more energy-efficient processes, such as reuse of in-plant generated energy in the Company's Ouro Branco mill;
- reducing inventory levels, which decreases its need for working capital; and
- increasing revenues by adding value to its products through selected, focused investments in the Company's mills.

Industry Cyclical

The steel industry is highly cyclical worldwide. Consequently, the Company is exposed to substantial swings in the demand for steel products which in turn causes volatility in the prices of most of its products. In addition, since the Brazilian steel industry produces substantially more steel than the domestic economy is able to consume, the sector is dependent on export markets. The demand for steel products and hence the financial condition and operating results of companies in the steel industry, including the Company itself, are generally affected by macroeconomic fluctuations in the world economy and the domestic economies of steel-producing countries, including general trends in the manufacturing, construction and automotive sectors. Since 2003, demand for steel products from developing countries (particularly China) and overall world economic growth have contributed to historically high levels in the prices of the Company's steel products. However, these relatively high prices may not last, especially due to expansion in world installed capacity or to changes in demand. In the second half of 2008, and especially in the beginning of 2009, the U.S. and European economies showed strong signs of slow down, in turn affecting many other countries. Since 2010 and 2011, world steel demand and prices have been improving compared to the beginning of 2009. However, in 2012 there was a new cycle of reduction in global steel demand and prices due to the worsening of the European economic crisis.

Gerdau Trade Inc.

Gerdau Trade Inc. or the "Issuer," is the Company's direct subsidiary. The Issuer was incorporated on August 23, 2010 with company number 1601859 as a BVI Business Company with limited liability under the BVI Business Companies Act, 2004 (as amended) of the British Virgin Islands for the purpose of performing offshore financing activities incidental to the Company's business. The Issuer is permitted to incur indebtedness only if it is guaranteed by one or more of the Guarantors.

As of the date hereof, the Issuer is authorized to issue a maximum of 50,000 par value shares of a single class, all of which have been issued and are fully paid up. The registered office of Gerdau Trade Inc. is 3rd Floor, Omar Hodge Building, Wickhams Cay I, P.O. Box 9933, Road Town, Tortola, British Virgin Islands.

On October 1, 2010, the Issuer concluded the issuance of bonds in the amount of US\$ 1.25 billion and final maturity on January 30, 2021. The following companies guarantee this transaction: Gerdau S.A., Gerdau Açominas S.A., Gerdau Aços Longos S.A., Gerdau Aços Especiais S.A. and Gerdau Comercial de Aços S.A. On December 31, 2012 the outstanding balance of this facility was US\$ 1.25 billion (R\$ 2.6 billion as of December 31, 2012).

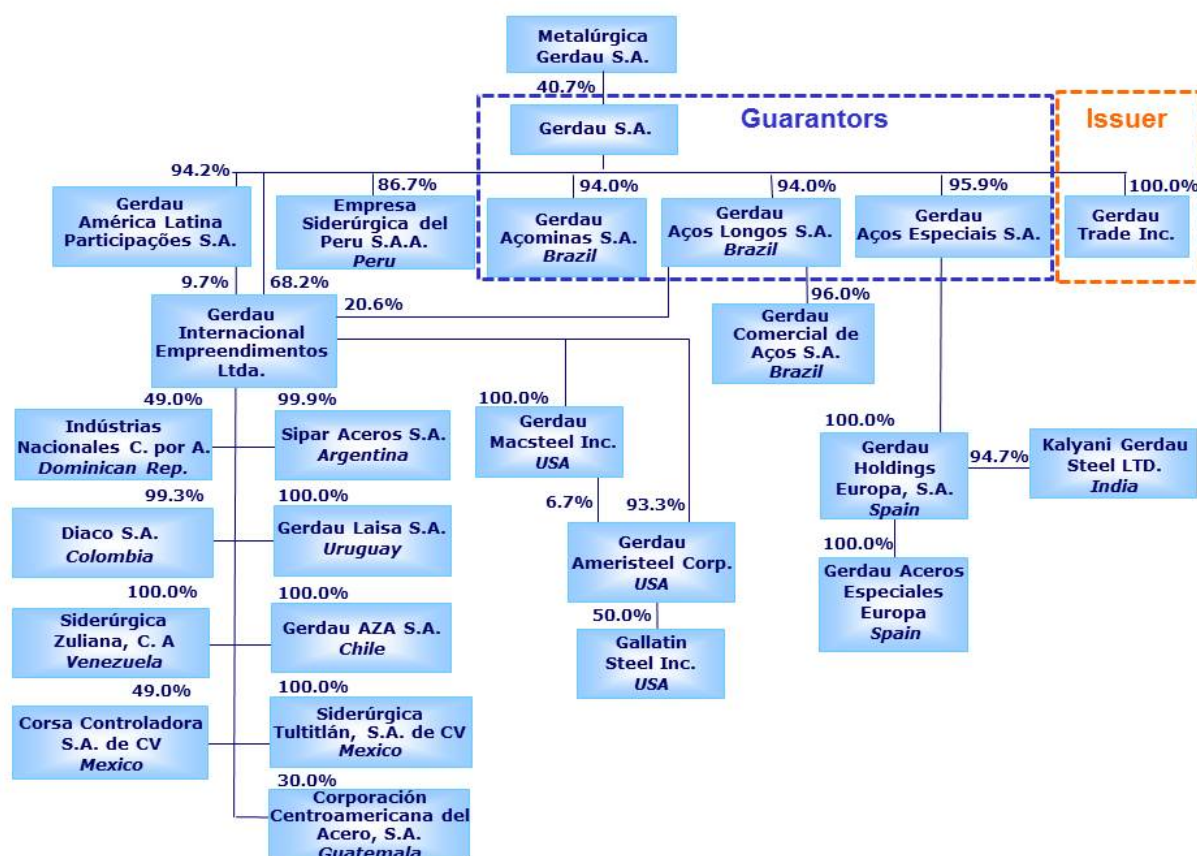
The Company has included unaudited proforma financial statements for the Issuer in this offering memorandum, which are attached as Appendix A. The Issuer is not required under the laws of the British Virgin

Islands to prepare and publish financial statements, and it has not prepared any financial statements (other than for the purpose of including in this Offering Memorandum).

The Guarantors

The Issuer's obligations under the bonds will be unconditionally and irrevocably, jointly and severally, guaranteed by the group's principal operating entities in Brazil: Gerdau (which is the ultimate parent entity that owns all of the Gerdau businesses) and the other Guarantors, each of which is a majority-owned Brazilian operating subsidiary of Gerdau.

The following chart summarizes the operational structure of the Company's principal operating subsidiaries engaged in the steel production business showing its percentage of total capital as of the date hereof:



Gerdau is an operating company. Its registered office is at Av. João XXIII, n.6777, parte, Rio de Janeiro, RJ, Brazil. Gerdau Açominas is an operating company, which focuses on the production of crude steel (billets, blooms and slabs). Its registered office is at Rodovia MG 443, KM 07SN – Fazenda do Catete, Ouro Branco, Minas Gerais, Brazil. Gerdau Aços Longos is an operating company, which focuses on the production of common long steel. Its registered office is at Av. João XXIII, n.6777, parte, Rio de Janeiro, Rio de Janeiro, Brazil. Gerdau Aços Especiais is an operating company, which focuses on the production of special long steel. Its registered office is at Av. Farrapos 1811, CEP 90220-005, Porto Alegre, Rio Grande do Sul, Brazil.

See “Company Information” in Item 4 of the Company's 2012 Annual Report, incorporated by reference into this offering memorandum, for additional information regarding the Guarantors. You may also find updated

information on our internet website, www.gerdau.com. Information contained in our website does not constitute part of this offering memorandum.

SUMMARY OF THE OFFERING

This summary describes the principal terms of the indenture governing the bonds and the guarantees of the bonds. Certain terms described below are subject to important limitations and exceptions. The “Description of the Bonds” section of this offering memorandum contains a more detailed description of the terms and conditions of the bonds and the guarantees of the bonds.

Issuer	Gerdau Trade Inc., incorporated with limited liability in the British Virgin Islands.
Guarantees.....	The bonds will be guaranteed on a senior unsecured basis by Gerdau S.A., Gerdau Açominas S.A., Gerdau Aços Longos S.A., and Gerdau Aços Especiais S.A., which we collectively refer to as the “Guarantors.”
Bonds offered	US\$750,000,000 aggregate principal amount of 4.750% bonds.
Interest rate	The bonds will bear interest from April 15, 2013 at the annual rate of 4.750%, payable semi-annually in arrears on each interest payment date.
Interest payment dates	April 15 and October 15, commencing on October 15, 2013.
Issue price.....	99.020% of the principal amount, plus accrued interest, if any, from April 15, 2013.
Maturity.....	April 15, 2023.
Ranking of the bonds and the guarantees	<p>The bonds will be the Issuer’s senior unsecured obligations ranking:</p> <ul style="list-style-type: none"> • at least <i>pari passu</i> in priority of payment with all existing and future senior unsecured indebtedness of the Issuer, subject to certain statutory preferences under applicable law, including labor and tax claims; • senior in right of payment to any subordinated debt of the Issuer; and • structurally subordinated to the debt and other obligations (including subordinated debt and trade payables) of the Company’s subsidiaries that are not Guarantors and to the Company’s secured debt and other secured obligations to the extent of such security. <p>The guarantees will be each Guarantor’s senior unsecured obligations ranking:</p> <ul style="list-style-type: none"> • <i>pari passu</i> in priority of payment with all existing and future senior unsecured indebtedness of that Guarantor, subject to certain

statutory preferences under applicable law, including labor and tax claims;

- senior in right of payment to any subordinated debt of that Guarantor; and
- structurally subordinated to the debt and other obligations (including subordinated debt and trade payables) of that Guarantor's subsidiaries and to secured debt and other secured obligations of that Guarantor and its subsidiaries to the extent of such security.

See "Description of the Bonds—Ranking."

Early redemption	The Issuer may, at its option, redeem the bonds, in whole but not in part, at 100% of their principal amount plus accrued interest and additional amounts, if any, upon the occurrence of specified events relating to applicable tax laws. See "Description of the Bonds—Early Redemption."
Additional amounts	Payments of principal and interest on the bonds will be made without withholding and deduction for any present or future taxes, except as required by applicable law. The Issuer, in respect of the bonds, and the Guarantors, in respect of the guarantees, will pay such additional amounts as will result in receipt by the holders of bonds of such amounts as would have been received by them had no such withholding or deduction for taxes been required, subject to certain exceptions set forth under "Description of the Bonds—Additional Amounts."
Change of control offer	Upon the occurrence of a change of control that results in a ratings decline, Gerdau, acting on behalf of the Issuer, will make an offer to purchase all outstanding bonds (including all the outstanding existing bonds) at a purchase price equal to 101% of their principal amount plus accrued interest to the date of purchase, as described under "Description of the Bonds—Covenants—Repurchase of Bonds upon a Change of Control."
Use of proceeds	The net proceeds from the sale of the bonds will be made available to the Company and its subsidiaries, to be used by the Company and its subsidiaries to repay part of their indebtedness (which includes indebtedness owed to one or more of the initial purchasers or their affiliates), and for general corporate purposes.
Covenants	<p>The indenture governing the bonds and the guarantees of the Guarantors will restrict the ability of the Issuer, the Guarantors and their subsidiaries to:</p> <ul style="list-style-type: none">• create liens;

- enter into transactions with affiliates; and
- consolidate with or merge with or into another person or transfer assets to another person.

Each of these covenants is subject to exceptions and limitations. See “Description of the Bonds—Covenants.”

Events of default.....	For a discussion of certain events of default that will permit acceleration of the principal of the bonds plus accrued interest, see “Description of the Bonds—Events of Default.”
Further issuances	The Issuer may from time to time without notice to or consent of the holders of bonds create and issue an unlimited principal amount of additional bonds of the same series as the bonds initially issued in this offering.
Form and denomination; settlement	<p>The bonds will be issued in the form of global bonds in fully registered form without interest coupons, as described under “Form of the Bonds.” The global bonds will be exchangeable or transferable, as the case may be, for definitive certificated bonds in fully registered form without interest coupons only in limited circumstances. The bonds will be issued in registered form in denominations of US\$200,000 and integral multiples of US\$1,000 in excess thereof. See “Description of the Bonds—Form, Denomination and Title” and “Form of the Bonds.”</p> <p>The bonds will be delivered in book-entry form through the facilities of The Depository Trust Company, which we refer to as “DTC,” for the accounts of its participants, including Euroclear Bank S.A./N.V., as operator of the Euroclear System, which we refer to as “Euroclear,” and Clearstream Banking, S.A. Luxembourg, which we refer to as “Clearstream Luxembourg,” and will trade in DTC’s Same-Day Funds Settlement System.</p>
Notice to investors.....	The bonds have not been, and will not be, registered under the Securities Act and are subject to limitations on transfers, as described under “Notice to Investors.”
Listing	Application will be made to list the bonds on the Euro MTF. The Issuer will at all times use its reasonable efforts to maintain the listing of the bonds on the Euro MTF.
Governing law	The indenture and the bonds will be governed by the laws of the State of New York.
Trustee, principal paying agent, registrar and transfer agent	The Bank of New York Mellon.

Luxembourg paying agent and transfer
agent

The Bank of New York Mellon (Luxembourg) S.A.

Risk factors.....

You should carefully consider the risk factors discussed elsewhere in this offering memorandum and in “Item 3.D. Risk Factors” in the Company’s 2012 Annual Report, incorporated by reference herein before purchasing any bonds. See “Risk Factors.”

SUMMARY FINANCIAL AND OTHER INFORMATION OF GERDAU

The following table sets forth Gerdau's summary financial information, presented in Brazilian *reais*.

The summary financial data as of December 31, 2012 and 2011 and for each of the three years in the period ended December 31, 2012 have been derived from the Company's audited consolidated financial statements prepared in accordance with IFRS, as issued by the IASB, appearing in the Company's 2012 Annual Report, incorporated by reference in this offering memorandum. The balance sheet information as of December 31, 2010 has been derived from the consolidated financial statements not presented herewith and which the Company has filed with the SEC.

The Company has not included any financial statements for the Issuer in this offering memorandum. The Issuer will not publish financial statements.

The summary financial information below should be read in conjunction with "Recent Business Developments and Financial Results" and "Presentation of Financial and Other Information" and the Company's consolidated financial statements incorporated by reference to its 2012 Annual Report.

(Expressed in thousands of Brazilian Reais - R\$ except quantity of shares and amounts per share) Years ended December 31,			
Income Statement Selected Information	2012	2011	2010
Net Sales	37,981,668	35,406,780	31,393,209
Cost of sales	(33,234,102)	(30,298,232)	(25,873,476)
Gross Profit	4,747,566	5,108,548	5,519,733
Selling expenses	(587,369)	(603,747)	(551,547)
General and administrative expenses	(1,884,306)	(1,797,937)	(1,805,914)
Reversal of impairment of assets	—	—	336,346
Other operating income	244,414	195,015	207,320
Other operating expenses	(180,453)	(85,533)	(100,840)
Equity in earnings of unconsolidated companies	8,353	62,662	39,454
Income Before Financial Income (Expenses) and Taxes	2,348,205	2,879,008	3,644,552
Financial income	316,611	455,802	295,563
Financial expenses	(952,679)	(970,457)	(1,097,633)
Exchange variations, net	(134,128)	51,757	104,364
Gains and losses on financial instruments, net	(18,547)	(65,438)	12,392
Income Before Taxes	1,559,462	2,350,672	2,959,238
Income and social contribution taxes			
Current	(316,271)	(519,843)	(642,306)
Deferred	253,049	266,747	140,447
Net Income	1,496,240	2,097,576	2,457,379
Atributable to:			
Owners of the parent	1,425,633	2,005,727	2,142,488
No-controlling interests	70,607	91,849	314,891
	1,496,240	2,097,576	2,457,379
Basic earnings per share — in R\$			
Common	0.84	1.22	1.50
Preferred	0.84	1.22	1.50
Diluted earnings per share — in R\$			
Common	0.84	1.22	1.50
Preferred	0.84	1.22	1.50
Cash dividends declared per share — in R\$			
Common	0.24	0.35	0.44
Preferred	0.24	0.35	0.44

As at December 31,			
Balance sheet selected information	2012	2011	2010
Cash and cash equivalents	1,437,235	1,476,599	1,061,034
Short-term investments (1)	1,059,605	3,101,649	1,115,461
Current assets	16,410,397	17,319,149	12,945,944
Current liabilities	7,823,182	6,777,001	5,021,900
Net working capital (2)	8,587,215	10,542,148	7,924,044
Property, plant and equipment, net	19,690,181	17,295,071	16,171,560
Net assets (3)	28,797,917	26,519,803	20,147,615
Total assets	53,093,158	49,981,794	42,891,260
Short-term debt (including "Current Portion of Long-Term Debt")	2,324,374	1,715,305	1,577,968
Long-term debt, less current portion	11,725,868	11,182,290	12,360,056
Debentures - short term	257,979	41,688	115,069
Debentures - long term	360,334	744,245	616,902
Equity	28,797,917	26,519,803	20,147,615
Capital stock	19,249,181	19,249,181	15,651,352

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- (1) Include trading and available for sale.
 - (2) Total current assets less total current liabilities.
 - (3) Total assets less total current liabilities and less total non-current liabilities.

	For the year ended On December 31,		
	2012	2011	2010
	(in thousands of Brazilian reais - R\$)		
Other Selected Financial and Operating Information			
Cash Flow Data:			
Cash flows from operating activities	4,344,047	1,710,018	4,139,120
Cash flows from investing activities.....	-3,438,025	-2,111,158	-1,603,062
Cash flows from financing activities	-1,036,294	727,064	-3,498,601
Operating Data (in thousand tons):			
Consolidated shipments.....	18,594	19,164	17,363
Total production of long rolled steel ⁽¹⁾	15,824	16,419	14,781
Total production of slabs, billets and blooms ⁽¹⁾	18,920	19,623	17,852
Other Information:			
Capital expenditures.....	3,127,256	1,961,379	1,288,769
Depreciation and amortization.....	1,827,499	1,771,881	1,893,074
Adjusted EBITDA and ratios:			
Net Income for the period.....	1,496,240	2,097,576	2,457,379
(+) Financial results (financial expense, financial income, exchange variations, net and gains and losses on derivatives, net).....	788,743	528,336	685,314
(+) Income and social contribution taxes	63,222	253,096	501,859
(+) Depreciation and amortization.....	1,827,499	1,771,881	1,893,074
(+) Impairment of assets	-	-	-336,346
(=) Adjusted EBITDA ⁽²⁾	4,175,704	4,650,889	5,201,280
Total Debt ⁽⁴⁾	14,668,555	13,683,528	14,669,995
Interest Expenses (12-month period).....	-1,065,758	-1,085,446	-1,133,487
Total Debt ⁽⁴⁾ /Adjusted EBITDA(2)(5)	3.5	2.9	2.8
Adjusted EBITDA (12-month period)/Interest Expenses (12-month period) (6).....	3.9	4.3	4.6
Current liquidity ratio (3).....	2.1	2.6	2.6

(1) The rolling process relies on raw materials produced at the melt shops such as slabs, blooms and billets. Part of these products is sold directly to external customers and the remainder used in the rolling process.

(2) Adjusted EBITDA is equal to net income, plus financial expenses, financial income, foreign exchange gains and losses (net) and gains and losses on derivatives (net), plus provision for income taxes, plus depreciation and amortization, plus impairment of assets. Adjusted EBITDA is not a measure of financial performance calculated in accordance with IFRS and management believes adjusted EBITDA should not be construed as an alternative to net income determined in accordance with IFRS, as a performance indicator or as an alternative to cash flows from operations as a measure of liquidity and cash flows. Adjusted EBITDA does not have standardized meaning and our definition of Adjusted EBITDA may not be comparable to Adjusted EBITDA as used by other companies. However, because Adjusted EBITDA does not account for certain costs intrinsic to our business, which could, in turn, materially affect our profits, such as financial expenses, taxes, depreciation, capital expenditures and other related charges, Adjusted EBITDA presents limitations that affect its use as a measure of our profitability. Management uses this measure to focus on on-going operations, and believes that it is useful to investors because it enables them to perform meaningful comparisons of past and present operating results, and it is calculated in accordance with covenants of our most significant outstanding indebtedness. Gerdau believes that using this information, along with net earnings, provides for a more complete analysis of the results of operations. Net income is the most directly comparable GAAP measure.

(3) Current liquidity ratio consists of current assets divided by current liabilities derived from the Company's consolidated financial statements prepared in accordance with IFRS.

(4) Includes short-term and long-term debt and debentures.

(5) The ratio of Total Debt to Adjusted EBITDA is calculated in accordance with the covenants of our most significant outstanding indebtedness containing financial covenants, which calculation may not be comparable to similarly titled measures of other companies, using Total Debt as of December 31, 2012, 2011 and 2010, and Adjusted EBITDA for the twelve-month periods ended as of December 31, 2012, 2011 and 2010.

(6) The ratio of Adjusted EBITDA to Interest Expense is calculated in accordance with covenants of our most significant outstanding indebtedness containing financial covenants, which calculation may not be comparable to similarly titled measures of other companies, using the Adjusted EBITDA for the twelve-month periods ended as of December 31, 2012, 2011 and 2010, and Interest Expense (including financial expenses; gains and losses on derivatives, net; and capitalized interest and financial charges) for the twelve-month periods ended as of December 31, 2012, 2011 and 2010.

RISK FACTORS

Prospective purchasers of bonds should carefully consider the risks described below and those described in “Item 3.D. Risk Factors” of Gerdau’s 2012 Annual Report, incorporated by reference in this offering memorandum, as well as the other information in this offering memorandum, before deciding to purchase any bonds. The Company’s business, results of operations, financial condition or prospects could be negatively affected if any of these risks occurs, and as a result, the trading price of the bonds could decline and you could lose all or part of your investment.

Risks Relating to the Bonds

Securities Laws Will Restrict Your Ability to Transfer the Bonds.

The bonds have not been registered under the Securities Act and applicable state securities laws and will be subject to transfer restrictions in order to ensure compliance with federal and state securities laws. You may not sell the bonds in the United States except pursuant to an exemption from, or a transaction not subject to, the registration requirements of the Securities Act and applicable U.S. state securities laws, or pursuant to an effective registration statement. The bonds and the indenture will contain provisions that will restrict the bonds from being offered, sold or otherwise transferred except pursuant to certain exemptions under the Securities Act.

An Active Trading Market for the Bonds May Not Develop.

The bonds constitute a new issue of securities, for which there is no existing market. The Company cannot provide you with any assurances regarding the development of a market for the bonds, the ability of holders of the bonds to sell their bonds, or the price at which such holders may be able to sell their bonds.

Accordingly the Company cannot assure you that an active trading market for the bonds will develop or, if a trading market develops, that it will continue. The lack of an active trading market for the bonds would have a material adverse effect on the market price and liquidity of the bonds. If a market for the bonds develops, the bonds may trade at a discount from their initial offering price.

Judgments of Brazilian Courts Enforcing the Company’s and the Other Guarantors’ Obligations Under the Bonds Would Be Payable Only in reais.

If proceedings were brought in Brazil seeking to enforce the Company’s and the other Guarantors’ obligations under the bonds, neither the Company nor the other Guarantors would be required to discharge its or their obligations, as the case may be, in a currency other than *reais*. Under Brazilian exchange control limitations, an obligation to pay amounts denominated in a currency other than Brazilian currency, which is payable in Brazil, may only be satisfied in Brazilian currency at the exchange rate prevailing on the market, as published by the Central Bank on the date on which (i) the respective proceeding is filed, (ii) the respective judgment is rendered or (iii) the relevant payment is made. Accordingly, if the Company or any of the other Guarantors were to be declared bankrupt, all the Company’s or such other Guarantor’s credits denominated in foreign currencies would be converted into *reais* at the prevailing rate on the date of the declaration.

Payments on the Bonds and the Guarantees will be Effectively Junior to Any Secured Debt Obligations of the Issuer and the Guarantors, as the case may be, and Structurally Junior to Debt Obligations of Any Non-Guarantor Subsidiaries.

Gerdau Trade Inc. is a holding company that engages in operations through its subsidiaries. As a result, its ability to service its debt is dependent upon the cash flows of its subsidiaries. All of Gerdau S.A.’s principal Brazilian operating subsidiaries are also guaranteeing the bonds but some of its other subsidiaries, including Gerdau Ameristeel, are not guaranteeing the bonds. Claims of creditors of Gerdau S.A.’s non-guarantor subsidiaries and non-guarantor subsidiaries of the other Guarantors, including trade creditors and creditors holding indebtedness or guarantees issued by such non-guarantor subsidiaries, and claims of preferred stockholders of such non-guarantor subsidiaries will have priority with respect to the assets and earnings of such non-guarantor subsidiaries over Gerdau

S.A.'s and the other Guarantors' creditors claims. Accordingly, the bonds will be structurally subordinated to creditors (including trade creditors) and preferred stockholders, if any, of Gerdau S.A. or the other Guarantors' non-guarantor subsidiaries. The indenture does not require Gerdau S.A.'s future subsidiaries to guarantee the bonds, and it does restrict a Guarantor from disposing of its assets to a third party or Gerdau S.A.'s subsidiary or such Guarantor that is not guaranteeing the bonds.

The indenture governing the bonds will permit the incurrence of additional debt, some of which may be secured debt.

If the Issuer or any of the Guarantors becomes insolvent or is liquidated, or if payment under any secured debt is accelerated, the lenders thereunder would be entitled to exercise the remedies available to a secured lender. Accordingly, the lender will have priority over any claim for payment under the bonds to the extent of the value of the assets that constitute its collateral. If this were to occur, it is possible that there would be no assets remaining from which claims of the holders of the bonds could be satisfied. Further, if any assets did remain after payment of these lenders, the remaining assets might be insufficient to satisfy the claims of the holders of the bonds and holders of other unsecured debt that is deemed the same class as the bonds, and potentially all other general creditors who would participate ratably with holders of the bonds.

As of December 31, 2012, the Company had approximately US\$7.2 billion of consolidated indebtedness. Approximately US\$1.5 billion of this total amount was structurally senior to the bonds being sold in this offering, including US\$35.3 million of the Company and the other Guarantors' secured debt, which was effectively subordinated debt, and US\$1.5 billion of the Company's and the other Guarantors' non-guarantor subsidiaries' debt, including trade accounts payables.

During the period from December 31, 2012 through the date hereof the Company incurred additional indebtedness comprising a US\$300 million facility provided by J.P. Morgan Securities plc and Morgan Stanley Bank International Limited to Gerdau Hungria Holding Limited Liability Company, as borrower, guaranteed by the Company, which was used for the repayment of part of its indebtedness.

We cannot assure you that the credit ratings for the bonds will not be lowered, suspended or withdrawn by the rating agencies.

The credit ratings of the bonds may change after issuance. Such ratings are limited in scope, and do not address all material risks relating to an investment in the bonds, but rather reflect only the views of the rating agencies at the time the ratings are issued. An explanation of the significance of such ratings may be obtained from the rating agencies. We cannot assure you that such credit ratings will remain in effect for any given period of time or that such ratings will not be lowered, suspended or withdrawn entirely by the rating agencies, if, in the judgment of such rating agencies, circumstances so warrant. Any lowering, suspension or withdrawal of such ratings may have an adverse effect on the market price and marketability of the bonds.

The Obligations of the Guarantors under the Guarantees are Subordinated to Certain Statutory Liabilities.

Under Brazilian law, the obligations of the Guarantors under the bonds, the guarantees and the indenture are subordinated to certain statutory preferences. In the event of the bankruptcy of any of the Guarantors, according to the Brazilian bankruptcy law, such statutory preferences, such as certain claims for salaries and wages to a certain limit, social security and other taxes, court fees and expenses, will have preference over any other claims, including claims by any investor in respect of the bonds.

USE OF PROCEEDS

The net proceeds from the sale of the bonds in the amount of US\$739,200,000 was made available to the Company and its subsidiaries, to be used by the Company and its subsidiaries to repay indebtedness (which will include indebtedness owed to one or more of the initial purchasers or their affiliates) and for general corporate purposes.

EXCHANGE RATES

The Brazilian foreign exchange system allows the purchase and sale of foreign currency and the international transfer of *reais* by any person or legal entity, regardless of the amount, subject to certain regulatory procedures. On March 24, 2010, the CMN approved Resolution No. 3,844, adopting a series of measures to consolidate and simplify the Brazilian foreign exchange regulations. These changes are expected to reduce the effective cost of foreign exchange transactions and the related administrative expenses for both the public and private sectors as well as to provide more legal certainty to the parties to such transactions.

As of the date of this offering memorandum, all financial transfers from Brazil to other countries and from abroad to Brazil, either in Brazilian currency or in any foreign currency, related to foreign capital flows governed by CMN Resolution No. 3,844, will have to follow the general rules applicable to the Brazilian foreign exchange market, such as complying with all laws, be supported by proper documentation and have a reasonable economic justification.

Since 1999, the Central Bank has allowed the U.S. dollar-*real* exchange rate to float freely, and, since then, the U.S. dollar-*real* exchange rate has fluctuated considerably. Until early 2003, the value of the *real* declined relative to the U.S. dollar. The *real* appreciated against the U.S. dollar in 2004-2007. In 2008, the *real* showed a depreciation of 32% against the U.S. dollar as a result of the global financial and economic crisis. In 2009, as a result of a more stable market environment, the Brazilian *real* appreciated 26% against the U.S. dollar on December 31, 2009 and the exchange rate between the *real* and the U.S. dollar decreased to rates last in effect in 2007 with a low of R\$1.74 to US\$1.00. On March 28, 2013, the exchange rate between the *real* and the U.S. dollar was R\$2.01 to US\$1.00.

In the past, the Central Bank has intervened occasionally to control unstable movements in foreign exchange rates. We cannot predict whether the Central Bank or the Brazilian government will continue to let the *real* float freely or will intervene in the exchange rate market through the return of a currency band system or otherwise. The *real* may depreciate or appreciate against the U.S. dollar substantially.

The following table sets forth the commercial selling rate, expressed in *reais* per U.S. dollar, for the periods indicated.

Exchange rates from U.S. dollars to Brazilian reais				
Period	Period-end	Average	High	Low
March-2013.....	2.0138	1.9828	2.0185	1.9528
February-2013.....	1.9754	1.9733	1.9893	1.9570
January-2013.....	1.9883	2.0311	2.0471	1.9883
December-2012.....	2.0435	2.0778	2.1121	2.0435
November-2012.....	2.1074	2.0678	2.1074	2.0312
October - 2012.....	2.0308	2.0299	2.0382	2.0224
September - 2012.....	2.0306	2.0281	2.0392	2.0139
2012.....	2.0435	1.9550	2.1121	1.7024
2011.....	1.8758	1.6746	1.9016	1.5345
2010.....	1.6662	1.7593	1.8811	1.6554
2009.....	1.7412	1.9935	2.4218	1.7024
2008.....	2.3370	1.8375	2.5004	1.5593

CAPITALIZATION OF GERDAU

The following table sets forth Gerdau's consolidated capitalization at December 31, 2012 on an historical basis and as adjusted for this offering of US\$750,000,000 of bonds to give effect to this offering. This table should be read in conjunction with, and is qualified in its entirety by reference to, the Company's audited consolidated financial statements as of December 31, 2012 and the notes thereto incorporated by reference in this offering memorandum to the Company's 2012 Annual Report.

	Actual	As adjusted for this offering⁽³⁾
	(in thousands of Brazilian reais- R\$)	
Debt:		
Current debt:		
Short-term debt and current portion of long-term debt	2,324,374	2,324,374
Debentures.....	257,979	257,979
Dividends Payable.....	47,379	47,379
Long-term debt:		
Long-term debt, less current portion	11,725,868	11,725,868
Bonds offered hereby (aggregate principal amount) ⁽¹⁾	-	1,471,156
Debentures.....	360,334	360,334
Shareholders' equity:		
Capital	19,249,181	19,249,181
Treasury stocks.....	-290,240	-290,240
Capital reserve.....	11,597	11,597
Retained earnings	9,180,210	9,180,210
Operations with non-controlling interests	-1,728,627	-1,728,627
Other reserves.....	823,483	823,483
Equity attributable to the equity holders of the parent	27,245,604	27,245,604
Non-controlling interests.....	1,552,313	1,552,313
Equity	28,797,917	28,797,917
Total debt and shareholders' equity⁽²⁾	43,513,851	44,985,007

(1) The proceeds of the offering were translated using the commercial selling rate as reported by the Central Bank as of April 8, 2013 of R\$ 1.9902 per U.S. dollar.

(2) Defined as short-term and long-term debt (including the bonds offered hereby) and debentures and dividends payable, including total shareholders' equity.

(3) Adjusted to show the effect of the estimated net proceeds of US\$ 739,200,000 (after deduction of underwriting discounts, commissions and estimated expenses) of this offering

As of December 31, 2012, the Issuer has US\$1.25 billion or R\$ 2.6 billion of consolidated indebtedness.

DESCRIPTION OF THE BONDS

The Issuer has issued the bonds pursuant to an indenture, dated as of April 15, 2013, among the Issuer, the Guarantors, The Bank of New York Mellon as trustee (which term includes any successor as trustee under the indenture) and principal paying agent, transfer agent and registrar (which terms include any successor under the indenture) and The Bank of New York Mellon (Luxembourg) S.A., as Luxembourg paying agent and transfer agent. The Issuer will, under the indenture, appoint a registrar, paying agents and transfer agents, which are identified on the inside back cover page of this offering memorandum. A copy of the indenture, including the form of the bonds, will be available for inspection during normal business hours at the offices of the trustee and any of the other paying agents set forth on the inside back cover page of this offering memorandum. The trustee or any paying agent will also act as transfer agent and registrar in the event that the Issuer issues certificates for the bonds in definitive registered form as set forth in “Form of Bonds—Individual Definitive Bonds.”

This description of bonds is a summary of the material provisions of the bonds and the indenture. You should refer to the indenture for a complete description of the terms and conditions of the bonds and the indenture, including the obligations of the Issuer, Gerdau and the other Guarantors, which we refer to collectively as the “Transaction Parties,” and your rights.

You will find the definitions of capitalized terms used in this section under “— Certain Definitions.” For purposes of this section of this offering memorandum, references to (i) the “Issuer” shall mean Gerdau Trade Inc., a subsidiary of Gerdau S.A., and (ii) “Gerdau” shall mean Gerdau S.A., and not to its subsidiaries.

General

The bonds:

- are senior unsecured obligations of the Issuer;
- are fully and unconditionally guaranteed by Gerdau and certain of its subsidiaries;
- will mature on April 15, 2023;
- were issued in minimum denominations of US\$200,000 and integral multiples of US\$1,000 in excess thereof;
- are represented by one or more registered bonds in global form and may be exchanged for bonds in definitive form only in limited circumstances; and
- are not required to be registered under the Securities Act.

Interest on the bonds:

- will accrue at the rate of 4.750% per annum;
- will accrue from the date of issuance or from the most recent interest payment date;
- will be payable in U.S. dollars semi-annually in arrears on April 15 and October 15 of each year, commencing on October 15, 2013, until all required amounts due in respect of the bonds have been paid;
- will be payable to the holders of record on April 1 and October 1 immediately preceding the related interest payment dates; and

- will be computed on the basis of a 360 day year comprised of twelve 30 day months.

Principal of, and interest and any additional amounts on, the bonds will be payable, and the transfer of bonds will be registrable, at the office of the trustee, and at the offices of the paying agents and transfer agents, respectively. If the bonds are listed on the Euro MTF, the Issuer will maintain a listing agent, paying agent and transfer agent in Luxembourg for so long as the bonds are so listed and the rules of that stock exchange so require.

There are no convertible bonds, exchangeable bonds or bonds with warrants attached.

The indenture limits and restricts the Issuer from taking certain actions or engaging in certain activities or transactions. See “—Covenants—Limitations on the Issuer.” The indenture does not limit the amount of debt or other obligations that may be incurred by the Guarantors or any of Gerdau’s non-guarantor subsidiaries (other than the Issuer). Other than the restrictions on liens described below under “—Covenants—Limitations on Liens,” the indenture does not contain any restrictive covenants or other provisions designed to protect holders of the bonds in the event the Transaction Parties or any non-guarantor subsidiary of Gerdau participates in a highly leveraged transaction or upon a change of control, except as set forth under “—Covenants—Repurchase of Bonds upon a Change of Control.”

The Issuer is entitled, without the consent of the holders, to issue additional bonds under the indenture on the same terms and conditions as the bonds being offered hereby in an unlimited aggregate principal amount, which we refer to as the “Additional Bonds.” The bonds and the Additional Bonds, if any, will be treated as a single class for all purposes of the indenture, including waivers and amendments. Unless the context otherwise requires, for all purposes of the indenture and this “Description of the Bonds,” references to the bonds include any Additional Bonds actually issued.

Guarantees

Gerdau and each other Guarantor jointly and severally guarantee, on a senior unsecured basis, the due and punctual payment of all amounts due and payable on the bonds (including the payment of additional amounts described under “—Additional Amounts”) when and as the same shall become due and payable. No subsidiary of Gerdau, other than the named Guarantors, is or will be obligated to guarantee the bonds.

Ranking

Bonds

The bonds constitute direct senior unsecured obligations of the Issuer. The obligations of the Issuer under the bonds will rank at least *pari passu* in priority of payment with all existing and future senior unsecured indebtedness of the Issuer, subject to certain statutory preferences under applicable law, including labor and tax claims.

The obligations of the Issuer under the bonds also rank:

- senior in right of payment to any subordinated debt of the Issuer; and
- effectively subordinated to the debt and other obligations (including subordinated debt and trade payables) of Gerdau’s subsidiaries that are not Guarantors and to secured debt and other secured obligations of Gerdau to the extent of such security.

Guarantees

The obligations of each Guarantor rank:

- *pari passu* in priority of payment with all existing and future senior unsecured indebtedness of that Guarantor, subject to certain statutory preferences under applicable law, including labor and tax claims;
- senior in right of payment to any subordinated debt of that Guarantor; and
- effectively subordinated to the debt and other obligations (including subordinated debt and trade payables) of that Guarantor's subsidiaries and to secured debt and other secured obligations of that Guarantor to the extent of such security.

None of Gerdau S.A.'s subsidiaries (other than the named Guarantors) is guaranteeing the bonds. Claims of creditors of such non-guarantor subsidiaries, including trade creditors and creditors holding indebtedness or guarantees issued by such non-guarantor subsidiaries, and claims of preferred stockholders of such non-guarantor subsidiaries generally will have priority with respect to the assets and earnings of such non-guarantor subsidiaries over the claims of Gerdau's creditors, including holders of the bonds. Accordingly, the bonds will be effectively subordinated to creditors (including trade creditors) and preferred stockholders, if any, of Gerdau's non-guarantor subsidiaries. The indenture does not require any existing subsidiaries (other than the named Guarantors) or any future subsidiaries of Gerdau to guarantee the bonds, and it does restrict any Guarantor from disposing of its assets to a third party or a subsidiary of Gerdau that is not guaranteeing the bonds. See "—Covenants."

As of December 31, 2012, the Company had approximately US\$7.2 billion of consolidated indebtedness. Approximately US\$1.5 billion of this total amount was structurally senior to the bonds being sold in this offering, including US\$35.3 million of the Company and the other Guarantors' secured debt, which was effectively subordinated debt, and US\$1.5 billion of the Company's and the other Guarantors' non-guarantor subsidiaries' debt, including trade accounts payables.

During the period from December 31, 2012 through the date hereof the Company incurred additional indebtedness comprising a US\$300 million facility provided by J.P. Morgan Securities PLC and Morgan Stanley Bank International Limited to Gerdau Hungria Holding Limited Liability Company, as borrower, guaranteed by the Company, which was used for the repayment of part of its indebtedness.

Early Redemption

The bonds will not be redeemable prior to maturity, except in case of certain tax related events as described below and except as described under "—Covenants—Repurchase of Bonds upon a Change of Control."

The bonds will be redeemable at the option of the Issuer, in whole, but not in part, upon giving not less than 30 nor more than 60 days' notice to the holders (which notice will be irrevocable), at 100% of the principal amount thereof, plus accrued interest and any additional amounts payable with respect thereto, only if (i) the Issuer has or will become obligated to pay additional amounts as discussed below under "—Additional Amounts" with respect to such bonds in excess of the additional amounts that the Issuer would pay if payments in respect of the bonds were subject to deduction or withholding at a rate of 15% (determined without regard to any interest, fees, penalties or other additions to tax) as a result of any change in, or amendment to, the treaties, laws or regulations of the British Virgin Islands, Brazil or any political subdivision or governmental authority thereof or therein having power to tax, or any change in the application or official interpretation of such laws or regulations, which change or amendment occurs after the date of the indenture, and (ii) such obligation cannot be avoided by the Issuer taking reasonable measures available to it. For the avoidance of doubt, for purposes of the preceding sentence, reasonable measures shall include a change of the jurisdiction of incorporation, residence or domicile of the Issuer, or any paying agent. No such notice of redemption will be given earlier than 60 days prior to the earliest date on which the Issuer would be obligated to pay such additional amounts if a payment in respect of such bonds were then due.

Prior to the publication or mailing of any notice of redemption of the bonds as described above, the Issuer must deliver to the trustee an officers' certificate to the effect that the obligations of the Issuer to pay additional amounts cannot be avoided by the Issuer taking reasonable measures available to it. The Issuer will also deliver an opinion of an independent legal counsel of recognized standing stating that the Issuer either has or will become

obligated to pay additional amounts due to the changes in treaties, tax laws or regulations. The trustee will accept this certificate and opinion as sufficient evidence of the satisfaction of the conditions precedent set forth in clauses (i) and (ii) of the preceding paragraph, in which event it will be conclusive and binding on the holders.

Open Market Purchases

The Issuer, the Guarantors or their respective affiliates may at any time purchase bonds in the open market or otherwise at any price. Any such purchased bonds may be held in treasury or may be resold in compliance with applicable requirements or exemptions under the relevant securities, or other, laws.

Payments

The Issuer will make all payments on the bonds exclusively in U.S. dollars.

The Issuer will make payments of principal and interest on the bonds to the principal paying agent (as identified on the inside back cover page of this offering memorandum), which will pass such funds to the trustee and the other paying agents or to the holders. See “Taxation.”

The Issuer will pay principal and interest on the bonds to the persons in whose name the bonds are registered at the close of business on the 15th day before the due date for payment. Payments of principal and interest in respect of each bond will be made by the paying agents by U.S. dollar check drawn on a bank in New York City and mailed to the holder of such bond at its registered address. Upon application by the holder to the specified office of any paying agent not less than 15 days before the due date for any payment in respect of a bond, such payment may be made by wire transfer to a U.S. dollar account maintained by the payee with a bank in New York City.

Under the terms of the indenture, payment by the Issuer of any amount payable under the bonds on the due date thereof to the principal paying agent in accordance with the indenture will satisfy the obligation of the Issuer to make such payment; *provided, however*, that the liability of the principal paying agent shall not exceed any amounts paid to it by the Issuer, or held by it, on behalf of the holders under the indenture. The Issuer has agreed to indemnify the holders of the bonds in the event that there is a subsequent failure by the trustee or any paying agent to pay any amount due in respect of the bonds in accordance with the bonds and the indenture so that the holders will receive such amounts as would have been received by them had no such failure occurred.

All payments will be subject in all cases to any applicable tax or other laws and regulations, but without prejudice to the provisions of “—Additional Amounts.” No commissions or expenses will be charged to the holders in respect of such payments.

Subject to applicable law, the trustee and the paying agents will pay to the Issuer upon request any monies held by them for the payment of principal or interest that remains unclaimed for two years, and, thereafter, holders entitled to such monies must look to the Issuer for payment as general creditors. After the return of such monies by the trustee or the paying agents to the Issuer, neither the trustee nor the paying agents shall be liable to the holders in respect of such monies.

The redemption price at the date of maturity will correspond to 100% of the principal amount plus accrued interest and any Additional Amount, as applicable.

The Issuer shall pay interest on overdue principal or installments of interest, to the extent lawful, at the rate borne by the bonds plus 1% per annum from and including the date when such amounts were due and through and including the date of payment by the Issuer.

Notwithstanding the provisions of this Section, payments on the bonds registered on the name of DTC shall be effected in accordance with DTC’s applicable procedures.

Listing

The Issuer will use commercially reasonable efforts to cause the bonds to be listed on the Euro MTF and to remain so listed so long as the Issuer and the Guarantors do not reasonably believe that doing so would impose burdensome financial reporting or other requirements, or costs relating thereto.

Further Issuances

Under the indenture, the Issuer may from time to time, without the consent of the holders of the bonds, issue additional bonds on terms and conditions identical to those of the bonds, which additional bonds shall increase the aggregate principal amount of, and shall be consolidated, form a single series and vote together with, the bonds, provided that such additional bonds shall be issued under a separate CUSIP number if such additional bonds are not fungible with the original bonds for U.S. federal income tax purposes.

Form, Denomination and Title

The bonds will be in registered form without coupons attached in minimum denominations of US\$200,000 and integral multiples of US\$1,000 in excess thereof.

Bonds sold in offshore transactions in reliance on Regulation S will be represented by one or more permanent global bonds in fully registered form without coupons deposited with a custodian for and registered in the name of a nominee of DTC for the accounts of Euroclear and Clearstream Luxembourg. Bonds sold in reliance on Rule 144A will be represented by one or more permanent global bonds in fully registered form without coupons deposited with a custodian for and registered in the name of a nominee of DTC. Bonds represented by the global bonds will trade in DTC's Same-Day Funds Settlement System and secondary market trading activity in such bonds will therefore settle in immediately available funds. There can be no assurance as to the effect, if any, of settlements in immediately available funds on trading activity in the bonds. Beneficial interests in the global bonds will be shown on, and transfers thereof will be effected only through, records maintained by DTC and its direct and indirect participants, including Euroclear and Clearstream Luxembourg. Except in certain limited circumstances, definitive registered bonds will not be issued in exchange for beneficial interests in the global bonds. See "Form of Bonds — Global Bonds."

The bonds will also be registered in the register of holders of the bonds held at the registered office of the issuer (the "Bond Register"). In case of discrepancies between the Bond Register and any other register, the Bond Register shall prevail for evidence of ownership.

Title to the bonds will pass by registration in the register. The holder of any bond will (except as otherwise required by law) be treated as its absolute owner for all purposes (whether or not it is overdue and regardless of any notice of ownership, trust or any interest in it, writing on, or theft or loss of, the definitive bond issued in respect of it) and no person will be liable for so treating the holder.

Transfer of Bonds

Certificated bonds may be transferred in whole or in part in an authorized denomination upon the surrender of the bond to be transferred, together with the form of transfer endorsed on it duly completed and executed, at the specified office of the registrar or the specified office of any transfer agent. Each new bond to be issued upon exchange of bonds or transfer of bonds will be mailed at the risk of the holder entitled to the bond to such address as may be specified in such request or form of transfer.

Bonds will be subject to certain restrictions on transfer as more fully set out in the indenture. See "Notice to Investors." Transfer of beneficial interests in the global bonds will be effected only through records maintained by DTC and its participants. See "Form of Bonds."

Transfers of bonds will be effected by or on behalf of the Issuer, the registrar or the transfer agents, without charge to the holder except for any tax or governmental charges or insurance charges which may be imposed in

relation to such transfer or any expenses of delivery other than regular mail. The Issuer is not required to transfer or exchange any individual definitive bond selected for redemption.

No holder may require the transfer of a bond to be registered during the period of 15 days ending on the due date for any payment of principal or interest on that bond.

Additional Amounts

All payments by the Issuer or a Guarantor in respect of the bonds will be made free and clear of, and without withholding or deduction for or on account of, any present or future taxes, duties, assessments, fees or other governmental charges of whatever nature (and any fines, penalties or interest related thereto) imposed or levied by or on behalf of the British Virgin Islands, Brazil or any political subdivision or authority of or in the British Virgin Islands or Brazil having power to tax, or any other jurisdiction in which the Issuer or a Guarantor is organized or is otherwise resident for tax purposes or any jurisdiction from or through which payment is made (any of the aforementioned being a "Taxing Jurisdiction"), unless such withholding or deduction is required by law. In the event that any such taxes, duties, assessments, fees or other governmental charges (and any fines, penalties or interest related thereto) are so imposed or levied, the Issuer, or a Guarantor, as applicable, will pay to each holder such additional amounts as may be necessary in order that every net payment made by the Issuer or a Guarantor, as applicable, on each bond after such withholding or deduction imposed upon or as a result of such payment by a Taxing Jurisdiction will not be less than the amount then due and payable on such bond. The foregoing obligation to pay additional amounts, however, will not apply to or in respect of:

- any tax, duty, assessment or other governmental charge which would not have been imposed but for the existence of any present or former connection between such holder, on the one hand, and the relevant Taxing Jurisdiction, on the other hand (including, without limitation, such holder being or having been a citizen or resident thereof or having been engaged in a trade or business or present therein or having, or having had, a permanent establishment therein), other than the mere receipt of such payment or the ownership or holding of, or the enforcement of rights under, such bond;
- any tax, duty, assessment or other governmental charge which would not have been so imposed but for the presentation by such holder for payment on a date more than 30 days after the date on which such payment became due and payable or the date on which payment thereof is duly provided for, whichever occurs later;
- any tax, duty, assessment or other governmental charge to the extent that such tax, duty, assessment or other governmental charge would not have been imposed but for the failure of such holder to comply with any certification, identification or other reporting requirements concerning the nationality, residence, identity or connection with the relevant Taxing Jurisdiction of the holder if (a) such compliance is required or imposed by law as a precondition to exemption from all or a part of such tax, duty, assessment or other governmental charge and (b) at least 30 days prior to the date on which the Issuer or a Guarantor, as applicable, will apply this clause (iii), either the Issuer or a Guarantor, as applicable, will have notified all holders of bonds that some or all holders of bonds will be required to comply with such requirement and (c) in no event shall such holder's requirement to make such a declaration, claim or filing require such holder to provide any materially more onerous information, documents or other evidence than would be required to be provided had such holder been required to file U.S. Internal Revenue Service Forms W-8BEN, W-8ECI, W-8EXP and/or W-8IMY;
- any estate, inheritance, gift, sales, transfer, excise or personal property or similar tax, assessment or governmental charge;
- any tax, assessment or other governmental charge which is payable other than by deduction or withholding from payments of principal of or interest on the bond;
- any withholding or deduction imposed on a payment to an individual pursuant to any law implementing or complying with, or introduced in order to conform to, European Council Directive

2003/48/EC, as amended, or any other directive implementing the conclusions of the ECOFIN Council Meeting of 26-27 November 2000; or

- any combination of the above.

The Issuer or a Guarantor, as applicable, will also pay any present or future stamp, court or documentary taxes or any other excise or property taxes, charges or similar levies which arise in any jurisdiction from the execution, delivery, registration, enforcement or the making of payments in respect of the bonds, excluding any such taxes, charges or similar levies imposed by any jurisdiction outside of the British Virgin Islands or Brazil, other than those resulting from, or required to be paid in connection with, the enforcement of the bonds following the occurrence of any Default or Event of Default.

No additional amounts will be paid with respect to a payment on any bond to a holder that is a fiduciary or partnership or other than the sole beneficial owner of such payment to the extent a beneficiary or settlor with respect to such fiduciary or a member of such partnership or beneficial owner would not have been entitled to receive payment of the additional amounts had the beneficiary, settlor, member or beneficial owner been the holder of the bond.

The Issuer or a Guarantor, as applicable, will provide the trustee with the official acknowledgment of the relevant taxing authority (or, if such acknowledgment is not available without unreasonable burden or expense, a certified copy thereof or, if such certified copy is not available, other documentation satisfactory to the trustee) evidencing any payment of taxes, penalties, duties, assessments, fees or other governmental charges in respect of which the Issuer or such Guarantor has paid any additional amounts. Copies of such documentation will be made available to the holders of the bonds or the paying agents, as applicable, upon request therefor.

All references in this offering memorandum to principal of and interest on the bonds will include any additional amounts payable by the Issuer in respect of such principal and such interest. The obligations described under “Additional Amounts” will survive until the bonds have been paid in full and will apply *mutatis mutandis* to any jurisdiction in which any successor person to the Issuer or a Guarantor is organized or any political subdivision or taxing authority or agency thereof or therein.

The Issuer and the Guarantors undertake that, while European Council Directive 2003/48/EC, as amended, or any other Directive implementing the conclusions of the ECOFIN Council meeting of 26-27 November 2000 is in effect, the Issuer and the Guarantors will ensure that it maintains a paying agent in a European Union Member State that will not be obliged to withhold or deduct tax pursuant to the Directive.

Covenants

Limitations on the Issuer

The indenture limits and restricts the Issuer from taking the following actions or engaging in the following activities or transactions:

- (1) so long as any of the bonds are outstanding, incurring or permitting to exist any Debt for borrowed money unless such financing transactions are guaranteed by one or more of the Guarantors in respect of the amounts so financed; and
- (2) entering into any consolidation, merger, amalgamation, joint venture or other form of combination with any person, or selling, leasing, conveying or otherwise disposing of any of its assets or receivables, except as otherwise permitted under “—Limitation on Consolidation, Merger or Transfer of Assets” below.

Limitation on Liens

The Issuer will not create or suffer to exist any Lien upon any of its property or assets now owned or hereafter acquired by it or on its Capital Stock. Under the indenture, the Guarantors will not, nor will Gerdau permit any Restricted Subsidiary, including any of the Guarantors, to, create or suffer to exist any Lien upon any of its property or assets now owned or hereafter acquired by it or on any of their Capital Stock securing any obligation, unless contemporaneously therewith effective provision is made to secure the bonds equally and ratably with such obligation for so long as such obligation is so secured. The preceding sentence will not require any of the Guarantors or any Restricted Subsidiary to equally and ratably secure the bonds if the Lien consists of the following:

(1) any Lien existing on the date of the indenture, and any extension, renewal or replacement thereof or of any Lien in clause (2), (3) or (4) below; *provided, however*, that the total amount of Debt so secured is not increased;

(2) any Lien on any property or assets (including Capital Stock of any person) securing Debt incurred solely for purposes of financing the acquisition, construction or improvement of such property or assets after the date of the indenture; provided that (a) the aggregate principal amount of Debt secured by such Lien will not exceed (but may be less than) the cost (i.e., purchase price) of the property or assets so acquired, constructed or improved and (b) such Lien is incurred before, or within 120 days after the completion of, such acquisition, construction or improvement and does not encumber any other property or assets of the Guarantors or any Restricted Subsidiary; and *provided, further*, that to the extent that the property or asset acquired is Capital Stock, such Lien also may encumber other property or assets of the person so acquired;

(3) any Lien securing Debt incurred for the purpose of financing all or part of the cost of the acquisition, construction or development of a project (including mini-mills and other facilities); *provided* that the lenders of such Debt expressly agree to limit their recourse in respect of such Debt to assets (including Capital Stock of the project entity) and/or revenues of such project with an aggregate value of not more than the amount of such Debt; and *provided, further*, that the Lien is incurred before, or within 120 days after the completion of, that acquisition, construction or development and does not apply to any other property or assets of Gerdau or any Subsidiary;

(4) any Lien existing on any property or assets of any person before that person's acquisition by, merger into or consolidation with Gerdau or any Restricted Subsidiary after the date of the indenture; *provided that* (a) such Lien is not created in contemplation of or in connection with such acquisition, merger or consolidation, (b) the Debt secured by such Lien may not exceed the Debt secured on the date of such acquisition, merger or consolidation, (c) such Lien will not apply to any other property or assets of Gerdau or any of its Restricted Subsidiaries and (d) such Lien will secure only the Debt that it secures on the date of such acquisition, merger or consolidation;

(5) any Lien imposed by law that was incurred in the ordinary course of business, including, without limitation, carriers', warehousemen's and mechanics' liens and other similar encumbrances arising in the ordinary course of business, in each case for sums not yet due or being contested in good faith by appropriate proceedings;

(6) any pledge or deposit made in connection with workers' compensation, unemployment insurance or other similar social security legislation, any deposit to secure appeal bonds in proceedings being contested in good faith to which Gerdau or any Restricted Subsidiary is a party, good faith deposits in connection with bids, tenders, contracts (other than for the payment of Debt) or leases to which Gerdau or any Restricted Subsidiary is a party or deposits for the payment of rent, in each case made in the ordinary course of business;

(7) any Lien in favor of issuers of surety bonds or letters of credit issued pursuant to the request of and for the account of Gerdau or any Restricted Subsidiary in the ordinary course of business;

(8) any Lien securing taxes, assessments and other governmental charges, the payment of which are not yet due or are being contested in good faith by appropriate proceedings and for which such reserves or other appropriate provisions, if any, have been established as required by IFRS;

(9) minor defects, easements, rights-of-way, restrictions and other similar encumbrances incurred in the ordinary course of business and encumbrances consisting of zoning restrictions, licenses, restrictions on the use of property or assets or minor imperfections in title that do not materially impair the value or use of the property or assets affected thereby, and any leases and subleases of real property that do not interfere with the ordinary conduct of the business of Gerdau or any Restricted Subsidiary, and which are made on customary and usual terms applicable to similar properties;

(10) any rights of set-off of any person with respect to any deposit account of Gerdau or any Restricted Subsidiary arising in the ordinary course of business and not constituting a financing transaction;

(11) any Liens granted to secure borrowings from, directly or indirectly, (a) *Banco Nacional de Desenvolvimento Econômico e Social* – BNDES, or any other Brazilian governmental development bank or credit agency or (b) any international or multilateral development bank, government-sponsored agency, export-import bank or official export-import credit insurer;

(12) any Liens on the inventory or receivables of Gerdau or any Restricted Subsidiary securing the obligations of such person under any lines of credit or working capital facility or in connection with any structured export or import financing or other trade transaction; *provided* that the aggregate principal amount of Debt incurred that is secured by receivables that will fall due in any fiscal year shall not exceed (a) with respect to transactions secured by receivables from export sales, 80% of Gerdau's consolidated gross revenues from export sales for the immediately preceding fiscal year of Gerdau; or (b) with respect to transactions secured by receivables from domestic (Brazilian) sales, 80% of such person's consolidated gross revenues from sales within Brazil for the immediately preceding fiscal year of Gerdau; and *provided, further*, that Advance Transactions will not be deemed transactions secured by receivables for purpose of the above calculation; and

(13) in addition to the foregoing Liens set forth in clauses (1) through (12) above, Liens securing Debt of Gerdau or any Restricted Subsidiary (including, without limitation, guarantees of Gerdau or any Restricted Subsidiary) the aggregate principal amount of which, at any time of determination, does not exceed 15% of Consolidated Net Tangible Assets.

Limitation on Transactions with Affiliates

The Transaction Parties will not, nor will they permit any Subsidiary to, enter into or permit to exist any transaction (including the purchase, sale, lease or exchange of any property, employee compensation arrangements or the rendering of any service) with, or for the benefit of, any Affiliate, other than a Wholly-owned Subsidiary, which we refer to as an "Affiliate Transaction," unless the terms of the Affiliate Transaction are no less favorable to such Transaction Party or such Subsidiary than those that could be obtained at the time of the Affiliate Transaction in arm's-length dealings with a person who is not an Affiliate.

Limitation on Consolidation, Merger or Transfer of Assets

No Transaction Party will consolidate with or merge with or into, or convey, transfer or lease all or substantially all of its assets to, any person, unless:

(1) the resulting, surviving or transferee person or persons (if not a Transaction Party) will be a person or persons organized and existing under the laws of Brazil, the British Virgin Islands, any State thereof or the District of Columbia, Canada or any other country that is a member country of the European Union or of the Organisation for Economic Co-operation and Development on the date of the indenture, and such person or persons expressly assume, by a supplemental indenture to the indenture, executed and delivered to the trustee, all the obligations of such Transaction Party under the indenture;

(2) the resulting, surviving or transferee person or persons (if not a Transaction Party), if not organized and existing under the laws of Brazil or the British Virgin Islands undertakes, in such supplemental indenture, to pay such additional amounts in respect of principal (and premium, if any) and interest as may be necessary in order that every net payment made in respect of the bonds or the guarantees, as applicable, after deduction or withholding for or on account of any present or future tax, penalty, duty, assessment, fee or other governmental charge (and any fines, penalties, interest or other liabilities related thereto) imposed by the United States or such other country, as the case may be, or any political subdivision or taxing authority thereof or therein will not be less than the amount of principal (and premium, if any) and interest then due and payable on the bonds, subject to the same exceptions set forth under clauses (i), (ii) and (iii) under “Additional Amounts” but adding references to the United States or such other country to the existing references in such clause to Brazil or the British Virgin Islands;

(3) immediately prior to such transaction and immediately after giving effect to such transaction, no Default or Event of Default will have occurred and be continuing; and

(4) the Transaction Parties will have delivered to the trustee an officers’ certificate and an opinion of legal counsel of recognized standing, each stating that such consolidation, merger, conveyance, transfer or lease and such supplemental indenture, if any, comply with the indenture and that all conditions precedent under the indenture to the consummation of such transaction have been satisfied.

The trustee will accept such certificate and opinion as sufficient evidence of the satisfaction of the conditions precedent set forth in this covenant, in which event it will be conclusive and binding on the holders.

Repurchase of Bonds upon a Change of Control

Not later than 30 days following a Change of Control that results in a Ratings Decline, Gerdau, acting on behalf of the Issuer, will make an Offer to Purchase all outstanding bonds at a purchase price equal to 101% of the principal amount plus accrued interest to the date of purchase.

An “Offer to Purchase” must be made by written offer, which will specify the principal amount of bonds subject to the offer and the purchase price. The offer must specify an expiration date, which we refer to as the “Expiration Date,” not less than 30 days or more than 60 days after the date of the offer and a settlement date for purchase, which we refer to as the “Purchase Date,” not more than five Business Days after the Expiration Date. The offer must include information concerning the business of Gerdau which it believes will enable the holders to make an informed decision with respect to the Offer to Purchase. The offer will also contain instructions and materials necessary to enable holders to tender bonds pursuant to the offer. Gerdau will comply with Rule 14e-1 under the Exchange Act (to the extent applicable) and all other applicable laws in making any Offer to Purchase, and the above procedures will be deemed modified as necessary to permit such compliance.

A holder may tender all or any portion of its bonds pursuant to an Offer to Purchase, subject to the requirement that any portion of a bond tendered must be in a multiple of US\$1,000 principal amount and that the minimum tender of any holder must be no less than US\$200,000. Holders shall be entitled to withdraw bonds tendered up to the close of business on the Expiration Date. On the Purchase Date the purchase price will become due and payable on each bond accepted for purchase pursuant to the Offer to Purchase, and interest on bonds purchased will cease to accrue on and after the Purchase Date.

Gerdau agrees to obtain all necessary consents and approvals from all appropriate Brazilian and other governmental authorities or agencies having jurisdiction over Gerdau and the Offer to Purchase for the remittance of funds outside of Brazil prior to making any Offer to Purchase. Any failure to obtain such consents and approvals shall constitute an Event of Default hereunder.

Reporting Requirements

Gerdau, acting on behalf of the Transaction Parties, will provide or make available to the trustee the following reports (and will also provide the trustee with electronic versions or, in lieu thereof, sufficient copies of

the following reports referred to in clauses (1) through (4) below for distribution, at Gerdau's expense, to all holders of bonds):

(1) an English language version of Gerdau's annual audited consolidated financial statements prepared in accordance with IFRS promptly upon such financial statements becoming available but not later than 180 days after the close of its fiscal year;

(2) an English language version of Gerdau's unaudited quarterly financial statements prepared in accordance with IFRS (including, as supplementary information, an unaudited condensed consolidated balance sheet and an unaudited condensed consolidated statement of operations, in each case, prepared in accordance with IFRS), promptly upon such financial statements becoming available but not later than 60 days after the close of each fiscal quarter (other than the last fiscal quarter of its fiscal year);

(3) simultaneously with the delivery of each set of financial statements referred to in clauses (1) and (2) above, an officers' certificate from Gerdau stating whether a Default or Event of Default exists on the date of such certificate and, if a Default or Event of Default exists, setting forth the details thereof and the action which the Issuer and/or any Guarantor is taking or proposes to take with respect thereto;

(4) without duplication, English language versions (or summaries) of such other reports or notices as may be filed or submitted by (and promptly after filing or submission by) the Issuer and/or the Guarantors with (a) the Brazilian Securities Commission, which we refer to as the "CVM," (b) the Euro MTF or any other stock exchange, if any, on which the bonds may be listed or (c) the SEC (in each case, to the extent that any such report or notice is generally available to its security holders or the public in Brazil or elsewhere and, in the case of clause (c), is filed or submitted pursuant to Rule 12g3-2(b) under, or Section 13 or 15(d) of, the Exchange Act, or otherwise); and

(5) upon any director or executive officer of any of the Transaction Parties becoming aware of the existence of a Default or Event of Default or any event by reason of which payments of either principal or interest on the bonds are prohibited, an officers' certificate setting forth the details thereof and the action which Gerdau is taking or proposes to take with respect thereto.

Delivery of the above reports to the trustee is for informational purposes only and the trustee's access to, or receipt of, such reports will not constitute constructive notice of any information contained therein or determinable from information contained therein, including compliance by the Transaction Parties with any of their covenants in the indenture (as to which the trustee is entitled to rely exclusively on officers' certificates).

None of the Transaction Parties other than Gerdau will be required to provide or distribute any financial or other reports described above.

Events of Default

An "Event of Default" occurs if:

(1) there is a failure to pay interest (including any related additional amounts) on any bond when the same becomes due and payable, and such default continues for a period of 30 days;

(2) there is failure to pay principal (including any related additional amounts) of any bond when the same becomes due and payable upon redemption or as described under "—Covenants—Repurchase upon a Change of Control" or otherwise;

(3) any of the Transaction Parties fails to comply with any of the covenants described under "—Covenants—Limitation on the Issuer," "—Covenants—Limitation on Liens," "—Covenants—Limitation on Transactions with Affiliates" or "—Covenants—Limitation on Consolidation, Merger or Transfer of Assets," and such failure continues for 30 days after the notice specified below;

(4) any of the Transaction Parties fails to comply with any of its covenants or agreements in the bonds or the indenture (other than those referred to in (1), (2) and (3) above), and such failure continues for 60 days after the notice specified below;

(5) any of the Transaction Parties or any Significant Subsidiary defaults under any mortgage, indenture or instrument under which there may be issued or by which there may be secured or evidenced any Debt for borrowed money by such Transaction Parties or any such Significant Subsidiary (or the payment of which is guaranteed by such Transaction Parties or any such Significant Subsidiary) whether such Debt or guarantee now exists, or is created after the date of the indenture, which default (a) is caused by failure to pay principal of or premium, if any, or interest on such Debt after giving effect to any grace period provided in such Debt on the date of such default, which we refer to as a "Payment Default," or (b) results in the acceleration of such Debt prior to its express maturity and, in each case, the principal amount of any such Debt, together with the principal amount of any other such Debt under which there has been a Payment Default or the maturity of which has been so accelerated, totals US\$100.0 million (or the equivalent thereof at the time of determination) or more in the aggregate;

(6) one or more final judgments or decrees for the payment of money of US\$35.0 million (or the equivalent thereof at the time of determination) or more in the aggregate are rendered against any of the Transaction Parties or any Significant Subsidiary and are not paid (whether in full or in installments in accordance with the terms of the judgment) or otherwise discharged and, in the case of each such judgment or decree, either (a) an enforcement proceeding has been commenced by any creditor upon such judgment or decree and is not dismissed within 30 days following commencement of such enforcement proceedings or (b) there is a period of 60 days following such judgment during which such judgment or decree is not discharged, waived or the execution thereof stayed;

(7) certain events of bankruptcy or insolvency of any of the Transaction Parties or any Significant Subsidiary occur; or

(8) any guarantee of the bonds ceases to be in full force and effect or any of the Guarantors denies or disaffirms its obligations under its guarantee of the bonds.

A Default under clause (3) or (4) above will not constitute an Event of Default until the trustee or the holders of at least 25% in principal amount of the bonds outstanding notify the Transaction Parties of the Default and the Transaction Parties do not cure such Default within the time specified after receipt of such notice.

The trustee is not to be charged with knowledge of any Default or Event of Default or knowledge of any cure of any Default or Event of Default unless a written notice of such Default or Event of Default has been given to a responsible officer of the trustee by any of the Transaction Parties or any holder and such notice states that a Default or Event of Default has occurred and references the Indenture.

If an Event of Default (other than an Event of Default specified in clause (7) above) occurs and is continuing, the trustee or the holders of not less than 25% in principal amount of the bonds then outstanding may declare all unpaid principal of and accrued interest on all bonds to be due and payable immediately, by a notice in writing to the Transaction Parties (and to the trustee, if notice is given by the holders), stating that such notice is an "acceleration notice," and upon any such declaration such amounts will become due and payable immediately. If an Event of Default specified in clause (7) above occurs and is continuing, then the principal of and accrued interest on all bonds will become and be immediately due and payable without any declaration or other act on the part of the trustee or any holder.

Subject to the provisions of the indenture relating to the duties of the trustee in case an Event of Default occurs and is continuing, the trustee will be under no obligation to exercise any of its rights or powers under the indenture at the request or direction of any of the holders, unless such holders have offered to the trustee indemnity reasonably satisfactory to the trustee. Subject to such provision for the indemnification of the trustee, the holders of a majority in aggregate principal amount of the outstanding bonds will have the right to direct the time, method and place of conducting any proceeding for any remedy available to the trustee or exercising any trust or power conferred on the trustee.

Defeasance

The Transaction Parties may at any time terminate all of their obligations with respect to the bonds, which we refer to as “defeasance,” except for certain obligations, including those regarding any trust established for a defeasance and obligations to register the transfer or exchange of the bonds, to replace mutilated, destroyed, lost or stolen bonds and to maintain agencies in respect of bonds. The Transaction Parties may at any time terminate their obligations under certain covenants set forth in the indenture, and any omission to comply with such obligations will not constitute a Default or an Event of Default with respect to the bonds issued under the indenture, which we refer to as “covenant defeasance.” In order to exercise either defeasance or covenant defeasance, the Transaction Parties, either acting through Gerdau or otherwise, must irrevocably deposit in trust, for the benefit of the holders of the bonds, with the trustee money or U.S. government obligations, or a combination thereof, in such amounts as will be sufficient, in the opinion of an internationally recognized firm of independent public accountants expressed in a written certificate delivered to the trustee, without consideration of any reinvestment, to pay the principal of, and interest on the bonds to redemption or maturity and comply with certain other conditions, including the delivery of an opinion of counsel as to certain tax matters.

Amendment, Supplement, Waiver

Subject to certain exceptions, the indenture may be amended or supplemented with the consent of the holders of at least a majority in principal amount of the bonds then outstanding, and any past Default or Event of Default or compliance with any provision may be waived with the consent of the holders of at least a majority in principal amount of the bonds then outstanding. However, without the consent of each holder of an outstanding bond affected thereby, no amendment or waiver may:

- reduce the rate of or extend the time for payment of interest on any bond;
- reduce the principal of any bond;
- reduce the amount payable upon redemption of any bond or change the time at which any bond may be redeemed;
- change the currency for payment of principal of or interest on any bond;
- impair the right to institute a suit for the enforcement of any right to payment on or with respect to any bond;
- waive certain payment defaults with respect to the bonds;
- reduce the principal amount of bonds whose holders must consent to any amendment or waiver; or
- make any change in the amendment or waiver provisions which require each holder’s consent.

The holders of the bonds will receive prior notice as described under “— Notices” of any proposed amendment to the bonds or the indenture or any waiver described in this paragraph. After an amendment or waiver described in the preceding paragraph becomes effective, the Issuer is required to mail to the holders a notice briefly describing such amendment or waiver. However, the failure to give such notice to all holders of the bonds, or any defect therein, will not impair or affect the validity of the amendment or waiver.

The consent of the holders of the bonds is not necessary to approve the particular form of any proposed amendment or waiver. It is sufficient if such consent approves the substance of the proposed amendment or waiver.

The Transaction Parties and the trustee may, without notice to or the consent or vote of any holder of the bonds, amend or supplement the indenture or the bonds for the following purposes:

- to cure any ambiguity, omission, defect or inconsistency, provided that such amendment or supplement does not materially and adversely affect the rights of any holder;
- to comply with the covenant described under “— Limitation on Consolidation, Merger or Transfer of Assets”;
- to add guarantees or collateral with respect to the bonds;
- to add to the covenants of any of the Transaction Parties for the benefit of holders of the bonds;
- to surrender any right conferred upon any of the Transaction Parties;
- to evidence and provide for the acceptance of an appointment by a successor trustee;
- to comply with any requirements of the SEC in connection with any qualification of the indenture under the U.S. Trust Indenture Act of 1939, as amended;
- to provide for the issuance of additional bonds; or
- to make any other change that does not materially and adversely affect the rights of any holder of the bonds.

Notices

In the case of global bonds, notices to be given to holders will be given to the depositary, as the holder thereof, and such depositary will communicate such notice to its participants in accordance with its applicable policies as in effect from time to time. If bonds are issued in certificated form, notices to be given to holders will be deemed to have been given upon the mailing by first class mail, postage prepaid, of such notices to holders of the bonds at their registered addresses as they appear in the trustee’s records. For so long as the bonds are listed on the Euro MTF and it is required by the rules of the Euro MTF, all such notices to the holders of the bonds will be published on the website of the Luxembourg Stock Exchange at www.bourse.lu.

Trustee

The Bank of New York Mellon is the trustee under the indenture.

The indenture contains provisions for the indemnification of the trustee and for its relief from responsibility. The obligations of the trustee to any holder are subject to such immunities and rights as are set forth in the indenture.

Except during the continuance of an Event of Default, the trustee need perform only those duties that are specifically set forth in the indenture and no others, and no implied covenants or obligations will be read into the indenture against the trustee or the principal paying agent. In case an Event of Default has occurred and is continuing, the trustee shall exercise those rights and powers vested in it by the indenture, and use the same degree of care and skill in such exercise, as a prudent person would exercise or use under the circumstances in the conduct of his own affairs. No provision of the indenture will require the trustee or the principal paying agent to expend or risk its own funds or otherwise incur any financial liability in the performance of its duties thereunder, or in the exercise of its rights or powers, unless it receives indemnity satisfactory to it against any loss, liability or expense.

The Transaction Parties and their respective Affiliates may from time to time enter into normal banking and trustee relationships with the trustee and its affiliates. The address of the trustee is 101 Barclay Street, New York, New York 10286, U.S.A.

Governing Law and Submission to Jurisdiction

The bonds, the indenture and the guarantees will be governed by the laws of the State of New York.

The Transaction Parties will submit to the jurisdiction of the U.S. federal and New York State courts located in the Borough of Manhattan, City and State of New York for purposes of all legal actions and proceedings instituted in connection with the bonds and the indenture. The Transaction Parties have appointed Law Debenture Corporate Services Inc. as their authorized agent upon which process may be served in any such action.

Currency Indemnity

U.S. dollars are the sole currency of account and payment for all sums payable by the Transaction Parties under or in connection with the bonds, including damages. Any amount received or recovered in a currency other than dollars (whether as a result of a judgment or the enforcement of a judgment or order of a court of any jurisdiction, in the winding-up or dissolution of any of the Transaction Parties or otherwise) by any holder of a bond in respect of any sum expressed to be due to it from any of the Transaction Parties will only constitute a discharge of such sum to the extent of the amount of U.S. dollars that the recipient is able to purchase with the amount so received or recovered in that other currency on the date of that receipt or recovery (or, if it is not practicable to make that purchase on that date, on the first date on which it is practicable to do so). If that U.S. dollar amount is less than the U.S. dollar amount expressed to be due to the recipient under any bond, the Transaction Parties will jointly and severally indemnify such holder against any loss sustained by it as a result; and if the amount of U.S. dollars so purchased is greater than the sum originally due to such holder, such holder will, by accepting a bond, be deemed to have agreed to repay such excess. In any event, the Transaction Parties will jointly and severally indemnify the recipient against the cost of making any such purchase.

For the purposes of the preceding paragraph, it will be sufficient for the holder of a bond to certify in a satisfactory manner (indicating the sources of information used) that it would have suffered a loss had an actual purchase of U.S. dollars been made with the amount so received in that other currency on the date of receipt or recovery (or, if a purchase of U.S. dollars on such date had not been practicable, on the first date on which it would have been practicable, it being required that the need for a change of date be certified in the manner mentioned above). These indemnities constitute a separate and independent obligation from the other obligations of the Transaction Parties, will give rise to a separate and independent cause of action, will apply irrespective of any indulgence granted by any holder of a bond and will continue in full force and effect despite any other judgment, order, claim or proof for a liquidated amount in respect of any sum due under any bond.

Waiver of Immunities

To the extent that each of the Issuer and the Guarantors may in any jurisdiction claim for itself or its assets immunity from a suit, execution, attachment, whether in aid of execution, before judgment or otherwise, or other legal process in connection with and as set out in the indenture and the bonds and to the extent that in any jurisdiction there may be immunity attributed to the Issuer, the Guarantors, the Issuer's assets or the Guarantor's assets, whether or not claimed, the Issuer and the Guarantors have irrevocably agreed for the benefit of the holders of the bonds not to claim, and irrevocably waive, the immunity to the full extent permitted by law.

Certain Definitions

The following is a summary of certain defined terms used in the indenture. Reference is made to the indenture for the full definition of all such terms as well as other capitalized terms used herein for which no definition is provided.

"Advance Transaction" means an advance from a financial institution involving either (a) a foreign exchange contract (ACC — *Adiantamento sobre Contrato de Câmbio*) or (b) an export contract (ACE — *Adiantamento sobre Cambiais Entregues*).

"Affiliate" means, with respect to any specified person, (a) any other person which, directly or indirectly, is in control of, is controlled by or is under common control with such specified person or (b) any other person who is a director or officer (i) of such specified person, (ii) of any subsidiary of such specified person or (iii) of any person

described in clause (a) above. For purposes of this definition, control of a person means the power, direct or indirect, to direct or cause the direction of the management and policies of such person whether by contract or otherwise, and the terms “controlling” and “controlled” have meanings correlative to the foregoing.

“Brazil” means the Federative Republic of Brazil.

“Business Day” means any day other than a Saturday, a Sunday or a legal holiday or a day on which banking institutions or trust companies are authorized or obligated by law to close in The City of New York, São Paulo, Brazil or the British Virgin Islands.

“Capital Lease Obligations” means, with respect to any person, any obligation which is required to be classified and accounted for as a capital lease on the face of a balance sheet of such person prepared in accordance with IFRS; the amount of such obligation will be the capitalized amount thereof, determined in accordance with IFRS; and the Stated Maturity thereof will be the date of the last payment of rent or any other amount due under such lease prior to the first date upon which such lease may be terminated by the lessee without payment of a penalty.

“Capital Stock” of any person means any and all shares, interests, rights to purchase, warrants, options, participations or other equivalents of or interests in (however designated, whether voting or non-voting) such person’s equity, including any preferred stock, but excluding any debt securities convertible into or exchangeable for such equity.

“Change of Control” means: (1) any “person” or “group” (as such terms are used for purposes of Sections 13(d) and 14(d) of the Exchange Act, other than any Permitted Holders) is or becomes the “beneficial owner” (as such term is used in Rules 13d-3 under the Exchange Act), directly or indirectly, of more than 50.0% of the total voting power of the outstanding voting stock of Gerdau, including as a result of any merger or consolidation transaction including Gerdau or any of the other Guarantors; or (2) Permitted Holders, directly or indirectly, cease to have the power to direct or cause the direction of the management and policies of Gerdau, whether through the ownership of voting securities, by contract or otherwise.

“Consolidated Net Tangible Assets” means the total amount of assets of Gerdau and its Subsidiaries less (a) applicable depreciation, amortization and other valuation reserves, (b) all current liabilities excluding intercompany Debt and (c) all goodwill, trade names, trademarks, patents, and other intangibles, each as set forth on the most recent financial statements delivered by Gerdau to the trustee in accordance with “— Covenants — Reporting Requirements.”

“CVM” means the Brazilian Securities Commission, or *Comissão de Valores Mobiliários*.

“Debt” means, with respect to any person, without duplication:

- (a) the principal of and premium, if any, in respect of (i) indebtedness of such person for borrowed money and (ii) indebtedness evidenced by notes, debentures, bonds or other similar instruments for the payment of which such person is responsible or liable;
- (b) all Capital Lease Obligations of such person;
- (c) all obligations of such person issued or assumed as the deferred purchase price of property, all conditional sale obligations of such person and all obligations of such person under any title retention agreement (but excluding trade accounts payable or other short-term obligations to suppliers payable within 180 days, in each case arising in the ordinary course of business);
- (d) all obligations of such person for the reimbursement of any obligor on any letter of credit, banker’s acceptance or similar credit transaction (other than obligations with respect to letters of credit securing obligations (other than obligations described in clauses (a) through (c) above) entered into in the ordinary course of business of such person to the extent such letters of credit are not drawn upon or, if and to the extent drawn upon, such drawing is reimbursed no later than the tenth Business Day following receipt by such person of a demand for reimbursement following payment on the letter of credit);

- (e) all Hedging Obligations of such person;
- (f) all obligations of the type referred to in clauses (a) through (d) of other persons and all dividends of other persons for the payment of which, in either case, such person is responsible or liable, directly or indirectly, as obligor, guarantor or otherwise, including by means of any guarantee (other than obligations of other persons that are customers or suppliers of such person for which such person is or becomes so responsible or liable in the ordinary course of business to (but only to) the extent that such person does not, or is not required to, make payment in respect thereof);
- (g) all obligations of the type referred to in clauses (a) through (e) of other persons secured by any Lien on any property or asset of such person (whether or not such obligation is assumed by such person), the amount of such obligation being deemed to be the lesser of the value of such property or assets or the amount of the obligation so secured; and
- (h) any other obligations of such person which are required to be, or are in such person's financial statements, recorded or treated as debt under IFRS.

"Default" means any event which is, or after notice or passage of time or both would be, an Event of Default.

"Guarantee" means any obligation, contingent or otherwise, of any person directly or indirectly guaranteeing any Debt or other obligation of any person and any obligation, direct or indirect, contingent or otherwise, of such person (a) to purchase or pay (or advance or supply funds for the purchase or payment of) such Debt or other obligation of such person (whether arising by virtue of partnership arrangements, or by agreement to keep-well, to purchase assets, goods, securities or services, to take-or pay, or to maintain financial statement conditions or otherwise) or (b) entered into for purposes of assuring in any other manner the obligee of such Debt or other obligation of the payment thereof or to protect such obligee against loss in respect thereof (in whole or in part); *provided, however*, that the term "guarantee" will not include endorsements for collection or deposit in the ordinary course of business. The term "guarantee" used as a verb has a corresponding meaning.

"Guarantor" means each of Gerdau S.A. and its subsidiaries Gerdau Açominas S.A., Gerdau Aços Longos S.A., and Gerdau Aços Especiais S.A. until replaced by a successor thereof and, thereafter, includes the successor for purposes of any provision contained in the indenture.

"Gerdau Johannpeter Family" includes Frederico Gerdau Johannpeter, Germano Gerdau Johannpeter, Jorge Gerdau Johannpeter and Klaus Gerdau Johannpeter, together with their respective spouses, lineal descendants and heirs or trusts that are exclusively for the benefit of any of the foregoing (provided that any of the foregoing has the right to control such trust).

"Hedging Obligations" means, with respect to any person, the obligations of such person pursuant to any interest rate swap agreement, foreign currency exchange agreement, interest rate collar agreement, option or futures contract or other similar agreement or arrangement designed to protect such person against changes in interest rates or foreign exchange rates.

"holder" means the person in whose name a bond is registered in the register.

"IFRS" means International Financial Reporting Standards as in effect from time to time.

"Investment" means, with respect to any person, any loan or advance to, any acquisition of Capital Stock, equity interests, obligations or other securities of, any capital contribution to or any other investment in, such person.

"Issuer" means Gerdau Trade Inc.

"Lien" means any mortgage, pledge, security interest, encumbrance, conditional sale or other title retention agreement or other similar lien.

“Permitted Holders” means any or all of the following: (1) any member of the Gerdau Johannpeter Family or any Affiliate or Affiliates of any of the foregoing and (2) any person the voting stock of which (or in the case of a trust, the beneficial interests in which), is owned at least 51% by persons specified in clause (1).

“person” means any individual, corporation, partnership, joint venture, trust, unincorporated organization or government or any agency, department or political subdivision thereof.

“Rating Agencies” means, as applicable, (i) Standard & Poors Corporation, a division of The McGraw-Hill Company, (ii) Moody’s Investors Service, Inc., or (iii) Fitch Ratings Ltd.

“Ratings Decline” means that at any time within 90 days (which period shall be extended so long as the rating of the bonds is under publicly announced consideration for possible downgrade by any Rating Agency) after the date of public notice of a Change of Control, or of Gerdau’s publicly declared intention or that of any person or entity to effect a Change of Control, the then-applicable rating of the bonds is decreased by any Rating Agency by one or more categories so long as any such Ratings Decline is expressly stated by the applicable Rating Agency to have been the result of the Change in Control.

“Restricted Subsidiaries” means any Subsidiary of Gerdau, including the Issuer, other than Gerdau Ameristeel Corporation, any of their subsidiaries and any other person in which they have an equity interest.

“Significant Subsidiary” means any Subsidiary of Gerdau which at the time of determination either (i) had assets which, as of the date of Gerdau’s most recent quarterly consolidated balance sheet, constituted at least 10% of Gerdau’s total assets on a consolidated basis as of such date, or (ii) had revenues for the 12-month period ending on the date of Gerdau’s most recent quarterly consolidated statement of income which constituted at least 10% of Gerdau’s total revenues on a consolidated basis for such period.

“Stated Maturity” means, with respect to any security, the date specified in such security as the fixed date on which the principal of such security is due and payable, including pursuant to any mandatory redemption provision (but excluding any provision providing for the repurchase of such security at the option of the holder thereof upon the happening of any contingency, unless such contingency has occurred).

“Subsidiary” means any corporation, association, partnership or other business entity of which more than 50% of the total voting power of shares of Capital Stock or other interests (including partnership interests) entitled (without regard to the occurrence of any contingency) to vote in the election of directors, managers or trustees thereof is at the time owned or controlled, directly or indirectly, by (a) Gerdau, (b) Gerdau and one or more Subsidiaries (including the Issuer) or (c) one or more Subsidiaries.

“Wholly-owned Subsidiary” means a Subsidiary all of the Capital Stock of which (other than directors’ qualifying shares) is owned by Gerdau or another Wholly-owned Subsidiary.

FORM OF BONDS

Bonds sold in offshore transactions in reliance on Regulation S will be represented by a permanent global bond or bonds in fully registered form without interest coupons, which we refer to as the “Regulation S Global Bond,” and will be registered in the name of a nominee of DTC and deposited with a custodian for DTC. Bonds sold in reliance on Rule 144A will be represented by a permanent global bond or bonds in fully registered form without interest coupons, which we refer to as the “Restricted Global Bond” and, together with the Regulation S Global Bond, the “global bonds,” and will be deposited with a custodian for DTC and registered in the name of a nominee of DTC.

The bonds will be subject to certain restrictions on transfer as described in “Notice to Investors.” On or prior to the 40th day after the closing date of this offering, a beneficial interest in the Regulation S Global Bond may be transferred to a person who takes delivery in the form of an interest in the Restricted Global Bond only upon receipt by the principal paying agent of a written certification from the transferor (in the form provided in the indenture) to the effect that such transfer is being made to a person whom the transferor reasonably believes to be a “qualified institutional buyer” within the meaning of Rule 144A in a transaction meeting the requirements of Rule 144A and in accordance with any applicable securities laws of any state of the United States or any other jurisdiction, which we refer to as a “Restricted Global Bond Certificate.” After such 40th day, this certification requirement will no longer apply to such transfers. Beneficial interests in the Restricted Global Bond may be transferred to a person who takes delivery in the form of an interest in the Regulation S Global Bond, whether before, on or after such 40th day, only upon receipt by the trustee or transfer agent of a written certification from the transferor (in the form provided in the indenture) to the effect that such transfer is being made in accordance with Rule 903 or Rule 904 of Regulation S or Rule 144A under the Securities Act, which we refer to as a “Regulation S Global Bond Certificate.” Any beneficial interest in one of the global bonds that is transferred to a person who takes delivery in the form of an interest in the other global bond will, upon transfer, cease to be an interest in such global bond and become an interest in the other global bond and, accordingly, will thereafter be subject to all transfer restrictions and other procedures applicable to beneficial interests in such other global bond for as long as it remains an interest.

Except in the limited circumstances described under “—Individual Definitive Bonds,” owners of the beneficial interests in global bonds will not be entitled to receive physical delivery of individual definitive bonds. The bonds are not issuable in bearer form.

Global Bonds

Upon the issuance of the Regulation S Global Bond and the Restricted Global Bond, DTC will credit, on its internal system, the respective principal amount of the individual beneficial interests represented by such global bond to the accounts of persons who have accounts with DTC. Such accounts initially will be designated by or on behalf of the initial purchasers. Ownership of beneficial interests in a global bond will be limited to persons who have accounts with DTC, which we refer to as “DTC Participants,” or persons who hold interests through DTC Participants. Ownership of beneficial interests in the global bonds will be shown on, and the transfer of that ownership will be effected only through, records maintained by DTC or its nominee (with respect to interests of DTC Participants) and the records of DTC Participants (with respect to interests of persons other than DTC Participants).

So long as DTC, or its nominee, is the registered owner or holder of a global bond, DTC or such nominee, as the case may be, will be considered the sole owner or holder of the bonds represented by such global bond for all purposes under the indenture and the bonds. Unless DTC notifies the Issuer that it is unwilling or unable to continue as depository for a global bond, or ceases to be a “clearing agency” registered under the Exchange Act, or any of the bonds becomes immediately due and payable in accordance with “Description of Bonds—Events of Default,” owners of beneficial interests in a global bond will not be entitled to have any portions of such global bond registered in their names, will not receive or be entitled to receive physical delivery of bonds in individual definitive form and will not be considered the owners or holders of the global bond (or any bonds represented thereby) under the indenture or the bonds. In addition, no beneficial owner of an interest in a global bond will be able to transfer that interest except in accordance with DTC’s applicable procedures (in addition to those under the indenture referred to herein and, if applicable, those of Euroclear and Clearstream Luxembourg).

Investors may hold interests in the global bond through Euroclear or Clearstream Luxembourg, if they are participants in such systems. Euroclear and Clearstream Luxembourg will hold interests in the global bonds on behalf of their account holders through customers' securities accounts in their respective names on the books of their respective depositaries, which, in turn, will hold such interests in the global bond in customers' securities accounts in the depositaries' names on the books of DTC. Investors may hold their interests in the Restricted Global Bond directly through DTC, if they are DTC Participants, or indirectly through organizations which are DTC Participants.

Payments of the principal of and interest on global bonds will be made to DTC or its nominee as the registered owner thereof. None of the Issuer, the Guarantors or the initial purchasers will have any responsibility or liability for any aspect of the records relating to or payments made on account of beneficial ownership interests in the global bonds or for maintaining, supervising or reviewing any records relating to such beneficial ownership interests.

The Issuer anticipates that DTC or its nominee, upon receipt of any payment of principal or interest in respect of a global bond representing any bonds held by its nominee, will immediately credit DTC Participants' accounts with payments in amounts proportionate to their respective beneficial interests in the principal amount of such global bond as shown on the records of DTC or its nominee. The Issuer also expects that payments by DTC Participants to owners of beneficial interests in such global bond held through such DTC Participants will be governed by standing instructions and customary practices, as is now the case with securities held for the accounts of customers registered in the names of nominees for such customers. Such payments will be the responsibility of such DTC Participants.

Transfers between DTC Participants will be effected in accordance with DTC's procedures, and will be settled in same-day funds. The laws of some jurisdictions require that certain persons take physical delivery of securities in definitive form. Consequently, the ability to transfer beneficial interests in a global bond to such persons may be limited. Because DTC can only act on behalf of DTC Participants, who in turn act on behalf of indirect participants and certain banks, the ability of a person having a beneficial interest in a global bond to pledge such interest to persons or entities that do not participate in the DTC system, or otherwise take actions in respect of such interest, may be affected by the lack of a physical individual definitive certificate in respect of such interest. Transfers between accountholders in Euroclear and Clearstream Luxembourg will be effected in the ordinary way in accordance with their respective rules and operating procedures.

Subject to compliance with the transfer restrictions available to the bonds described above, cross-market transfers between DTC participants, on the one hand, and directly or indirectly through Euroclear or Clearstream Luxembourg account holders, on the other hand, will be effected at DTC in accordance with DTC rules on behalf of Euroclear or Clearstream Luxembourg, as the case may be, by its respective depositary; however, such cross-market transactions will require delivery of instructions to Euroclear or Clearstream Luxembourg, as the case may be, by the counterparty in such system in accordance with its rules and procedures and within its established deadlines. Euroclear or Clearstream Luxembourg, as the case may be, will, if the transaction meets its settlement requirements, deliver instructions to its respective depositary to take action to effect final settlement on its behalf by delivering or receiving interests in the Regulation S Global Bond in DTC, and making or receiving payment in accordance with normal procedures for same day funds settlement applicable to DTC. Euroclear and Clearstream Luxembourg account holders may not deliver instructions directly to the depositaries for Euroclear or Clearstream Luxembourg.

Because of time zone differences, the securities account of a Euroclear or Clearstream Luxembourg account holder purchasing an interest in a global bond from a DTC Participant will be credited during the securities settlement processing day (which must be a business day for Euroclear or Clearstream Luxembourg, as the case may be) immediately following the DTC settlement date and such credit of any transactions in interests in a global bond settled during such processing day will be reported to the relevant Euroclear or Clearstream Luxembourg accountholder on such day. Cash received in Euroclear or Clearstream Luxembourg as a result of sales of interests in a global bond by or through a Euroclear or Clearstream Luxembourg account holder to a DTC Participant will be received for value on the DTC settlement date but will be available in the relevant Euroclear or Clearstream Luxembourg cash account only as of the business day following settlement in DTC.

DTC has advised that it will take any action permitted to be taken by holder of bonds (including the presentation of bonds for exchange as described below) only at the direction of one or more DTC Participants to whose account or accounts with DTC interests in the global bonds are credited and only in respect of such portion of the aggregate principal amount of the bonds as to which such DTC Participant or DTC Participants has or have given such direction. However, in the limited circumstances described below, DTC will exchange the global bonds for individual definitive bonds (in the case of bonds represented by the Restricted Global Bond, bearing a restrictive legend), which will be distributed to its participants. Holders of indirect interests in the global bonds through DTC Participants have no direct rights to enforce such interests while the bonds are in global form.

The giving of notices and other communications by DTC to DTC Participants, by DTC Participants to persons who hold accounts with them and by such persons to holders of beneficial interests in a global bond will be governed by arrangements between them, subject to any statutory or regulatory requirements as may exist from time to time.

DTC has advised as follows: DTC is a limited purpose trust company organized under the laws of the State of New York, a member of the Federal Reserve System, a “clearing corporation” within the meaning of the Uniform Commercial Code and a “Clearing Agency” registered pursuant to the provisions of Section 17A of the Exchange Act. DTC was created to hold securities for DTC Participants and to facilitate the clearance and settlement of securities transactions between DTC Participants through electronic book-entry changes in accounts of DTC Participants, thereby eliminating the need for physical movement of certificates. DTC Participants include security brokers and dealers, banks, trust companies and clearing corporations and may include certain other organizations. Indirect access to the DTC system is available to others such as banks, brokers, dealers and trust companies that clear through or maintain a custodial relationship with a DTC Participant, either directly or indirectly, which we refer to as “indirect participants.”

Although DTC, Euroclear and Clearstream Luxembourg have agreed to the foregoing procedures in order to facilitate transfers of interests in the Regulation S Global Bond and in the Restricted Global Bond among participants and accountholders of DTC, Clearstream Luxembourg and Euroclear, they are under no obligation to perform or continue to perform such procedures, and such procedures may be discontinued at any time. Neither the Issuer nor the trustee will have any responsibility for the performance of DTC, Euroclear or Clearstream Luxembourg or their respective participants, indirect participants or accountholders of their respective obligations under the rules and procedures governing their operations.

Individual Definitive Bonds

If (1) DTC or any successor to DTC is at any time unwilling or unable to continue as a depository or DTC ceases to be a “clearing agency” and a successor depository is not appointed by the Issuer within 90 days or (2) any of the bonds has become immediately due and payable in accordance with “Description of Bonds — Events of Default,” the Issuer will issue individual definitive bonds in registered form in exchange for the Regulation S Global Bond and the Restricted Global Bond, as the case may be. Upon receipt of such notice from DTC or the trustee, as the case may be, the Issuer will use its best efforts to make arrangements with DTC for the exchange of interests in the global bonds for individual definitive bonds and cause the requested individual definitive bonds to be executed and delivered to the trustee in sufficient quantities and authenticated by the trustee for delivery to holders. Persons exchanging interests in a global bond for individual definitive bonds will be required to provide the registrar with (a) written instruction and other information required by the Issuer and the registrar to complete, execute and deliver such individual definitive bonds and (b) in the case of an exchange of an interest in a Restricted Global Bond, certification that such interest is not being transferred or is being transferred only in compliance with Rule 144A under the Securities Act. In all cases, individual definitive bonds delivered in exchange for any global bond or beneficial interests therein will be registered in the names, and issued in any approved denominations, requested by DTC.

In the case of individual definitive bonds issued in exchange for the Restricted Global Bond, such individual definitive bonds will bear, and be subject to, the legend described in “Notice to Investors” (unless the Issuer determines otherwise in accordance with applicable law). The holder of a restricted individual definitive bond may transfer such bond, subject to compliance with the provisions of such legend, as provided in “Description of Bonds.” Upon the transfer, exchange or replacement of bonds bearing the legend, or upon specific request for removal of the legend on a bond, the Issuer will deliver only bonds that bear such legend, or will refuse to remove such legend, as the case may be, unless there is delivered to the Issuer such satisfactory evidence, which may include an opinion of counsel, as may reasonably be required by the Issuer that neither the legend nor the restrictions on transfer set forth therein are required to ensure compliance with the provisions of the Securities Act. Before any individual definitive bond may be transferred to a person who takes delivery in the form of an interest in any global bond, the transferor will be required to provide the principal paying agent with a Restricted Global Bond Certificate or a Regulation S Global Bond Certificate, as the case may be.

Individual definitive bonds will not be eligible for clearing and settlement through Euroclear, Clearstream Luxembourg or DTC.

TAXATION

The following discussion summarizes certain Brazilian, British Virgin Islands and United States federal income tax considerations (and certain European Union related tax considerations) that may be relevant to you if you invest in the bonds. This summary is based on laws and regulations now in effect in Brazil, laws, regulations, rulings and decisions now in effect in the United States the British Virgin Islands and a directive of the European Union, in each case which may change. Any change could apply retroactively and could affect the continued validity of this summary.

The following is a general discussion of certain tax considerations for prospective investors in the bonds. The discussion is based upon present law and interpretations of present law as in effect on the date of this prospectus supplement, both of which are subject to prospective and retroactive changes. The discussion does not consider any investor's particular circumstances, and it is not intended as tax advice. Each prospective investor is urged to consult its tax advisor about the tax consequences of an investment in the bonds under the laws of the British Virgin Islands, Brazil and the United States, jurisdictions from which the Issuer or the Company may derive their income or conduct their activities, and jurisdictions where the investor is subject to taxation.

British Virgin Islands Tax Considerations

The tax status of the Issuer under the tax laws of the British Virgin Islands is summarized below. The summary is based on the assumption that the Issuer is owned, managed and operated as contemplated.

The Issuer and all dividends, interest, rents, royalties, compensations and other amounts paid by the Issuer to persons who are not persons resident in the British Virgin Islands are exempt from the provisions of the Income Tax Ordinance in the British Virgin Islands and any capital gains realized with respect to any bonds (including the bonds), debentures, debt obligations, or other securities of the Issuer by persons who are not persons resident in the British Virgin Islands are exempt from all forms of taxation in the British Virgin Islands. As of January 1, 2005, the Payroll Taxes Act, 2004 came into force. It will not apply to the Issuer except to the extent that the Issuer has employees (and deemed employees) rendering services to the Issuer wholly or mainly in the British Virgin Islands. The Issuer at present has no employees in the British Virgin Islands and no intention of having any employees in the British Virgin Islands.

No estate, inheritance, succession or gift tax, rate, duty, levy or other charge is payable by persons who are not persons resident in the British Virgin Islands with respect to any bonds, debentures, debt obligation or other securities of the Issuer.

Subject to the transfer by the Issuer of an interest in land in the British Virgin Islands or transactions in respect of the shares, debt obligations or other securities to the extent the Issuer is a "land owning company", all instruments relating to transfers of property to or by the Issuer and all instruments relating to transactions in respect of the bonds, debt obligations or other securities of the Issuer and all instruments relating to other transactions relating to the business of the Issuer are exempt from the payment of stamp duty in the British Virgin Islands. Under the laws of the British Virgin Islands the Issuer would only be a "land owning company" if it or any of its subsidiaries has an interest in land in the British Virgin Islands. The Issuer at present has no interest in land in the British Virgin Islands and no intention of acquiring an interest in land in the British Virgin Islands.

There are currently no withholding taxes or exchange control regulations in the British Virgin Islands applicable to the Issuer.

Brazilian Tax Considerations

The following discussion is a summary of the Brazilian tax considerations relating to an investment in the bonds by an individual, entity, trust or organization considered as resident or domiciled outside Brazil for tax purposes (a “Non-Resident Holder”). The discussion contained herein is based on the tax laws of Brazil as in effect on the date hereof and is subject to any possible changes in Brazilian law that may come into effect after such date.

The information set forth below is intended to be a general discussion only and does not address all possible tax consequences relating to an investment in the bonds. Prospective investors should consult their own tax advisors as to the consequences of purchasing the bonds, including, without limitation, the consequences of the receipt of interest and the sale, redemption or repayment of the bonds.

Payments on the bonds made from the Issuer and gains on the bonds

Generally, a Non-Resident Holder is taxed in Brazil only when income is derived from Brazilian sources or gains are realized on the disposal of assets located in Brazil. Therefore, based on the fact that the Issuer is considered for tax purposes as domiciled abroad, any income (including interest and original issue discount) paid by the Issuer in respect of the bonds issued by it in favor of Non-Resident Holders will not generally be subject to withholding or deduction in respect of Brazilian income tax or any other taxes, duties, assessments or governmental charges in Brazil, provided that such payments are made with funds held by such Issuer outside of Brazil.

According to article 26 of Law No. 10,833, enacted on December 29, 2003, capital gains realized on the disposal of assets located in Brazil by a Non-Resident Holder to another Non-Resident Holder made outside Brazil, are subject to taxation in Brazil. Based on the fact that the bonds are issued abroad and that the Issuer is considered for tax purposes as domiciled abroad and, thus, the bonds would not fall within the definition of assets located in Brazil for the purposes of Law No. 10,833, we believe that gains on the sale or other disposal of the bonds made outside Brazil by a Non-Resident Holder, other than a branch or a subsidiary of Brazilian resident, to another Non-Resident Holder would not be subject to Brazilian taxes. However, considering the general and unclear scope of Law No. 10,833 and the absence of judicial guidance in respect thereof, it is impossible to predict whether such interpretation will ultimately prevail in the Brazilian courts. As a result, gains realized by a Non-Resident Holder from the sale or other disposal of the bonds to a Brazilian resident or even to a non-resident in case the bonds are deemed to be assets located in Brazil may be subject to Brazilian withholding income tax, which we refer to as “WHT,” at rate of 15%, or 25% if such Non-Resident Holder is located in a low tax jurisdiction (“LTJ”), as defined by Brazilian legislation.

A LTJ is a jurisdiction that does not impose any tax on income or which imposes such tax at a maximum effective rate lower than 20%. In addition, on June 24, 2008, Law No. 11,727 was enacted, with effect from January 1, 2009, establishing that a jurisdiction or country where local legislation imposes restrictions on disclosing the shareholding composition or the ownership of an investment is also considered a LTJ.

Law No. 11,727 also changed the scope of new transactions that would be subject to Brazilian transfer pricing rules, with the creation of the concept of a privileged tax regime. Pursuant to Law No. 11,727, a jurisdiction will be considered a privileged tax regime if it (i) does not tax income or tax it at a maximum rate lower than 20%; (ii) grants tax advantages to a non-resident entity or individual (a) without the need to carry out a substantial economic activity in the country or territory or (b) conditioned upon the non-exercise of a substantial economic activity in the country or territory; (iii) does not tax or taxes proceeds generated abroad at a maximum rate lower than 20% or (iv) restricts the ownership disclosure of assets and ownership rights or restricts disclosure about economic transactions carried out. Because several Brazilian regulations refer to the concepts defined in the Brazilian transfer pricing rules when referring to LTJs, there is a risk that a privileged tax regime will be treated similarly to a low tax jurisdiction, and therefore subject such transactions to the burdensome income tax rates, discussed above.

Due to the recent enactment of this law, we are not able to ascertain if this privileged tax regime concept will only be applied to determine the scope of transactions subject to transfer pricing rules or whether it will also serve to extend the concept of LTJ provided by other Brazilian regulations. On June 4, 2010 the Brazilian Federal

Revenue Service issued a new LTJ list through Normative Ruling 1,037, establishing which locations shall be considered under a privileged tax regime.

We recommend that prospective purchasers consult their own tax advisors regarding the changes implemented by Normative Ruling 1,037.

Payments on the bonds made from the Guarantors

If the Issuer fails to punctually pay any due amount, including any payment of principal, interest or any other amount that may be due and payable in respect of the bonds, the Guarantors will be required to assume the obligation to pay such due amounts. As there is no specific legal provision dealing with the imposition of the WHT on payments made by Brazilian sources to non-resident beneficiaries under guarantees and no uniform decision from the Brazilian courts, there is a risk that tax authorities will take the position that the funds remitted by the Guarantors to the Non-Resident Holders may be subject to the imposition of the WHT at a general 15% rate, or at a 25% rate, if the Non-Resident Holder is located in a LTJ. In any case, we understand that there are arguments to sustain that (a) payments made under the guarantee structure should be subject to imposition of the WHT according to the nature of the guaranteed payment, in which case only interest and fees should be subject to taxation at the rates of 15% or 25%, in cases of beneficiaries located in LTJ, as defined by the Brazilian legislation; or (b) that payments made under guarantee by Brazilian sources to non-resident beneficiaries should not be subject to the imposition of the WHT, to the extent that they should qualify as a new credit transaction by the Brazilian party to the borrower. This is however a controversial issue, still not decided by the Brazilian Courts.

Other taxes

Pursuant to Decree No. 6,306 of December 14, 2007 (as amended), conversion into *reais* of proceeds received in foreign currency by a Brazilian entity and the conversion into foreign currency of proceeds received in *reais* are subject to the tax on foreign transaction (“IOF”) levied upon foreign exchange transactions, which we refer to as “IOF/Câmbio.” Currently, IOF/Câmbio rate for almost all foreign currency exchange transactions is 0.38%. According to Section 15, IX of the Decree No. 6,306, except for the IOF/Câmbio applicable rate of 6% to exchange transactions relating to foreign loans with a minimum average term of less than 361 days, the inflow and outflow of funds thereunder into and out of Brazil are subject to IOF/Câmbio at a zero percent rate. Nevertheless, it is important to emphasize that there is a controversy as to whether interest paid under foreign-source financings or loans should fall under the scope of such IOF exemption. Notwithstanding the above, the Brazilian government may increase the current IOF/Câmbio rate at any time up to a maximum rate of 25.0%. Any such new rate would only apply to future exchange transactions.

In the event of withholding or deduction for or on account of Brazilian taxes, the Issuer and the Guarantors will, subject to certain exceptions, pay Additional Amounts in respect of such withholding or deduction so that the net amount received by the holder after such withholding or deduction equals the amount of principal or interest that would have been received in the absence of such withholding or deduction. See “Description of Bonds—Payment of Additional Amounts.”

Generally, there are no inheritance, gift, succession, stamp, or other similar taxes in Brazil with respect to the ownership, transfer, assignment or any other disposal of the bonds by a Non-Resident Holder, except for gift inheritance taxes imposed by some Brazilian states on gifts or bequests by individuals or entities not domiciled or residing in Brazil to individuals or entities domiciled or residing within such states.

Certain United States Federal Income Tax Considerations

CIRCULAR 230 NOTICE: THE DISCUSSION BELOW IS NOT GIVEN IN THE FORM OF A COVERED OPINION, WITHIN THE MEANING OF CIRCULAR 230 ISSUED BY THE UNITED STATES SECRETARY OF THE TREASURY. THUS, THE COMPANY IS REQUIRED TO INFORM YOU THAT THIS SUMMARY OF CERTAIN UNITED STATES FEDERAL INCOME TAX CONSIDERATIONS WITH RESPECT TO AN INVESTMENT IN THE BONDS WAS NOT INTENDED OR WRITTEN, AND CANNOT BE USED BY ANY INVESTOR, FOR THE PURPOSE OF AVOIDING UNITED STATES

FEDERAL TAX PENALTIES THAT MAY BE IMPOSED ON SUCH INVESTOR. THIS SUMMARY HAS BEEN WRITTEN TO SUPPORT THE PROMOTION AND MARKETING OF THE BONDS. PROSPECTIVE INVESTORS ARE URGED TO SEEK ADVICE BASED UPON THEIR OWN PARTICULAR CIRCUMSTANCES FROM AN INDEPENDENT TAX ADVISOR.

U.S. Holders

The following is a summary of certain United States federal income tax considerations that may be relevant to a holder of a bond that is, for United States federal income tax purposes an individual who is a citizen or resident of the United States or a domestic corporation (or other entity treated as a domestic corporation for United States federal income tax purposes) or that otherwise is subject to United States federal income taxation on a net income basis in respect of the bond, which we refer to as a “U.S. Holder,” as well as certain United States federal income tax consequences relevant to a Non-U.S. Holder (as defined below) of the bonds. This summary is for general information only and does not consider all aspects of United States federal income tax or other taxes that may be relevant to the acquisition, ownership and disposition of the bonds. It does not describe any tax consequences arising out of the tax laws of any state, local or foreign jurisdiction or any aspect of United States federal taxation other than income taxation. This summary is based on laws, regulations, rulings and decisions now in effect, all of which are subject to change, possibly with retroactive effect. There can be no assurance that the Internal Revenue Service, which we refer to as the “IRS,” will not take positions concerning the tax consequences of the acquisition, ownership or disposition of the bonds that are different from those discussed below. This summary deals only with U.S. Holders that will hold bonds as capital assets (generally, property held for investment), and only if the U.S. Holder purchased the bonds for cash, at the price indicated on the cover hereof, during the initial offering. This summary does not address tax considerations applicable to investors that may be subject to special tax rules, such as banks, thrifts or other financial institutions or financial services companies, tax-exempt organizations, insurance companies, pension funds, dealers in securities or currencies, regulated investment companies or real estate investment trusts, traders in securities electing mark to market tax accounting, persons subject to the alternative minimum tax, persons that will hold bonds as a position in a “straddle,” or a hedging or conversion transaction, or as part of a “synthetic security” or other integrated financial transaction, or persons subject to net United States taxation that have a “functional currency” other than the United States dollar.

If any entity or arrangement that is treated as a partnership for United States federal income tax purposes holds the bonds, the United States federal income tax treatment generally will depend upon the activities of the partnership and the status of the partners. Prospective purchasers that are partnerships and partners in such partnerships should consult their tax advisors concerning the United States federal income tax consequences to their partners of the acquisition, ownership and disposition of the bonds by the partnership.

Characterization of the bonds

The Company believes that the bonds constitute debt for United States federal income tax purposes and intends to treat them as such. The discussion below assumes that the bonds constitute debt for United States federal income tax purposes.

Payments of interest

The bonds are expected to be issued for an amount equal to their stated redemption price at maturity and, accordingly, should not be considered to be issued with original issue discount. As a result, each holder of bonds should include interest income on the bonds in its gross income in accordance with its regular method of accounting. Payments of interest on a bond (which may include Additional Amounts) will generally be taxable to a U.S. Holder as ordinary interest income when such interest is accrued or received, in accordance with the U.S. Holder’s regular method of tax accounting. Interest income in respect of the bonds will generally constitute foreign-source “passive category” income for United States federal income tax purposes for most U.S. Holders. Subject to generally applicable restrictions and conditions, if any foreign income taxes are withheld on interest payments on the bonds, or on additional amounts, a U.S. Holder may be entitled to a foreign tax credit in respect of any such foreign income taxes. Alternatively, the U.S. Holder may deduct such taxes in computing taxable income provided that the U.S. Holder does not elect to claim a foreign tax credit for any foreign income taxes paid or accrued for the relevant taxable year. The rules regarding foreign tax credits and deduction of foreign income taxes are complex. U.S.

Holders should consult their own tax advisors regarding the availability of foreign tax credits or deductions in respect of foreign income taxes based on their particular circumstances.

Sale or disposition of bonds

A U.S. Holder will generally recognize capital gain or loss upon the sale, exchange, retirement or other taxable disposition of a bond in an amount equal to the difference between the amount realized upon such sale, exchange, retirement or other taxable disposition (other than amounts attributable to accrued interest, which will be taxed as such) and such U.S. Holder's adjusted tax basis in the bond. Any capital gain or loss recognized by a U.S. Holder upon the sale, exchange, retirement or other taxable disposition of a bond will be long-term capital gain or loss if the U.S. Holder has held the bond for more than one year. Certain U.S. Holders (including individuals but not including corporations) may be eligible for preferential tax rates in respect of long-term capital gain. The deductibility of capital losses is subject to certain limitations. A U.S. Holder's tax basis in the bond will generally equal the U.S. Holder's cost for the bond, minus any principal payments made on the bond, prior to the sale. Gain or loss realized by a U.S. Holder on the sale, exchange, retirement or other taxable disposition of a bond will generally be United States source gain or loss for United States federal income tax purposes unless it is attributable to an office or other fixed place of business outside the United States and certain other conditions are met.

Medicare Tax

A U.S. Holder that is an individual or estate, or a trust that does not fall into a special class of trusts that is exempt from such tax, will be subject to a 3.8% tax on the lesser of (1) the U.S. Holder's "net investment income" (or undistributed "net investment income" in the case of estates and trusts) for the relevant taxable year and (2) the excess of the U.S. Holder's modified adjusted gross income for the taxable year over a certain threshold (which in the case of individuals will be between \$125,000 and \$250,000, depending on the individual's circumstances). A holder's net investment income will generally include its interest income and its net gains from the disposition of a bond, unless such interest income or net gains are derived in the ordinary course of the conduct of a trade or business (other than a trade or business that consists of certain passive or trading activities). If you are a U.S. Holder that is an individual, estate or trust, you are urged to consult your own tax advisor regarding the applicability of this Medicare tax.

Backup withholding and information reporting

A U.S. Holder may be subject to information reporting requirements and "backup withholding" (currently at a rate of 28%) with respect to cash payments of principal and interest on the bonds and on the gross proceeds from dispositions of the bonds are made within the United States or through certain U.S.-related financial intermediaries, unless the holder (i) is a corporation or comes within certain other exempt categories and demonstrates this fact when so required, or (ii) in the case of backup withholding, provides a correct taxpayer identification number, certifies that it is not subject to backup withholding and otherwise complies with applicable requirements of the backup withholding rules. Any amount withheld under these rules generally will be allowed as a refundable credit against the U.S. Holder's United States federal income tax liability provided the required information is timely furnished to the IRS.

Under U.S. federal income tax law and applicable Treasury regulations, certain categories of U.S. Holders must file information returns with respect to their investment in certain foreign financial assets, including debt of a foreign corporation, if the aggregate value of all of such assets exceeds US\$50,000. A U.S. Holder should consult its own tax advisor regarding the application of the information reporting rules to the bonds and the application of these rules to its particular situation.

Non-U.S. Holders

Payments of interest

As used herein, the term “Non-U.S. Holder” means a beneficial owner of the bonds that is not, for United States federal income tax purposes, a U.S. Holder or a partnership. A Non-U.S. Holder generally will not be subject to United States federal income or withholding tax in respect of payments of interest (including additional amounts or payments under the guarantees in respect of interest, if any) by the Issuer or its paying agents in respect of a note, unless the interest is effectively connected with such holder’s conduct of a trade or business within the United States (and, if an income tax treaty applies, the interest is attributable to a permanent establishment or fixed base maintained by such holder within the United States). If that exception applies, then the Non-U.S. Holder generally will be subject to United States federal income tax in respect of such interest in the same manner as a U.S. Holder, as described above. A Non-U.S. Holder that is a corporation may, in certain circumstances, also be subject to an additional “branch profits tax” in respect of any such effectively connected interest income (currently at a 30.0% rate or, if applicable, a lower tax treaty rate).

Sales or other taxable dispositions

A Non-U.S. Holder generally will not be subject to United States federal income or withholding tax on any gain realized in connection with the sale or other taxable disposition of a note, unless (i) such gain is effectively connected with such holder’s conduct of a trade or business within the United States (and, if an income tax treaty applies, the gain is attributable to a permanent establishment or fixed base maintained by such holder within the United States), or (ii) such holder is an individual who is present in the United States for at least 183 days in the taxable year of such sale or other taxable disposition and certain other requirements are met. If the first exception applies then the Non-U.S. Holder generally will be subject to United States federal income tax in respect of such gain in the same manner as a U.S. Holder, as described above. A Non-U.S. Holder that is a corporation may, in certain circumstances, also be subject to an additional “branch profits tax” in respect of any such effectively connected gain (currently at a 30% rate or, if applicable, a lower tax treaty rate). If the second exception applies, then the Non-U.S. Holder generally will be subject to United States federal income tax at a rate of 30% on the amount by which such holder’s U.S.-source capital gains exceed such holder’s United States-source capital losses.

Information reporting and backup withholding

A Non-U.S. Holder generally will not be subject to information reporting or backup withholding, but such a holder may have to comply with certification procedures to establish that it is not a United States person.

THE PRECEDING DISCUSSION OF CERTAIN UNITED STATES FEDERAL INCOME TAX CONSEQUENCES IS FOR GENERAL INFORMATION PURPOSES ONLY AND IS NOT TAX ADVICE. ACCORDINGLY, INVESTORS SHOULD CONSULT THEIR OWN TAX ADVISORS AS TO PARTICULAR TAX CONSEQUENCES TO THEM OF ACQUIRING, HOLDING AND DISPOSING OF THE BONDS, INCLUDING THE APPLICABILITY AND EFFECT OF ANY STATE, LOCAL OR FOREIGN TAX LAWS, AND OF ANY PROPOSED CHANGES IN APPLICABLE LAWS.

EUROPEAN UNION DIRECTIVE ON TAXATION OF SAVINGS INCOME

The European Union has adopted a Directive regarding the taxation of savings income, which we refer to as the “EU Tax Directive.” Countries that are member states of the European Union, which we refer to as “Member States,” are required to provide to the tax authorities of other Member States details of payments of interest and other similar income paid by a person to an individual in another Member State, except that Austria and Luxembourg instead impose a withholding system for a transitional period unless during such period they elect otherwise. The transitional period is to terminate following agreement by certain non-EU countries to the exchange of information relating to such payments. A number of non-EU countries, and certain dependent or associated territories of certain Member States, have agreed to adopt similar measures (either provision of information or transitional withholding).

The European Commission has published proposals for amendments to the EU Tax Directive, which, if implemented, would amend and broaden the scope of the requirements above.

ERISA AND CERTAIN OTHER CONSIDERATIONS

The United States Employee Retirement Income Security Act of 1974, as amended, which we refer to as “ERISA,” imposes certain requirements on “employee benefit plans” (as defined in Section 3(3) of ERISA) subject to ERISA, including entities such as collective investment funds and separate accounts whose underlying assets include the assets of such plans (collectively, the ERISA plans) and on those persons who are fiduciaries with respect to ERISA plans. Investments by ERISA plans are subject to ERISA’s general fiduciary requirements, including, but not limited to, the requirement of investment prudence and diversification and the requirement that an ERISA plan’s investments be made in accordance with the documents governing the ERISA plan.

Section 406 of ERISA and Section 4975 of the Internal Revenue Code of 1986, as amended, which we refer to as the “Code,” prohibit certain transactions involving the assets of an ERISA plan (as well as those plans that are not subject to ERISA but which are subject to Section 4975 of the Code, such as individual retirement accounts (together with ERISA plans, the Plans) and certain persons (referred to as “parties in interest” for purposes of ERISA or “disqualified persons” for purposes of the Code) having certain relationships to such Plans, unless a statutory or administrative exemption is applicable to the transaction. A party in interest or disqualified person who engages in a prohibited transaction may be subject to excise taxes and other penalties and liabilities under ERISA and the Code.

Governmental plans, non-U.S. plans and certain church and other plans, while not subject to the fiduciary responsibility provisions of ERISA or the prohibited transaction provisions of Section 406 of ERISA or Section 4975 of the Code, may nevertheless be subject to other federal, state, local or non-U.S. laws that are substantially similar to the foregoing provisions of ERISA and the Code. For example, domestic governmental and church plans are subject to the exclusive benefit rules of Section 401(a)(2) of the Code which could result in the loss of tax qualified status for improper investments as described in the published regulations and rulings issued by the Internal Revenue Service under Section 401(a)(2) of the Code prior to the enactment of ERISA. Fiduciaries of any such plans should consult with their counsel before purchasing any bonds.

The fiduciary of a Plan that proposes to purchase and hold any bonds should consider, among other things, whether such purchase and holding may involve (i) the direct or indirect extension of credit to a party in interest or a disqualified person, (ii) the sale or exchange of any property between a Plan and a party in interest or a disqualified person, or (iii) the transfer to, or use by or for the benefit of, a party in interest or disqualified person, of any Plan assets. Such parties in interest or disqualified persons could include, without limitation, the Company, the initial purchasers or any of their respective affiliates. Depending on the satisfaction of certain conditions which may include the identity of the Plan fiduciary making the decision to acquire or hold the bonds on behalf of a Plan, Section 408(b)(17) of ERISA or Prohibited Transaction Class Exemption (“PTCE”) 84-14 (relating to transactions effected by a “qualified professional asset manager”), PTCE 90-1 (relating to investments by insurance company pooled separate accounts), PTCE 91-38 (relating to investments by bank collective investment funds), PTCE 95-60 (relating to investments by insurance company general accounts) or PTCE 96-23 (relating to transactions directed by an in-house asset manager) (collectively, the “Class Exemptions”) could provide an exemption from the prohibited transaction provisions of ERISA and Section 4975 of the Code. The Company cannot assure you that any exemption will be available with respect to any particular transaction involving the bonds, or, if available, that any particular exemption will cover all possible prohibited transactions. By its purchase of any bonds, the purchaser thereof, and any transferee thereof, will be deemed to have represented and agreed either that (a) it is not and for so long as it holds the bonds will not be an ERISA plan or other Plan, an entity whose underlying assets include the assets of any such ERISA Plan or other governmental plan, church plan or foreign plan which is subject to any federal, state, local or foreign law that is substantially similar to the provisions of Section 406 of ERISA or Section 4975 of the Code or (b) its purchase and holding of the bonds will not result in a prohibited transaction under Section 406 of ERISA or Section 4975 of the Code (or, in the case of a governmental plan, church plan or foreign plan, any substantially similar federal, state, local or non-U.S. law) for which an exemption is not available.

The foregoing discussion is general in nature and not intended to be all inclusive. Any Plan fiduciary who proposes to cause a Plan to purchase any bonds should consult with its counsel regarding the applicability of the fiduciary responsibility and prohibited transaction provisions of ERISA and Section 4975 of the Code to such an investment, and to confirm that such investment will not constitute or result in a prohibited transaction or any other violation of an applicable requirement of ERISA.

The sale of bonds to a Plan is in no respect a representation by the Company or the initial purchasers that such an investment meets all relevant requirements with respect to investments by Plans generally or any particular Plan, or that such an investment is appropriate for Plans generally or any particular Plan.

NOTICE TO INVESTORS

General

The bonds and the guarantees have not been registered, and will not be registered, under the United States Securities Act or any other applicable securities laws, and the bonds may not be offered or sold except pursuant to an effective registration statement or pursuant to transactions exempt from, or not subject to, registration under the Securities Act. Accordingly, the bonds are being offered and sold only:

- in the United States to qualified institutional buyers (as defined in Rule 144A) in reliance on Rule 144A under the Securities Act; and
- outside of the United States, to certain persons, other than United States persons, in offshore transactions meeting the requirements of Regulation S under the Securities Act.

Purchasers' Representations and Restrictions on Resale and Transfer

Each purchaser of bonds (other than the initial purchasers in connection with the initial issuance and sale of bonds) and each owner of any beneficial interest therein will be deemed, by its acceptance or purchase thereof, to have represented and agreed as follows:

- (1) It is purchasing the bonds for its own account or an account with respect to which it exercises sole investment discretion and it and any such account is either (a) a qualified institutional buyer and is aware that the sale to it is being made in reliance on Rule 144A or (b) a non-United States person that is outside the United States and is purchasing the bonds in compliance with Regulation S.
- (2) It acknowledges that the bonds have not been registered under the Securities Act or with any securities regulatory authority of any jurisdiction and may not be offered or sold within the United States or to, or for the account or benefit of, United States persons except as set forth below.
- (3) It understands and agrees that bonds initially offered in the United States to qualified institutional buyers will be represented by one or more global bonds and that bonds offered outside the United States in reliance on Regulation S will also be represented by one or more global bonds.
- (4) It agrees, on its own behalf and on behalf of any investor account for which it is purchasing the bonds, that it will not resell or otherwise transfer any of such bonds except (a) to the Issuer, (b) within the United States to a qualified institutional buyer in a transaction complying with Rule 144A under the Securities Act, (c) outside the United States in compliance with Rule 903 or 904 under the Securities Act, (d) pursuant to the exemption from registration provided by Rule 144 under the Securities Act (if available) or (e) pursuant to an effective registration statement under the Securities Act.
- (5) It agrees that it will give to each person to whom it transfers the bonds notice of any restrictions on transfer of such bonds.
- (6) It acknowledges that prior to any proposed transfer of bonds (other than pursuant to an effective registration statement or in respect of bonds sold or transferred either pursuant to (a) Rule 144A or (b) Regulation S) the holder of such bonds may be required to provide certifications relating to the manner of such transfer as provided in the indenture.
- (7) It acknowledges that the trustee, registrar or transfer agent for the bonds will not be required to accept for registration transfer of any bonds acquired by it, except upon presentation of evidence satisfactory to the Issuer and the trustee, registrar or transfer agent that the restrictions set forth herein have been complied with.

- (8) It acknowledges that if it is a purchaser in a sale that occurs outside of the United States within the meaning of Regulation S, the above restrictions on resale will apply until the expiration of the “40-day distribution compliance period” within the meaning of Rule 903 of Regulation S, and any offer or sale of the bonds shall not be made by it to a United States person or for the benefit or account of a United States person within the meaning on Rule 902 under the Securities Act.
- (9) It acknowledges that the Issuer, the Guarantors, the initial purchasers and other persons will rely upon the truth and accuracy of the foregoing acknowledgements, representations and agreements and agrees that if any of the acknowledgements, representations and agreements deemed to have been made by its purchase of the bonds are no longer accurate, it will promptly notify the Issuer, the Guarantors and the initial purchasers. If it is acquiring the bonds as a fiduciary or agent for one or more investor accounts, it represents that it has sole investment discretion with respect to each such account and it has full power to make the foregoing acknowledgements, representations, and agreements on behalf of each account.
- (10) It agrees either that (a) it is not and for so long as it holds the bonds will not be an ERISA plan or other Plan, an entity whose underlying assets include the assets of any such ERISA Plan or other governmental plan, church plan or foreign plan which is subject to any federal, state, local or foreign law that is substantially similar to the provisions of Section 406 of ERISA or Section 4975 of the Code or (b) its purchase and holding of the bonds will not result in a prohibited transaction under Section 406 of ERISA or Section 4975 of the Code (or, in the case of a governmental plan, church plan or foreign plan, any substantially similar federal, state, local or non-U.S. law) for which an exemption is not available.

The following is the form of restrictive legend which will appear on the face of the Rule 144A global bond, and which will be used to notify transferees of the foregoing restrictions on transfer:

“This bond has not been registered under the United States Securities Act of 1933, as amended (the ‘Securities Act’), or any other securities laws. The holder hereof, by purchasing this bond, agrees that this bond or any interest or participation herein may be offered, resold, pledged or otherwise transferred only (i) to the Issuer, (ii) so long as this bond is eligible for resale pursuant to Rule 144A under the Securities Act (‘Rule 144A’), to a person who the seller reasonably believes is a qualified institutional buyer (as defined in Rule 144A) in accordance with Rule 144A, (iii) in an offshore transaction in accordance with Rule 903 or 904 of Regulation S under the Securities Act, (iv) pursuant to an exemption from registration under the Securities Act afforded by Rule 144 under the Securities Act (if available) or (v) pursuant to an effective registration statement under the Securities Act, and in each of such cases in accordance with any applicable securities laws of any state of the United States or other applicable jurisdiction and in accordance with the transfer restrictions contained in the indenture under which this bond was issued. The holder hereof, by purchasing this bond, represents and agrees that it will notify any purchaser of this bond from it of the resale restrictions referred to above.

The foregoing legend may be removed from this bond on satisfaction of the conditions specified in the indenture referred to herein.”

The following is the form of restrictive legend which will appear on the face of the Regulation S global bond and which will be used to notify transferees of the foregoing restrictions on transfer:

“This bond has not been registered under the United States Securities Act of 1933, as amended (the ‘Securities Act’), or any other securities laws. The holder hereof, by purchasing this bond, agrees that neither this bond nor any interest or participation herein may be offered, resold, pledged or otherwise transferred in the absence of such registration unless such transaction is exempt from, or not subject to, such registration.

The foregoing legend may be removed from this bond after 40 days beginning on and including the later of (a) the date on which the bonds are offered to persons other than distributions (as defined in Regulation S under the Securities Act) and (b) the original issue date of this bond.”

For further discussion of the requirements (including the presentation of transfer certificates) under the indenture to effect exchanges or transfers of interest in global bonds and certificated bonds, see “Form of Bonds.”

ENFORCEMENT OF CIVIL LIABILITIES

The Issuer is a company incorporated with limited liability under the laws of the British Virgin Islands. Each of the Guarantors is a corporation organized under the laws of Brazil. Substantially all of the Company's directors and officers and independent accountants and substantially all of the directors and officers and independent accountants of the Guarantors, and some of the advisors named herein, reside in Brazil or elsewhere outside the United States, and all or a significant portion of the assets of such persons may be, and substantially all of the assets of the Guarantors are, located outside the United States. As a result, it may not be possible for investors to effect service of process within the United States or other jurisdictions outside Brazil or the British Virgin Islands upon such persons, or to enforce against them or against the Company judgments predicated upon the civil liability provisions of the U.S. federal securities laws or the laws of such other jurisdictions.

In the terms and conditions of the bonds, the Company will (i) agree that the courts of the State of New York and the federal courts of the United States, in each case sitting in the Borough of Manhattan, The City of New York, will have jurisdiction to hear and determine any suit, action or proceeding, and to settle any disputes, which may arise out of or in connection with the bonds and, for such purposes, irrevocably submit to the jurisdiction of such courts and (ii) name an agent for service of process in the Borough of Manhattan, The City of New York. See "Description of the Bonds."

The Issuer and the Guarantors have been advised by their British Virgin Islands counsel, Maples and Calder, that there is uncertainty as to whether the courts of the British Virgin Islands would (1) recognize or enforce judgments of United States courts obtained against the Issuer or such persons predicated upon the civil liability provisions of the securities laws of the United States or any state thereof, or (2) be competent to hear original actions brought in the British Virgin Islands, against the Issuer or such persons, predicated upon the securities laws of the United States or any state thereof.

Maples and Calder has further advised the Issuer and the Guarantors that a final and conclusive judgment in federal or state courts of the United States under which a sum of money is payable, other than a sum payable in respect of taxes, fines, penalties or similar charges, may be subject to enforcement proceedings as a debt in the courts of the British Virgin Islands under the common law doctrine of obligation.

Maples and Calder has advised the Issuer and the Guarantors that the courts of the British Virgin Islands will recognize and enforce a foreign judgment without re-examining the merits of that judgment so long as:

- it is final;
- the court had jurisdiction over the defendant according to British Virgin Islands conflict of law rules and the defendant was duly served with process;
- the judgment given by such court was not in respect of penalties, taxes, fines or similar fiscal or revenue obligations of the defendant;
- in obtaining judgment there was no fraud on the part of the person in whose favor judgment was given or on the part of the court;
- recognition or enforcement of the judgment in the British Virgin Islands would not be contrary to the rules of public policy of the British Virgin Islands courts; and
- the proceedings pursuant to which judgment was obtained were not contrary to natural justice.

Nevertheless, neither the Issuer nor any of the Guarantors knows whether you would be able to enforce liabilities based on the federal securities laws of the United States in the British Virgin Islands. The Issuer and the Guarantors also do not know whether British Virgin Islands courts would enforce judgments of United States courts based on the civil liability provisions of the federal securities laws of the United States.

The Company has been advised by Expedito Luz, Brazilian counsel, that judgments of non-Brazilian courts for civil liabilities predicated upon the securities laws of countries other than Brazil, including the U.S. securities laws, subject to certain requirements described below, may be enforced in Brazil (to the extent that Brazilian courts may have jurisdiction). A judgment against either the Company or any of its directors, officers, independent auditors or advisors obtained outside Brazil would be enforceable in Brazil against it or any such person without reconsideration of the merits, upon confirmation of that judgment by the Brazilian Superior Court of Justice. That confirmation, generally, will occur if the foreign judgment:

- fulfills all formalities required for its enforceability under the laws of the country where the foreign judgment is granted;
- is issued by a competent court after proper service of process on the parties, which service must be in accordance with Brazilian law, or after sufficient evidence of the parties' absence has been given, as required by the applicable law;
- is not subject to appeal;
- is for a sum certain;
- is authenticated by a Brazilian consular office in the country where the foreign judgment is issued and is accompanied by a sworn translation into Portuguese; and
- is not contrary to Brazilian national sovereignty, public policy or public morality.

The confirmation process may be time-consuming and may also give rise to difficulties in enforcing the foreign judgment in Brazil. Accordingly, the Company cannot assure you that confirmation would be obtained, that the confirmation process would be conducted in a timely manner or that a Brazilian court would enforce a monetary judgment for violation of the securities laws of countries other than Brazil, including the U.S. securities laws.

A plaintiff (whether Brazilian or non-Brazilian) who resides outside Brazil during the course of litigation in Brazil must provide a note to guarantee court costs and legal fees if the plaintiff owns no real property in Brazil that may ensure such payment. This note must have a value sufficient to satisfy the payment of court fees and defendant's attorneys' fees, as determined by the Brazilian judge, except in the case of claims based on an instrument that may be enforced in Brazilian courts without review of its merit (*título executivo extrajudicial*) or counterclaims as established under Article 836 of the Brazilian Code of Civil Procedure; and of the enforcement of foreign judgments that have been duly confirmed by the Brazilian Superior Court of Justice.

PLAN OF DISTRIBUTION

Overview

Subject to the terms and conditions stated in the purchase agreement dated the date of this offering memorandum, the initial purchasers have agreed to purchase, and the Issuer has agreed to sell to the initial purchasers, the following respective principal amount of bonds listed opposite their name below:

J.P. Morgan Securities LLC	US\$ 359,400,000.00
Morgan Stanley & Co. LLC	US\$ 359,400,000.00
Standard Chartered Bank	US\$ 10,400,000.00
BNP Paribas Securities Corp.	US\$ 10,400,000.00
Mitsubishi UFJ Securities (USA), Inc.	US\$ 10,400,000.00
Total	US\$750,000,000.00

The purchase agreement provides that the obligations of the initial purchasers to purchase the bonds are subject to approval of legal matters by counsel and to other conditions. The initial purchasers must purchase all the bonds if it purchases any of the bonds.

The Issuer and the Guarantors have been advised that the initial purchasers propose to resell the bonds at the offering price set forth on the cover page of this offering memorandum within the United States to qualified institutional buyers (as defined in Rule 144A) in reliance on Rule 144A and outside the United States in reliance on Regulation S. See “Notice to Investors.” The price at which the bonds are offered may be changed at any time without notice. The initial purchasers may offer and sell the bonds through their respective affiliates.

The bonds and the guarantees have not been and will not be registered under the Securities Act or any state securities laws and may not be offered or sold within the United States or to, or for the account or benefit of, U.S. persons (as defined in Regulation S) except in transactions exempt from, or not subject to, the registration requirements of the Securities Act. See “Notice to Investors.”

Accordingly, in connection with sales outside the United States, the initial purchasers have agreed that, except as permitted by the purchase agreement and set forth in the “Notice to Investors,” they will not offer or sell the bonds within the United States or to, or for the account or benefit of, U.S. persons (i) as part of its distribution at any time or (ii) otherwise until 40 days after the later of the commencement of this offering and the closing date, and it will have sent to each dealer to which it sells bonds during the 40-day distribution compliance period a confirmation or other notice setting forth the restrictions on offers and sales of the bonds within the United States or to, or for the account or benefit of, U.S. persons.

In addition, until 40 days after the commencement of this offering, an offer or sale of bonds within the United States by a dealer that is not participating in this offering may violate the registration requirements of the Securities Act if that offer or sale is made otherwise than in accordance with Rule 144A.

The Issuer and the Guarantors have agreed that, for a period of 90 days from the date of this offering memorandum, they will not, without the prior written consent of the initial purchasers, directly or indirectly, issue, sell, offer or agree to sell, grant any option for the sale of, or otherwise dispose of any other debt securities of or guaranteed by them or securities of or guaranteed by them that are convertible into, or exchangeable for, the bonds or such other debt securities (or publicly disclose the intention to make any such issuance, sale, offer, agreement, grant or disposal).

The bonds will constitute a new class of securities with no established trading market. The bonds are expected to be listed on the Euro MTF. However, neither the Issuer nor any of the Guarantors can assure you that the prices at which the bonds will sell in the market after this offering will not be lower than the initial offering price

or that an active trading market for the bonds will develop and continue after this offering. The initial purchasers have advised the Issuer and the Guarantors that they currently intend to make a market in the bonds. However, the initial purchasers are not obligated to do so and they may discontinue any market-making activities with respect to the bonds at any time without notice. In addition, market-making activity will be subject to the limits imposed by the Securities Act and the Exchange Act. Accordingly, neither the Issuer nor any of the Guarantors can assure you as to the liquidity of or the trading market for the bonds.

In connection with this offering, the initial purchasers may purchase and sell bonds in the open market. These transactions may include over-allotment, syndicate covering transactions and stabilizing transactions. Over-allotment involves sales of bonds in excess of the principal amount of bonds to be purchased by the initial purchasers in this offering, which creates a short position for the initial purchasers. Covering transactions involve purchases of the bonds in the open market after the distribution has been completed in order to cover short positions. Stabilizing transactions consist of certain bids or purchases of bonds made for the purpose of preventing or retarding a decline in the market price of the bonds while the offering is in progress. Any of these activities may have the effect of preventing or retarding a decline in the market price of the bonds. They may also cause the price of the bonds to be higher than the price that otherwise would exist in the open market in the absence of these transactions. The initial purchasers may conduct these transactions in the over-the-counter market or otherwise. If the initial purchasers commence any of these transactions, it may discontinue them at any time.

The Issuer expects to deliver the bonds against payment for the bonds on or about the date specified in the last paragraph of the cover page of this offering memorandum, which will be the fifth business day following the date of the pricing of the bonds. Since trades in the secondary market generally settle in three business days, purchasers who wish to trade bonds on the date of pricing or the next succeeding business day will be required, by virtue of the fact that the bonds initially will settle in T+5, to specify alternative settlement arrangements to prevent a failed settlement.

The initial purchasers have performed investment banking, commercial banking and advisory services for the Company from time to time for which it has received customary fees and expenses. The initial purchasers may, from time to time, engage in transactions with and perform services for the Issuer, the Guarantors and their affiliates in the ordinary course of their business. A portion of the net proceeds from the sale of the bonds will be used by the Company and its subsidiaries to repay indebtedness, which will include indebtedness owed to one or more of the initial purchasers or their affiliates. Certain affiliates of certain of the initial purchasers act as agents and/or lenders under some of the Company's or its subsidiaries' outstanding credit facilities and other forms of indebtedness, some of which may be repaid with the net proceeds of this offering.

The Issuer and the Guarantors have agreed to indemnify the initial purchasers against certain liabilities, including liabilities under the Securities Act, or to contribute to payments that the initial purchasers may be required to make because of any of those liabilities.

Selling Restrictions

The bonds are offered for sale in those jurisdictions in the United States, Europe, Asia and elsewhere where it is lawful to make such offers.

The bonds have not been offered, sold or delivered and will not be offered, sold or delivered, directly or indirectly, and this offering memorandum or any information incorporated by reference herein or any other offering material relating to the bonds, has not been and will not be distributed in or from any jurisdiction except under circumstances that will result in compliance with the applicable laws and regulations thereof and that will not impose any obligations on us except as set forth in the purchase agreement.

Brazil

The notes have not been and will not be issued nor placed, distributed, offered or negotiated in the Brazilian capital markets. The bonds have not been, and will not be, registered with the CVM. The bonds may not be offered or sold in Brazil, except in circumstances that do not constitute a public offering or distribution under

Brazilian laws and regulations. Any public offering or distribution, as defined under Brazilian laws and regulations, of the notes in Brazil is not legal without prior registration under Law No. 6,385, dated as of December 7, 1976, as amended, and Instruction No. 400, issued by the CVM on December 29, 2003, as amended. Documents relating to the offering of the notes, as well as information contained therein, may not be supplied to the public in Brazil (as the offering of the notes is not a public offering of securities in Brazil), nor be used in connection with any offer for subscription or sale of the notes to the public in Brazil.

United Kingdom

Each of the initial purchasers severally represents and agrees that:

- it has only communicated or caused to be communicated and will only communicate or cause to be communicated any invitation or inducement to engage in investment activity (within the meaning of section 21 of the Financial Services and Markets Act 2000 (the “FSMA”)) received by it in connection with the issue or sale of any bonds in circumstances in which section 21(1) of the FSMA does not apply to the Issuer or the Guarantors; and
- it has complied and will comply with all applicable provisions of the FSMA with respect to anything done by it in relation to the bonds in, from or otherwise involving the United Kingdom.

European Economic Area

In relation to each Member State of the European Economic Area which has implemented the Prospectus Directive (each, a “Relevant Member State”), with effect from and including the date on which the Prospectus Directive is implemented in that Relevant Member State, or the Relevant Implementation Date, an offer to the public of any notes which are the subject of the offering contemplated by this offering memorandum may not be made in that Relevant Member State, except that an offer to the public in that Relevant Member State of any notes may be made at any time under the following exemptions under the Prospectus Directive, if they have been implemented in that Relevant Member State:

- to any legal entity which is a qualified investor as defined in the Prospectus Directive;
- to fewer than 100 or, if the Relevant Member State has implemented the relevant provision of the 2010 PD Amending Directive, 150 natural or legal persons (other than qualified investors as defined in the Prospectus Directive) subject to obtaining the prior consent of the initial purchasers; or
- in any other circumstances falling within Article 3(2) of the Prospectus Directive,

provided that no such offer of notes shall result in a requirement by us or any representative to publish a prospectus pursuant to Article 3 of the Prospectus Directive, or supplement a prospectus pursuant to Article 16 of the Prospectus Directive.

For the purposes of this provision, the expression an “offer to the public” in relation to any notes in any Relevant Member State means the communication in any form and by any means of sufficient information on the terms of the offer and the notes to be offered so as to enable an investor to decide to purchase or subscribe to the notes, as the same may be varied in that Relevant Member State by any measure implementing the Prospectus Directive in that Relevant Member State, the expression “Prospectus Directive” means Directive 2003/71/EC (and the amendments thereto, including the 2010 PD Amending Directive, to the extent implemented in the Relevant Member State in question) and includes any relevant implementing measure in that Relevant Member State, and the expression “2010 PD Amending Directive” means Directive 2010/73/EU.

Japan

The initial purchasers will not offer or sell any of our bonds directly or indirectly in Japan or to, or for the benefit of any Japanese person or to others, for re-offering or re-sale directly or indirectly in Japan or to any

Japanese person, except in each case pursuant to an exemption from the registration requirements of, and otherwise in compliance with, the Securities and Exchange Law of Japan and any other applicable laws and regulations of Japan. For purposes of this paragraph, “Japanese person” means any person resident in Japan, including any corporation or other entity organized under the laws of Japan.

Hong Kong

The initial purchasers and each of their affiliates have not (i) offered or sold, and will not offer or sell, in Hong Kong, by means of any document, our bonds other than (a) to “professional investors” as defined in the Securities and Futures Ordinance (Cap. 571) of Hong Kong and any rules made under that Ordinance or (b) in other circumstances which do not result in the document being a “prospectus” as defined in the Companies Ordinance (Cap. 32) of Hong Kong or which do not constitute an offer to the public within the meaning of that Ordinance or (ii) issued or had in its possession for the purposes of issue, and will not issue or have in its possession for the purposes of issue, whether in Hong Kong or elsewhere any advertisement, invitation or document relating to our bonds which is directed at, or the contents of which are likely to be accessed or read by, the public in Hong Kong (except if permitted to do so under the securities laws of Hong Kong) other than with respect to our securities which are or are intended to be disposed of only to persons outside Hong Kong or only to “professional investors” as defined in the Securities and Futures Ordinance any rules made under that Ordinance. The contents of this document have not been reviewed by any regulatory authority in Hong Kong. You are advised to exercise caution in relation to the offer. If you are in any doubt about any of the contents of this document, you should obtain independent professional advice.

Singapore

This offering memorandum or any other offering material distributed by them relating to the bonds has not been and will not be registered as a prospectus with the Monetary Authority of Singapore, and the bonds will be offered in Singapore pursuant to the exemptions under Section 274 and Section 275 of the Securities and Futures Act, Chapter 289 of Singapore (the “SFA”). Accordingly, this offering memorandum and any other document or material in connection with the offer or sale, or invitation for the subscription or purchase, of the bonds may not be circulated or distributed, nor may the bonds be offered or sold, or be made the subject of an invitation for subscription or purchase, whether directly or indirectly, to persons in Singapore other than (1) to an institutional investor under Section 274 of the SFA, (2) to a relevant person under Section 275(1) and/or any person under Section 275(1A) of the SFA, and in accordance with the conditions specified in Section 275 of the SFA or (3) otherwise pursuant to, and in accordance with the conditions of, any other applicable provision of the SFA.

Germany

Each person who is in possession of this offering memorandum is aware of the fact that no German sales prospectus (Verkaufsprospekt) within the meaning of the Securities Sales Prospectus Act (Wertpapier-Verkaufsprospektgesetz, the “Act”) of the Federal Republic of Germany has been or will be published with respect to our bonds. In particular, each initial purchaser has represented that it has not engaged and has agreed that it will not engage in a public offering in (öffentliches Angebot) within the meaning of the Act with respect to any of our bonds otherwise than in accordance with the Act and all other applicable legal and regulatory requirements.

France

The bonds are being issued and sold outside the Republic of France and that, in connection with their initial distribution, it has not offered or sold and will not offer or sell, directly or indirectly, any bonds to the public in the Republic of France, and that it has not distributed and will not distribute or cause to be distributed to the public in the Republic of France this offering memorandum or any other offering material relating to the bonds, and that such offers, sales and distributions have been and will be made in the Republic of France only to qualified investors (investisseurs qualifiés) in accordance with Article L.411-2 of the Monetary and Financial Code and décret no. 98 880 dated 1st October, 1998.

Netherlands

Our bonds may not be offered, sold, transferred or delivered in or from the Netherlands as part of their initial distribution or at any time thereafter, directly or indirectly, other than to, individuals or legal entities situated in The Netherlands who or which trade or invest in securities in the conduct of a business or profession (which includes banks, securities intermediaries (including dealers and brokers), insurance companies, pension funds, collective investment institution, central governments, large international and supranational organizations, other institutional investors and other parties, including treasury departments of commercial enterprises, which as an ancillary activity regularly invest in securities; hereinafter, “Professional Investors”), provided that in the offer, prospectus and in any other documents or advertisements in which a forthcoming offering of our bonds is publicly announced (whether electronically or otherwise) in The Netherlands it is stated that such offer is and will be exclusively made to such Professional Investors. Individual or legal entities who are not Professional Investors may not participate in the offering of our bonds, and this offering memorandum or any other offering material relating to our bonds may not be considered an offer or the prospect of an offer to sell or exchange our bonds.

Luxembourg

Each initial purchaser has agreed that it has not made and will not make an offer of bonds which are the subject of the offering contemplated by this offering memorandum to the public in the Grand Duchy of Luxembourg, except that it may make an offer of such bonds in Luxembourg:

- (a) in the cases described under the European Economic Area selling restrictions in which an initial purchaser can make an offer of bonds to the public in an EEA Member State (including Luxembourg); and/or
- (b) to national and regional governments, central banks, international and supranational institutions (such as the International Monetary Fund, the European Central Bank, the European Investment Bank) and other similar international organizations; and/or
- (c) to legal entities which are authorized or regulated to operate in the financial markets including credit institutions, investment companies, other authorized or regulated financial institutions, insurance companies, undertakings for collective investment and their management companies, pension and investment funds and their management companies, commodity dealers; and/or
- (d) to certain natural persons or small and medium-sized companies (as defined in the Directive 2003/71/EC) recorded in the register of natural persons or small and medium sized companies considered as qualified investors and held by the Commission de Surveillance du Secteur Financier (CSSF) as competent authority in Luxembourg in accordance with the Directive 2003/71/EC; and/or
- (e) in any other circumstances for which the Luxembourg Act of 10th July, 2005 on prospectuses for securities does not require a public offering prospectus to be established.

Portugal

Each initial purchaser has represented and agreed that the bonds may not be offered or sold in Portugal except in accordance with the requirements of the Portuguese Securities Code (Código de Valores Mobiliários as approved by the Decree-Law No. 486/99 of November 13, 1999) and the regulations governing the offer of securities issued pursuant thereto. Neither a public offer for subscription of the bonds nor a public offer for the sale of the bonds shall be promoted in Portugal.

Switzerland

This offering memorandum does not constitute an issue prospectus pursuant to Article 652a or Article 1,156 of the Swiss Code of Obligations. The bonds will not be listed on the SIX Swiss Exchange and, therefore, this offering memorandum may not comply with the disclosure standards of the listing rules (including any additional listing rules or prospectus schemes) of the SIX Swiss Exchange. Accordingly, the bonds may not be offered to the public in or from Switzerland, but only to a selected and limited circle of investors, which do not subscribe to the bonds with a view to distribution. The prospective investors must be individually approached by a dealer from time to time.

British Virgin Islands

The bonds may not be offered or sold in the British Virgin Islands, except in circumstances that do not constitute a public offering or distribution to the public under the laws and regulations of the British Virgin Islands.

Chile

The notes will not be registered under Law 18,045, as amended, of Chile with the *Superintendencia de Valores y Seguros* (Chilean Securities Commission), and accordingly, they may not be offered to persons in Chile, except in circumstances that do not constitute a public offering under Chilean law and the regulations from the *Superintendencia de Valores y Seguros* of the Republic of Chile)). Chilean institutional investors (such as banks, pension funds and insurance companies) are required to comply with specific restrictions relating to the purchase of the notes.

INFORMACIÓN A LOS INVERSIONISTAS CHILENOS

DE CONFORMIDAD CON LA LEY N° 18.045, DE MERCADO DE VALORES Y LA NORMA DE CARÁCTER GENERAL N° 336, DE 27 DE JUNIO DE 2012, DE LA SUPERINTENDENCIA DE VALORES Y SEGUROS DE CHILE (LA "NCG 336"), LAS DEBENTURES PUEDEN SER OFRECIDAS PRIVADAMENTE A CIERTOS "INVERSIONISTAS CALIFICADOS", A LOS QUE SE REFIERE LA NCG 336 Y QUE SE DEFINEN COMO TALES EN LA NORMA DE CARÁCTER GENERAL N° 216, DE 12 DE JUNIO DE 2008, DE LA SVS.

LA SIGUIENTE INFORMACIÓN SE PROPORCIONA A POTENCIALES INVERSIONISTAS DE CONFORMIDAD CON LA NCG 336:

1. LA OFERTA DE LAS DEBENTURES COMIENZA EL 2 DE ABRIL DE 2013, Y SE ENCUENTRA ACOGIDA A LA NORMA DE CARÁCTER GENERAL N° 336, DE FECHA 27 DE JUNIO DE 2012, DE LA SUPERINTENDENCIA DE VALORES Y SEGUROS DE CHILE;
2. LA OFERTA VERSA SOBRE VALORES NO INSCRITOS EN EL REGISTRO DE VALORES O EN EL REGISTRO DE VALORES EXTRANJEROS QUE LLEVA LA SUPERINTENDENCIA DE VALORES Y SEGUROS, POR LO QUE TALES VALORES NO ESTÁN SUJETOS A LA FISCALIZACIÓN DE ESA SUPERINTENDENCIA;
3. POR TRATARSE DE VALORES NO INSCRITOS EN CHILE NO EXISTE LA OBLIGACIÓN POR PARTE DEL EMISOR DE ENTREGAR EN CHILE INFORMACIÓN PÚBLICA SOBRE ESTOS VALORES; Y
4. ESTOS VALORES NO PODRÁN SER OBJETO DE OFERTA PÚBLICA MIENTRAS NO SEAN INSCRITOS EN EL REGISTRO DE VALORES CORRESPONDIENTE.

Colombia

The notes have not been and will not be offered in Colombia through a public offering of securities pursuant to Colombian laws and regulations, nor will they be registered in the Colombian National Registry of Securities and Issuers or listed on a regulated securities trading system such as the Colombian Stock Exchange.

LEGAL MATTERS

The validity of the bonds offered and sold in this offering will be passed upon for the Issuer by Greenberg Traurig, LLP, and for the initial purchasers by Shearman & Sterling LLP. Certain matters of Brazilian law relating to the bonds and the guarantees will be passed upon for the Issuer by Expedito Luz, the Company's general counsel. Machado, Meyer, Sendacz e Opice Advogados, São Paulo, Brazil, will pass upon certain matters of Brazilian law relating to the bonds and the guarantees for the initial purchasers. Certain matters of British Virgin Islands law relating to the bonds will be passed upon for the Issuer and the Guarantors by Maples and Calder.

INDEPENDENT ACCOUNTANTS

The Company's consolidated financial statements as of December 31, 2012, and the effectiveness of internal control over financial reporting as of December 31, 2012 appearing in the Company's 2012 Annual Report, which has been incorporated by reference into this offering memorandum have been audited by Pricewaterhouse Coopers Auditores Independentes, independent accountants, as stated in their report which is incorporated by reference herein.

The Company's consolidated financial statements as of December 31, 2011 and for each of the two years in the period ended December 31, 2011, incorporated in this offering memorandum by reference to the Company's 2012 Annual Report, have been audited by Deloitte Touche Tohmatsu Auditores Independentes, independent accountants, as stated in their report which is incorporated by reference herein, which report expresses an unqualified opinion on the consolidated financial statements and includes an explanatory paragraph referring to the retrospective adjustment in the disclosures of such financial statements for a change in the composition of reportable segments.

LISTING AND GENERAL INFORMATION

1. The bonds have been accepted for clearance through DTC, Euroclear and Clearstream, Luxembourg. The CUSIP, Common Code and ISIN numbers for the bonds are as follows:

	Restricted Global Bond	Regulation S Global Bond
CUSIP	37373W AB6	G3925D AB6
ISIN	US37373WAB63	USG3925DAB67
Common code	091817292	091677164

2. The Issuer has applied to list the bonds on the Luxembourg Stock Exchange. In connection with and prior to the listing of the bonds on the Luxembourg Stock Exchange, copies of the indenture (including forms of the bonds and the guarantee) will be available at the office of the paying agent in Luxembourg, where such documents may be examined and copies of such documents may be obtained.

3. Copies of the Company's audited annual financial statements for its two most recently ended fiscal years and its latest unaudited quarterly financial statements, if any, may be obtained at the offices of the principal paying agent and any other paying agent, including the Luxembourg paying agent. The Issuer does not separately provide financial statements. Copies of the Issuer's by-laws, as well as the indenture (including forms of bonds and the guarantee), will be available at the offices of the principal paying agent and any other paying agent, including the Luxembourg paying agent.

4. Except as disclosed in this offering memorandum, there has been no material adverse change in the Company's financial position since December 31, 2012, the date of the latest audited financial statements incorporated by reference in this offering memorandum.

5. Except as disclosed in this offering memorandum, neither the Company nor the Issuer is involved in any litigation or arbitration proceedings relating to claims or amounts that are material in the context of this offering, nor so far as the Company and the Issuer or aware is any such litigation or arbitration pending or threatened.

6. Copies of the Issuer's certificate of incorporation and by-laws and the *estatutos sociales* (by-laws) of each Guarantor, as well as the indenture (including forms of the bonds and the guarantee), will be available at the offices of the principal paying agent and any other paying agent, including the Luxembourg paying agent.

7. So long as the bonds are listed on the Luxembourg Stock Exchange and the rules of the Luxembourg Stock Exchange so require, the Issuer shall appoint and maintain a paying agent in Luxembourg, where the bonds may be presented or surrendered for payment or redemption, in the event that the global bonds are exchanged for definitive certificated bonds. In addition, in the event that the global bonds are exchanged for definitive certificated bonds, announcement of such exchange shall be made through the Luxembourg Stock Exchange and such announcement will include all material information with respect to the delivery of the definitive certificated bonds, including details of the paying agent in Luxembourg.

8. In addition to being mailed to the holders, so long as the bonds are listed on the Luxembourg Stock Exchange, copies of all notices to the holders will be published on the website of the Luxembourg Stock Exchange at www.bourse.lu.

9. According to Chapter VI, Article 3, point A/II/2 of the Rules and Regulations of the Luxembourg Stock Exchange, no transaction made on the Luxembourg Stock Exchange in respect of the bonds shall be cancelled.

10. The issuance of US\$750,000,000 aggregate principal amount of the bonds was authorized by the Issuer's board of directors on April 8, 2013. The execution of the guarantee relating to such bonds was authorized by the board of directors of the Company and each of the other Guarantors on April 8, 2013.

Gerdau Trade Inc.
BALANCE SHEETS
in Brazilian reais (R\$)
(Unaudited)

ASSETS	December 31, 2012	December 31, 2011
SHORT-TERM ASSETS		
101025019 BANK DEPOSIT - JPMORGAN CHASE BANK	40,325,669.13	30,537,446.16
BANKS	40,325,669.13	30,537,446.16
124035001 OTHER ACCOUNTS RECEIVABLE-PREPAID EXPEN	28,344,104.24	29,339,495.14
ACCOUNTS RECEIVABLE	28,344,104.24	29,339,495.14
Total short-term assets	68,669,773.37	59,876,941.30
LONG-TERM ASSETS		
133030000 ACCOUNTS RECEIVABLE PRE-EXPORT - GSH	2,486,209,300.00	2,281,996,700.00
133030001 INTEREST ACCOUNTS RECEIVABLE PRE-EXPORT	64,696,859.43	59,518,915.58
	2,550,906,159.43	2,341,515,615.58
Total long-term assets	2,550,906,159.43	2,341,515,615.58
TOTAL ASSETS	2,619,575,932.80	2,401,392,556.88
LIABILITIES AND SHAREHOLDERS' EQUITY	December 31, 2012	December 31, 2011
SHORT-TERM LIABILITIES		
209165014 FINANCIAL CHARGE W CAP-BOND	(61,198,567.67)	(56,176,302.05)
	(61,198,567.67)	(56,176,302.05)
BANK LOANS	(61,198,567.67)	(56,176,302.05)
Total short-term liabilities	(61,198,567.67)	(56,176,302.05)
LONG-TERM LIABILITIES		
251165005 WORKING CAP FINANC- BOND - LT	(1,685,887,500.00)	(2,344,750,000.00)
251165009 WORKING CAP FINANC- BOND - LT	(868,487,500.00)	-
BANK LOANS	(2,554,375,000.00)	(2,344,750,000.00)
Total long-term liabilities	(2,554,375,000.00)	(2,344,750,000.00)
SHAREHOLDERS' EQUITY		
SHAREHOLDERS' EQUITY		
281011002 STOCKHOLDERS' - CAPITAL STOCK	(85,850.00)	(85,850.00)
292011002 STOCKHOLDERS' - NET INCOME	(244,130,404.83)	19,794,639.81
295041002 Net Investment Hedge	359,280,000.00	243,750,000.00
Total shareholders' equity	115,063,745.17	263,458,789.81
NET INCOME	(119,066,110.30)	(263,925,044.64)
TOTAL SHAREHOLDERS' EQUITY	(4,002,365.13)	(466,254.83)
Total liabilities and shareholders' equity	(2,619,575,932.80)	(2,401,392,556.88)

Gerdau Trade Inc.
BALANCE SHEETS
in Brazilian reais (R\$)
(Unaudited)

STATEMENT OF INCOME	December 31, 2012	December 31, 2011
GENERAL AND ADMINISTRATIVE EXPENSES		
416035001 GEN. AND ADM EXPENSES-PROF SERVICES BY	-	144,783.34
	-	144,783.34
	-	144,783.34
FINANCIAL EXPENSES		
451163001 FINANCIAL EXPENSES - FINANCIAL INTEREST	140,655,781.22	119,651,809.88
456021003 FINANCIAL EXPENSES - EXCHANGE VARIANCE	-	(295,575.00)
453525001 FINANCIAL EXPENSES - EXCHANGE VARIANCE	(666,640.60)	2,581,051.21
453525002 FINANCIAL EXPENSES - EXCHANGE VARIANCE	94,095,000.00	-
455061001 FINANCIAL EXPENSES - OTHERS	3,437,904.82	2,977,798.03
	237,522,045.44	124,915,084.12
FINANCIAL REVENUE		
454153002 FINANCIAL EXPENSES- EXCHANGE VARIANCE P	(204,212,600.00)	(127,103,400.00)
463011013 FINANCIAL REVENUE - OVERSEAS	-	(2,935,384.28)
463021003 FINANCIAL REVENUE - EXCHANGE VARIANCE M	-	8,734,385.92
461011000 FINANCIAL REVENUE - PRE EXPORT INTEREST	(146,864,158.96)	(122,432,735.80)
462051001 FINANCIAL REVENUE - OTHERS	(33,966.03)	(30,296.29)
462525001 FINANCIAL REVENUE - EXCHANGE VARIANCE M	(5,477,430.75)	(8,512,081.65)
463021004 FINANCIAL REVENUE - EXCHANGE VARIANCE P	-	(136,705,400.00)
	(356,588,155.74)	(388,984,912.10)
Net income	(119,066,110.30)	(263,925,044.64)

ISSUER

Gerdau Trade Inc.
3rd Floor, Omar Hodge Building,
Wickhams Cay I, P.O. Box 9933, Road
Town, Tortola
British Virgin Islands

GUARANTORS

Gerdau S.A.
Av. Farrapos 1811
90220-005 - Porto Alegre, RS
Brazil

Gerdau Açominas S.A.
Av. Farrapos 1811
90220-005 - Porto Alegre, RS
Brazil

Gerdau Aços Especiais S.A
Av. Farrapos 1811
90220-005 - Porto Alegre, RS
Brazil

Gerdau Aços Longos S.A.
Av. Farrapos 1811
90220-005 - Porto Alegre, RS
Brazil

TRUSTEE, PRINCIPAL PAYING AGENT, TRANSFER AGENT AND REGISTRAR

The Bank of New York Mellon
101 Barclay Street, Floor 4E
New York, NY 10286
U.S.A.

LUXEMBOURG TRANSFER AGENT AND PAYING AGENT

The Bank of New York Mellon (Luxembourg) S.A.
Vertigo Building, Polaris
2-4 rue Eugène Ruppert, - L-2453
Luxembourg

LEGAL ADVISERS

To the Issuer and Guarantors as to U.S. law:

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200 Park Avenue- Metlife Building
New York, NY 10166
U.S.A.

To the Issuer and Guarantors as to Brazilian law:

Exedito Luz - General Counsel
Gerdau S.A.
Av. Farrapos 1811
90220-005 - Porto Alegre, RS
Brazil

*To the Issuer and Guarantors as to
British Virgin Islands law:*

Maples and Calder
Sea Meadow House, PO Box 173
Road Town
Tortola VG1110
British Virgin Islands

To the initial purchasers as to U.S. law:

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599 Lexington Avenue
New York, NY 10022
U.S.A.

To the initial purchasers as to Brazilian law:

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Av. Brigadeiro Faria Lima, 3144 – 11th Floor
01451-000 - São Paulo, SP
Brazil

INDEPENDENT ACCOUNTANTS

PricewaterhouseCoopers Auditores Independentes
as of and for the year ended December 31, 2012
Av. Francisco Matarazzo, nº 1400, Torre Torino
05001-903- São Paulo – SP
Brazil

Deloitte Touche Tohmatsu Auditores Independentes
*As of December 31, 2011 and for each of the two years
in the period ended December 31, 2011*
Av. Carlos Gomes, 403-12th floor
90480-003 - Porto Alegre, RS
Brazil

