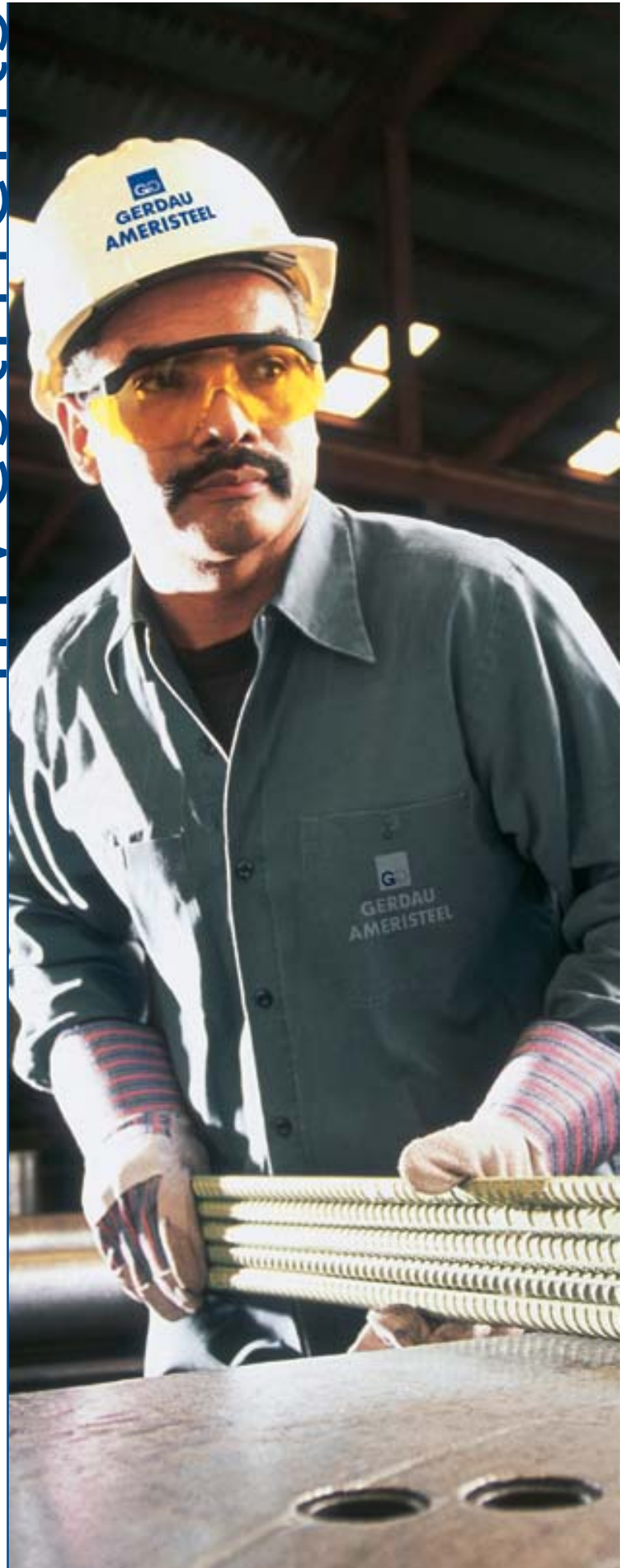


Growing
presence in
the Americas

Investments



■ Growth and profitability are key words in the long term investment policy of the Gerdau Group. In 2002, the principal expansion move confirmed this guideline: the merger of the Group's North American operations with those of Co-Steel will bring synergy gains of approximately US\$ 23 million. The operation, concluded in October, resulted in the creation of Gerdau AmeriSteel, the second largest producer of long steel in the region, which generated savings of US\$ 5 million in just three months.

■ The transaction involved seven Gerdau units – two in Canada and five in the United States – and Co-Steel's three mills and its stake in the steel-maker Gallatin. The Group holds 67% of the new Company, with other shareholders retaining 33%.

■ During 2002, the Group's investments totaled US\$ 463.8 million, of which 55.6% went towards the acquisition of stockholdings and 44.4% to the modernization of units and acquisition of new permanent assets.

■ One of the highlights for the year was the new position of Açominas, in which the Group is now the majority stakeholder with a qualified majority under the terms of the stockholders' agreement. In February, agreement was reached to purchase the 17.7% of capital stock belonging to Agropecuária Senhor do Bonfim, a company controlled by Banco Econômico. Of the total sum involved in the operation, US\$ 143.9 million was recorded in the 2001 balance and US\$ 38.2 million in 2002. In the same month, an agreement with Natsteel, a company that was part of the controlling block, allowed Gerdau to purchase an additional 24.8% stake for US\$ 211.6 million, which was paid in October. With these two investments, the Group's stake reached 78.9%, giving important competitive advantages in terms of operating flexibility and the privileged location of the mill in Ouro Branco, state of Minas Gerais, Brazil.

Rebar fabricating service



- To service the civil construction market, the Group invested in the expansion of technologies that boost on-site productivity, expanding rebar fabrication services in Brazil and Uruguay and in Chile, where production of welded wire mesh was also begun.
- The project for the construction of a new steel mill in the state of São Paulo, to service the same sector, was postponed for a year due to the effect of the energy crisis and falling domestic demand, factors that limited economic growth in 2001.
- In the United States, the Gerdau Group purchased a drawing mill from Republic Technologies International LLC in a public auction. Located in Cartersville, Georgia, the mill has the annual capacity to process 60,000 metric tons of round, square, flat and hexagonal cold drawn bars for industry.
- In the energy sector, Gerdau assumed control of the Dona Francisca hydroelectric plant in Rio Grande do Sul, Brazil, in which it already held a 21.8% stake. The decision to increase its stake to 51.8% was based on a series of analyses regarding the economic perspectives for growth in the business.

MAIN INVESTMENTS IN EXPANSION AND MODERNIZATION OF MILLS

UNITS	INVESTMENTS
 Açominas	<p>The installation of a rolling mill for structural shapes with an annual capacity of 440,000 metric tons allows the unit to offer the civil construction market a more diversified product line in Brazil. The implementation of a new wire rod rolling mill with an annual production capacity of 550,000 metric tons is also in progress, an investment of US\$ 76 million. Also in 2002, the installation of the turbo-generator was completed. Its purpose is to use the excess gases resulting from the production process to generate energy. Açominas currently produces 75% of the electric power that it consumes.</p>
 Gerdau Aços Finos Piratini	<p>The modernization of rolling mill 1 increased the surface and dimensional quality of medium and heavy bars with gauges over 45 mm, exceeding the requirements of the German DIN standard. In 2003, the electric arc furnace will be modernized, increasing the melt shop capacity by 15%.</p>
 Gerdau Riograndense	<p>Improvements in the rolling mills resulted in increased metallic yield and equipment efficiency.</p>
 Gerdau Cosigua	<p>The unit's range of products was increased with the manufacture of light structural shapes for steel structures and roofing. In addition, new exits were installed in rolling mills 1 and 2 to increase both productivity and product quality. Galvanizing was also expanded with the increased production of agricultural products.</p>
 Gerdau Divinópolis	<p>The updating of the medium bar rolling mill's drive and electronic control systems will improve equipment performance starting in 2003.</p>
 Gerdau Açonorte	<p>The installation of new equipment will modernize the welded mesh factory and improve its installed capacity and productivity.</p>
 Gerdau Usiba	<p>The installation of a new continuous casting unit, initiated in 2002, will be completed in 2004. The equipment will provide a 20% increase in melt shop output, in addition to improving product quality and reducing operating costs.</p>
 Gerdau AZA	<p>Investments were primarily aimed at the optimization of rolling mill productivity, the reduction of costs and the improvement of product quality. Improvements in storage warehouses and product loading resulted in operational excellence and better customer service.</p>
 Gerdau Laisa	<p>The refurbishing of the continuous casting unit, initiated in 2002, will enable the production of larger section billets (from 100 X 100 mm to 120 X 120 mm) for greater productivity at the melt shop and rolling mill.</p>
 Gerdau AmeriSteel Cartersville	<p>The new area for automated packaging and storage of rolled products will translate into improved logistics.</p>
 Gerdau AmeriSteel Charlotte and Gerdau AmeriSteel Knoxville	<p>The implementation of new drive and electronic control systems for the rolling mills in the two units will increase both productivity and product quality.</p>
 Gerdau AmeriSteel Jackson	<p>The complete refurbishing of the continuous casting unit will reduce losses and improve product quality.</p>
 Gerdau AmeriSteel Cambridge	<p>The operating performance of the melt shop was expanded with the installation of a new gantry crane.</p>