

OFFERING MEMORANDUM

US\$500,000,000

GUSAP III LP

(a Delaware limited partnership)



4.250% Bonds Due 2030

Unconditionally and irrevocably guaranteed by

Gerda S.A.

Gerda Açominas S.A.

Gerda Aços Longos S.A.

(Each incorporated in the Federative Republic of Brazil)

GUSAP III LP, which we refer to as the “Issuer”, is offering US\$500,000,000 aggregate principal amount of its 4.250% guaranteed bonds, which we refer to as the “bonds.” The bonds will initially be sold to investors at a price equal to 98.973% of the principal amount thereof. Interest on the bonds will accrue at a rate of 4.250% per year and will be payable semi-annually in arrears on January 21 and July 21 of each year, commencing on July 21, 2020.

The bonds will mature on January 21, 2030. The Issuer may, at its option, redeem the bonds, in whole but not in part, at a redemption price equal to the greater of 100% of their outstanding principal amount and a “make-whole” amount, in each case plus accrued interest to the date of redemption and additional amounts, if any, at any time. At any time on or after the date that is six months prior to the maturity of the bonds, the Issuer will have the right to redeem the bonds, in whole or in part and from time to time, at a redemption price equal to 100% of the principal amount of the bonds being redeemed plus accrued and unpaid interest on the principal amount of the bonds being redeemed to such redemption date. See “Description of the Bonds—Early Redemption of Bonds.” The bonds will also be redeemable without premium at any time prior to maturity at the Issuer’s option upon the occurrence of specified events relating to applicable tax law, as described under “Description of the Bonds—Early Redemption for Taxation Reasons.” 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 Gerda S.A., the parent of the Issuer, which we refer to as the “Company,” and its majority-owned Brazilian subsidiaries Gerda Açominas S.A., and Gerda Aços Longos S.A., which, collectively, we refer to as the “Guarantors.”

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 will rank *pari passu* with all unsecured and unsubordinated obligations of each of the Guarantors. The ranking of the bonds and the guarantees is more fully described in “Description of the Bonds—Ranking.”

Application will be made to list the bonds on 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 “Item 3D. Risk Factors” in our Annual Report on Form 20-F for the year ended December 31, 2018, as filed with the SEC on March 29, 2019, incorporated by reference in this offering memorandum, and “Risk Factors” beginning on page 15 of this offering memorandum for a discussion of certain risks that you should consider in connection with an investment in the bonds.

Price: 98.973% plus accrued interest, if any, from November 21, 2019

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 U.S. state securities laws. Therefore, the bonds may not be 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 U.S. state securities laws. Accordingly, the bonds are being offered and sold (1) to persons reasonably believed to be 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 is made to persons within the European Economic Area, it shall exclusively be made to “qualified investors” within the meaning of EU Directive 2003/71/EC, which we refer to as the “Prospectus Directive,” and therefore is exempt from the requirement to publish a compliant prospectus under the Prospectus Directive.

The bonds will be delivered to purchasers in book-entry form through The Depository Trust Company and its direct and indirect participants, including Clearstream Banking, S.A. and Euroclear Bank S.A./N.V., as operator of the Euroclear System, on or about November 21, 2019.

Joint Book-Running Managers

BofA Securities

Bradesco BBI

Mizuho Securities

The date of this Offering Memorandum is December 27, 2019.

This offering memorandum constitutes a prospectus for purposes of Part IV of the Luxembourg law on prospectuses for securities dated July 16, 2019.

TABLE OF CONTENTS

	<u>Page</u>
PRESENTATION OF FINANCIAL AND OTHER INFORMATION	iv
WHERE YOU CAN FIND MORE INFORMATION	vii
INCORPORATION BY REFERENCE	vii
FORWARD-LOOKING STATEMENTS	viii
SUMMARY	1
SUMMARY OF THE OFFERING	6
SUMMARY FINANCIAL AND OTHER INFORMATION OF GERDAU	10
RISK FACTORS	15
USE OF PROCEEDS	19
EXCHANGE RATES.....	20
CAPITALIZATION OF GERDAU	21
RECENT BUSINESS DEVELOPMENTS AND FINANCIAL RESULTS	22
DESCRIPTION OF THE BONDS.....	33
FORM OF BONDS	52
TAXATION	55
EUROPEAN UNION DIRECTIVE ON TAXATION OF SAVINGS INCOME	61
ERISA AND CERTAIN OTHER CONSIDERATIONS	62
NOTICE TO INVESTORS	64
ENFORCEMENT OF CIVIL LIABILITIES	66
PLAN OF DISTRIBUTION.....	67
LEGAL MATTERS	73
INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM	73
LISTING AND GENERAL INFORMATION.....	74

You should rely only on the information contained in this offering memorandum. Neither the Company, the Issuer nor the initial purchasers have authorized anyone to provide you with different information or to represent anything not contained or incorporated by reference in this offering memorandum. This document may only be used where it is legal to sell the bonds. 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.

Unless otherwise indicated or the context otherwise requires, all references in this offering memorandum to (i) the “Issuer” refer to GUSAP III LP, a Delaware limited partnership, (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 (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.

In this offering memorandum, references to the initial purchasers refer to BofA Securities, Inc., Banco Bradesco BBI S.A. and Mizuho Securities USA LLC.

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.

This offering memorandum may be distributed and its contents disclosed only to the prospective investors to whom it is provided. By accepting delivery of this offering memorandum, you agree to these restrictions as well as the acknowledgements, representations and warranties described under “Notice to Investors.”

The Company and the Issuer 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. Any stabilization action or over-allotment shall be conducted in accordance with all applicable laws and rules.

The initial purchasers named herein or any of their agents 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, present or future. The initial purchasers accept no responsibility in relation to the information contained or incorporated by reference 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.

The bonds have not been and will not be issued or placed, distributed, offered or traded in the Brazilian capital markets. The issuance of the bonds has not been nor will be registered with the Brazilian Securities Commission (*Comissão de Valores Mobiliários*), or the CVM. Documents relating to the offering of the bonds, as well as information contained therein, may not be supplied to the public in Brazil (as the offering of the bonds is not a public offering of securities in Brazil), nor be used in connection with any offer for subscription or sale of the bonds to the public in Brazil. The bonds will not be offered or sold in Brazil.

The bonds are not intended to be offered, sold or otherwise made available to and should not be offered, sold or otherwise made available to any retail investor in the European Economic Area (“EEA”). For these purposes, a retail investor means a person who is one (or more) of: (i) a retail client as defined in point (11) of Article 4(1) of Directive 2014/65/EU (as amended, “MiFID II”); or (ii) a customer within the meaning of Directive (EU) 2016/97 (the “Insurance Distribution Directive”), where that customer would not qualify as a professional client as defined in point (10) of Article 4(1) of MiFID II. Consequently, no key information document required by Regulation (EU) No 1286/2014 (as amended, the “PRIIPs Regulation”) for offering or selling the bonds or otherwise making them available to retail investors in the EEA has been prepared and therefore offering or selling

the bonds or otherwise making them available to any retail investor in the EEA may be unlawful under the PRIIPS Regulation.

This offering memorandum is only being distributed to and is only directed at (i) persons who are outside the United Kingdom or (ii) investment professionals falling within Article 19(5) of the Financial Services and Markets Act 2000 (Financial Promotion) Order 2005 (the “Order”) or (iii) high net worth companies, and other persons to whom it may lawfully be communicated, falling within Article 49(2)(a) to (d) of the Order (all such persons together being referred to as “relevant persons”). The bonds are only available 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 who is not a relevant person should not act or rely on this document or any of its contents. See “Plan of Distribution.”

PRESENTATION OF FINANCIAL AND OTHER INFORMATION

General

The Company's audited consolidated financial statements as of December 31, 2018 and December 31, 2017, and for each of the three years ended December 31, 2018 included in the Company's Annual Report on Form 20-F for the year ended December 31, 2018 filed with the SEC on March 29, 2019, which we refer to as the "2018 20-F," and which are incorporated by reference in this offering memorandum, have 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 Company's unaudited condensed consolidated interim financial statements as of September 30, 2019 and September 30, 2018, and for the three and nine-month periods ended September 30, 2019 and September 30, 2018 included in the Company's quarterly report on Form 6-K filed with the SEC on October 30, 2019, which we refer to as the "2019 Condensed Consolidated Interim Financial Statements," have been presented in Brazilian *reais* and prepared in accordance with International Accounting Standard 34, Interim Financial Reporting, as issued by the IASB. Convenience translations from the amounts presented in Brazilian *reais* (R\$) to dollars (US\$) are provided throughout this document applying the exchange rate in effect as of September 30, 2019 of R\$4.1644 per dollar, as presented in the section "Exchange Rates". Convenience translations from amounts presented in Mexican pesos to dollars are provided through this document taking into consideration the applicable exchange rate as of September 30, 2019.

Gerda's operations are located in Argentina, Brazil, Canada, Colombia, Dominican Republic, Mexico, Peru, the United States, Uruguay and Venezuela. The functional currency of an entity is the currency of the primary economic environment where it operates. The consolidated financial statements of the Company are presented in *reais*, which is both the functional and reporting currency of the Company. For purposes of preparing the Company's consolidated financial statements, the balances of each subsidiary of the Company are converted into Brazilian *reais*. The results of operations and financial position of all subsidiaries included in the consolidated financial statements, along with equity investments, which have functional currencies different from the Company's reporting currency are translated into the reporting currency as follows, except for Venezuela:

- asset and liability balances are translated at the exchange rate in effect at the balance sheet date;
- income and expenses are translated using the average monthly exchange rates for the year; and
- translation gains and losses resulting from the above methodology are recognized in the statement of comprehensive income under the line item "Other reserves—Cumulative translation adjustment"; and
- the amounts presented in the statement of cash flows are derived from the changes in assets and liabilities and income and expenses translated into *reais* pursuant to the same method.

Venezuela is considered a hyperinflationary economy and, for this reason, the financial statements of the Company's subsidiary located in this country have been adjusted so that the amounts are stated in the measurement currency unit as of the end of the year, which considers the effects measured by the IPC - Índice de Preços ao Consumidor (Consumer Price Index) of Venezuela. The exchange rate used to translate the Venezuela subsidiary financial statements from local currency (Sovereign Bolivar in 2018 and Strong Bolivar in 2017) to *Real* considers the local exchange rate known as SIMADI (Sistema Marginal de Divisas), which is used in conversions from Strong Bolivar to U.S. dollars as a reference to local currency translation into *Real*.

In July 2018, considering that the accumulated inflation in the last three years in Argentina was over 100%, the application of the Financial Reporting in Hyperinflationary Economies (IAS 29) is now required. In accordance with IAS 29, non-monetary assets and liabilities, Equity and the statement of income of subsidiaries operating in highly inflationary economies are adjusted by the change in the Consumer price index of the currency. As a result of that, the Company applied the concepts of IAS 29 to its subsidiaries in Argentina. The non-monetary assets and liabilities recorded at historical cost and the Equity of the subsidiaries in Argentina were updated for inflation. The statements of income for the year ended on 2017, and the respective balance sheets of the subsidiaries in Argentina, were not restated.

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. The references in this offering memorandum to “MXN” are to the currency of Mexico. 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 “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 segments in North and Latin America (except Brazil) are aimed at their respective local markets.

The Company manages its Business Segments as follows:

- Brazil Business Segment - includes operations in Brazil (excluding Special Steel) and iron ore operation in Brazil;
- North America Business Segment - includes all operations in North America (Canada, United States and Mexico), except special steels, in addition to associate and joint venture, both of which are located in Mexico;
- South America Business Segment - includes all operations in South America (Argentina, Peru, Uruguay and Venezuela), except the operations in Brazil, in addition to the joint ventures in the Dominican Republic and Colombia; and
- Special Steel Business Segment - includes the special steel operations in Brazil and the United States.

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 joint venture), 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, South America, North America and Europe/Asia, excluding the Company’s joint ventures and associate companies.

Non-GAAP Financial Measures

A body of generally accepted accounting principles is commonly referred to as “GAAP.” A non-GAAP financial measure is generally defined as one that purports to measure historical or future financial performance, financial position or cash flows but excludes or includes amounts that would not be so adjusted in the most comparable IFRS measure. We present “EBITDA”, “Adjusted EBITDA”, “Total Debt”, “Net Debt” and “Working Capital” in this offering memorandum, which are non-GAAP financial measures. We define EBITDA to mean net income for the period after adding back or subtracting: (1) financial results (Financial income, Financial Expenses, Bond Repurchases Expenses, Exchange variations, net, Reversal of interest on provision for tax liabilities, net and Gains and losses on derivative financial instruments, net); (2) income and social contribution taxes; and (3) depreciation and amortization, in each case as determined in accordance with IFRS. We define Adjusted EBITDA to mean: net income, plus financial results, income and social contribution taxes, depreciation and amortization, impairment of non-financial assets, gains and losses on assets held for sale and sales of interest in subsidiaries, reversal of provision for tax liabilities, net, equity method investees and proportional EBITDA of associates and joint ventures. We define Total Debt as short-term debt plus long-term debt plus debentures in the current and non-current liabilities. We define Net Debt as a non-GAAP measure defined as Total Debt less short-term investments, cash and cash equivalents. We define Working Capital as the sum of the increases in trade

accounts receivable, decrease (increase) in inventories and (decrease) increase in trade accounts payable as shown in the condensed consolidated statement of cash flow. In managing our business, we rely on Adjusted EBITDA as a means of assessing our operating performance. We believe that Adjusted EBITDA enhances the understanding of our financial performance and our ability to satisfy principal and interest obligations with respect to our indebtedness as well as to fund capital expenditures and working capital requirements. We also believe EBITDA, Adjusted EBITDA, Total Debt, Net Debt and Working Capital are useful bases for comparing our results with those of other companies because it presents results of operations on a basis unaffected by capital structure and taxes. EBITDA is a well recognized performance measurement in the steel industry that is frequently used by investors, securities analysts and other interested parties in comparing the operating performance of companies in our industry. EBITDA, Adjusted EBITDA, Total Debt, Net Debt and Working Capital, however, are not measures of financial performance under IFRS and should not be viewed in isolation nor considered as alternatives to net income, short-term debt or long-term debt, as measures of operating performance or to cash flows from operating activities as a measure of liquidity. EBITDA, Adjusted EBITDA, Total Debt, Net Debt and Working Capital have material limitations that impair their value as measures of our overall profitability since they do not address certain ongoing costs of our business that could significantly affect profitability, such as financial results, impairment, depreciation and amortization, among others. Our calculations of EBITDA, Adjusted EBITDA, Total Debt, Net Debt and Working Capital may not be comparable to other companies' calculation of similarly titled measures. Adjusted EBITDA, in particular, may not be consistent with other companies' calculations and should not be used as an alternative to evaluation of our results presented in accordance with IFRS. For a reconciliation of EBITDA and Adjusted EBITDA to consolidated net income under IFRS, see "Summary Financial and Other Information of Gerdau."

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 World Steel Association, which we refer to as "Worldsteel," the Brazilian Steel Institute (*Instituto Aço Brasil*), which we refer to as "IABr," the American Iron and Steel Institute, which we refer to as "AISI," 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 the information or these reports is 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 a 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. 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 2018 20-F, that has been previously filed with the SEC on March 29, 2019, is incorporated by reference herein. The Company’s 2019 Condensed Consolidated Interim Financial Statements, filed with the SEC on October 30, 2019, are incorporated by reference herein.

Any statement contained in a document incorporated or deemed to be incorporated by reference herein shall be deemed to be modified or superseded for purposes of this offering memorandum to the extent that a statement contained in this offering memorandum modifies or supersedes such statement. Any such statement so modified or superseded shall not be deemed, except as so modified or superseded, to constitute a part of this offering memorandum. Information contained on our website is not incorporated by reference in, and shall not be considered a part of, this offering memorandum.

You may request a copy of the Company’s 2018 20-F or 2019 Condensed Consolidated Interim Financial Statements, at no cost, by contacting Gerdau S.A. at the number or address specified below.

Gerdau’s principal executive office, as well as that for the other Guarantors, is at Av. Dra. Ruth Cardoso, 8,501 – 8º andar, São Paulo, São Paulo, Brazil, and the telephone number at this address is +55 (11) 3094-6300.

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;
- prices and availability of 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 2018 20-F, 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 included elsewhere in this offering memorandum or incorporated by reference herein. 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 2018 20-F, the Company’s 2019 Condensed Consolidated Interim Financial Statements and each other document 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 IABr, 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 Worldsteel as the world’s 23th largest steel producer based on its consolidated crude steel production in 2018 (last information available).

Gerdau operates steel mills that produce steel in blast furnaces (BOF) and in electric arc furnaces (EAF). In Brazil, it operates three 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 39 steel producing facilities globally, excluding joint ventures and associate companies. The joint ventures are Bradley Steel Processors and MRM Guide Rail in Canada, Gerdau Corsa S.A.P.I. de C.V. in Mexico, Gerdau Metaldom Corp in the Dominican Republic, Diaco S.A. in Colombia and Gerdau Summit Aços Fundidos e Forjados in Brazil. The associate company is Dona Francisca Energética S.A.

As of September 30, 2019, total consolidated installed annual capacity, excluding the Company’s investments in joint ventures and associate companies, was 20.1 million tonnes of crude steel and 16.7 million tonnes of rolled steel products. In the same period, the Company had total consolidated assets of R\$53.0 billion and shareholders’ equity (including non-controlling interests) of R\$27.5 billion. In the first nine months of 2019, consolidated net sales were R\$30.1 billion and total consolidated net income (including non-controlling interests) was R\$1.1 billion.

Gerdau offers a wide array of steel products, which can be manufactured according to the customer’s specifications. The product mix includes crude steel (slabs, blooms and billets) sold to rolling mills; finished products for the construction industry, such as rebars, wire rods, structural bars, hot rolled coils and heavy plates; finished products for the consumer goods industry, such as commercial rolled steel bars, light shapes and mesh 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 portion of Gerdau’s steel production assets are located outside Brazil, particularly in the United States and Canada, as well as in Latin America. The Company began its expansion into North America in 1989, when consolidation in the global steel market effectively began. The Company currently operates 14 steel production units in the United States, Canada and Mexico, and believes that it is one of the market leaders in North America in terms of production of certain long steel products, such as rebars, wire rods, commercial rolled steel bars and beams.

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; iron ore and pig iron production; as well as fab shops and downstream operations.

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 four main markets in which the Company operates are:

- construction, to which it supplies rebars, merchant bars, structurals, nails and meshes;
- manufacturing, to which it supplies bars and hot rolled coil for machinery and agricultural implements, tools and other industrial products;
- agriculture, to which it supplies wires and posts for agricultural facilities and reforestation projects; and
- specialty, to which it supplies special quality steel for the manufacture of tools and machinery, chains, locks and springs, mainly for the automotive, energy, oil & gas 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 expanded its portfolio of products manufactured by the Company in Brazil, so as to operate in all Brazilian market segments, including flat steel.

Presence in Global Markets

For the nine-month period ended on September 30, 2019, approximately 45% of all physical sales volumes was generated from the Brazil Business Segment, 36% from the North America Business Segment, 9% from the South American Business Segment and 14% from the Special Steel Business Segment.

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 reduces 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 are captive and the Company works with a variety of collection units and scrap processing companies. Gerdau believes it is one of Latin America's biggest recyclers and, worldwide, transforms millions of tonnes of scrap metal into steel every year,

reinforcing its commitment to sustainable development in the regions where it operates. The Company has developed over the last few years a strategy to diversify its raw materials, which are supplied through various types of contracts and from multiple sources, which include: (i) coking coals and other materials imported from the United States, Colombia, Canada, Russia and Ukraine, as well as petroleum coke purchased from Petrobrás; and (ii) iron ore, which is mainly produced from the Company's own mines and partially supplied by medium and small sized mining companies, most of them strategically located close to the plants. 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 first nine-months of 2019, purchases of property, plant and equipment focused on maintenance and productivity totaled R\$1,261 million. Of this total, 56% was allocated to operations in Brazil and the remaining 44% was allocated to the other operations among the countries in which Gerdau operates. The disbursements in fixed assets planned for 2019 are estimated at R\$1.8 billion in maintenance and productivity 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;
- increasing revenues by adding value to its products through selected, focused investments in the Company's mills; and
- implementing digital innovation in its operations with apps, virtual reality, drones, digital platforms and other technologies.

Industry Cyclical

The steel industry is highly cyclical. 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 and eventually could cause write-downs of its inventories. In addition, the prices of steel products are generally sensitive to changes in world and local demand, which in turn are affected by economic conditions in the world and in the specific country. The prices of steel products are also linked to available installed capacity. Most of the Company's long rolled steel products, including rebars, merchant bars and common wire rods, are classified as commodities. However, a significant portion of the Company's long rolled products, such as special steel, wire products and drawn products, are not considered commodities due to differences in shape, chemical composition, quality and specifications, with all of these factors affecting prices. Accordingly, there is no uniform pricing for these products.

Over the last ten years, annual world crude steel production volume has varied from between 1,239 million tonnes and 1,808 million tonnes. According to World Steel Association, world crude steel production in 2018 was 1,808 million tonnes, 4.5% higher than in 2017. China's crude steel production in 2018 reached 928 million tonnes, an increase of 6.5% over 2017. In 2018, China's share of world steel production was 51.3% of total crude steel. For 2019, the forecast calls for growth of 3.9%, since the current scenario is a stabilization of the Chinese economy and recoveries in developed economies continuing to advance.

GUSAP III LP

GUSAP III LP or the “Issuer” is the Company’s wholly-owned indirect subsidiary. The Issuer was incorporated on October 22, 2019 under the Delaware Revised Uniform Limited Partnership Act (as amended). The Issuer does not have officers, but is instead managed by its general partner, 3331465 Nova Scotia Company.

The registered office of the Issuer is 251 Little Falls Drive, Wilmington, Delaware 19808.

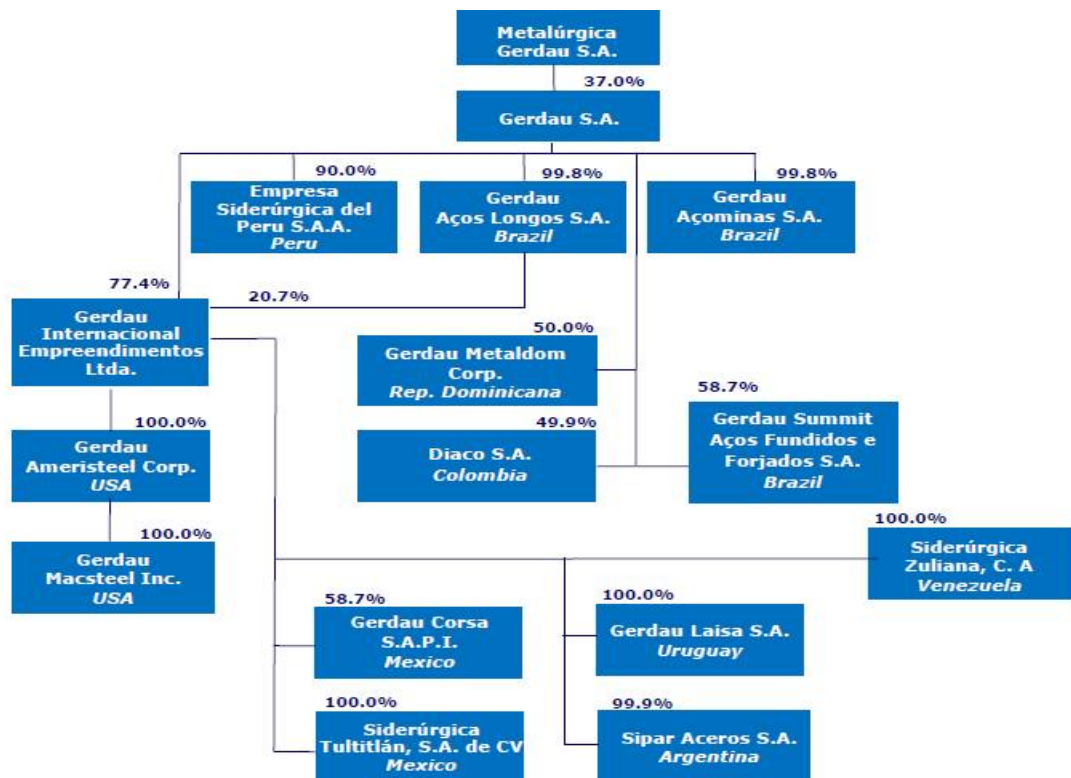
The Company has not included any financial statements for the Issuer in this offering memorandum. The Issuer will not publish financial statements, except for such financial statements which it may be required to publish under the laws of the State of Delaware. In addition, the Issuer does not intend to furnish to the trustee or the holders of the bonds any financial statements of, or other reports relating to, the Issuer. Non-disclosure of the Issuer’s accounts would not be likely to mislead investors with respect to facts and circumstances essential for assessing the bonds, as the Issuer is included in the consolidated accounts of the Company.

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 registered office of each of the Guarantors is Avenida Doutora Ruth Cardoso, 8,501 – 8º andar, São Paulo, São Paulo, Brazil CEP 05425-070.

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 September 30, 2019:



The Issuer is a subsidiary of Gerdau Ameristeel Corp. presented in the chart above.

Gerdaу Aço minas focuses on the production of crude steel (billets, blooms and slabs), long and flat rolled products. Gerdaу Aços Longos focuses on the production of common long steel.

See “Company Information” in Item 4 of the Company’s 2018 20-F, 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	GUSAP III LP.
Guarantees	The bonds will be guaranteed on a senior unsecured basis by Gerdau S.A., Gerdau Açominas S.A. and Gerdau Aços Longos S.A., which we collectively refer to as the “Guarantors.”
Bonds offered	US\$500,000,000 aggregate principal amount of 4.250% bonds.
Interest rate	The bonds will bear interest from November 21, 2019 at the annual rate of 4.250%, payable semi-annually in arrears on each interest payment date.
Interest payment dates	January 21 and July 21, commencing on July 21, 2020.
Issue price	98.973% of the principal amount, plus accrued interest, if any, from November 21, 2019.
Issue Date	November 21, 2019.
Maturity	January 21, 2030.
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 of Bonds	The Issuer may, at its option, redeem the bonds, in whole but not in part, at a redemption price equal to the greater of 100% of their outstanding principal amount and a "make-whole" amount, in each case plus accrued interest to the date of redemption and additional amounts, if any, at any time. At any time on or after the date that is six months prior to the maturity of the bonds, the Issuer will have the right to redeem the bonds, in whole or in part and from time to time, at a redemption price equal to 100% of the principal amount of the bonds being redeemed plus accrued and unpaid interest on the principal amount of the bonds being redeemed to such redemption date. See "Description of the Bonds—Early Redemption of Bonds."
Early redemption of bonds for taxation reasons	The Issuer may, at its option, redeem the bonds, in whole but not in part at 100% of their principal amount plus accrued interest to the date of redemption and additional amounts, if any, upon the occurrence of specified events relating to applicable tax laws. See "Description of the Bonds—Early Redemption for Taxation Reasons."
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. If any such taxes are required by 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 for general corporate purposes. See “Use of Proceeds”.
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. <p>Each of these covenants is subject to exceptions and limitations. See “Description of the Bonds—Covenants.”</p>
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.”
Substitution of the Issuer	The Issuer may, without the consent of holders of the bonds and subject to certain conditions, be replaced and succeeded by Gerdau or any wholly-owned subsidiary of Gerdau as principal debtor in respect of the bonds. See “Description of the Bonds—Substitution of GUSAP III LP as Issuer of the Bonds” and “Taxation”.
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</p>

	<p>Euroclear System, which we refer to as “Euroclear,” and Clearstream Banking, S.A., which we refer to as “Clearstream Luxembourg,” and will trade in DTC’s Same-Day Funds Settlement System.</p>
Notice to investors	<p>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.”</p>
Listing	<p>Application will be made to list the bonds on the Official List of the Luxembourg Stock Exchange and to trade the bonds on the Euro MTF. The Issuer cannot assure you, however, that this application will be accepted, or if accepted, that the bonds will remain so listed. The Issuer will at all times use its reasonable efforts to maintain the listing of the bonds on the Euro MTF.</p>
Governing law	<p>The indenture and the bonds will be governed by the laws of the State of New York.</p>
Trustee, principal paying agent, registrar and transfer agent	<p>The Bank of New York Mellon.</p>
Risk factors	<p>You should carefully consider the risk factors discussed elsewhere in this offering memorandum and in “Item 3.D. Risk Factors” in the Company’s 2018 20-F, incorporated by reference herein before purchasing any bonds. See “Risk Factors.”</p>

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, 2018 and December 31, 2017 and for each of the three years in the period ended December 31, 2018 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 2018 20-F, incorporated by reference in this offering memorandum. The summary financial data as of September 30, 2019 and September 30, 2018 and for the nine-month periods ended September 30, 2019 and September 30, 2018 have been derived from the Company's unaudited condensed consolidated interim financial information prepared in accordance with IAS 34, "Interim Financial Reporting", as issued by the IASB, incorporated by reference in this offering memorandum.

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 2018 20-F and 2019 Condensed Consolidated Interim Financial Statements.

	September 30, 2019	September 30, 2018	December 31, 2018	December 31, 2017	December 31, 2016
NET SALES	30,110,543	35,259,776	46,159,478	36,917,619	37,651,667
Cost of sales	<u>(26,583,803)</u>	<u>(30,413,955)</u>	<u>(40,010,100)</u>	<u>(33,312,995)</u>	<u>(34,187,941)</u>
	3,526,740	4,845,821	6,149,378	3,604,624	3,463,726
GROSS PROFIT					
Selling expenses.....	(358,551)	(431,938)	(570,431)	(524,965)	(710,766)
Impairment loss on trade receivables	(15,695)	(17,316)	(9,914)	-	-
General and administrative expenses	(719,311)	(820,449)	(1,082,449)	(1,129,943)	(1,528,262)
Other operating income	307,561	153,380	235,421	260,618	242,077
Other operating expenses.....	(109,466)	(124,340)	(270,413)	(168,887)	(114,230)
Impairment of non-financial assets.....	-	-	-	(1,114,807)	(2,917,911)
Gains and losses on assets held for sale and sales of interest in subsidiaries	-	(228,948)	(414,507)	(721,682)	(58,223)
Reversal of provision for tax liabilities, net...	-	-	-	929,711	-
Equity method investees	<u>(14,674)</u>	<u>38,937</u>	<u>10,141</u>	<u>(34,597)</u>	<u>(12,771)</u>
INCOME (LOSS) BEFORE FINANCIAL INCOME (EXPENSES) AND TAXES	2,616,604	3,415,147	4,047,226	1,100,072	(1,636,360)
Financial income.....	137,647	122,420	204,000	226,615	252,045
Financial expenses	(1,065,918)	(1,154,539)	(1,579,341)	(1,726,284)	(2,010,005)
Bonds repurchases expenses	-	-	(223,925)	-	-
Exchange variations, net.....	(292,854)	(509,673)	(322,621)	(4,057)	851,635
Reversal of interest on provision for tax liabilities, net	-	-	-	369,819	-
Gains and losses on derivative financial instruments, net.....	<u>(16,271)</u>	<u>44,051</u>	<u>32,092</u>	<u>(9,441)</u>	<u>(38,930)</u>
INCOME (LOSS) BEFORE TAXES	1,379,208	1,917,406	2,157,431	(43,276)	(2,581,615)

Current	(292,412)	(418,642)	(629,209)	(313,758)	(110,511)
Deferred	<u>27,886</u>	<u>438,453</u>	<u>798,160</u>	<u>18,367</u>	<u>(193,803)</u>
Income and social contribution taxes	<u>(264,526)</u>	<u>19,811</u>	<u>168,951</u>	<u>(295,391)</u>	<u>(304,314)</u>
NET INCOME (LOSS)	<u><u>1,114,682</u></u>	<u><u>1,937,217</u></u>	<u><u>2,326,382</u></u>	<u><u>(338,667)</u></u>	<u><u>(2,885,929)</u></u>
ATTRIBUTABLE TO:					
Owners of the parent	1,104,167	1,920,527	2,303,868	(359,360)	(2,890,811)
Non-controlling interests	<u>10,515</u>	<u>16,690</u>	<u>22,514</u>	<u>20,693</u>	<u>4,882</u>
	<u><u>1,114,682</u></u>	<u><u>1,937,217</u></u>	<u><u>2,326,382</u></u>	<u><u>(338,667)</u></u>	<u><u>(2,885,929)</u></u>

	<u>September 30, 2019</u>	<u>September 30, 2018</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>
	(Expressed in thousands of R\$ except quantity of shares and amounts per share)				
Basic earnings (loss) per share — in R\$					
Common	0.65	1.13	1.35	(0.21)	(1.70)
Preferred	0.65	1.13	1.35	(0.21)	(1.70)
Diluted earnings (loss) per share — in R\$					
Common	0.65	1.12	1.34	(0.21)	(1.70)
Preferred	0.65	1.12	1.34	(0.21)	(1.70)
Cash dividends declared per share — in R\$					
Common	0.18	0.35	0.45	0.08	0.05
Preferred	0.18	0.35	0.45	0.08	0.05

	On September 30,		On December 31,		
	2019	2018	2018	2017	2016
(Expressed in thousands of Brazilian Reais - R\$)					
Balance sheet selected information					
Cash and cash equivalents	2,291,416	2,795,196	2,890,144	2,555,338	5,063,383
Short-term investments	1,140,196	679,994	459,470	821,518	1,024,411
Current assets	17,503,982	22,169,620	17,503,082	17,982,113	17,796,740
Current liabilities	8,219,780	9,151,102	8,504,253	7,714,120	8,621,529
Net working capital ⁽¹⁾	9,284,202	13,018,518	8,998,829	10,267,993	9,175,231
Property, plant and equipment, net	15,967,125	15,806,794	15,546,481	16,443,742	19,351,891
Net assets ⁽²⁾	27,498,320	26,762,233	25,938,571	23,893,941	24,274,653
Total assets	53,046,092	56,118,974	51,281,029	50,301,761	54,635,141
Short-term debt	2,193,333	2,177,261	1,822,183	2,004,341	4,458,220
Long-term debt	10,339,046	15,976,808	11,545,658	14,457,315	15,959,590
Debentures - current	68,678	-	2,755	-	-
Debentures – non-current.....	2,892,548	38,575	1,536,118	47,928	165,423
Equity.....	27,498,320	26,762,233	25,938,571	23,893,941	24,274,653
Capital.....	19,249,181	19,249,181	19,249,181	19,249,181	19,249,181

(1) Total current assets less total current liabilities.

(2) Total assets less total current liabilities and less total non-current liabilities.

	For the nine months ended		For the year ended		
	On September 30		On December 31,		
	2019	2018	2018	2017	2016
	(in thousands of Brazilian reais - R\$)				
Other Selected Financial and Operating Information					
Cash Flow Data:					
Cash flows provided by operating activities	1,860,166	282,388	1,999,683	2,076,128	3,516,366
Cash flows provided (used in) investing activities	(1,399,461)	899,345	2,383,473	(535,481)	(1,069,241)
Cash flows (used in) financing activities.....	(1,089,450)	(1,258,108)	(4,256,384)	(4,056,130)	(2,337,832)
Operating Data (in thousand tons):					
Consolidated shipments	9,012	11,394	14,561	14,937	15,558
Other Information:					
Purchases of property, plant and equipment.....	1,260,640	834,834	1,194,934	873,329	1,323,891
Depreciation and amortization.....	1,534,623	1,387,888	1,891,814	2,092,551	2,535,955
EBITDA:					
Net Income for the period.....	1,114,682	1,937,217	2,326,382	(338,667)	(2,885,929)
(+) Financial results (financial expenses, financial income, exchange variations, net , reversal of interest on provision for tax liabilities, net and gains and losses on derivative financial instruments, net).....	1,237,396	1,497,741	1,889,795	1,143,348	945,255
(+) Income and social contribution taxes	264,526	(19,811)	(168,951)	295,391	304,314
(+) Depreciation and amortization	1,534,623	1,387,888	1,891,814	2,092,551	2,535,955
(=) EBITDA ⁽²⁾	4,151,227	4,803,035	5,939,040	3,192,623	899,595
Adjusted EBITDA:					
(+) Impairment of non-financial assets	-	-	-	1,114,807	2,917,911
(+ / -) Gains and losses on assets held for sale and sales of interest in subsidiaries	-	228,948	414,507	721,682	58,223
(+) Impacts of the Blast Furnace 1 reform of the Ouro Branco steel mill	237,703	-	-	-	-
(-) Tax reversal/provisions	(57,228)	-	-	-	-
(-) Reversal of provision for tax liabilities, net	-	-	-	929,711	-
(-) Equity method investees	14,674	(38,937)	(10,141)	34,597	12,771
(+) Proportional EBITDA of associates and joint ventures ⁽⁹⁾	233,631	260,243	313,526	187,115	159,552
Adjusted EBITDA ⁽⁸⁾	4,580,007	5,253,289	6,689,024	6,180,535	4,048,052
Total Debt ⁽⁴⁾	15,493,605	18,192,644	14,906,714	16,509,584	20,583,233
Interest Amounts (12-month period) ⁽⁷⁾	1,542,052	1,567,995	1,571,248	1,779,985	2,236,310
Ratios:					
Total Debt ⁽⁴⁾ /Adjusted EBITDA ⁽⁸⁾ (12-month period ended on) ⁽⁵⁾	2.59	2.83	2.23	2.67	5.08

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

(2) EBITDA is a non-GAAP measure equal to net income for the period, plus financial expenses, financial income, exchange variations, net, reversal of interest on provision for tax liabilities, net, gains and losses on derivative financial instruments, net, plus income and social contribution taxes, and depreciation and amortization. EBITDA is not a measure of financial performance calculated in accordance with IFRS and management believes 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. EBITDA does not have standardized meaning and our definition of EBITDA may not be comparable to EBITDA as used by other companies. However, because EBITDA does not account for certain costs intrinsic to our business, which could, in turn, materially affect our profits, such as financial expenses, taxes and depreciation. 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. Gerdau believes that using this information, along with net income, 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.

(4) Total debt is a non-GAAP measure defined as short-term and long-term debt plus debentures in the current and non-current liabilities.

(5) The ratio of Total Debt to Adjusted EBITDA may not be comparable to similarly titled measures of other companies, using Total Debt as of December 31, 2018, 2017 and 2016 and September 30, 2019 and 2018, and Adjusted EBITDA for the twelve-month periods ended December 31, 2018, 2017 and 2016 and the twelve-month periods ended September 30, 2019 and 2018.

(6) The ratio of Adjusted EBITDA to Interest Expense may not be comparable to similarly titled measures of other companies, using the Adjusted EBITDA for the twelve-month periods ended December 31, 2018, 2017 and 2016 and the twelve-month periods ended September 30, 2019 and 2018, and Interest Expense (including financial expenses; gains and losses on derivative financial instruments, net; and capitalized interest and financial charges) for the twelve-month periods ended December 31, 2018, 2017 and 2016 and the twelve-month periods ended September 30, 2019 and 2018.

(7) Includes Financial Expenses, Gain and losses on derivative financial instruments, net and Capitalized borrowing costs. For the columns referred to as "For the nine months ended on September 30", the amount presented for 2019 presents the cumulative 12-month period ended on September 30, 2019 calculated by subtracting the amounts presented in the Company's financial statements for the nine-month period ended September 30, 2018 from the amounts presented in the Company's financial statements for the year ended December 31, 2018, in order to get the amounts for the last three months of 2018, and adding the amounts presented in the Company's financial statements for the nine-month period ended September 30, 2019. The amounts presented for 2018 presents the 12-month period ended on September 30, 2018 calculated by subtracting the amounts presented in the Company's financial statements for the nine-month period ended September 30, 2017 from the amounts presented in the Company's financial statements for the year ended December 31, 2017, in order to get the amounts for the last three months of 2017, and adding the amounts presented in the Company's financial statements for the nine-month period ended September 30, 2018.

(8) Adjusted EBITDA is a non-GAAP measure equal to net income, plus financial expenses, financial income, exchange variations, net, gains and losses on derivative financial instruments, net, income and social contribution taxes, depreciation and amortization, impairment of non-financial assets, gains and losses on assets held for sale and sales of interest in subsidiaries, reversal of provision for tax liabilities, net, reversal of provision for tax liabilities, net, equity method investees and proportional EBITDA of associate and joint ventures. Adjusted EBITDA is not a measure of financial performance calculated in accordance with IFRS. For the columns referred to as "For the nine months ended on September 30", the amount presented for 2019 presents the 12-month period ended on September 30, 2019 calculated by subtracting the amounts presented in the Company's financial statements for the nine-month period ended September 30, 2018 from the amounts presented in the Company's financial statements for the year ended December 31, 2018, in order to get the amounts for the last three months of 2018, and adding the amounts presented in the Company's financial statements for the nine-month period ended September 30, 2019. The amounts presented for 2018 presents the 12-month period ended on September 30, 2018 calculated by subtracting the amounts presented in the Company's financial statements for the nine-month period ended September 30, 2017 from the amounts presented in the Company's financial statements for the year ended December 31, 2017, in order to get the amounts for the last three months of 2017, and adding the amounts presented in the Company's financial statements for the nine-month period ended September 30, 2018.

(9) Proportional EBITDA of associates and joint ventures entity is a non-GAAP measure that reflects the Company's proportionate interest in the EBITDA of its associate and joint ventures.

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 2018 20-F, incorporated by reference in this offering memorandum, as well as the other information in this offering memorandum (including information incorporated by reference herein), 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

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.

Any Further Downgrading of Brazil’s Credit Rating Could Adversely Affect the Price of the Bonds.

We can be adversely affected by investors’ perceptions of risks related to Brazil’s sovereign debt credit rating. Rating agencies regularly evaluate Brazil and its sovereign ratings, which are based on a number of factors including macroeconomic trends, fiscal and budgetary conditions, indebtedness metrics and the perspective of changes in any of these factors.

Brazil has lost its investment grade sovereign debt credit rating by the three main U.S.-based credit rating agencies, Standard & Poor’s, Moody’s and Fitch. Standard & Poor’s downgraded Brazil’s sovereign debt credit rating from BBB-minus to BB-plus in September 2015, subsequently reduced it to BB in February 2016, and maintained its negative outlook on the rating, citing Brazil’s fiscal difficulties and economic contraction as signs of a worsening credit situation. In December 2015, Moody’s placed Brazil’s Baa3 sovereign debt credit rating on review and downgraded Brazil’s sovereign credit rating in February 2016 to Ba2 with a negative outlook, citing the prospect for further deterioration in Brazil’s indebtedness figures amid a recession and challenging political environment. Fitch downgraded Brazil’s sovereign credit rating to BB-plus with a negative outlook in December 2015, citing the country’s rapidly expanding budget deficit and worse-than-expected recession, and further downgraded Brazil’s sovereign debt credit rating in May 2016 to BB with a negative outlook. In January 2018, Standard & Poor’s downgraded Brazil’s sovereign debt credit rating from BB to BB-minus, citing that as doubts grew about the result of a presidential election in October and a push to trim its costly pension system, seen as vital to closing a huge fiscal deficit. In February 2018, Fitch downgraded Brazil’s sovereign debt credit rating from BB to BB-minus saying the country’s failure to put a social security overhaul to a vote undermines public finances.

Brazil’s sovereign credit rating is currently rated below investment grade by the three main credit rating agencies. Consequently, the prices of securities issued by Brazilian companies have been negatively affected. A prolongation or worsening of the current Brazilian recession and continued political uncertainty, among other factors, could lead to further ratings downgrades. Any further downgrade of Brazil’s sovereign credit ratings could heighten investors’ perception of risk and, as a result, adversely affect the price of our shares and of the bonds.

Securities Laws Will Restrict Your Ability to Transfer the Bonds.

The bonds have not been registered under the Securities Act and applicable U.S. state securities laws and will be subject to transfer restrictions in order to ensure compliance with federal and U.S. 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.

Restrictions on the Movement of Capital Out of Brazil May Impair the Ability of Holders of the Bonds to Receive Payments On the Bonds.

Brazilian law provides that whenever there is a serious imbalance in Brazil's balance of payments or reasons to foresee a serious imbalance, the Brazilian government may impose temporary restrictions on the remittance to foreign investors of the proceeds of their investments in Brazil. The Company and the Issuer cannot assure you that mechanisms for the transfer of *reais* and conversion into U.S. dollars will continue to be available at the time it is required to perform its obligations under the bonds or the indenture or that a more restrictive control policy, which could affect our ability to make payments under the bonds or the indenture in U.S. dollars, will not be instituted in the future. If such financial mechanisms are not available, the Issuer and/or the Guarantors may have to rely on a special authorization from the Central Bank to make payments under the bonds in U.S. dollars or, alternatively, be required to make such payments with funds that the Company or the Guarantors hold outside Brazil. The Company cannot assure you that any such Central Bank approval would be obtained or that such approval would be obtained on a timely basis or that it will have such funds available.

Brazilian Bankruptcy Laws May Be Less Favorable to You Than Bankruptcy and Insolvency Laws in Other Jurisdictions.

If the Guarantors are unable to pay amounts due under our guarantee, then the Guarantors may become subject to bankruptcy or judicial reorganization proceedings in Brazil. The Brazilian bankruptcy law currently in effect may be significantly different from, and may be less favorable to creditors than, those of certain other jurisdictions. Bondholders may have limited rights at creditors' meetings in the context of a court reorganization proceeding. In a judicial reorganization provisions the foreign currency amounts will be converted into Brazilian *reais* for purposes of voting in a creditors' meeting (at the foreign exchange rate on the day before the meeting). In this case, the foreign currency creditors will vote the amount of their claims calculated in Brazilian *reais*. The debt itself will remain in the currency set out in the corresponding agreement. The reorganization plan which is subject to the approval of the creditors, may set forth that payments will be made in local currency. However, the plan may provide for a debt restructuring (e.g. haircut, grace period). If the plan is rejected by the creditors, the judicial reorganization must be converted into a bankruptcy. In addition, in the event of a bankruptcy, all of the Guarantors' debts that are denominated in foreign currency, including the bonds, will be converted into *reais* at the prevailing exchange rate on the date of declaration of the bankruptcy by the court. The Company cannot assure you that such rate of exchange will fully compensate for the amount invested in the bonds plus accrued interest.

In addition, creditors of the Guarantors may hold negotiable instruments or other instruments governed by local law that grant rights to attach the assets of the guarantor at the inception of judicial proceedings in Brazil, which attachment is likely to result in priorities benefitting those creditors when compared to the rights of holders of the bonds.

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

If enforcement proceedings are filed in Brazil against the Company's or the Other Guarantors' obligations under the bonds, the Company and the other Guarantors would be required to discharge their obligations in *reais*. Any judgment obtained against the Company and the other Guarantors in Brazilian courts related to any payment obligations under the bonds will be expressed in *reais* equivalent to the U.S. dollar amount of such payment at the exchange rate published by the Central Bank on (1) the date of the payment, (2) the date on which such judgment is rendered, (3) the actual due date of the obligations, or (4) on the date in which the lawsuit is filed, in which case the amount would be subject to a monetary adjustment as determined by the relevant

court. There can be no assurance that such rate of exchange will fully compensate for the amount invested in the bonds plus accrued interest. For further information, see “Enforcement of Civil Liabilities.”

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

The Issuer is a finance company dependent on cash flows of its affiliates. 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 a subsidiary of 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 become insolvent or are 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 September 30, 2019, the Company had R\$15.5 billion (US\$3.7 billion) of consolidated Total Debt. Only R\$76.6 million (US\$18.4 million) of the Company and the other Guarantors’ secured debt was structurally senior to the bonds being sold in this offering and R\$11 billion (US\$ 2.7 billion) of the total debt amount was non-guarantor subsidiaries’ debt.

During the period from September 30, 2019 through the date hereof the Company did not incur additional indebtedness.

The Company continuously monitors the market for its outstanding securities, and may from time to time engage in liability management transactions with its own obligations.

The Issuer’s ability to make payments on the bonds depends on its receipt of payments from Gerdau.

The Issuer’s principal business activity is to act as a financing vehicle for Gerdau’s activities and operations. The Issuer has no substantial assets. Holders of the bonds must rely on Gerdau’s operations to pay amounts due in connection with the bonds. The ability of the Issuer to make payments of principal, interest and any other amounts due under the bonds is contingent on its receipt from Gerdau of amounts sufficient to make these payments, and, in turn, on Gerdau’s ability to make these payments.

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.

We May Incur Additional Indebtedness Ranking Equal to the Bonds and the Guarantee.

The indenture of the bonds permits the issuer and the guarantors and their subsidiaries to incur additional debt, including debt that ranks on an equal and ratable basis with the bonds and the guarantees. If the issuer or the

guarantors or any of their subsidiaries incur additional debt or guarantees that rank on an equal and ratable basis with their respective indebtedness or guarantees of the bonds, as the case may be, the holders of that debt (and beneficiaries of those guarantees) would be entitled to share ratably with the holders of the bonds in any proceeds that may be distributed upon the guarantor's bankruptcy, insolvency, liquidation, reorganization, dissolution or other winding up. This would likely reduce the amount of any liquidation proceeds that would be available to you.

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 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.

Since 1999, the Central Bank has allowed the *real*/U.S. dollar exchange rate to float freely, which resulted in increasing exchange rate volatility. Until early 2003, the *real* declined against the U.S. dollar. Between 2006 and 2008, the *real* strengthened against the U.S. dollar, except in the most severe periods of the global economic crisis. Given the recent turmoil in international markets and the current Brazilian macroeconomic outlook, the *real* depreciated against the U.S. dollar from mid-2011 to early 2016. In particular, during 2015, due to the poor economic conditions in Brazil, including as a result of political instability, the *real* has devalued at a rate that is much higher than in previous years. On September 24, 2015, the *real* fell to the lowest level since the introduction of the currency, at R\$4.195 per US\$1.00. Overall in 2015, the *real* depreciated 47%, reaching R\$3.901 per US\$1.00 on December 31, 2015. In early 2016, the *real* has been facing continuing fluctuations, primarily as a result of Brazil's political instability, and has appreciated against the U.S. dollar since March 2016. On September 30, 2019, the exchange rate was R\$4.1644 per US\$1.00. There can be no assurance that the *real* will not depreciate or appreciate further against the U.S. dollar. The Central Bank has intervened in the foreign exchange market to control unstable movements of exchange rates. The *real* may fluctuate against the U.S. dollar substantially in the future.

The Central Bank has intervened occasionally to attempt to control instability in foreign exchange rates. We cannot predict whether the Central Bank or the Brazilian government will continue to allow the *real* to float freely or will intervene in the exchange rate market by re-implementing a currency band system or otherwise. The *real* may depreciate or appreciate substantially against the U.S. dollar in the future. Furthermore, Brazilian law provides that, whenever there is a serious imbalance in Brazil's balance of payments or there are serious reasons to foresee a serious imbalance, temporary restrictions may be imposed on remittances of foreign capital abroad. We cannot assure you that such measures will not be taken by the Brazilian government in the future.

The following table presents the exchange rates, according to the Brazilian Central Bank, for the periods indicated, expressed in *reais* per U.S. dollar:

Exchange rates from U.S. dollars to Brazilian reais				
Period	Period-end	Average ⁽¹⁾	High	Low
September-2019	4.1644	4.1215	4.1827	4.0494
August-2019	4.1385	4.0200	4.1680	3.8296
July-2019	3.7649	3.7793	3.8564	3.7400
June-2019	3.8322	3.8588	3.9000	3.8234
May-2019	3.9407	4.0015	4.1056	3.9344
April-2019	3.9453	3.8962	3.9725	3.8345
March-2019	3.8967	3.8465	3.9682	3.7762
February-2019	3.7385	3.7236	3.7756	3.6694
January-2019	3.6519	3.7417	3.8595	3.6519
2018	3.8748	3.6558	4.1879	3.1391
2017	3.3080	3.1925	3.3807	3.0510
2016	3.2591	3.4833	4.1558	3.1193
2015	3.9048	3.3387	4.1949	2.5754
2014	2.6562	2.3547	2.7403	2.1947

⁽¹⁾ Represents the average of the exchange rates on the closing of each day during the year or month, as applicable.

CAPITALIZATION OF GERDAU

The following table sets forth Gerdaу's consolidated capitalization at September 30, 2019 on an historical basis and as adjusted for this offering of US\$500,000,000 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 unaudited condensed consolidated interim financial information as of and for the nine-month period ended September 30, 2019 incorporated by reference in this offering memorandum, and its audited consolidated financial statements as of December 31, 2018 and the notes thereto incorporated by reference in this offering memorandum.

	<u>Actual</u>	<u>As adjusted for this offering⁽²⁾</u>
	(in thousands of Brazilian reais- R\$)	
Debt:		
Current debt:		
Short-term debt	2,193,333	2,193,333
Debentures	68,678	68,678
Non-current debt:		
Long-term debt	10,339,046	12,396,566
Debentures	2,892,548	2,892,548
Equity:		
Equity.....	27,498,320	27,498,320
Total capitalization⁽¹⁾	42,991,925	45,049,445

The proceeds of the offering were translated using the commercial selling rate as reported by the Central Bank as of November 14, 2019 of R\$4.1831 per U.S. dollar.

(1) Defined as current debt and non-current debt (including the bonds offered hereby only for the column "As adjusted for this bond offering") and total equity.

(2) Adjusted to show the effect of the net proceeds of R\$ 2,057,520,482 (after deduction of underwriting discounts, commissions and estimated expenses equal to US\$8,135,000 (R\$34,029,519)) of this offering.

RECENT BUSINESS DEVELOPMENTS AND FINANCIAL RESULTS

Overview

With 118 years of history, Gerdau is Brazil's largest producer of steel, a leading producer of long steel in the Americas and one of the world's leading suppliers of special steel. In Brazil, Gerdau also produces flat steels as well as iron ore for its own consumption. With the purpose of empowering the people who build the future, the Company is present in 10 countries and has over 30,000 direct and indirect employees in all of its operations. As the largest recycler in Latin America, scrap is an important raw material for Gerdau, which uses it for 73% of the steel it produces. Each year, Gerdau transforms 13 million of tonnes of scrap into various steel goods. Gerdau's shares are traded on the São Paulo (B3), New York (NYSE) and Madrid (Latibex) stock exchanges.

Business Cyclical and Seasonality

The steel industry is highly cyclical. Consequently, the Company is exposed to fluctuations in the demand for steel goods that in turn cause fluctuations in the prices of these goods. Furthermore, since the production capacity of Brazil's steel industry exceeds its demand, it is dependent on export markets. The demand for steel goods and consequently the financial conditions and results of operations of steel producers, including the Company, are generally affected by fluctuations in the world economy and in particular the performance of the manufacturing, construction and automotive industries.

In Gerdau's Brazilian and South American Business Segments, shipments in the second and third quarters of the year tend to be stronger than in the first and fourth quarters, given the reduction in construction activity. In Gerdau's North American Business Segment, demand is influenced by winter conditions, when consumption of electricity and other energy sources (i.e., natural gas) for heating increases and may be exacerbated by adverse weather conditions, contributing to increased costs and decreased construction activity, and in turn leading to lower shipments.

Recent Production and Shipments Trends (Nine-Month Period Ended September 30, 2019 Compared to the Nine-Month Period Ended September 30, 2018)

The following table sets forth Gerdau's consolidated crude and rolled steel production and shipments, presented in thousand tonnes and prepared in accordance with IFRS:

Gerdau S.A. Consolidated	Nine-Month period ended September 30, 2019	Nine-Month period ended September 30, 2018	Nine-Month period ended September 30, 2019/ Nine-Month period ended September 30, 2018
(in thousand tonnes)			
Crude steel production.....	9,501	12,122	(2,621)
Rolled steel production.....	8,504	10,918	(2,413)
Shipments.....	9,012	11,394	(2,381)

Results of Operations of the Nine-Month Period Ended September 30, 2019 Compared to the Nine-Month Period Ended September 30, 2018

The summary financial data for the nine-month periods ended September 30, 2019 and 2018 have been derived from the Company's Condensed Consolidated Interim Financial Statements, which are incorporated herein by reference.

The following table sets forth Gerdau's summary unaudited interim financial information, presented in Brazilian *reais* and prepared in accordance with the International Accounting Standard 34, Interim Financial Reporting, as issued by the IASB:

	In thousands of Brazilian <i>reais</i> (R\$) for the Nine-Month period ended	
	September 30, 2019	September 30, 2018
NET SALES.....	30,110,543	35,259,776
Cost of sales.....	(26,583,803)	(30,413,955)
GROSS PROFIT	3,526,740	4,845,821

Selling expenses	(358,551)	(431,938)
Impairment loss on trade receivables.....	(15,695)	(17,316)
General and administrative expenses.....	(719,311)	(820,449)
Other operating income	307,561	153,380
Other operating expenses.....	(109,446)	(124,340)
Gains and losses on assets held for sale and sales of interest in subsidiaries	-	(228,948)
Equity method investees	(14,674)	38,937
INCOME BEFORE FINANCIAL INCOME (EXPENSES) AND TAXES.....	2,616,604	3,415,147
Financial income	137,647	122,420
Financial expenses.....	(1,065,918)	(1,154,539)
Exchange variations, net.....	(292,854)	(509,673)
Gain and losses on financial instruments, net	(16,271)	44,051
INCOME BEFORE TAXES.....	1,379,208	1,917,406
Current.....	(292,412)	(418,642)
Deferred.....	27,886	438,453
Income and social contribution taxes	(264,526)	19,811
NET INCOME.....	1,114,682	1,937,217
ATTRIBUTED TO:		
Owners of the parent	1,104,167	1,920,527
Non-controlling interests	10,515	16,690
	1,114,682	1,937,217

The following analysis refers to the consolidated results of Gerdau.

Net Sales

The following table sets forth the Company's net sales by Business Segment, presented in Brazilian *reais* and prepared in accordance with the IFRS:

Net Sales	Nine-Month period ended September 30,	Nine-Month period ended September 30,	Variation Nine-Month period ended September 30, 2019/ Nine-Month period ended September 30, 2018
(R\$million)	2019	2018	
Brazil.....	12,065	11,799	2.3%
North America.....	11,281	15,593	(27.7%)
South America.....	2,350	2,982	(21.2%)
Special Steel.....	5,305	6,170	(14.0%)
Eliminations and Adjustments.....	(891)	(1,285)	(30.7%)
Total	30,111	35,260	(14.6%)

Note: the information above does not include data from associate and jointly controlled entities.

Net Sales per tonne by Business Segments	Nine-Month period ended September 30,	Nine-Month period ended September 30,	Variation Nine-Month period ended September 30, 2019/ Nine-Month period ended September 30, 2018
(R\$/tonne)	2019	2018	
Brazil.....	2,931	2,793	4.9%
North America.....	3,498	3,191	9.6%
South America.....	2,994	2,856	4.8%
Special Steel.....	4,268	3,769	13.2%
Total	3,341	3,095	7.9%

Note: the information above does not include data from associate and jointly controlled entities.

In the nine months of 2019, consolidated net sales decreased 14.6% compared with the same period of 2018, mainly due to the sale of subsidiaries that affected the volume of steel sold with impact in all Business Segments.

In the Brazil Business Segment, the 2.3% increase in net sales in the first nine months of 2019 compared to the same period of 2018 was mainly due to higher net sales per tonne despite lower shipments in the domestic markets (from 3,064 thousand tonnes in the first nine months of 2018 to 2,955 thousand tonnes in the same period of 2019). Domestic shipments decreased in the first nine months of 2019 compared to the same period of 2018, mainly due to the lower shipments of long steel products, reflecting the slowdown in the demand in Brazil. Meanwhile, export shipments were stable.

In the North America Business Segment, net sales in the first nine months of 2019 decreased 27.7% compared to the same period of 2018 due to the sale of rebar assets in the United States.

In the South America Business Segment, net sales in the first nine months of 2019 decreased 21.2% compared to the same period of 2018, mainly due to the sale of the Chile operation.

In the Special Steel Business Segment, net sales decreased 14.0% in the first nine months of 2019 compared to the same period of 2018, mainly due to lower shipments in Brazil and US (from 1,637 thousand tonnes in first nine months of 2019 to 1,243 thousand tonnes in the same period of 2018) mainly because of the lower exports to Argentina and slower demand in the oil and gas industry in the United States.

Cost of Sales and Gross Profit

The following table sets forth the Company's consolidated net sales, cost of sales and gross profit by Business Segment, presented in Brazilian *reais*:

		Nine-Month period ended September 30,		
		2019	2018	Variation Six-Month period ended September 30, 2019/ Nine- Month period ended September 30, 2018
Net sales, Cost of Sales and Gross Profit(*)				
Brazil	Net sales (R\$million)	12,065	11,799	2.3%
	Cost of Sales (R\$million)	(10,581)	(9,670)	9.4%
	Gross Profit (R\$million)	1,484	2,129	(30.3%)
	<i>Gross margin (%)⁽¹⁾</i>	<i>12.3%</i>	<i>18.0%</i>	
North America	Net sales (R\$million)	11,281	15,593	(27.7%)
	Cost of Sales (R\$million)	(10,151)	(14,250)	(28.8%)
	Gross Profit (R\$million)	1,131	1,343	(15.8%)
	<i>Gross margin (%)⁽¹⁾</i>	<i>10.0%</i>	<i>8.6%</i>	
South America	Net sales (R\$million)	2,351	2,982	(21.2%)
	Cost of Sales (R\$million)	(1,992)	(2,530)	(21.3%)
	Gross Profit (R\$million)	359	452	(20.6%)
	<i>Gross margin (%)⁽¹⁾</i>	<i>15.3%</i>	<i>15.2%</i>	
Special Steel	Net sales (R\$million)	5,305	6,170	(14.0%)
	Cost of Sales (R\$million)	(4,794)	(5,251)	(8.7%)
	Gross Profit (R\$million)	511	919	(44.4%)
	<i>Gross margin (%)⁽¹⁾</i>	<i>9.6%</i>	<i>14.9%</i>	
Intercompany Eliminations	Net sales (R\$million)	(891)	(1,285)	(30.7%)
	Cost of Sales (R\$million)	935	1,287	(27.4%)
	Gross Profit (R\$million)	43	2	
Total.....	Net sales (R\$million)	30,111	35,260	(14.6%)
	Cost of Sales (R\$million)	(26,584)	(30,414)	(12.6%)
	Gross Profit (R\$million)	3,527	4,846	(27.2%)
	<i>Gross margin (%)⁽¹⁾</i>	<i>11.7%</i>	<i>13.7%</i>	

- (*) The information does not include data from the associate and joint ventures.
 (1) Gross margin is calculated by the division of Gross Profit by Net Sales.

In the first nine months of 2019, cost of sales decreased 12.6% compared to the same period of 2018, mainly because of sales volume reduction of 21% due to shipment decreases in all Business Segments. Gross margin decreased from 13.7% in the first nine months of 2018 to 11.7% in the same period of 2019, due to the divestments in the U.S., Chile and India, higher costs in the Brazil Business Segment due to the scheduled shutdown of blast furnace 1 of the Ouro Branco-MG mill and the increase in cost per tonne sold in the Special Steel Business Segment.

In the Brazil Business Segment, cost of sales in the first nine months of 2019 increased 9.4% in relation to the same period in 2018 due to the scheduled maintenance shutdown of the blast furnace 1 in Ouro Branco - MG, which resulted in an increase of fixed costs, even with the reduction of scrap costs.

In the North America Business Segment, cost of sales in the first nine months of 2019 decreased 28.8% compared to the same period of 2018 which is mainly explained by divestments of the rebar assets in the U.S. The reduction of 27.7% in net sales was lower than the reduction of 28.8% in cost of sales, resulting in an increase of gross margin, from 8.6% in the first nine months of 2018 to 10.0% in the same period of 2019.

In the South America Business Segment, cost of sales decreased 21.3% in the first nine months of 2019 compared to the same period of 2018, due to the divestment in Chile. Gross margin remained stable.

In the Special Steel Business Segment, the 8.7% decrease in cost of sales was mainly due to lower volumes in Brazil and the U.S. as well as the divestment of the India operation. Gross margin decreased from 14.9% in the first nine months of 2018 to 9.6% in the same period of 2019, due to the increase in costs per tonne sold was higher than the increase in net revenue per tonne sold.

Selling, General and Administrative Expenses

	Nine-Month period ended September 30, 2019	Nine-Month period ended September 30, 2018	Variation Nine-Month period ended September 30, 2019/ Nine-Month period ended September 30, 2018
Operating Expenses(*) (R\$million)			
Selling expenses	(358)	(432)	(17.1%)
Impairment loss on trade receivables.....	(16)	(17)	(5.9%)
General and administrative expenses.....	(720)	(820)	(12.2%)
Total.....	(1,094)	(1,269)	(13.8%)
Net sales	30,111	35,260	(14.6%)
% of net sales	(3.6%)	(3.6%)	

- (*) The information does not include data from the associate and joint ventures.

The 17.1% reduction in consolidated selling expenses was due to a decrease in shipments in the first nine months of 2019 compared to the same period of 2018 and this decrease in shipments was due to the divestments in the United States, Chile and India. Consolidated general and administrative expenses decreased 12.2% from the nine months of 2019 compared to the same period of 2018, which demonstrates the Company's efforts to streamline these expenses. In the first nine months of 2019, selling, general and administrative expenses as a ratio of net sales remained at (3.6%).

Income Before Financial Income (Expenses) and Taxes

Income before financial income (expenses) and taxes was R\$3,415 million in the first nine months of 2018 compared to R\$2,617 million in the same period of 2019. The decrease of 23.4% was mainly due to the lower operational results disclosed above.

Financial Income, Financial Expenses, Exchange Variations, Gains and Losses in Derivatives

The following table sets forth the Company's consolidated financial results, presented in millions of Brazilian reais:

	Nine-Month period ended September 30, 2019	Nine-Month period ended September 30, 2018	Variation Nine-Month period ended September 30, 2019/ Nine- Month period ended September 30, 2018
Financial Results (*) (R\$million)			
Financial income	138	123	12.2%
Financial expenses.....	(1,066)	(1,155)	(7.7%)
Exchange variation, net	(293)	(510)	(42.5%)
Gains and Losses on financial instruments, net.....	(16)	44	(136.4%)
Financial Result, net.....	(1,237)	(1,498)	(17.4%)

(*) The information does not include data from the associate and joint ventures.

The financial results net decreased from an expense of R\$1,498 million in the first nine months of 2018 to an expense of R\$1,237 million in the same period in 2019, mainly due to the exchange rate variance in the periods on liabilities contracted in U.S. dollars.

In accordance with IFRS, the Company designated the bulk of its debt in foreign currency as a hedge for a portion of the investments in subsidiaries located abroad. As a result, only the effect from exchange variation on the portion of debt not linked to investment hedge is recognized in the financial result, with this effect off-set by the line “Income and Social Contribution taxes on net investment hedge.”

Provision for Income Taxes

Income and social contribution taxes was an income of R\$20 million in the first nine months of 2018, compared to an expense of R\$264 million in the same period of 2019. This variation was mainly due to the tax rates on foreign companies.

Net Income

The following table sets forth the Company’s Net income by Business Segment, presented in Brazilian reais:

	Nine-Month period ended September 30, 2019	Nine-Month period ended September 30, 2018	Variation Nine-Month period ended September 30, 2019/ Nine-Month period ended September 30, 2018
Net Income (R\$million)			
Brazil.....	566	1,056	(46.4%)
North America.....	477	631	(24.4%)
South America.....	163	173	(5.8%)
Special Steel.....	244	543	(55.1%)
Eliminations and Adjustments.....	(335)	(466)	(28.1%)
Net Income	1,115	1,937	(42.4%)

Our consolidated net income went from R\$1,937 million in the first nine months of 2018 to R\$1,115 million in the same period of 2019. This variation was mainly due to the divestments in U.S., Chile and India operations.

In the Brazil Business Segment, the net income was R\$1,056 million in the first nine months of 2018, compared to a net income of R\$566 million in the same period of 2019. This variation was mainly due to the scheduled shutdown of blast furnace 1 of the Ouro Branco-MG mill.

The North America Business Segment posted a net income of R\$631 million in the first nine months of 2018, compared to a net income of R\$477 million in the same period of 2019. This variation was mainly due to the divestments of the U.S. operations.

In the first nine months of 2018, the South America Business Segment posted net income of R\$173 million, stable with the same period of 2019, which posted a net income of R\$163 million.

In the first nine months of 2018, the Special Steel Business Segment posted net income of R\$543 million, compared to a net income of R\$244 million in the same period of 2018. This variation was mainly due to a lower performance of the U.S. and Brazil operations and the divestment of our India operations.

Liquidity and Capital Resources

The following table sets forth in part the balance sheet and cash flow information of the Company:

	As of September 30,	
	2019	2018
	(in thousands of Brazilian reais - R\$)	
Balance sheet selected information		
Cash and cash equivalents	2,291,416	2,795,196
Short-term investments ⁽¹⁾	1,140,196	679,994
Current assets	17,503,982	22,169,620
Current liabilities	8,219,780	9,151,102
Net working capital ⁽²⁾	9,284,202	13,018,518
Property, plant and equipment, net.....	15,967,125	15,806,794
Net assets ⁽³⁾	27,498,320	26,762,233
Total assets	53,046,092	56,118,974
Short-term debt	2,193,333	2,177,261
Long-term debt	10,339,046	15,976,808
Debentures - current.....	68,678	-
Debentures – non-current	2,892,548	38,575
Equity	27,498,320	26,762,233
Capital.....	19,249,181	19,249,181

(1) Include Bank Deposit Certificates and marketable securities

(2) Total current assets less total current liabilities.

(3) Total assets less total current liabilities and less total non-current liabilities.

Selected Financial Information

The following table sets forth the Company's selected financial information, presented in Brazilian reais:

	For the Nine-Month period ended September 30,	
	2019	2018
	(in thousands of Brazilian <i>reais</i> - R\$, unless otherwise stated)	
Cash Flow Data:		
Cash flows provided by operating activities	1,860,166	282,388
Cash flows provided by (used in) investing activities	(1,399,461)	899,345
Cash flows used in financing activities	(1,089,450)	(1,258,108)
Operating Data (in thousand tons):		
Consolidated shipments	9,012	11,394
Other Information:		
Purchases of property, plant and equipment	1,260,640	834,834
Depreciation and amortization	1,534,623	1,387,888
EBITDA:		
Net Income for the period	1,114,682	1,937,217
(+) Financial results (financial expense, financial income, exchange variations, net and gains and losses on derivative financial instruments, net)	1,237,396	1,497,741
(+) Income and social contribution taxes	264,526	(19,811)
(+) Depreciation and amortization	1,534,623	1,387,888
(=) EBITDA	4,151,227	4,803,035
Adjusted EBITDA:		

(+) Impairment of non-financial assets	-	-
(+/-) Gains and losses on assets held for sale and sales of interest in subsidiaries	-	228,948
(+) Impacts of the Blast Furnace 1 reform of the Ouro Branco steel mill	237,703	-
(-) Tax reversal/provisions	(57,228)	-
(-) Equity method investees	14,674	(38,937)
(+) Proportional EBITDA of associates and joint ventures	223,631	260,243
(=) Adjusted EBITDA ⁽¹⁾	4,580,007	5,253,289
Total Debt ⁽³⁾	15,493,605	18,192,644
Interest Amounts (cumulative 12-month period ended on) ⁽⁷⁾	1,542,052	1,567,995
Ratios:		
Total Debt ⁽⁴⁾ /Adjusted EBITDA ⁽¹⁾⁽⁴⁾	2.59	2.83
Adjusted EBITDA ⁽¹⁾ (12-month period ended on)/Interest Amount (12-month period ended on) ⁽⁵⁾⁽⁶⁾	3.88	4.10
Current liquidity ratio ⁽²⁾	2.13	2.42

(1) Adjusted EBITDA is equal to net income, plus financial expenses, financial income, exchange variations, net and gains and losses on derivative financial instruments, net, plus income on social contributions taxes, plus depreciation and amortization, plus impairment of non-financial 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. Gerdau believes that using this information, along with net income, provides for a more complete analysis of the results of operations. Net income is the most directly comparable GAAP measure. For the columns referred to as "For the nine months ended on September 30", the amount presented for 2019 presents the 12-month period ended on September 30, 2019 calculated by subtracting the amounts presented in the Company's financial statements for the nine-month period ended September 30, 2018 from the amounts presented in the Company's financial statements for the year ended December 31, 2018, in order to get the amounts for the last three months of 2018, and adding the amounts presented in the Company's financial statements for the nine-month period ended September 30, 2019. The amounts presented for 2018 presents the 12-month period ended on September 30, 2018 calculated by subtracting the amounts presented in the Company's financial statements for the nine-month period ended September 30, 2017 from the amounts presented in the Company's financial statements for the year ended December 31, 2017, in order to get the amounts for the last three months of 2017, and adding the amounts presented in the Company's financial statements for the nine-month period ended September 30, 2018.

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

(3) Includes short-term and long-term debt and debentures in the current and non-current liabilities.

(4) The ratio of Total Debt to Adjusted EBITDA may not be comparable to similarly titled measures of other companies, using Total Debt as of September 30, 2019 and 2018, and Adjusted EBITDA for the twelve-month periods ended as of September 30, 2019 and September 30, 2018.

(5) The ratio of Adjusted EBITDA to Interest Expense may not be comparable to similarly titled measures of other companies, using the Adjusted EBITDA for the twelve-month periods ended as of September 30, 2019 and September 30, 2018, 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 September 30, 2019 and September 30, 2018.

(6) Includes Financial Expenses, Gain and losses on derivative financial instruments, net and Capitalized borrowing costs. For the columns referred to as "For the nine months ended on September 30", the amount presented for 2019 presents the 12-month period ended on September 30, 2019 calculated by subtracting the amounts presented in the Company's financial statements for the nine-month period ended September 30, 2018 from the amounts presented in the Company's financial statements for the year ended December 31, 2018, in order to get the amounts for the last three months of 2018, and adding the amounts presented in the Company's financial statements for the nine-month period ended September 30, 2019. The amounts presented for 2018 presents the 12-month period ended on September 30, 2018 calculated by subtracting the amounts presented in the Company's financial statements for the nine-month period ended September 30, 2017 from the amounts presented in the Company's financial statements for the year ended December 31, 2017, in order to get the amounts for the last three months of 2017, and adding the amounts presented in the Company's financial statements for the nine-month period ended September 30, 2018.

The following table profiles the Company's debt at December 31, 2018, 2017 and 2016, and September 30, 2019:

	As of			
	September 30, 2019	December 31, 2018	December 31, 2017	December 31, 2016
	(in thousands of Brazilian reais)			
CURRENT LIABILITIES:	2,262,011	1,824,938	2,004,341	4,458,220
Total short-term debt.....	2,193,333	1,822,183	2,004,341	4,458,220
Debentures.....	68,678	2,755	-	-
NON-CURRENT LIABILITIES:	13,231,594	13,081,776	14,505,243	16,125,013
Total long-term debt.....	10,339,046	11,545,658	14,457,315	15,959,590
Debentures.....	2,892,548	1,536,118	47,928	165,423
TOTAL DEBT⁽¹⁾	15,493,605	14,906,714	16,509,584	20,583,233
(-) Short-term investments and cash and cash equivalents.....	(3,431,612)	(3,349,614)	(3,376,856)	(6,087,794)
NET DEBT⁽²⁾	12,061,993	11,557,100	13,132,728	14,495,439

(1) Total Debt is a non-GAAP measure and its calculation is short-term debt plus long-term debt plus debentures in the current and non-current liabilities.

(2) Net Debt is a non-GAAP measure and its calculation is Total Debt less short-term investments, cash and cash equivalents.

Gerda's main source of liquidity is the cash generated by its operating activities.

Cash Flows

Net cash from operating activities amounted R\$1,860.2 million and R\$282.4 million in the first nine months of 2019 and 2018, respectively. In the first nine months of 2019, net cash from operating activities increased 558.7% compared to the same period in 2018, mainly due to the reduction on the consumption of Working Capital, defined as the sum of the increase in trade accounts receivable, decrease (increase) in inventories and (decrease) increase in trade accounts payable as shown in the condensed consolidated statement of cash flows, which was R\$376.9 million in the first nine months of 2019 and R\$2,879.8 million in the same period of 2018, respectively.

Investing activities used net cash of R\$1,399.5 million in the first nine months of 2019 compared to R\$899.3 million provided in the same period in 2018, mainly due to higher capital expenditures (capital expenditures represent additions to Property, plant and equipment, net) in the nine-month period ended on September 30, 2019 when compared to the same period of September 30, 2018. Additionally, in the nine-month period ended on September 30, 2019, the Company had only R\$20 million of proceeds from sales of property, plant and equipment, investments and other intangibles compared to proceeds of R\$1.776 million in the same period of 2018.

Net cash used in financing activities was R\$1,089.5 million in the first nine months of 2019, compared to R\$1,258.1 million in the same period in 2018. This reduction was mainly due to the proceeds and repayment of loans and financing.

Indebtedness

The Company's debt is used to finance investments in fixed assets, including the modernization and technological upgrade of its plants and the expansion of installed capacity, as well as for working capital, acquisitions and, depending on market conditions, short-term financial investments.

As of September 30, 2019, the Issuer had no outstanding indebtedness. As of September 30, 2019, the Company had R\$15.5 billion (US\$3.7 billion) of consolidated Total Debt. Only R\$76.6 million (US\$18.4 million) of the Company and the other Guarantors' secured debt was structurally senior to the bonds being sold in this offering and R\$11 billion (US\$2.7 billion) of the total debt amount was non-guarantor subsidiaries' debt.

For the Nine-Month period ended September 30,		
	2019	2018
(in thousands of Brazilian reais - R\$, unless otherwise stated)		
Cash Flow Data:		
Cash flows from operating activities	1,860,166	282,388
Cash flows provided by (used in) investing activities	(1,399,461)	899,345
Cash flows (used in) financing activities	(1,089,450)	(1,258,108)
Operating Data (in thousand tons):		
Consolidated shipments	9,012	11,394
Total production of long rolled steel ⁽¹⁾		
Total production of flat rolled steel ⁽¹⁾		
Other Information:		
Purchases of property, plant and equipment	1,260,640	834,834
Depreciation and amortization	1,534,623	1,387,888
EBITDA:		
Net Income for the period	1,114,682	1,937,217
(+) Financial results (financial expense, financial income, exchange variations, net and gains and losses on derivative financial instruments, net)	1,237,396	1,497,741
(+) Income and social contribution taxes	264,526	(19,811)
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(=) EBITDA	4,151,227	4,803,035
Adjusted EBITDA:		
(+) Impairment of non-financial assets	-	-
(+/-) Gains and losses on assets held for sale and sales of interest in subsidiaries	-	228,948
(+) Impacts of the Blast Furnace 1 reform of the Ouro Branco steel mill	237,703	
(-) Tax reversal/provisions	(57,228)	
(-) Equity method investees	14,674	(38,937)
(+) Proportional EBITDA of associates and joint ventures	223,631	260,243
(=) Adjusted EBITDA ⁽²⁾	4,580,007	5,253,289
Total Debt ⁽⁴⁾	15,493,605	18,192,644
Interest Amounts (12-month period ended on) ⁽⁷⁾	1,542,052	1,567,995
Ratios:		
Total Debt ⁽⁴⁾ /Adjusted EBITDA ⁽²⁾⁽⁵⁾	2.59	2.83
Adjusted EBITDA ⁽²⁾ (12-month period ended on)/Interest Amount (12-month period ended on) ⁽⁶⁾⁽⁷⁾	3.88	4.10
Current liquidity ratio ⁽³⁾	2.13	2.42

(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, exchange variations, net and gains and losses on derivative financial instruments, net, plus income and social contributions taxes, plus depreciation and amortization, plus impairment of non-financial 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. Gerdau believes that using this information, along with net income, provides for a more complete analysis of the results of operations. Net income is the most directly comparable GAAP measure. For the columns referred to as "For the nine months ended on September 30", the amount presented for 2019 presents the 12-month period ended on September 30, 2019 calculated by subtracting the amounts presented in the Company's financial statements for the nine-month period ended September 30, 2018 from the amounts presented in the Company's financial statements for the year ended December 31, 2018, in order to get the amounts for the last three months of 2018, and adding the amounts presented in the Company's financial statements for the nine-month period ended September 30, 2019. The amounts presented for 2018 presents the 12-month period ended on September 30, 2018 calculated by subtracting the amounts presented in the Company's financial statements for the nine-month period ended September 30, 2017 from the amounts presented in the Company's financial statements for the year ended December 31, 2017, in order to get the amounts for the last three months of 2017, and adding the amounts presented in the Company's financial statements for the nine-month period ended September 30, 2018.

(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 in the current and non-current liabilities.

(5) The ratio of Total Debt to Adjusted EBITDA may not be comparable to similarly titled measures of other companies, using Total Debt as of September 30, 2019 and 2018, and Adjusted EBITDA for the twelve-month periods ended as of September 30, 2019 and September 30, 2018.

- (6) The ratio of Adjusted EBITDA to Interest Expense may not be comparable to similarly titled measures of other companies, using the Adjusted EBITDA for the twelve-month periods ended as of September 30, 2019 and September 30, 2018, 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 September 30, 2019 and September 30, 2018.
- (7) Includes Financial Expenses, Gain and losses on derivative financial instruments, net and Capitalized borrowing costs. For the columns referred to as "For the nine months ended on September 30", the amount presented for 2019 presents the 12-month period ended on September 30, 2019 calculated by subtracting the amounts presented in the Company's financial statements for the nine-month period ended September 30, 2018 from the amounts presented in the Company's financial statements for the year ended December 31, 2018, in order to get the amounts for the last three months of 2018, and adding the amounts presented in the Company's financial statements for the nine-month period ended September 30, 2019. The amounts presented for 2018 presents the 12-month period ended on September 30, 2018 calculated by subtracting the amounts presented in the Company's financial statements for the nine-month period ended September 30, 2017 from the amounts presented in the Company's financial statements for the year ended December 31, 2017, in order to get the amounts for the last three months of 2017, and adding the amounts presented in the Company's financial statements for the nine-month period ended September 30, 2018.

On September 30, 2019, the maturity profile of the Company's long and short-term debt, including local debentures, was as follows:

	R\$million
Short-term total	2,262
Long-term	R\$million
2020.....	307
2021.....	1,284
2022.....	1,625
2023.....	1,898
2024	2,625
2025 and after.....	5,492
Long-term Total.....	13,232

Financial Agreements

For a more detailed description of the Company's financial agreements see the description of financial agreements contained in the Company's 2018 20-F, which is incorporated by reference herein.

UKEF — UK Export Finance

In June 2011, the subsidiary Gerdau Açominas S.A. entered into a financing agreement covered by ECGD (Export Credits Guarantee Department), the UK Export Finance (UKEF), with the banks Deutsche Bank AG, London Branch, HSBC Limited, Tokyo Branch, Citibank Europe plc and BNP Paribas. On September 30, 2019, the outstanding balance of this facility was R\$314 million (US\$75.5 million).

Bonds

The Company, through its subsidiaries Gerdau Holdings Inc., GTL Trade Inc. and Gerdau Trade Inc., issued bonds due in 2020, 2021, 2023, 2024, 2027 and 2044. The following companies guaranteed these transactions: Gerdau S.A., Gerdau Açominas S.A. and Gerdau Aços Longos S.A. On September 30, 2019, the outstanding balance of these bonds was R\$10.7 billion.

Debenture

The Company concluded in 2018 and 2019 the issuance of two local debentures with maturities of 4 years for the 2018 issuance and 4 years and 7 years for the 2019 issuance. On September 30, 2019, the outstanding balance of these debentures was R\$2.9 billion.

NCEs

The Company and its subsidiary Gerdau Açominas S.A. issued Export Credit Notes with final maturity in 2019 and 2020. On September 30, 2019, the total outstanding amount of these facilities was R\$335 million.

4131 Citi

In October 2015, the subsidiary Gerdau Açominas S.A. entered into a 4131 loan agreement in the amount of R\$256.2 million, with a term for five years; the Company guarantees this transaction.

BBVA — Credit Agreement

In December 2015, the joint-venture Gerdau Corsa SAPI de C.V. entered into a loan agreement with BBVA in the amount of US\$ 150 million, denominated in Mexican Pesos, with a term for five years. The outstanding amount of this facility was R\$530.2 million as of September 30, 2019 (US\$127 million) and the Company guarantees this transaction.

Syndicated Loan

In December 2016, the joint-venture Gerdau Corsa SAPI de C.V. entered into a syndicated senior unsecured term loan in the amount of US\$ 330 million, denominated in Mexican pesos. As of September 30, 2019, the outstanding amount was R\$908.7 million (US\$218.2 million) and the Company guarantees this transaction.

Gerdau Global Working Capital Facility

In October 2019, the Company completed the renewal of the Global Credit Line in the total amount of US\$ 800 million (equivalent to R\$3,331 million as of September 30, 2019). The transaction aims to provide liquidity to subsidiaries in North America and Latin America, including Brazil. The companies Gerdau S.A., Gerdau Açominas S.A. and Gerdau Aços Longos S.A. provide guarantee for this transaction, which matures in October 2024.

BNDES

All loans contracted under the FINAME/BNDES program, totaling R\$76.6 million as of September 30, 2019, on the balance sheet date are secured by the assets being financed.

Legal Proceedings

For a more detailed description of the Company's legal proceedings, see the description of legal proceedings contained in the Company's 2018 20-F, and updated in the notes to the 2019 Condensed Consolidated Interim Financial Statements, both of which are incorporated by reference herein.

Capital Expenditures Program

In the first nine months of 2019, purchases of property, plant and equipment was R\$1,261 million. Of this amount, 50.0% was allocated to operations in Brazil and the remaining 50.0% was allocated to operations in the other countries in which Gerdau operates.

Newly Elected Board of Directors

In April 2019, the Company held a general shareholders' meeting where new three members of the Board of Directors were elected: Claudia Sender Ramirez, Márcio Fróes Torres, and Gustavo Werneck da Cunha. Affonso Celso Pastore is no longer a member of the Board Directors. At the same meeting, two new alternates of the Board of Auditors were also elected: Tarcisio Beuren and Maria Izabel Gribel de Castro.

DESCRIPTION OF THE BONDS

The Issuer will issue the bonds pursuant to an indenture, to be dated as of November 21, 2019, among the Issuer, the Guarantors and 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). The Issuer will, under the indenture, appoint a registrar, paying agent and transfer agent, 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. The trustee 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 GUSAP III LP, a subsidiary of Gerdau S.A., and (ii) “Gerdau” shall mean Gerdau S.A. and its successors, and not to its subsidiaries.

General

The bonds:

- will be senior unsecured obligations of the Issuer;
- will be fully and unconditionally guaranteed by Gerdau and certain of its subsidiaries;
- will mature on January 21, 2030;
- will be issued in minimum denominations of US\$200,000 and integral multiples of US\$1,000 in excess thereof;
- will be represented by one or more registered bonds in global form and may be exchanged for bonds in definitive form only in limited circumstances; and
- will not be required to be registered under the Securities Act.

Interest on the bonds:

- will accrue at the rate of 4.250% 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 January 21 and July 21 of each year, commencing on July 21, 2020, until all required amounts due in respect of the bonds have been paid;
- will be payable to the holders of record on January 6 and July 6 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 may be made, 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 in Luxembourg for so long as the bonds are so listed and the rules of that stock exchange so require.

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.

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 or São Paulo, Brazil.

"Capital Stock" of any person means any and all shares, interests (including partnership interests or limited partnership 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 Finance 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.

"Finance Lease Obligations" means, with respect to any person, any obligation which is required to be classified and accounted for as a finance 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.

"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. and Gerdau Aços Longos 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 GUSAP III LP, a Delaware limited partnership.

“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.

Guarantees

Gerdau and each other Guarantor will jointly and severally guarantee, on a senior unsecured basis, the due and punctual payment of all amounts due and payable on the bonds (including any “make-whole” premium described under “—Early Redemption” and 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 will 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 will 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 will 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 that are not Guarantors 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.”

The Company continuously monitors the market for its outstanding securities, and may from time to time engage in liability management transactions with its own obligations.

Early Redemption

The bonds will not be redeemable prior to maturity, except as set forth below and except as described under “—Covenants—Repurchase of Bonds upon a Change of Control.”

Early Redemption of Bonds

Prior to the date that is six months prior to the maturity of the bonds (the “Par Call Date”), 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), a redemption price equal to the greater of (1) 100% of the principal amount thereof, plus accrued interest and any additional amounts payable with respect thereto and (2) the sum of the present values of the remaining scheduled payments of principal and interest on the bonds (exclusive of the interest accrued to the date of redemption) due through the Par Call Date, as if the bonds were called on the Par Call Date, discounted to the redemption date on an annual basis (assuming a 360-day year consisting of twelve 30-day months) at the Treasury Rate plus 50 basis points. At any time on or after the Par Call Date, the Issuer will have the right to redeem the bonds, in whole or in part and from time to time, at a redemption price equal to 100% of the principal amount of the bonds being redeemed plus accrued and unpaid interest on the principal amount of the bonds being redeemed to such redemption date.

“Comparable Treasury Issue” means the United States Treasury security or securities selected by an Independent Investment Banker as having a maturity or interpolated maturity comparable to the remaining term of the bonds that would be utilized, at the time of selection and in accordance with customary financial practice, in pricing new issues of corporate debt securities of comparable maturity to the remaining term of the bonds.

“Comparable Treasury Price” means, with respect to the redemption date, (1) the average of five Reference Treasury Dealer Quotations for the redemption date, after excluding the highest and lowest Reference Treasury Dealer Quotations, or (2) if the Independent Investment Banker obtains fewer than five such Reference Treasury Dealer Quotations, the average of all such quotations.

“Independent Investment Banker” means one of the Reference Treasury Dealers reasonably designated by us.

“Reference Treasury Dealer” means BofA Securities, Inc. or its affiliates which are primary United States government securities dealers and not less than three other leading primary United States government securities dealers in New York City reasonably designated by us; provided that if any of the former cease to be a primary United States government securities dealer in New York City (a “Primary Treasury Dealer”), we will substitute therefor another Primary Treasury Dealer.

“Reference Treasury Dealer Quotations” means, with respect to each Reference Treasury Dealer and a redemption date, the average, as determined by the Independent Investment Banker, of the bid and asked prices for the Comparable Treasury Issue (expressed in each case as a percentage of its principal amount) quoted in writing to the Independent Investment Banker by such Reference Treasury Dealer at or about 3:30 p.m., New York City time, on the third business day preceding such redemption date.

“Treasury Rate” means, with respect to a redemption date, the rate per annum equal to the semi-annual equivalent yield to maturity or interpolated maturity (on a day count basis) of the Comparable Treasury Issue, assuming a price for the Comparable Treasury Issue (expressed as a percentage of its principal amount) equal to the Comparable Treasury Price for the redemption date.

Early redemption for Taxation Reasons

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 United States, 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 any 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 written 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 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 Official list of the Luxembourg Stock Exchange and to trade the bonds 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. 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 be registered in the register of holders of the bonds maintained by the registrar (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 Bond 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 United States, Brazil or any political subdivision or authority of or in the United States 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:

- (i) 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;
- (ii) 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;
- (iii) 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 or beneficial owner of a bond (including, without limitation, a certification that the holder or beneficial owner is not resident in the relevant Taxing Jurisdiction) 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, 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-8BEN-E, W-8ECI, W-8EXP, W-8IMY and/or documentation required by the OECD Common Reporting Standard (CRS);
- (iv) any estate, inheritance, gift, sales, transfer, excise or personal property or similar tax, assessment or governmental charge;
- (v) 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;
- (vi) any additional amounts with respect to any such deduction or withholding, imposed on or in respect of the bonds pursuant to FATCA, any treaty, law, regulation or other official guidance enacted by the United States, Brazil or in any jurisdiction in which payments on the bonds are made implementing FATCA, or any agreement between the Issuer, the Guarantors or a paying agent and the United States, or any authority of any of the foregoing implementing FATCA; or
- (vii) any combination of the above.

As used in this section, “FATCA” means Sections 1471 through 1474 of the United States Internal Revenue Code (“Code”), as of the date of this memorandum (or any amended or successor version that is substantively comparable and not materially more onerous to comply with), any current or future regulations or official interpretations thereof, any agreements entered into pursuant to Section 1471(b)(1) of the Code and any fiscal or regulatory legislation, rules or practices adopted pursuant to any intergovernmental agreement, treaty or convention among Governmental Authorities and implementing such Sections of the Code.

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 United States 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 they maintain 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 United States, 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 Organization 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 United States 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 such other country to the existing references in such clause to Brazil and the United States;

(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 to the holders 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 requirements that any portion of a bond tendered must be in a multiple of US\$1,000 principal amount, the minimum tender of any holder must be no less than US\$200,000 and, if tendered in part, the residual amount cannot be 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 their 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 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 certain opinions 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 or place of 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 depository, as the holder thereof, and such depository 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 through the Luxembourg Stock Exchange's Companies Announcement Office 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 240 Greenwich Street, New York, New York 10286, U.S.A.

Governing Law, Waiver of Trial by Jury and Submission to Jurisdiction

The bonds, the indenture and the guarantees will be governed by the laws of the State of New York and will provide for a waiver of the right to trial by jury.

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 Cogency Global 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 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 Guarantors' 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.

Substitution of GUSAP III LP as Issuer of the Bonds

The Issuer, may, without the consent of any holder of the bonds (and, by purchasing any bonds, each holder expressly consents to the provisions of this section), be substituted by (a) Gerdau or (b) any Wholly-Owned Subsidiary of Gerdau as principal debtor in respect of the bonds (in that capacity, the "Substituted Issuer"); *provided* that the following conditions are satisfied:

- such documents will be executed by the Substituted Issuer, the Issuer, Gerdau and the trustee as may be necessary to give full effect to the substitution, including (i) a supplemental indenture under which the Substituted Issuer assumes all of the obligations of the Issuer under the indenture and the bonds and, unless the Guarantors' then-existing guarantee remains in full force and effect, a substitute guarantee issued by the Guarantors in respect of the bonds (collectively, the "Issuer Substitution Documents");
- the Issuer Substitution Documents will contain covenants (i) if the Substituted Issuer is organized in a jurisdiction other than Delaware, to ensure that each holder of the bonds has the benefit of a covenant in terms corresponding to the obligations of the Issuer, in respect of the payment of additional amounts (but replacing references to Delaware, with references to such other jurisdiction), subject to similar exceptions set forth under "— Additional Amounts," *mutatis mutandis*; and (ii) to indemnify each holder and beneficial owner of the bonds against all taxes or duties that (a) arise by reason of a law or regulation in effect or contemplated on the effective date of the substitution that may be incurred or levied against such holder or beneficial owner of the bonds as a result of the substitution and that would not have been so incurred or levied had the substitution not been made, and (b) are imposed on such holder or beneficial owner of the bonds by any political subdivision or taxing authority of any country in which such holder or beneficial owner of the bonds resides or is subject to any such tax or duty and that would not have been so imposed had the substitution not been made;
- the Issuer will deliver, or cause the delivery, to the trustee of opinions from internationally recognized counsel in the jurisdiction of organization of the Substituted Issuer, Delaware, Brazil and the State of New York as to the validity, legally binding effect and enforceability of the Issuer Substitution Documents, the indenture, the bonds, the guarantees and specified other legal matters, as well as an officer's certificate as to compliance with the provisions described under the indenture, including those provisions described under this section;
- the Substituted Issuer will appoint a process agent in the Borough of Manhattan in The City of New York to receive service of process on its behalf in relation to any legal action or proceedings arising out of or in connection with the bonds, the indenture and the Issuer Substitution Documents;
- no Event of Default under the indenture has occurred or is continuing; and
- the substitution will comply with all applicable requirements under the laws of the jurisdiction of organization of the Substitute Issuer, Brazil and Delaware.

Upon the execution and delivery of the Issuer Substitution Documents, any substitute guarantees and compliance with the other conditions in the indenture relating to the substitution, the Substituted Issuer will be deemed to be named in the bonds as the principal debtor in place of the Issuer, reference in this "Description of the Bonds" to the Issuer shall from then on be deemed to refer to the Substituted Issuer and any reference to the country in which the Issuer is domiciled or resident for taxation purposes shall from then on be deemed to refer to the country of domicile or residence for taxation purposes of the Substituted Issuer, and the Issuer will be released from all of its obligations under the bonds and the applicable indenture.

Not later than 10 business days after the execution and delivery of the Issuer Substitution Documents, the Substituted Issuer will give notice thereof to the holders of the bonds. Notice of any such substitution shall be published in accordance with the provisions set forth under “—Notices.”

Notwithstanding any other provision of the applicable indenture, Gerdau and the other Guarantors (unless it is the Substituted Issuer) will do or cause to be done all acts and things and promptly execute and deliver any documents or instruments, including any substitute guarantees and a legal opinion of internationally recognized Brazilian counsel, that may be required, or that the trustee may reasonably request, to ensure that the Guarantors’ guarantees are in full force and effect for the benefit of the holders and beneficial owners of the bonds following the substitution.

See “Taxation—Certain U.S. Federal Income Tax Considerations.”

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 trustee 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 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 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.

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 DTC Participants will be effected in accordance with DTC's procedures, and will be settled in same-day funds. 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 on 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.” Until the removal of the legend on the Restricted Global Bond, which will occur only at the option of the Issuer, 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. 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 and U.S. 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 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 Preliminary Offering Memorandum, 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 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.

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 and it is not applicable to all categories of investors, some of which may be subject to special rules. 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 by 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 disposition 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 in favor of Non-Resident Holders should 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 the Issuer outside of Brazil.

According to Law No. 10,833, enacted on December 29, 2003, capital gains realized on the disposition of assets located in Brazil by a Non-Resident Holder, are subject to taxation in Brazil. Given that the Issuer is an entity incorporated under the laws of Delaware, as well as it is not registered to carry out business in Brazil, it would not qualify as a Brazilian resident for purposes of the Brazilian tax legislation. Thus, and also taking into consideration that the bonds will be issued and registered outside Brazil, the bonds should not fall within the definition of assets located in Brazil for the purposes of Law No. 10,833. Therefore, gains arising from the sale or other disposition of the bonds made outside Brazil by a Non-Resident Holder, other than a branch or a subsidiary of a Brazilian resident, should not be subject to the imposition of Brazilian taxes on capital gains. 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 confirm 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 disposition of the bonds, if 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 progressive rates ranging from 15% to 22.5%, or 25% flat if such Non-Resident Holder is located in a low tax jurisdiction ("LTJ"), as defined by Brazilian legislation.

In certain circumstances, if a given transaction is not subject to WHT and tax authorities take the position that the WHT should have been levied, tax authorities may increase the taxable basis of the WHT, as if the amount actually received by the beneficiary outside Brazil had already been reduced by the applicable WHT (gross-up).

A LTJ is a jurisdiction that does not impose any tax on income or which imposes such tax at a maximum statutory rate lower than 20%. In addition, on June 24, 2008, Law No. 11,727 was enacted, establishing that a jurisdiction or country where local legislation imposes restrictions on the disclosure of shareholding composition or of securities ownership or that does not allow for the identification of the beneficial owner of income attributed to Non-Resident Holder is also considered a LTJ.

Law No. 11,727 also established the concept of a “privileged tax regime”, which is more comprehensive than the LTJ concept. Pursuant to Law No. 11,727, a “privileged tax regime” is considered to apply to a jurisdiction that: (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 requiring substantial economic activity in the jurisdiction of such non-resident entity or individual or (b) to the extent such non-resident entity or individual does not conduct substantial economic activity in the jurisdiction; (iii) does not tax or taxes foreign-sourced income, or imposes taxes on foreign-sourced income 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. Although we believe that the best interpretation of the current tax legislation should lead to the conclusion that the privileged tax regime concept applies solely for purposes of Brazilian tax rules related to transfer pricing, thin capitalization and taxation of profits of foreign affiliates and controlled entities, we are not able to confirm if this privileged tax regime concept will only be applied to such transactions or whether it will also be used to extend the concept of LTJ. Currently, the understanding of the Brazilian tax authorities is that the rate of 15% of WHT applies to interest paid to beneficiaries resident in privileged tax regimes. In any case, if Brazilian tax authorities determine that payments made to a Non-Resident Holder under a privileged tax regime are subject to the same rules applicable to payments made to Non-Resident Holders located in a LTJ, the WHT applicable to such payments could be assessed at a rate up to 25%.

On June 4, 2010, the Brazilian Federal Revenue Service enacted Normative Ruling 1,037 listing situations in which an entity or individual shall be considered as (1) LTJ, and (2) a privileged tax regime.

Subsequently, on November 28, 2014, the Brazilian Revenue Service issued Ordinance No. 488 narrowing the concept of LTJ and privileged tax regimes to the countries, locations and tax regimes that impose income tax at a maximum rate lower than 17%, provided that the relevant jurisdiction is committed to adopt international standards on tax transparency. Under Brazilian law, the aforementioned commitment is present if the relevant jurisdiction (i) has entered into (or concluded the negotiation of) an agreement or convention authorizing the exchange of information for tax purposes with Brazil and (ii) is committed to the actions discussed in international forums on tax evasion in which Brazil has been participating, such as the Global Forum on Transparency and Exchange of Information.

We recommend that prospective purchasers consult their own tax advisors regarding the concepts of LTJ and privileged tax regime listed by Normative Ruling 1,037.

Payments on the bonds made by 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 may 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 should be subject to taxation at the rates of 15% or 25%, in cases of beneficiaries located in LTJ; 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.

Furthermore, fees and commissions payable by a Brazilian source may also be subject to (depending on the nature of the transaction): (i) withholding tax at a rate of up to 25%; (ii) *Contribuição de Intervenção no Domínio Econômico* (CIDE) at a 10% rate; (iii) *Contribuição ao Programa de Integração Social* (PIS) and

Contribuição para o Financiamento da Seguridade Social (COFINS) at the total rate of 9.25%; and (iv) Tax on Services (ISS) at rates which may vary from 2% to 5%.

Please note that different rates may apply if the tax treaty between the country of residence of the Non-Resident Holder and Brazil sets forth a lower WHT rate.

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%, including foreign exchange transactions in connection with payments made by a Brazilian guarantor to Non-Brazilian Holders. According to Section 15-B, of the Decree No. 6,306, the liquidation of exchange transactions in connection with foreign financing loans for both inflow and outflow of proceeds thereunder into and from Brazil are subject to IOF/Câmbio at a zero percent rate. However, in the case of the liquidation of foreign exchange transaction (including simultaneous foreign exchange transactions) conducted in connection with the inflow of proceeds to Brazil deriving from foreign loans, including proceeds obtained through the issuance of bonds in the international market, with the minimum maturity of less than 180 days, the IOF/Câmbio tax rate is 6%. This 6% rate will be levied with penalties and interest in the case of financings or international bonds with a minimum average term longer than 180 days in which an early redemption occurs in the first 180 days. 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 Non-Resident 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 transfer, inheritance, gift, succession, stamp, or other similar taxes in Brazil with respect to the ownership, transfer, assignment or any other disposition 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 U.S. Federal Income Tax Considerations

U.S. Holders

The following is a summary of certain U.S. federal income tax considerations that may be relevant to a holder of a bond that is, for U.S. 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 U.S. federal income tax purposes) or that otherwise is subject to U.S. 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 U.S. 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 U.S. 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 as of the date hereof, all of which are subject to change, possibly with retroactive effect. There can be no assurance that the U.S. Internal Revenue Service (“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 holders that will hold bonds as capital assets (generally, property held for investment), and only if the 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, U.S. expatriates or former long-term residents of the U.S., tax-exempt organizations, insurance companies, pension funds, individual retirement accounts or other tax-deferred accounts, 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 who are required to accelerate the recognition of any item of gross income as a result of such income being recognized on an applicable financial statement, 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, nonresident alien individuals present in the United States for more than 182 days in a taxable year, or persons subject to net United States taxation that have a “functional currency” other than the United States dollar and partnerships or other pass-through entities (or arrangements treated as such for U.S. federal income tax purposes) or investors therein.

If any entity or arrangement that is treated as a partnership for U.S. federal income tax purposes holds the bonds, the U.S. 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 U.S. federal income tax consequences to their partners of the acquisition, ownership and disposition of the bonds by the partnership.

THE SUMMARY OF U.S. FEDERAL INCOME TAX CONSEQUENCES SET OUT BELOW IS FOR GENERAL INFORMATION ONLY AND IS NOT TAX ADVICE. ALL HOLDERS SHOULD CONSULT THEIR OWN TAX ADVISERS AS TO THE PARTICULAR TAX CONSEQUENCES OF AN INVESTMENT IN THE BONDS, THE APPLICABILITY AND EFFECT OF STATE, LOCAL, FOREIGN AND OTHER TAX LAWS AND POSSIBLE CHANGES IN TAX LAW.

Characterization of the bonds

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

Book/Tax Conformity

U.S. Holders that use an accrual method of accounting for tax purposes (“accrual method holders”) generally are required to include certain amounts in income no later than the time such amounts are reflected on certain financial statements (the “book/tax conformity rule”). The application of the book/tax conformity rule thus may require the accrual of income earlier than would be the case under the general tax rules described below. It is not entirely clear to what types of income the book/tax conformity rule applies, or, in some cases, how the rule is to be applied if it is applicable. However, recently released proposed regulations generally would exclude, among other items, original issue discount and market discount (in either case, whether or not de minimis) from the applicability of the book/tax conformity rule. Although the proposed regulations generally will not be effective until taxable years beginning after the date on which they are issued in final form, taxpayers generally are permitted to elect to rely on their provisions currently. Accrual method holders should consult with their tax advisors regarding the potential applicability of the book/tax conformity rule to their particular situation.

Payments of interest

This discussion assumes that the bonds will not be issued with more than a de minimis amount of original issue discount for U.S. federal income tax purposes. Payments of interest on a bond (which may include Additional Amounts) generally will 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.

Sale or disposition of bonds

A U.S. Holder generally will recognize capital gain or loss upon the sale, exchange, retirement or other taxable disposition (including, under certain circumstances, the assumption of the Issuer’s obligations by a Substitute Issuer, as described under “Description of the Bonds – Substitution of the Issuer”) 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 gains. The deductibility of capital losses is subject to certain limitations. A U.S. Holder’s tax basis in the bond generally will equal the U.S.

Holder's cost for the bond. Gain or loss realized by a U.S. Holder on the sale, exchange, retirement or other taxable disposition of a bond generally will be United States source gain or loss for U.S. federal income tax purposes.

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 24%) with respect to cash payments of principal and interest on the bonds and on the gross proceeds from dispositions of the bonds 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. Backup withholding is not an additional tax. Any amount withheld under these rules generally will be allowed as a refundable credit against the U.S. Holder's U.S. federal income tax liability provided the required information is timely furnished to the IRS.

Foreign financial asset reporting

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 on the last day of the taxable year or US\$75,000 at any time during the taxable year. 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.

Substitution of the Issuer

The Issuer may, subject to certain conditions, be replaced and substituted by Gerdau or any wholly owned subsidiary of Gerdau as principal debtor (the "Substituted Issuer") in respect of the bonds (see "Description of the Bonds—Substitution of GUSAP III LP as Issuer of the Bonds" of this offering memorandum), which may result in certain adverse tax consequences to holders. Any such substitution might be treated for U.S. federal income tax purposes as a deemed disposition of Notes by a U.S. Holder in exchange for new notes issued by the new obligor. As a result of this deemed disposition, a U.S. Holder could be required to recognize capital gain or loss for U.S. federal income tax purposes equal to the difference, if any, between the issue price of the new notes (as determined for U.S. federal income tax purposes), and the U.S. Holder's tax basis in the Notes. U.S. Holders should consult their tax advisers concerning the U.S. federal income tax consequences to them of a change in obligor with respect to the Notes. The Substituted Issuer and Gerdau will have an obligation to indemnify and hold harmless each holder and beneficial owner of the notes (a) against all taxes or duties which arise by reason of a law or regulation in effect or contemplated on the date such substitution becomes effective, which are incurred or levied against such holder or beneficial owner as a result of any substitution described under "Description of the Bonds—Substitution of the Issuer" and which would not have been so incurred or levied had such substitution not been made, and (b) if the Substituted Issuer is organized in a jurisdiction other than the State of Delaware, against all taxes or duties which are imposed on such holder or beneficial owner of the bonds by any political subdivision or taxing authority of any country in which such holder or beneficial owner of the bonds resides or is subject to any such tax or duty and which would not have been so imposed had the substitution not been made, in each case subject to certain exceptions. Holders are urged to consult their tax advisors regarding any potential adverse tax consequences that may result from a substitution of the Issuer.

Non-U.S. Holders

As used herein, the term “Non-U.S. Holder” means a beneficial owner of the bonds that is not, for U.S. federal income tax purposes, a U.S. Holder or a partnership.

Payments of interest

A Non-U.S. Holder generally will not be subject to U.S. federal income or withholding tax on payments of interest on the bonds provided that (i) such interest is not effectively connected with the conduct of a trade or business within the United States engaged in by the Non-U.S. Holder (and, if certain tax treaties apply, is not attributable to a permanent establishment maintained in the United States by the Non-U.S. Holder) and (ii) the Non-U.S. Holder (A) does not actually or constructively own 10% or more of the total combined voting power of all classes of the issuer’s voting stock, (B) is not a controlled foreign corporation related to the issuer directly, indirectly or constructively through stock ownership, and (C) satisfies certain certification requirements. Such certification requirements will be met if (x) the Non-U.S. Holder provides its name and address, and certifies on IRS Forms W-8BEN or W-8BEN-E (or a substantially similar form), under penalties of perjury, that it is not a U.S. person and that no withholding is required, including pursuant to FATCA (discussed below), or (y) a securities clearing organization or certain other financial institutions holding a bond on behalf of the Non-U.S. Holder certifies on IRS Form W-8IMY, under penalties of perjury, that such certification has been received by it and furnishes the issuer or the paying agent with a copy thereof. In addition, the issuer and the paying agent must not have actual knowledge or reason to know that the beneficial owner of the bond is a U.S. person.

If interest on the bonds is not effectively connected with the conduct of a trade or business in the United States by a Non-U.S. Holder, but such Non-U.S. Holder cannot satisfy the other requirements outlined above, interest on the bonds generally will be subject to U.S. withholding tax at a 30% rate (or a lower applicable treaty rate).

If interest on the bonds is effectively connected with the conduct of a trade or business within the United States by the Non-U.S. Holder, and, if certain tax treaties apply, is attributable to a permanent establishment maintained by the Non-U.S. Holder within the United States, then the Non-U.S. Holder generally will be subject to U.S. federal income tax on such interest in the same manner as if such holder were a U.S. person and, in the case of a Non-U.S. Holder that is a foreign corporation, may also be subject to an additional branch profits tax at a rate of 30% (or a lower applicable treaty rate). However, any such interest will not also be subject to withholding tax if the Non-U.S. Holder provides a properly executed IRS Form W-8ECI in order to claim an exemption from withholding tax.

Sales or other taxable dispositions

A Non-U.S. Holder generally will not be subject to U.S. federal income or withholding tax on any gain realized (other than gain representing accrued but unpaid interest) in connection with the sale or other taxable disposition of a bond, 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 U.S. federal income tax in respect of such gain in the same manner as a U.S. Holder, as described above. If the second exception applies, then the Non-U.S. Holder generally will be subject to U.S. 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. 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 effectively connected gain (currently at a 30% rate or, if applicable, a lower tax treaty rate).

Information reporting and backup withholding

A Non-U.S. Holder generally will be required to comply with certain certification procedures in order to establish that such holder is not a U.S. person in order to avoid backup withholding at a rate of 24% with respect to payments of principal and interest on or the proceeds of a disposition of the bonds. In addition, payments of interest to a Non-U.S. Holder must be reported annually to the IRS and to each such Non-U.S. Holder, regardless of whether any tax was actually withheld, and the amount of any tax withheld. Copies of the information returns reporting such interest payments and the amount of any tax withheld may also be made available to the tax

authorities in the country in which a Non-U.S. Holder resides under the provisions of an applicable income tax treaty. Backup withholding is not an additional tax. Any amounts withheld under the backup withholding rules will be allowed as a refund or credit against a Non-U.S. Holder's U.S. federal income tax liability provided the required information is timely provided to the IRS.

Additional Withholding Requirements under the Foreign Account Tax Compliance Act ("FATCA")

Sections 1471 through 1474 of the Code and the Treasury Regulations and administrative guidance promulgated thereunder (commonly referred to as the "Foreign Account Tax Compliance Act" or "FATCA") generally impose withholding at a rate of 30% in certain circumstances on interest payable on bonds held by or through certain financial institutions, and, except as discussed below, gross proceeds from the disposition of bonds after December 31, 2018, unless such institution (i) enters into, and complies with, an agreement with the IRS to report, on an annual basis, information with respect to interests in, and accounts maintained by, the institution that are owned by certain U.S. persons or by certain non-U.S. entities that are wholly or partially owned by U.S. persons and to withhold on certain payments, or (ii) if required under an intergovernmental agreement between the United States and an applicable foreign country, reports such information to its local tax authority, which will exchange such information with the U.S. authorities. An intergovernmental agreement between the United States and an applicable foreign country may modify these requirements. Accordingly, the entity through which bonds are held will affect the determination of whether such withholding is required. Similarly, interest payable on bonds held by an investor that is a non-financial non-U.S. entity that does not qualify under certain exemptions and, except as discussed below, gross proceeds from the disposition of bonds by such a non-financial non-U.S. entity after December 31, 2018, generally will be subject to withholding at a rate of 30%, unless such entity either (i) certifies that such entity does not have any "substantial United States owners" or (ii) provides certain information regarding the entity's "substantial United States owners," which the payer will generally be required to provide to the IRS. In December of 2018, the IRS and the Treasury Department issued proposed regulations (the "Proposed Regulations") that would eliminate FATCA withholding described above with respect to gross proceeds from the disposition of bonds, so that only the payments of interest would be subject to FATCA withholding. Taxpayers may rely on the provisions of the Proposed Regulations until final regulations are issued, which has not yet occurred.

Each prospective investor is urged to consult his tax advisor regarding the possible implications of these rules on an investment in the bonds.

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 recently adopted amendments to the EU Tax Directive ("New EU Tax Directive"). The New EU Tax Directive will have to be transposed by Member States before 1 January 2016 and will apply as from 1 January, 2017 and includes the following changes:

- All types of regulated investment funds investing in debt claims will be covered by the New EU Tax Directive;
- Certain life insurance products will be covered by the New EU Tax Directive;
- The concept of 'residual entities' will be extended to all EU entities not subject to effective taxation; and
- Look-through rules will apply regarding payments made to "blacklisted" entities, trusts, foundations and similar legal arrangements outside the EU.

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 non-U.S. plan which is subject to any federal, state, local or non-U.S. 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 non-U.S. 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, 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) 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 an exemption from registration (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 non-U.S. plan which is subject to any federal, state, local or non-U.S. 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 non-U.S. 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 (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 only at the option of the Issuer.”

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

Brazil

We have been advised by our Brazilian counsel, that a final conclusive judgment of non-Brazilian courts for the payment of money may be enforced in Brazil, subject to certain requirements as described below. A judgment against either us or any of our Directors, our Officers or the Issuer issued by a foreign court would be enforceable in Brazil (to the extent that Brazilian courts may have jurisdiction) without reconsideration of the merits, upon confirmation of that judgment by the Brazilian Superior Court of Justice (*Superior Tribunal de Justiça*), or the “STJ”. That confirmation, generally, will occur if the foreign judgment, in accordance with Brazilian law, including Article 15 of Decree Law No. 4,657/42 and Articles 960 to 965 of Brazilian Civil Procedure Code (Law No. 13,105/2015):

- fulfills all formalities required for its enforceability under the laws of the jurisdiction where it was rendered;
- is issued by a competent court after proper service of process on the parties, which service of process must comply with Brazilian law if made in Brazil, or must be in accordance with the laws of the country where it was rendered, or, in case of service by publication, after sufficient evidence of the parties’ absence has been given, as required by applicable law;
- is final and therefore not subject to appeal in the jurisdiction where rendered;
- is not equal to a proceeding in Brazil involving the same parties, based on the same grounds and with the same object, which has been ruled by a Brazilian court and the decision is final (the foreign judgment must not violate *res judicata*);
- is in respect of a claim that is not subject to the exclusive jurisdiction of Brazil according to Brazilian law;
- is authenticated by the Brazilian consulate with jurisdiction over the place the judgment is rendered. If such foreign judgment was authenticated in a country that is signatory of the Hague Convention Abolishing the Requirement of Legalization for Foreign Public Documents dated as of October 5, 1961, or the Apostille Convention, authentication by a Brazilian Diplomatic Office or Consulate is not required;
- is translated into Portuguese by a certified sworn translator; and
- does not violate Brazilian public policy, human dignity or national sovereignty (as set forth in Brazilian law).

The confirmation process described above may be time consuming and may also give rise to difficulties in enforcing the foreign judgment in Brazil. Accordingly, we 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.

We have also been advised that civil actions may be brought before Brazilian courts in connection with this offering memorandum based solely on the federal securities laws of the United States and that Brazilian courts may enforce such liabilities in such actions against us (provided that provisions of the federal securities laws of the United States do not contravene Brazilian public policy, national sovereignty or public morality) and that Brazilian courts can assert jurisdiction over the matter being litigated.

We have been further advised that a plaintiff, whether Brazilian or non-Brazilian, who resides outside Brazil or is outside Brazil during the course of the litigation in Brazil and who does not own real property in Brazil must post a bond to guarantee the payment of the defendant’s legal fees and court expenses, except in case of (i) collection claims based on an instrument (which do not include the bonds issued hereunder) that may be enforced in Brazilian courts without previous judgment (*título executivo extrajudicial*); (ii) enforcement of a judgment; (iii) counterclaims; and (iv) when an international treaty signed by Brazil dismisses the obligation to post a bond, as established under Article 83, 1st paragraph of the Brazilian Code of Civil Procedure.

If proceedings are brought in the courts of Brazil seeking to enforce our obligations under the bonds, we would not be required to discharge our obligations in a currency other than *reais*. Any judgment obtained against us in Brazilian courts related to any payment obligations under the bonds would be expressed in *reais*.

PLAN OF DISTRIBUTION

Overview

BofA Securities, Inc., Banco Bradesco BBI S.A. and Mizuho Securities USA LLC are acting as representatives of each of the initial purchasers below. Subject to the terms and conditions stated in a purchase agreement among the Issuer, the Guarantors and the initial purchasers, the initial purchasers have severally and not jointly 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:

Joint Bookrunners	Principal Amount of the bonds to be Purchased
BofA Securities, Inc.	US\$214,286,000
Banco Bradesco BBI S.A.	US\$142,857,000
Mizuho Securities USA LLC.....	US\$142,857,000
Total	US\$500,000,000

Subject to the terms and conditions set forth in the purchase agreement, the initial purchasers have agreed to purchase all of the bonds sold under the purchase agreement if any of these bonds are purchased. The initial purchasers may offer and sell the bonds either directly or through their respective affiliates.

Each of the Issuer and the Guarantors have agreed to indemnify the initial purchasers and their respective controlling persons against certain liabilities in connection with this offering, including liabilities under the Securities Act, or to contribute to payments the initial purchasers may be required to make in respect of those liabilities.

The initial purchasers are offering the bonds, subject to prior sale, when, as and if issued to and accepted by them, subject to approval of legal matters by their counsel, including the validity of the bonds, and other conditions contained in the purchase agreement, including the receipt by the initial purchasers of certain officers' certificates and legal opinions. The initial purchasers reserve the right to withdraw, cancel or modify offers to the public and to reject orders in whole or in part.

Bradesco Securities Inc. will act as agent of Banco Bradesco BBI S.A. for sales of the notes in the United States of America. Banco Bradesco BBI S.A. is not a broker-dealer registered with the SEC and therefore may not make sales of any notes in the United States to U.S. persons. Banco Bradesco BBI S.A. and Bradesco Securities Inc. are affiliates of Banco Bradesco S.A.

Commissions and Discounts

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 persons reasonably believed to be 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." After the initial offering, the price at which the bonds are offered may be changed at any time without notice.

Bonds Are Not Being Registered

The bonds have not been registered under the Securities Act or any state securities laws. The initial purchasers propose to offer the bonds for resale in transactions not requiring registration under the Securities Act or applicable state securities laws, including sales pursuant to Rule 144A and Regulation S. The initial purchasers will not offer or sell the bonds except to persons they reasonably believe to be qualified institutional buyers or pursuant to offers and sales to non-U.S. persons that occur outside of the United States within the meaning of Regulation S. In addition, until 40 days following the commencement of this offering, an offer or sale of bonds within the United States by a dealer (whether or not participating in the offering) may violate the registration requirements of the Securities Act unless the dealer makes the offer or sale in compliance with Rule 144A or

another exemption from registration under the Securities Act. Each purchaser of the bonds will be deemed to have made acknowledgments, representations and agreements as described under “Notice to Investors”.

New Issue of Bonds

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.

Settlement

The Issuer and the Guarantors expect that delivery of the bonds will be made to investors on or about November 21, 2019, which will be the fifth business day following the date of this offering memorandum (such settlement being referred to as “T+5”). Under Rule 15c6-1 under the Securities Exchange Act of 1934, trades in the secondary market are required to settle in two business days, unless the parties to any such trade expressly agree otherwise. Accordingly, purchasers who wish to trade bonds prior to the delivery of the bonds hereunder will be required, by virtue of the fact that the bonds initially settle in T+5, to specify an alternate settlement arrangement at the time of any such trade to prevent a failed settlement. Purchasers of the bonds who wish to trade the bonds prior to their date of delivery hereunder should consult their advisors.

No Sales of Similar Securities

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 other debt securities (or publicly disclose the intention to make any such issuance, sale, offer, agreement, grant or disposal), except for the bonds sold to the initial purchasers pursuant to the purchase agreement.

Stabilizing and Syndicate Covering Transactions

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, they may discontinue them at any time but they 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.

Neither the Issuer or the Guarantors nor any of the initial purchasers make any representation or prediction as to the direction or magnitude of any effect that the transactions described above may have on the price of the bonds. In addition, neither we nor any of the initial purchasers make any representation that the representatives will engage in these transactions or that these transactions, once commenced, will not be discontinued without notice.

Other Relationships

In addition, the initial purchasers have performed investment banking, commercial banking and advisory services for the Company from time to time for which they have 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.

In addition, in the ordinary course of their business activities, the initial purchasers and their affiliates may make or hold a broad array of investments and actively trade debt and equity securities (or related derivative securities) and financial instruments (including bank loans) for their own account and for the accounts of their customers. Such investments and securities activities may involve securities and/or instruments of the Issuer or its affiliates. If any of the initial purchasers or their affiliates has a lending relationship with the Issuer or its affiliates, certain of those initial purchasers or their affiliates routinely hedge, and certain other of those initial purchasers or their affiliates may hedge, their credit exposure to the Issuer or its affiliates consistent with their customary risk management policies. Typically, these initial purchasers and their affiliates would hedge such exposure by entering into transactions which consist of either the purchase of credit default swaps or the creation of short positions in the Issuer's or its affiliates securities, including potentially the bonds offered hereby. Any such credit default swaps or short positions could adversely affect future trading prices of the bonds offered hereby. The initial purchasers and their affiliates may also make investment recommendations and/or publish or express independent research views in respect of such securities or financial instruments and may hold, or recommend to clients that they acquire, long and/or short positions in such securities and instruments.

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.

Notice to Investors in Brazil

The bonds have not been and will not be issued nor publicly 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. Documents relating to the offering of the bonds, as well as information contained therein, may not be supplied to the public in Brazil (as the offering of the bonds is not a public offering of securities in Brazil), nor be used in connection with any offer for subscription or sale of the bonds to the public in Brazil.

Notice to Investors in the European Economic Area

The bonds have not been offered, sold or otherwise made available and will not be offered, sold or otherwise made available any bonds to any retail investor in the European Economic Area. For the purposes of this provision:

- (a) the expression "retail investor" means a person who is one (or more) of the following:
 - (i) a retail client as defined in point (11) of Article 4(1) of Directive 2014/65/EU (as amended, "MiFID II"); or
 - (ii) a customer within the meaning of Directive (EU) 2016/97 (the "Insurance Distribution Directive"), where that customer would not qualify as a professional client as defined in point (10) of Article 4(1) of MiFID II; and
- (b) the expression "offer" includes the communication in any form and by any means of sufficient information on the terms of the offer and the bonds to be offered so as to enable an investor to decide to purchase or subscribe for the bonds.

Notice to Investors in the United Kingdom

This offering memorandum is for distribution only to persons who (i) have professional experience in matters relating to investments falling within Article 19(5) of the Financial Services and Markets Act 2000 (Financial Promotion) Order 2005 (as amended, the “Financial Promotion Order”), (ii) are persons falling within Article 49(2)(a) to (d) (“high net worth companies, unincorporated associations, etc.”) of the Financial Promotion Order, (iii) are outside the United Kingdom, or (iv) are persons to whom an invitation or inducement to engage in investment activity (within the meaning of section 21 of the Financial Services and Markets Act 2000) in connection with the issue or sale of any securities may otherwise lawfully be communicated or caused to be communicated (all such persons together being referred to as “relevant persons”). This offering memorandum is directed only at relevant persons and must not be acted on or relied on by persons who are not relevant persons. Any investment or investment activity to which this offering memorandum relates is available only to relevant persons and will be engaged in only with relevant persons.

Each initial purchaser has agreed that:

- (a) it has only communicated or caused to be communicated and will only communicate or cause to be communicated an invitation or inducement to engage in investment activity (within the meaning of Section 21 of 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; and
- (b) 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.

Notice to Investors in Hong Kong

The bonds may not be offered or sold by means of any document other than (i) in circumstances which do not constitute an offer to the public within the meaning of the Companies (Winding Up and Miscellaneous Provisions) Ordinance (Cap. 32, Laws of Hong Kong), or (ii) to “professional investors” within the meaning of the Securities and Futures Ordinance (Cap. 571, Laws of Hong Kong) and any rules made thereunder, or (iii) in other circumstances which do not result in the document being a “prospectus” within the meaning of the Companies (Winding Up and Miscellaneous Provisions) Ordinance (Cap. 32, Laws of Hong Kong), and no advertisement, invitation or document relating to the bonds may be issued or may be in the possession of any person for the purpose of issue (in each case whether in Hong Kong or elsewhere), 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 laws of Hong Kong) other than with respect to bonds which are or are intended to be disposed of only to persons outside Hong Kong or only to “professional investors” within the meaning of the Securities and Futures Ordinance (Cap. 571, Laws of Hong Kong) and any rules made thereunder.

Notice to Investors in Singapore

This offering memorandum has not been registered as a prospectus with the Monetary Authority of Singapore. Accordingly, the bonds should not be made the subject of an invitation for subscription or purchase and should not be offered or sold, and this offering memorandum or any other document or material in connection with the offer or sale, or invitation for subscription or purchase, of the bonds should not be circulated or distributed, whether directly or indirectly, to any person in Singapore other than (i) to an institutional investor (as defined in Section 4A of the Securities and Futures Act (Chapter 289) of Singapore, as modified or amended from time to time (the “SFA”)) pursuant to Section 274 of the SFA, (ii) to a relevant person (as defined in Section 275(2) of the SFA) pursuant to Section 275(1) of the SFA, or any person pursuant to Section 275(1A) of the SFA, and in accordance with the conditions specified in Section 275 of the SFA, or (iii) otherwise pursuant to, and in accordance with the conditions of, any other applicable provision of the SFA.

Where the bonds are subscribed or purchased under Section 275 of the SFA by a relevant person which is:

- (a) a corporation (which is not an accredited investor (as defined in Section 4A of the SFA)) the sole business of which is to hold investments and the entire share capital of which is owned by one or more individuals, each of whom is an accredited investor; or

- (b) a trust (where the trustee is not an accredited investor) whose sole purpose is to hold investments and each beneficiary of the trust is an individual who is an accredited investor,

securities or securities-based derivatives contracts (each term as defined in Section 2(1) of the SFA) of that corporation or the beneficiaries' rights and interest (howsoever described) in that trust shall not be transferred within six months after that corporation or that trust has acquired the bonds pursuant to an offer made under Section 275 of the SFA except:

- (1) to an institutional investor or to a relevant person, or to any person arising from an offer referred to in Section 275(1A) or Section 276(4)(i)(B) of the SFA;
- (2) where no consideration is or will be given for the transfer;
- (3) where the transfer is by operation of law; or
- (4) as specified in Section 276(7) of the SFA.

Notice to Investors in Chile

The offer of the bonds began on November 8, 2019 and is subject to General Rule No. 336 of the Chilean Securities and Insurance Commission (*Superintendencia de Valores y Seguros de Chile*), or the SVS. Neither the issuer nor the bonds are registered in the Securities Registry (*Registro de Valores*) or the Foreign Securities Registry (*Registro de Valores Extranjeros*) of the SVS or subject to the control and supervision of the SVS. This offering memorandum and other offering materials relating to the offer of the bonds do not constitute a public offer of, or an invitation to subscribe for or purchase, the bonds in the Republic of Chile, other than to individually identified purchasers pursuant to a private offering within the meaning of Article 4 of the Chilean Securities Market Act (*Ley de Mercado de Valores*) (an offer that is not "addressed to the public at large or to a certain sector or specific group of the public").

La oferta de los valores comenzó el 8 de noviembre del 2019 y está acogida a la NCG 336 de fecha 27 de junio de 2012 de la SVS. Ni el emisor ni los valores están inscritos en el Registro de Valores o el Registro de Valores Extranjeros de la SVS, o sujetos al control y la supervisión de la SVS. El presente prospecto y los otros materiales relativos a la oferta de los valores no constituye una oferta pública de, ni una invitación a suscribir o comprar, tales valores en la República de Chile, salvo a compradores individualmente identificados conforme a una oferta privada en los términos del artículo 4 de la Ley de Mercado de Valores (una oferta que no está "dirigida al público en general o a un cierto sector o grupo específico de éste").

Notice to Investors in Canada

The bonds may be sold only to purchasers purchasing, or deemed to be purchasing, as principal that are accredited investors, as defined in National Instrument 45-106 Prospectus Exemptions or subsection 73.3(1) of the Securities Act (Ontario), and are permitted clients, as defined in National Instrument 31-103 Registration Requirements, Exemptions and Ongoing Registrant Obligations. Any resale of the bonds must be made in accordance with an exemption from, or in a transaction not subject to, the prospectus requirements of applicable securities laws.

Securities legislation in certain provinces or territories of Canada may provide a purchaser with remedies for rescission or damages if this offering memorandum (including any amendment thereto) contains a misrepresentation, provided that the remedies for rescission or damages are exercised by the purchaser within the time limit prescribed by the securities legislation of the purchaser's province or territory. The purchaser should refer to any applicable provisions of the securities legislation of the purchaser's province or territory for particulars of these rights or consult with a legal advisor.

Pursuant to section 3A.3 of National Instrument 33-105 Underwriting Conflicts (NI 33-105), the initial purchasers are not required to comply with the disclosure requirements of NI 33-105 regarding underwriter conflicts of interest in connection with this offering.

Notice to Investors in Japan

The bonds offered in this offering memorandum have not been and will not be registered under the Financial Instruments and Exchange Law of Japan. The bonds have not been offered or sold and will not be offered or sold, directly or indirectly, in Japan or to or for the account of any resident of Japan (including any corporation

or other entity organized under the laws of Japan), except (i) pursuant to an exemption from the registration requirements of the Financial Instruments and Exchange Law and (ii) in compliance with any other applicable requirements of Japanese law.

Notice to Investors in Republic of Korea

The bonds have not been and will not be registered under the Financial Investment Services and Capital Markets Act and the decrees and regulations thereunder (the “FSCMA”) and the bonds have been and will be offered in Korea as a private placement under the FSCMA. None of the bonds may be offered, sold and delivered directly or indirectly, or offered or sold to any person for re-offering or resale, directly or indirectly, in Korea or to any resident of Korea except as otherwise permitted under the applicable laws and regulations of Korea, including the FSCMA and the Foreign Exchange Transaction Law of Korea and the decrees and regulations thereunder (the “FETL”). For a period of one year from the issue date of the bonds, any acquirer of the bonds who was solicited to buy the bonds in Korea is prohibited from transferring any of the bonds to another person in any way other than as a whole to one transferee. Furthermore, the purchaser of the bonds shall comply with all applicable regulatory requirements (including but not limited to requirements under the FETL) in connection with the purchase of the bonds.

Notice to Investors in Taiwan

The bonds have not been, and will not be, registered or filed with, or approved by, the Financial Supervisory Commission of Taiwan, the Republic of China (“Taiwan”) and/or other regulatory authority of Taiwan pursuant to applicable securities laws and regulations and may not be sold, issued or offered within Taiwan through a public offering or in circumstances which constitute an offer within the meaning of the Taiwan Securities and Exchange Act or relevant laws and regulations that requires a registration, filing or approval of the Financial Supervisory Commission of Taiwan and/or other regulatory authority of Taiwan. No person or entity in Taiwan is authorized to offer, sell or distribute or otherwise intermediate the offering of the bonds or the provision of information relating to this offering memorandum and the accompanying prospectus.

The bonds may be made available to Taiwan resident investors outside Taiwan for purchase by such investors outside Taiwan, but may not be issued, offered sold or resold in Taiwan, unless otherwise permitted by Taiwan laws and regulations. No subscription or other offer to purchase the bonds shall be binding on Taiwan resident investors until received and accepted by such Taiwan resident investors or any agent thereof outside of Taiwan (the “Place of Acceptance”), and the purchase/sale contract arising therefrom shall be deemed a contract entered into in the Place of Acceptance.

Notice to Investors in People’s Republic of China (excluding Hong Kong, Macau and Taiwan)

The bonds are not being offered or sold and may not be offered or sold, directly or indirectly, in the People’s Republic of China, or the PRC (for such purposes, not including the Hong Kong and Macau Special Administrative Regions or Taiwan), except as permitted by all relevant laws and regulations of the PRC.

This offering memorandum (i) has not been filed with or approved by the PRC authorities and (ii) does not constitute an offer to sell, or the solicitation of an offer to buy, any bonds in the PRC to any person to whom it is unlawful to make the offer or solicitation in the PRC.

The bonds may not be offered, sold or delivered, or offered, sold or delivered to any person for reoffering or resale or redelivery, in any such case directly or indirectly (i) by means of any advertisement, invitation, document or activity which is directed at, or the contents of which are likely to be accessed or read by, the public in the PRC, or (ii) to any person within the PRC, other than in full compliance with the relevant laws and regulations of the PRC.

Notice to Investors in the 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.

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 Cleary Gottlieb Steen & Hamilton, LLP. Certain matters of Brazilian law relating to the bonds and the guarantees will be passed upon for the Issuer by Barbosa Mussnich Aragão Advogados, Brazilian Counsel to the Issuer. Stocche, Forbes, Filizzola, Passaro e Meyer Advogados, São Paulo, Brazil, will pass upon certain matters of Brazilian law relating to the bonds and the guarantees for the initial purchasers.

INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

The Company's consolidated financial statements as of December 31, 2018 and December 31, 2017 and for each of the two years in the period ended December 31, 2018, and the effectiveness of internal control over financial reporting as of December 31, 2018, incorporated in this offering memorandum by reference to the 2018 20-F, have been audited by KPMG Auditores Independentes, an independent registered public accounting firm.

The Company's consolidated financial statements for the year ended December 31, 2016, incorporated by reference in this offering memorandum by reference to the Annual Report on Form 20-F for the year ended December 31, 2018, have been audited by PricewaterhouseCoopers Auditores Independentes, an independent registered public accounting firm, as stated in their report which is incorporated by reference herein.

With respect to the unaudited condensed consolidated interim financial statements as of and for the three- and nine-month period ended September 30, 2019, incorporated in this offering memorandum by reference, KPMG Auditores Independentes, an independent accounting firm, has reported that they applied limited procedures in accordance with the International Standard on Review Engagements 2410, "Review of Interim Financial Information Performed by the Independent Auditor of the Entity" for a review of such information. However, their separate report, incorporated herein by reference, states that they did not audit and they do not express an opinion on that interim financial information. Accordingly, the degree of reliance on their review on such information should be restricted in light of the limited nature of the review procedures applied.

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	36258G AA5	U4034G AA1
ISIN	US36258GAA58	USU4034GAA14

2. The Issuer will apply 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 deposited with the Register of Trade and Commerce (*Registre de Commerce et des Sociétés*), where such documents may be examined and copies of such documents may be obtained.

3. Copies of the by-laws of the Guarantors and 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. 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 for inspection at the offices of the principal paying agent and any other paying agent.

4. Except as disclosed in this offering memorandum, there has been no material adverse change in the Company's or the Issuer's financial position since December 31, 2018, the date of the latest audited financial statements incorporated by reference in this offering memorandum. Except as disclosed herein, there has been no material adverse change in the prospects of the Issuer and the Guarantors since December 31, 2018.

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 are 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 sociais* (by-laws) of each Guarantor, as well as the indenture (including forms of the bonds and the guarantee), will be available for inspection at the offices of the principal paying agent and any other paying agent.

7. 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.

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. Under certain circumstances the Company may apply to remove the bonds from listing on the Luxembourg Stock Exchange.

9. The issuance of US\$500,000,000 aggregate principal amount of the bonds was authorized by the Issuer's board of directors on November 21, 2019. 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 November 21, 2019.

ISSUER

GUSAP III LP
251 Little Falls Drive
Wilmington, Delaware 19808
U.S.A.

GUARANTORS

Gerdau S.A.
Avenida Doutora Ruth Cardoso, 8,501 – 8º andar
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Brazil CEP 05425-070

Gerdau Açominas S.A.
Avenida Doutora Ruth Cardoso, 8,501 – 8º andar
São Paulo, São Paulo
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Gerdau Aços Longos S.A.
Avenida Doutora Ruth Cardoso, 8,501 – 8º andar
São Paulo, São Paulo
Brazil CEP 05425-070

**TRUSTEE, PRINCIPAL PAYING AGENT,
TRANSFER AGENT AND REGISTRAR**

The Bank of New York Mellon
240 Greenwich Street
New York, NY 10286
U.S.A.

LEGAL ADVISERS

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

Greenberg Traurig, LLP
200 Park Avenue- MetLife Building
New York, NY 10166
U.S.A.

To the Issuer and Guarantors as to Brazilian law:

Barbosa Mussnich Aragão Advogados
Av. Presidente Juscelino Kubitschek, 1.455 10º andar
04543-011 São Paulo, SP
Brazil

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

Cleary Gottlieb Steen & Hamilton, LLP
Rua Professor Atílio Innocenti 165, 14th Floor
São Paulo, SP 04538-000
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To the initial purchasers as to Brazilian law:

Stocche Forbes Advogados
Av Brigadeiro Faria Lima 4100 - 10º andar
04538-132, São Paulo, SP
Brazil

**INDEPENDENT REGISTERED PUBLIC
ACCOUNTING FIRM**

PricewaterhouseCoopers Auditores Independentes

*As of and for the year ended
December 31, 2016*
Rua Mostardeiro, nº 800, 9º andar
90430-000 - Porto Alegre – RS
Brazil

KPMG

*As of and for the years ended December 31, 2017 and 2018
and as of and for the three- and nine-months ended
September 30, 2019 and 2018*
Rua Arquiteto Olavo Redig Campos, 105, 6º - 12º andar
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Brazil

