



# Glossary

DEFINITIONS FOR TECHNICAL TERMS EMPLOYED  
IN THE REPORT

## A

### ADRs

ADRs, or American Depositary Receipts, are securities issued in the U.S. capital market to represent shares of non-U.S. companies. These securities were created to give foreign companies access to the North American capital market.

### Amortization

Accounting procedure by which the original cost value of an asset with limited life or of an intangible asset is gradually written off as expense, reducing the value of the asset. In the case of fixed assets, the term used is “depreciation” and for goods such as natural resources, “exhaustion.”

### Assets

Any goods with commercial or exchange value belonging to a society, institution or individual.

## B

### Bars and profiles

Product category encompassing shapes used to manufacture diverse products such as agricultural machinery and equipment, furniture, steel grating, etc.

### Benchmark

Standard of excellence.

### Billet

Steel section (usually square) resulting from continuous casting or rolling of larger sections. Used as material for the production of long steel products.

### Blast furnace

A large steel stack lined with refractory brick used in integrated steel mills to produce pig iron.

### By-product

Desirable or undesirable secondary product of the industrial process.

## C

### Coke

A raw material used in the blast furnace to produce pig iron. Coke is produced from charcoal through a process known as coking. Coking removes the volatile components of charcoal.

### Common share

Security representing the smallest portion of capital stock in a corporation, providing voting rights.

### Continuous casting

Process during which liquid steel is solidified. Steel may be cast into various shapes and gauges to produce billets, slabs or blooms.

### Controlling block

Ownership by a shareholder or group of shareholders of the largest portion of shares with voting rights in a company, which entails the power of decision-making.

### Corporate governance

System by which corporations are managed and supervised, involving the relationship between shareholders/quota holders, board of directors, executive board, independent auditors and fiscal council. Good corporate governance practices are aimed at increasing the value of a company's shares, facilitating the access of companies to capital resources and contributing to their continuity (Brazilian Institute for Corporate Governance definition).

## D

### Dividend

Amount distributed to shareholders in cash for each share.

### Drawing

Cold process by which wire rod is transformed into wire.

### Dust removal

A highly efficient system for filtering the tiny solid particles resulting from steelmaking.

## E

### EBITDA

Earnings Before Interest, Taxes, Depreciation and Amortization. It is calculated as gross profit minus sales, general and administrative expenses, depreciation and amortization.

### Ecoefficiency

Capacity to carry out processes with the least negative impact on the environment.

### Electric arc furnace

Furnace used to manufacture steel primarily from steel scrap. Employs electricity through an electric arc to melt raw materials.

### Equity pickup

Realization of equity changes in a controlled or subsidiary company in the results of the parent company.

### Euro commercial paper

Short or medium term securities that are issued by companies in international financial markets.

## F

### Flat rolled steel

Product category including products such as plates and strips. Flat steel is used in the exterior of cars, home appliances, etc.

## G

### Galvanized steel

Steel coated with a thin layer of zinc that provides resistance against corrosion for use in applications exposed to the environment, such as automotive parts, cans and fencing.

### GGB

Ticker symbol for Gerdau S.A. ADRs on the New York Stock Exchange.

### GGBR4

Ticker symbol for Gerdau S.A.

preferred shares on the São Paulo Stock Exchange.

### GNA

Ticker symbol for Gerdau Ameristeel shares on the New York Stock Exchange.

### GOAU4

Symbol for Metalúrgica Gerdau S.A. preferred shares on the São Paulo Stock Exchange.

### Gross debt

Amount referring to bank loans plus issued debentures.

### Gross margin

Equivalent to gross income divided by net sales revenues. Gross margin is expressed as a percentage representing the amounts of net sales revenues that produced gross income.

### Gross revenues

Total sales before cost of materials and services.

## I

### Indebtedness

Composition of long and short term debt resulting from loans and debentures.

### Integrated mill

A mill employing iron ore to manufacture steel. It is usually comprised of a pellet mill and coking unit, a blast furnace, melt shop and rolling mill.

## L

### Ladle furnace

Furnace that receives the liquid steel produced at the electric arc furnace for chemical refining.

### Level 1 Corporate Governance, Bovespa

Set of conduct rules for companies, managers and controlling shareholders, which contribute to the appreciation of shares and other assets issued by a company. Level 1 Companies are committed to improving disclosure to the market and shareholding dispersion.

**Liquidity**

Ability of an asset to be converted into cash quickly.

**Long steel**

Steel product in which one dimension (length) is predominant. Includes bars, profiles, wire rod, rebar, structural shapes and wires. The line of long steel products is Gerdau's main product line.

**M****Majority shareholder**

Individual or group holding a sufficient number of voting shares to control a company.

**Market mills**

Steel mills focused on purchasing raw material and selling their production in the same region in which they are installed.

**Melt shop**

In a steel mill, the location where steel is actually produced.

**Minority shareholder**

Individual or group holding a number of shares that is not sufficient to control the company.

**N****Net debt**

Gross debt minus cash and financial applications.

**Net income**

Profit after taxes and minority participations.

**Net margin**

Equivalent to net income divided by net sales revenues. Net margin is expressed as a percentage representing the amounts of net sales revenues that produced net income.

**Net sales revenue**

Gross revenues minus sales taxes, freight and discounts.

**O****Oxy-cutting**

Cutting method for metallic

parts. It is used to cut scrap and billets or slabs in the continuous casting process.

**P****Pellet**

Small iron ore body, usually spherical, used as input in the blast furnace.

**Pig iron**

Produced in the blast furnace, pig iron results from the chemical reduction of iron ore with charcoal or coke.

**Preferred share**

Security representing the smallest portion of capital stock in a corporation, providing privileges in terms of dividend distribution and reimbursement of capital in case of dissolution. In general, preferred stock holders do not have voting rights.

**Productivity**

Ratio between what is produced and the necessary resources for production. In the steel industry, one of the most widely used productivity indicators is ton/man/year (t/m/y).

**Publicly traded company**

Company whose shares are registered with the Securities and Exchange Commission, distributed among a certain number of shareholders and negotiable in stock exchanges or over-the-counter market.

**R****Rebar**

A steel rod with ridges for use in reinforced concrete.

**Receivables**

Accounts receivable less bad debts.

**Recycling**

Process through which iron scrap is re-used to produce steel.

**Ribbed reinforcing mesh**

Grid frame made of ribbed rebar used in the construction of concrete slabs.

**ROE**

Return on Equity. ROE is the ratio

between net income and net equity. It reflects shareholder return on investment.

**Rolled product**

Product resulting from the rolling process, in which raw material is successively compressed until acquiring the desired shape and dimensions.

**Rolling**

Cold or hot mechanical process that changes the cross-sectional dimensions or shape of steel produced in the melt shop.

**Rolling block**

Rolling equipment, including a set of cages assembled as a single structure, used in the high-speed production of high quality wire rod.

**S****Sarbanes-Oxley**

A law enacted by the U.S. Congress to protect investors from accounting fraud in corporations. The rules and regulations of the Sarbanes-Oxley Act amend and supplement the preexisting laws ruling publicly traded companies.

**Scrap**

Iron material that is reprocessed for steel production.

**Shareholders' equity**

Shareholders' net worth capital invested in a company.

**Slab**

A steel product that serves as the basis for the production of plates and strips.

**Specialty long steel**

Long steel produced with specific physical characteristics required for special applications, such as in the automotive, oil, tools and machinery industries.

**Steel**

An iron alloy with carbon content not more than 1.5%, which may also contain other elements that alter the physical properties.

**Stock bonus**

Shares of stock given to current

shareholders in addition to dividends. May also be a security that entitles to the subscription of new shares issued by a company within the limit of capital increase authorized in the by-laws.

**Structural shapes**

Category of steel product including I and H beams and wide flange beams. Used in buildings, industrial installations, bridge reinforcements, etc.

**Sustainability**

Sustainability (or sustainable development) is the balance between economic, environmental and social aspects to avoid compromising the future growth of a company.

**T****Total quality**

Management methodology in which quality is viewed as synonymous with the satisfaction of a company's stakeholders: customers, employees, shareholders, suppliers and the community.

**W****Wire rod**

Round steel product obtained from the rolling process. Wire rod is usually drawn and used in the production of wire, screws and nails.