



Vision

To be a global steel company and one of the most profitable in the industry.

Mission

Gerdaul is a company focused on steelmaking that seeks to satisfy the needs of customers and add value for shareholders, and is committed to the fulfillment of people and the sustainable development of society.

Gerdaul is the leading long steel producer in the Americas. It began its expansion over a century ago, and today is one of the principal players in the consolidation of the global steel industry. Gerdaul employees receive regular training and are well prepared to face new challenges and run the operations in the Americas, Europe and Asia. Gerdaul produces common and special long steel and flat steel based primarily in electric arc furnace, through mini-mill production process. Its products serve the construction, manufacturing, automotive and agribusiness sectors. Gerdaul stock is traded on the São Paulo, New York, Toronto, Madrid and Lima stock exchanges, with more than 140,000 shareholders.

Highlights of the first quarter of 2009

Conference Call May 7, 2009

Portuguese

2:30 p.m. (Brasília)

Tel:

- from Brazil: 0800 773 4613

- from other countries: +55 11 4688 6301

Code: Gerdaul

English (simultaneous translation)

2:30 p.m. (Brasília)

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| Key Information | 1st quarter | 4th quarter | Variation |
|--|-------------|-------------|-----------|
| | 2009 | 2008 | |
| Production (1,000 tonnes) | | | |
| Crude Steel (slabs/blooms/billets) | 2,539 | 3,264 | -22.2% |
| Rolled Products | 2,448 | 2,672 | -8.4% |
| Sales (1,000 tonnes) | 3,061 | 3,506 | -12.7% |
| Net Revenue (R\$ million) | 6,968 | 9,420 | -26.0% |
| EBITDA (R\$ million) | 599 | 1,452 | -58.7% |
| Net Income (R\$ million) | 35 | 311 | -88.7% |
| Shareholders' Equity (R\$ million) | 24,513 | 25,044 | -2.1% |
| Total Assets (R\$ million) | 56,104 | 59,051 | -5.0% |
| Gross Margin | 11.3% | 17.9% | |
| EBITDA Margin | 8.6% | 15.4% | |
| Net Margin | 0.5% | 3.3% | |
| Net Income / Shareholders' Equity ¹ | 15.9% | 19.7% | |
| Gross debt / Total Net Capitalization | 47.5% | 48.1% | |
| Gross Debt / EBITDA ² | 2.6x | 2.3x | |

1) Last 12 months Net Income / March 31, 2009 Shareholders' Equity

2) Last 12 months EBITDA

Production

- Global steel production contracted sharply in the first quarter of this year to adjust to the new level of demand.
- In this context, Gerdaul's crude steel (slabs, blooms and billets) production was 2.5 million tonnes in the first quarter, while rolled production was 2.4 million tonnes, with both figures down in relation to the fourth quarter of 2008.

Sales

- Consolidated sales in the first quarter stood at 3.1 million tonnes, down from the fourth quarter of 2008. Note that in the last quarter of 2008, sales were still very favorable in October specifically, remaining in line with levels in the first nine months of 2008 and therefore not impacted by the global crisis. Another important (and very positive) factor was the increase in sales of 20.7% between December 2008 and March 2009, signaling a possible recovery.

| Consolidated Sales ¹ (1,000 tonnes) | 1st quarter | 4th quarter | Variation 1Q09/4Q08 |
|---|--------------|--------------|------------------------|
| | 2009 | 2008 | |
| Brazil | 1,096 | 1,256 | -12.7% |
| Domestic Market | 721 | 985 | -26.8% |
| Exports | 375 | 271 | 38.4% |
| North America | 1,080 | 1,221 | -11.5% |
| Latin America | 487 | 444 | 9.7% |
| Specialty Steel | 398 | 585 | -32.0% |
| Total | 3,061 | 3,506 | -12.7% |

1 - Excludes shipments to controlled companies.

Note.: the information above does not include data from shared controlled companies and joint ventures.

Net Revenue

- In the first quarter of 2009, consolidated net revenue reached R\$ 7.0 billion, declining in relation to the fourth quarter of 2008, impacted by the drop in international prices and the lower sales volume in the period. The Company's net revenue by business segment is shown below:

| Net Revenue (R\$ million) | 1st quarter | 4th quarter | Variation | Breakdown |
|------------------------------|--------------|--------------|---------------|---------------|
| | 2009 | 2008 | | |
| Brazil | 2,366 | 3,289 | -28.1% | 34.0% |
| North America | 2,398 | 3,195 | -24.9% | 34.4% |
| Latin America | 912 | 963 | -5.3% | 13.1% |
| Specialty Steel | 1,292 | 1,973 | -34.5% | 18.5% |
| Total | 6,968 | 9,420 | -26.0% | 100.0% |

Note.: the information above does not include data from shared controlled companies and joint ventures.

EBITDA

- Operating cash flow, represented by EBITDA (earnings before interest, tax, depreciation and amortization), totaled R\$ 599.0 million in the period from January through March of this year. EBITDA margin was 8.6% in the period.
- The Company's EBITDA in the quarter by business segment is shown below:

| EBITDA (R\$ million) | 1st quarter | 4th quarter | Variation |
|-------------------------|-------------|--------------|---------------|
| | 2009 | 2008 | |
| Brazil | 653 | 1,326 | -50.8% |
| North America | 88 | -56 | - |
| Latin America | -139 | -41 | 239.0% |
| Specialty Steel | -3 | 223 | - |
| Total | 599 | 1,452 | -58.7% |

Note: EBITDA is not a measure used in generally accepted accounting practices and does not represent the cash flow in the periods presented, and therefore should not be considered an alternative to cash flow as a liquidity indicator. EBITDA is not standardized and thus is not comparable to the EBITDA of other companies.

Net Income

- In the first three months of 2009, consolidated net income stood at R\$35.0 million, given the lower operating income. Net margin in the period was 0.5%.

| Net Income (R\$ million) | 1st quarter 2009 | 4th quarter 2008 | Variation |
|------------------------------------|---------------------------------|---------------------------------|------------------|
| Brazil | 472 | 667 | -29.2% |
| North America | -78 | -216 | -63.9% |
| Latin America | -232 | -143 | 62.2% |
| Specialty Steel | -127 | 3 | - |
| Total | 35 | 311 | -88.7% |

Dividends

- Metalúrgica Gerdau S.A. and Gerdau S.A. have clear dividend distribution policies that are aligned with the market and paying at least 30% of adjusted net income each fiscal year, above the minimum of 25% required by Brazilian law. In view of the current economic scenario and in line with the objective of preserving cash, the Company is not planning to anticipate dividends for the first quarter of 2009. This position will be reviewed in the coming quarters, always respecting the minimum mandatory annual dividends provided for in the Company's bylaws.

Performance in the First Quarter of 2009

Gerdau S.A. presents its Consolidated Financial Statements in accordance with the international accounting policies established by the International Accounting Standard Board – IASB (known as International Financial Reporting Standards – IFRS) and ratified by CVM Instruction 457 of July 13, 2007.

Business Segmentation

The information presented in this report is organized in accordance with the following segmentation of Gerdau's businesses, as established by its corporate governance:

- Brazil – includes the operations of Aços Longos and Açominas;
- North America – includes all North American operations, except for Mexico and specialty steel (Macsteel);
- Latin America – includes all Latin American operations, except for Brazil;
- Specialty Steel – includes the specialty steel operations in Brazil, Europe and the United States.

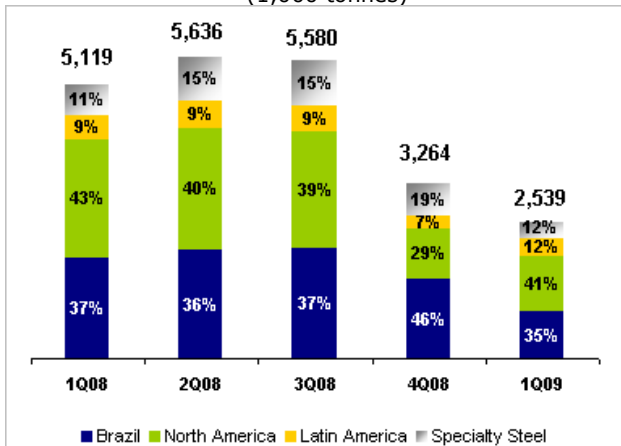
Production

- On a consolidated basis, the contraction in production in the first quarter of 2009 in relation to the fourth quarter of 2008 was part of the Company's efforts to adjust production to the lower demand observed in global markets.
- By business segment, the Latin American and North American operations registered a recovery, with these businesses reaching their lowest production levels in the fourth quarter of last year. The Brazil and Specialty Steel operations, which still presented higher production levels in the previous quarter, began in the first quarter to suffer a more intense impact from the contraction in demand, and in turn reduced their output.
- In Brazil in particular, the decline in crude steel production in the first quarter of 2009 in relation to the prior quarter was mainly due to the early stoppage performed in the 3-million-tonne blast furnace at Gerdau Açominas. The stoppage, which initially was scheduled to last until the end of March, was extended in view of the current international environment. The other 1.5-million-tonne blast furnace of Gerdau Açominas remains in operation. In contrast, the North American operations posted a recovery in the same period. Meanwhile, Specialty Steel production declined in the period in all countries that Gerdau operates. In Latin America, where there was a destocking trend since the end of the third quarter 2008, current demand conditions allowed production to increase in relation to the previous quarter.

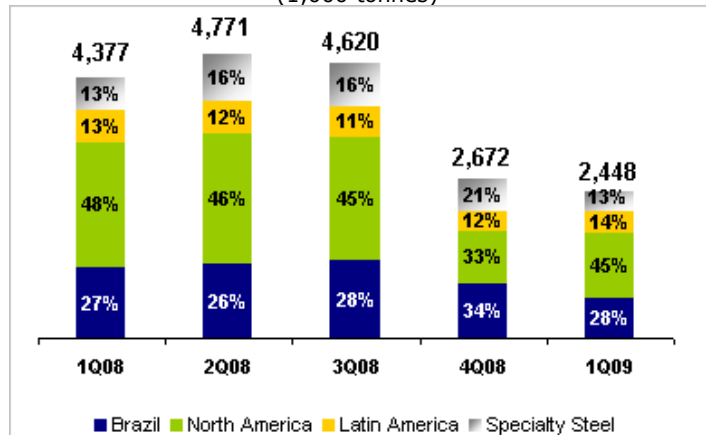
| Production (1, 000 tonnes) | 1st quarter 4th quarter | | Variation 1st quarter | | Variation 1Q09/1Q08 |
|--|-------------------------|--------------|-----------------------|--------------|------------------------|
| | 2009 | 2008 | 1Q09/4Q08 | 2008 | |
| Crude Steel (slabs, blooms and billets) | | | | | |
| Brazil | 879 | 1,497 | -41.3% | 1,893 | -53.6% |
| North America | 1,044 | 937 | 11.4% | 2,202 | -52.6% |
| Latin America | 316 | 224 | 41.1% | 445 | -29.0% |
| Specialty Steel | 300 | 606 | -50.5% | 579 | -48.2% |
| Total | 2,539 | 3,264 | -22.2% | 5,119 | -50.4% |
| Finished Steel | | | | | |
| Brazil | 678 | 920 | -26.3% | 1,185 | -42.8% |
| North America | 1,094 | 881 | 24.2% | 2,089 | -47.6% |
| Latin America | 349 | 312 | 11.9% | 548 | -36.3% |
| Specialty Steel | 327 | 559 | -41.5% | 555 | -41.1% |
| Total | 2,448 | 2,672 | -8.4% | 4,377 | -44.1% |

Note.: the information above does not include data from shared controlled companies and joint ventures.

Crude Steel Production (slabs, blooms and billets)
 (1,000 tonnes)



Rolled Steel Production
 (1,000 tonnes)



- Consolidated rolled steel output was 2.4 million tonnes in the first quarter, versus 2.7 million tonnes in the fourth quarter of last year. As was also the case for crude steel, the Company sought to adjust its rolled steel output to the new demand conditions.
- In the business segments, North America rolled steel output posted a strong recovery in the first quarter of 2009 in relation to the previous quarter. Recovery was also observed in the Latin American operations.

Sales

- Consolidated sales in the first quarter stood at 3.1 million tonnes, down from the fourth quarter of 2008. Note that in the last quarter of 2008, sales were still very strong in October specifically, remaining in line with levels in the first nine months of 2008 and therefore not impacted by the global crisis. Another important (and very positive) factor was the increase in sales of 20.7% between December 2008 and March 2009, signaling a possible recovery.

| Consolidated Sales ¹ (1,000 tonnes) | 1st quarter 4th quarter | | Variation 1st quarter | | Variation 1Q09/1Q08 |
|---|-------------------------|--------------|-----------------------|--------------|------------------------|
| | 2009 | 2008 | 1Q09/4Q08 | 2008 | |
| Brazil | 1,096 | 1,256 | -12.7% | 1,621 | -32.4% |
| Domestic Market | 721 | 985 | -26.8% | 1,175 | -38.6% |
| Exports | 375 | 271 | 38.4% | 446 | -15.9% |
| North America | 1,080 | 1,221 | -11.5% | 2,210 | -51.1% |
| Latin America | 487 | 444 | 9.7% | 617 | -21.1% |
| Specialty Steel | 398 | 585 | -32.0% | 540 | -26.3% |
| Total | 3,061 | 3,506 | -12.7% | 4,988 | -38.6% |

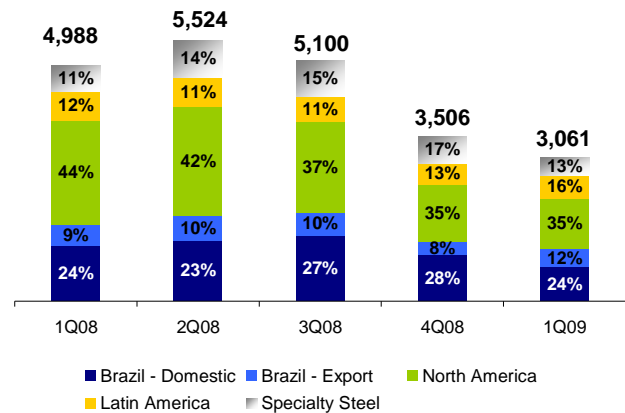
¹ - Excludes shipments to controlled companies.

Note.: the information above does not include data from shared controlled companies and joint ventures.

- In the Brazil segment, the lower consumption of steel products observed in the first quarter as a result of the contraction in industrial production and the construction industry led to a decline in domestic sales in relation to the fourth quarter of 2008. However, this decline in domestic sales was partially offset by the better conditions for exports. On the other hand, on a monthly basis, domestic sales in March 2009 were 12.2% higher than in December 2008.
- Brazil segment exports totaled 374,700 tonnes in the first quarter, 38.4% more than in the previous quarter, and generated revenue of R\$ 397.4 million.

- In North America, despite the reduction in demand in the first quarter of 2009, sales in March were 10.1% higher than in December 2008.
- In Latin America, first quarter sales grew in relation to the fourth quarter of last year, driven by the recovery in the market.
- The Specialty Steel segment was also affected by the global crisis in the first quarter of 2009, with sales contracting more sharply than in the previous quarter. Specifically in Brazil, there was a delay between automotive sales and auto parts production due to high inventories in the production chain. Nevertheless, sales in March were 9.6% higher than in December 2008.

Consolidated Sales ¹
(1,000 tonnes)



¹ Excludes shipments to subsidiaries.

Results

Net Revenue

- In the first quarter of 2009, consolidated net revenue was R\$ 7.0 billion, declining in relation to the fourth quarter of 2008, impacted by the drop in international prices and the lower sales volume in the period.
- The Brazil (domestic market plus exports) and North America operations each accounted for approximately 34% of consolidated net revenue in the quarter. Meanwhile, the companies in Latin American accounted for 13% and the Specialty Steel segment for 19% of net revenue in the period.

| Net Revenue (R\$ million) | 1st quarter | | | 1st quarter | |
|------------------------------|--------------|--------------|---------------------|--------------|-----------------------|
| | 2009 | 4th de 2008 | Variation 1Q09/4Q08 | 2008 | Variation 1Q09 / 1Q08 |
| Brazil | 2,366 | 3,289 | -28.1% | 2,906 | -18.6% |
| North America | 2,398 | 3,195 | -24.9% | 3,509 | -31.7% |
| Latin America | 912 | 963 | -5.3% | 950 | -4.0% |
| Specialty Steel | 1,292 | 1,973 | -34.5% | 1,579 | -18.2% |
| Total | 6,968 | 9,420 | -26.0% | 8,944 | -22.1% |

Note.: the information above does not include data from shared controlled companies and joint ventures.

Cost of Goods Sold

- Seeking to align its operations with the new level of demand, the Company reduced total production costs by R\$ 1.8 billion in the first quarter of 2009 in relation to the fourth quarter of 2008. Therefore, fixed costs remained in a historical level of approximately 25% of total production costs. However, the effect of this reduction cannot be fully observed yet, due to the sale of inventories constituted in previous periods.
- Cost of goods sold as a percentage of net revenue increased from 82.1% in the fourth quarter of 2008 to 88.7% in the first quarter of 2009, leading to gross margin compression in the period, mainly due to the decline in net revenue, reflecting the declines in international prices and sales volume.
- Prices in the Brazil operations had a small decrease, even though resulting in the gross margin of 31.7% in the first quarter of 2009. In the North America operations, the adjustments to the cost structure led to margin gains in the first quarter, despite the lower volume compared with 4Q08. The other segments (Latin America and Specialty Steel) registered reductions in gross margin in the period, chiefly due to price reductions.

Selling, General and Administrative Expenses

As was also the case with cost of goods sold, selling, general and administrative expenses were also subjected to adjustments to adapt the Company's structure to the current scenario, with a decrease of 14.8% in the first quarter of 2009 in relation to the fourth quarter of 2008. However, these expenses registered an increase as a percentage of net revenue, from 8.1% in the fourth quarter of 2008 to 9.3% in the first quarter of 2009.

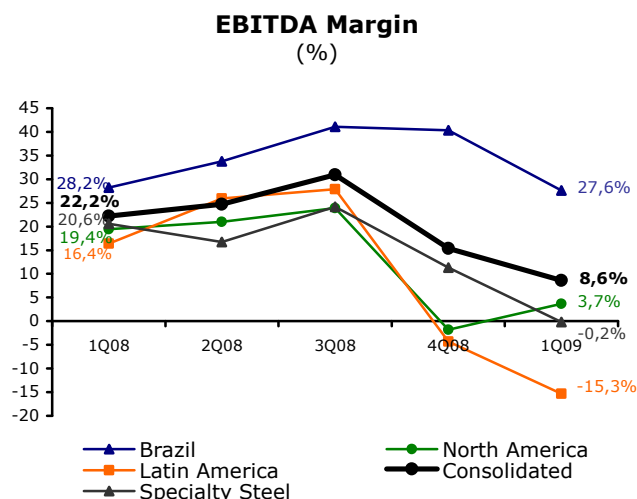
EBITDA

| EBITDA (R\$ million) | 1st quarter 2009 | 4th quarter 2008 | Variation 1Q09/4Q08 | 1st quarter 2008 | Variation 1Q09/1Q08 |
|--------------------------------|-----------------------------------|-----------------------------------|--------------------------------------|-----------------------------------|--------------------------------------|
| Brazil | 653 | 1,326 | -50.8% | 821 | -20.5% |
| North America | 88 | -56 | - | 683 | -87.1% |
| Latin America | -139 | -41 | 239.0% | 156 | - |
| Specialty Steel | -3 | 223 | - | 325 | - |
| Total | 599 | 1,452 | -58.7% | 1,985 | -69.8% |

Note: EBITDA is not a measure used in generally accepted accounting practices and does not represent the cash flow in the periods presented, and therefore should not be considered an alternative to cash flow as a liquidity indicator. EBITDA is not standardized and thus is not comparable to the EBITDA of other companies.

| EBITDA Breakdown (R\$ million) | 1st quarter 2009 | 4th quarter 2008 | Variation 1Q09/4Q08 | 1st quarter 2008 | Variation 1Q09/1Q08 |
|--|-----------------------------------|-----------------------------------|--------------------------------------|-----------------------------------|--------------------------------------|
| Net Income | 35 | 311 | -88.7% | 1,090 | -96.8% |
| Provision for Income Tax and Social Contribution | -88 | -442 | -80.1% | 308 | - |
| Net Financial Result | 178 | 952 | -81.3% | 164 | 8.5% |
| Depreciation and Amortization | 474 | 631 | -24.9% | 423 | 12.1% |
| EBITDA | 599 | 1,452 | -58.7% | 1,985 | -69.8% |

- EBITDA (earnings before interest, tax, depreciation and amortization), also known as operating cash flow, was R\$ 599.0 million in the first quarter of 2009, accompanied by EBITDA margin of 8.6%.
- Brazil, where EBITDA margin remained robust, was the main segment responsible for operating cash flow in the period. In the North America operations, EBITDA margin showed the initial signs of recovery in relation to the previous quarter. Meanwhile, EBITDA margin in the Latin America operations was adversely affected by the sharp decline in steel prices, while the Specialty Steel operations were mainly impacted by the sharp drop in sales volume.



Equity Income

- Equity income from investments in non-consolidated companies was a loss of R\$ 65.0 million in the first quarter, compared with a loss of R\$ 114.8 million in the previous quarter.

Financial Result

- In the first quarter, the financial result (financial income less financial expenses) was negative in R\$ 177.9 million, compared with a negative amount of R\$ 951.8 million in the previous quarter. This improvement in the financial result was due to the lower impact from foreign exchange variation in the quarter (since the Brazilian real strengthened against the U.S. dollar) on the foreign-currency loans contracted by companies in Brazil. In the fourth quarter of 2008, the Brazilian real devalued by 22.1% against the U.S. dollar, while in the first quarter the local currency appreciated by 0.9%.

Net Income

- Given the lower operating income, consolidated net income in the first quarter of 2009 was R\$ 35.0 million, accompanied by net margin of 0.5%.

| Net Income (R\$ million) | 1st quarter 2009 | 4th quarter 2008 | Variation 1Q09/4Q08 | 1st quarter 2008 | Variation 1Q09/1Q08 |
|------------------------------------|---------------------------------|---------------------------------|--------------------------------|---------------------------------|--------------------------------|
| Brazil | 472 | 667 | -29.2% | 523 | -9.8% |
| North America | -78 | -216 | -63.9% | 310 | - |
| Latin America | -232 | -143 | 62.2% | 95 | - |
| Specialty Steel | -127 | 3 | - | 162 | - |
| Total | 35 | 311 | -88.7% | 1,090 | -96.8% |

Working Capital

- Working capital, represented by accounts receivable from clients, inventories and suppliers, totaled R\$ 9.5 billion in March 2009, declining by R\$ 1.7 billion from December 2008.

Investments

- Over the next five years, the Company plans to invest US\$ 3.6 billion in fixed assets, which may be reduced based on the investment costs under future economic environments. For 2009, planned disbursements for these investments total US\$ 550.0 million.
- In the first quarter, investments in fixed assets totaled US\$ 242.0 million, continuing to reflect the investments made in 2008. Of this total, 57.9% was allocated to the Brazil business segment, with the remaining 42.1% allocated to the other business segments.

Financial Liabilities

- Gross debt (loans and financing plus debentures) totaled R\$ 22.1 billion on March 31, 2009, of which 15.6% was short-term (R\$ 3.4 billion) and 84.4% was long-term (R\$ 18.7 billion). Note that in the first quarter of this year, gross debt declined by R\$ 1.1 billion. On March 31, gross debt was equivalent to 2.6 times EBITDA in the last 12 months.
- On March 31, the composition of gross debt was 15.2% in Brazilian real, 35.0% in foreign currency contracted by companies in Brazil, and 49.8% in different currencies contracted by subsidiaries abroad.
- Cash, cash equivalents and investments totaled R\$ 5.8 billion in March, of which 53.5% was held by Gerdaú's subsidiaries abroad, mainly in U.S. dollar.
- Net debt (loans and financings plus debentures, less cash, cash equivalents and investments) on March 31 totaled R\$ 16.3 billion, equivalent to 1.9 times EBITDA in the previous 12 months.

| Indebtedness (R\$ million) | 03.31.2009 | 12.31.2008 |
|-------------------------------|---------------|---------------|
| Short-term | | |
| Local Currency (Brazil) | 976 | 892 |
| Foreign Currency (Brazil) | 1,071 | 1,103 |
| Companies abroad | 1,403 | 1,938 |
| Total | 3,450 | 3,933 |
| Long-term | | |
| Local Currency (Brazil) | 2,393 | 2,625 |
| Foreign Currency (Brazil) | 6,686 | 6,886 |
| Companies abroad | 9,620 | 9,790 |
| Total | 18,699 | 19,301 |
| Gross debt | 22,149 | 23,234 |
| Cash and cash equivalents | 5,830 | 5,491 |
| Net debt | 16,319 | 17,743 |

- As already announced to the market, Gerdau does not carry out leveraged operations involving any type of derivatives. The use of derivatives is limited to managing the foreign-exchange exposure of the cash flow generated by operations, as well as interest rate swaps.
- On March 31, the long-term debt amortization schedule, including debentures, was as follows:

| Year | R\$ million |
|-------------------------|---------------|
| 2010 (april - december) | 1,918 |
| 2011 | 4,242 |
| 2012 | 4,177 |
| 2013 | 2,096 |
| 2014 and afterwards | 6,266 |
| Total | 18,699 |

- The main debt indicators of Gerdau companies at the end of March are shown below:

| Ratios | 31.03.2009 | 31.12.2008 |
|--|------------|------------|
| Gross debt / Total capitalization ¹ | 47.5% | 48.1% |
| Gross debt / EBITDA ² | 2.6x | 2.3x |
| Net debt / EBITDA ² | 1.9x | 1.8x |

¹ - Total capitalization = Shareholders' equity + Gross debt

² - Last 12 months

Results of unconsolidated companies

- In the first quarter of 2009, the companies that Gerdau shares control with, has joint ventures with or which are associated companies were not consolidated and their results were evaluated based on the equity method.
- Based on the respective equity interests, these companies sold 192,000 tonnes of steel products in the quarter, generating net revenue of R\$ 330.5 million. These interests generated an equity loss of R\$ 65.0 million in the first quarter of 2009, mainly driven by the results of Gallatin Steel Company in the United States and Multisteel Business Holdings Corp. in the Dominican Republic.

THE MANAGEMENT

Given the change in accounting standards, the Consolidated Financial Statements prepared in accordance with IFRS are filed at the Securities and Exchange Commission of Brazil (CVM) and the São Paulo Stock Exchange (Bovespa) through the IPE information system under the category "Economic-Financial Data". Therefore, there is no consolidated information prepared in accordance with the generally accepted accounting principles in Brazil in Groups 6 to 8 of the Quarterly Information (ITR).

GERDAU S.A. and subsidiaries
CONSOLIDATED BALANCE SHEET
In thousands of Brazilian reais (R\$)

| | <u>03/31/2009</u> | <u>12/31/2008</u> |
|------------------------------------|--------------------------|--------------------------|
| CURRENT ASSETS | | |
| Cash and cash equivalents | 2.250.517 | 2.026.609 |
| Short-term investments | | 0 |
| Held for Trading | 2.634.646 | 2.759.486 |
| Available for sale | 868.104 | 627.151 |
| Trade accounts receivable | 3.433.839 | 3.683.933 |
| Inventories | 8.227.759 | 10.398.263 |
| Tax credits | 797.008 | 857.923 |
| Prepaid expenses | 110.471 | 89.262 |
| Unrealized gains on derivatives | 261 | 10.035 |
| Other current assets | 280.547 | 322.878 |
| | <u>18.603.152</u> | <u>20.775.540</u> |
| NON CURRENT ASSETS | | |
| Long-term investments | 76.839 | 77.563 |
| Tax credits | 590.734 | 521.441 |
| Deferred income taxes | 1.675.412 | 1.766.355 |
| Unrealized gains on derivatives | 43.374 | 68.145 |
| Prepaid expenses | 83.263 | 129.368 |
| Judicial deposits | 269.052 | 258.620 |
| Other non-current assets | 370.189 | 323.415 |
| Prepaid pension cost | 281.252 | 271.447 |
| Equity Investments | 1.649.894 | 1.775.073 |
| Other investments | 29.285 | 21.768 |
| Goodwill | 11.165.324 | 11.294.102 |
| Intangible assets | 1.650.308 | 1.712.930 |
| Property, plant and equipment, net | 19.616.103 | 20.054.747 |
| | <u>37.501.029</u> | <u>38.274.974</u> |
| TOTAL ASSETS | <u><u>56.104.181</u></u> | <u><u>59.050.514</u></u> |

GERDAU S.A. and subsidiaries
CONSOLIDATED BALANCE SHEET
In thousands of Brazilian reais (R\$)

| | <u>03/31/2009</u> | <u>12/31/2008</u> |
|---|--------------------------|--------------------------|
| CURRENT LIABILITIES | | |
| Trade accounts payable | 2.166.045 | 2.855.419 |
| Short-term debt | 3.281.807 | 3.788.085 |
| Debentures | 167.575 | 145.034 |
| Taxes payable | 460.462 | 517.272 |
| Payroll and related liabilities | 359.479 | 551.941 |
| Dividends payable | 11.560 | 7.820 |
| Unrealized losses on derivatives | 54.595 | 69.435 |
| Other current liabilities | 447.151 | 540.431 |
| | <u>6.948.674</u> | <u>8.475.437</u> |
| NON CURRENT LIABILITIES | | |
| Long-term debt | 18.029.456 | 18.595.002 |
| Debentures | 670.459 | 705.715 |
| Deferred income taxes | 2.985.979 | 3.060.268 |
| Unrealized losses on derivatives | 235.915 | 314.267 |
| Provision for tax, civil and labor liabilities | 474.890 | 467.076 |
| Employees benefits | 1.191.592 | 1.275.985 |
| Put options on minority interest | 684.200 | 698.321 |
| Other non-current liabilities | 370.279 | 414.865 |
| | <u>24.642.770</u> | <u>25.531.499</u> |
| SHAREHOLDERS' EQUITY | | |
| Capital | 14.184.805 | 14.184.805 |
| Treasury stocks | (122.053) | (122.820) |
| Other reserves | (983.944) | (1.028.355) |
| Legal reserve | 144.062 | 144.062 |
| Retained earnings | 5.142.488 | 5.110.818 |
| Cumulative translation adjustment | 1.587.185 | 1.877.992 |
| PARENT COMPANY'S INTEREST | <u>19.952.543</u> | <u>20.166.502</u> |
| NON-CONTROLLING INTERESTS | <u>4.560.194</u> | <u>4.877.076</u> |
| SHAREHOLDERS' EQUITY | <u>24.512.737</u> | <u>25.043.578</u> |
| TOTAL LIABILITIES AND SHAREHOLDER'S EQUITY | <u><u>56.104.181</u></u> | <u><u>59.050.514</u></u> |

GERDAU S.A. and subsidiaries
CONSOLIDATED STATEMENT OF INCOME
 In thousands of Brazilian reais (R\$)

| | 3 Months period ended in | | |
|--|---------------------------------|-------------------|-------------------|
| | 03/31/2009 | 12/31/2008 | 03/31/2008 |
| NET SALES | 6.967.785 | 9.419.654 | 8.944.510 |
| Cost of sales | (6.177.738) | (7.733.628) | (6.812.177) |
| GROSS PROFIT | 790.047 | 1.686.026 | 2.132.333 |
| Selling expenses | (154.965) | (192.729) | (151.483) |
| General and administrative expenses | (492.201) | (566.956) | (505.866) |
| Other operating income | 82.091 | 84.511 | 51.053 |
| Other operating expenses | (35.421) | (75.177) | (24.810) |
| INCOME FROM OPERATIONS | 189.551 | 935.675 | 1.501.227 |
| Equity in earnings of unconsolidated companies | (64.963) | (114.759) | 60.833 |
| INCOME BEFORE FINANCIAL INCOME (EXPENSES) AND TAXES | 124.588 | 820.916 | 1.562.060 |
| Financial revenues | 99.372 | 160.777 | 119.719 |
| Financial expenses | (393.034) | (514.339) | (353.544) |
| Exchange variations, net | 148.850 | (581.650) | 43.622 |
| Gain and losses on derivatives, net | (33.048) | (16.564) | 25.906 |
| (LOSS) INCOME BEFORE TAXES | (53.272) | (130.860) | 1.397.763 |
| Provision for income and social contribution taxes | | | |
| Current | 55.694 | 262.810 | (333.872) |
| Deferred | 32.577 | 179.139 | 26.226 |
| NET INCOME | <u>34.999</u> | <u>311.089</u> | <u>1.090.117</u> |
| ATTRIBUTED TO: | | | |
| Parent company's interest | 88.432 | 235.390 | 874.382 |
| Non-controlling interests | (53.433) | 75.699 | 215.735 |
| | <u>34.999</u> | <u>311.089</u> | <u>1.090.117</u> |
| Basic earnings per share - preferred and common | 0,06 | 0,16 | 0,66 |
| Diluted earnings per share - preferred and common | 0,06 | 0,17 | 0,66 |

GERDAU S.A. and subsidiaries
CONSOLIDATED STATEMENT OF INCOME
In thousands of Brazilian reais (R\$)

3 Months period ended in

| | <u>03/31/2009</u> | <u>12/31/2008</u> | <u>03/31/2008</u> |
|--|-------------------|--------------------|-------------------|
| Cash flows from operating activities | | | |
| Net income | 34.999 | 311.089 | 1.090.117 |
| Adjustments to reconcile net income to the cash flow provided by operating activities: | | | |
| Depreciation and amortization | 474.386 | 630.619 | 422.542 |
| Equity accounting | 64.963 | 114.759 | (60.833) |
| Exchange variation | (148.850) | 581.662 | (43.622) |
| Loss (Gains) on derivatives, net | 33.048 | 16.565 | (25.906) |
| Post-employment benefits and stock based remuneration | 26.517 | 139.902 | (1.921) |
| Income tax | (88.271) | (441.949) | 307.646 |
| (Gains) Loss on disposal of property, plant and equipment and investments | (10.891) | 56.463 | (5.399) |
| Provision for losses on available-for-sale securities | - | 50.766 | 39.647 |
| Allowance for doubtful accounts | 13.900 | 10.112 | 3.467 |
| Provision (Reserve) for contingencies | 8.644 | 10.478 | (58.947) |
| Distributions from joint ventures | - | 1.977 | 18.197 |
| Interest income | (76.615) | (45.528) | (85.419) |
| Interest expense | 315.604 | 390.281 | 233.377 |
| (Reverse) Provision for obsolescence and net realisable value adjustment | (56.175) | 128.349 | 3.549 |
| | <u>591.259</u> | <u>1.955.545</u> | <u>1.836.495</u> |
| Changes in assets and liabilities: | | | |
| Reduction (Increase) in trade accounts receivable | 163.030 | 2.413.747 | (423.272) |
| Reduction (Increase) in inventories | 2.090.762 | 682.427 | (254.750) |
| (Decrease) Increase in trade accounts payable | (610.340) | (2.016.153) | 135.600 |
| Decrease (Increase) in other receivables | 29.477 | (963.047) | 190.822 |
| (Decrease) Increase in other payables | (345.043) | 1.156.340 | (535.601) |
| Investments in Trading securities and available for sale securities | (52.539) | (14.234.237) | (1.363.558) |
| Redemption of trading securities | 20.324 | 13.328.704 | 2.437.386 |
| Cash provided by operating activities | <u>1.886.930</u> | <u>2.323.326</u> | <u>2.023.122</u> |
| Interest paid on loans and financing | (306.831) | (269.120) | (272.504) |
| Income and social contribution taxes paid | (47.604) | (1.018.524) | (130.514) |
| Net cash provided by operating activities | <u>1.532.495</u> | <u>1.035.682</u> | <u>1.620.104</u> |
| Cash flows from investing activities | | | |
| Additions to property, plant and equipment and intangibles | (485.281) | (1.224.924) | (470.275) |
| Payments for business acquisitions | - | (975.764) | (369.861) |
| Interest received on cash investments | 2.499 | 203.117 | 33.745 |
| Net cash used in investing activities | <u>(482.782)</u> | <u>(1.997.571)</u> | <u>(806.391)</u> |
| Cash flows from financing activities | | | |
| Capital increase/Treasury stock | - | (67.167) | - |
| Dividends and interest on capital paid | (106.879) | (453.167) | (319.047) |
| Borrowings | 320.761 | 889.638 | 368.353 |
| Repayment of loans and financing | (1.012.889) | (1.219.971) | (834.585) |
| Intercompany loans, net | 17.406 | 410.232 | (7.110) |
| Net cash used in financing activities | <u>(781.601)</u> | <u>(440.435)</u> | <u>(792.389)</u> |
| Exchange variation on cash and cash equivalents | (44.204) | 247.528 | 31.958 |
| Increase in cash and cash equivalents | 223.908 | (1.154.796) | 53.282 |
| Cash and cash equivalents at beginning of period | <u>2.026.609</u> | <u>3.181.405</u> | <u>2.026.096</u> |
| Cash and cash equivalents at end of period | <u>2.250.517</u> | <u>2.026.609</u> | <u>2.079.378</u> |

This document may include forward-looking statements. These statements depend on estimates, information or methods that may be incorrect or inaccurate and may not materialize. These estimates are also subject to risks, uncertainties and assumptions that include general economic, political and commercial conditions in Brazil and the markets where we operate, as well as existing and future government regulations. Potential investors are advised that none of these expectations represents a guarantee of future performance, since they involve risks and uncertainties. The company does not undertake and specifically renounces any obligation to update these expectations, since they are valid only on the date when they were made.