**VALUES**

- Be the **CUSTOMER**’s choice
- **SAFETY** above all
- Respected, engaged and fulfilled **EMPLOYEES**
- Pursuing **EXCELLENCE** with **SIMPLICITY**
- Focus on **RESULTS**
- **INTEGRITY** with all stakeholders
- Economic, social and environmental **SUSTAINABILITY**

**PROFILE**

- The second largest mini-mill steel producer in North America.
- Annual manufacturing capacity of approximately 10 million tons of finished steel products.
- Through its vertically integrated network of steel mills, recycling operations and downstream facilities, Gerdau Long Steel North America serves customers throughout the United States and Canada.
- Gerdau Long Steel North America employs approximately 10,000 people in the United States and Canada.
- Gerdau is the leader in long steel production in the Americas and one of the largest suppliers of special steel in the world.

**PRODUCT MIX**

- **MERCHANTS**
- **REBAR**
- **FABRICATED**
- **STRUCTURAL**
- **FLAT ROLLED**
- **WIRE ROD**
**History**

- **1907**: Started production
- **1988**: Acquired by Canam Manac
- **1995**: Acquired by Gerdau Group
- **1999**: JV fabrication plants with Monteferro (Italy)

**Social Responsibility**

- Selkirk Hospice
- Safe Workers of Tomorrow
- Food Bank
- Red River Hamper Toy Drive
- Manitoba Heart and Stroke Foundation
- Selkirk Fire Department

**Products**

Manitoba mill products are used in the civil construction and consumer product markets.

- Special Sections
  - Flats
  - Squares
- Rounds
- Angles
- MC Channels
Process Flow

1. RECYCLE

- Scrap metal sourced from within 150 kilometers of our mill and cut for melting
- Loaded in furnace
- Steel flows from the bottom of the ladle into a reservoir then into the molds

2. MELT

- Melt with three carbon electrodes at 1,648 degrees C
- Alloys added to the molten steel in a ladle that is lifted to the top of a caster
- Cooled with spraying water until solid throughout

3. ROLL

- Billets heated and sent through roll stands
- Roll stands reduce billet thickness and increase length (like rolling dough)
- Hot steel cools on cooling bed
- The semi-finished products are steel billets

4. BUNDLE

- Steel is bundled for delivery and is shipped to customers
Gerdau’s Economic Impact in the Province

- 44.5 MM Wages, 528k Property tax, $13 MM in CAPEX, $8MM Power
  - 1 cent/kWh = 1.8 MM/year
- Number of employees at the steel plant – 436
- Additional 300+ employees at:
  - Gerdau – Manitoba Metallics Raw Materials
  - Gerdau Winnipeg Recycling Depot
  - Monteferro American – Birds Hill and Steinbach locations.
  - TC Industries – Selkirk
  - Black Cat Blades – 2 plants in Selkirk
  - Bradley Steel Processors – Winnipeg
- Gerdau also supports many other Winnipeg based industries – with over 721 vendors in the province of Manitoba
- Largest Recycler in the province – 400,000 tons/yr scrap
- One of the largest shippers in the region – 150 trucks and 25 railcars/week
Unsustainable Rate Increases
Managing Energy Costs

Gerdau’s load is very flexible and in every location we operate, except MAN we are able to manage our load and reduce our costs.

✓ Demand Limiting Control
  – The plant trims the peak usage to reduce demand charges (impacts production)
  – Manitoba Hydro has an extremely high Demand Charge - Hurts cyclical businesses.

✓ Energy Efficiency Initiatives
  – Down Day Load Reduction, extensive metering allowing us to control behaviour. EE projects.

Curtailable Rate Program
  Gerdau has been urging Manitoba Hydro for years to open subscription for additional MW’s into the Curtailable Rate program. This is untapped capacity, how much of the recent investments could have been avoided?

Time Of Use Rates
  – Gerdau was active in developing the TOU rate, approved by MH’s Board
  – If implemented this will provide manufacturers with a tool to reduce costs

Incentive Rates
  – Our operations in Tennessee qualify for a manufacturing incentive credit, worth millions of dollars and is justified based on our economic contribution to the state. Jobs, capex, consumption, etc.
What could be done?

• Preferred Development Plan
  – More risk sharing/reduced benefits for Government for Preferred Development Plan
    • Reduced/eliminate 100 basis point Adder for Manitoba Hydro Debt Guarantee (was 50)
    • Corporate capital tax reduction/elimination for Keeyask/New Transmission Line
    • Reduced water rental fees
    • Don’t stray from the debt/equity plan presented in the NFAT review (75% debt in year 20)

• Industrial Rates
  – Demand Response Programs
    • Open the existing program for new subscription and work with customers to develop new options.
  – Time-Of-Use Rates
    • Implement TOU as soon as practical for the Industrial Classes of customers
  – Economic Incentive Rates
    • Recognize that companies that are Energy Intensive and Trade Exposed (can’t pass on price increases) must not see a 7.9% y/y increase in cost or investment/jobs/economy will suffer.
    • Either lower allocation to EITE or a credit for economic contributions must be developed and sustained to encourage continued investment.

• TCPL Hearings
  – Continued support of Centra Manitoba in their intervention efforts at the NEB to maintain lower and more stable natural gas costs