

GERDAU S.A. AND SUBSIDIARIES

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.

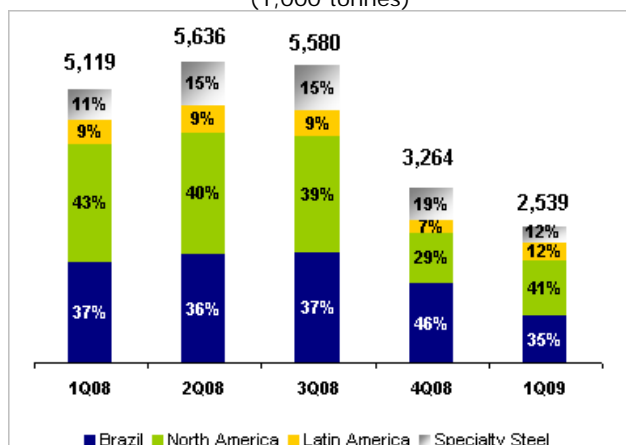
Production

- 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.

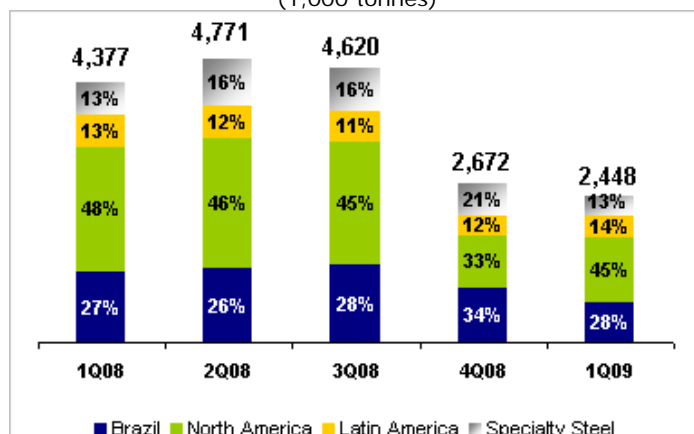
Production (1,000 tonnes)	1st quarter 4th quarter		Variation 1st quarter		Variation
	2009	2008	1Q09/4Q08	2008	1Q09/1Q08
Crude Steel (slabs, blooms and billets)					
Brazil	879	1,497	-41.3%	1,893	-53.6%
North America	1,044	937	11.4%	2,202	-52.6%
Latin America	316	224	41.1%	445	-29.0%
Specialty Steel	300	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
	2009	2008	1Q09/4Q08	2008	1Q09/1Q08
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%

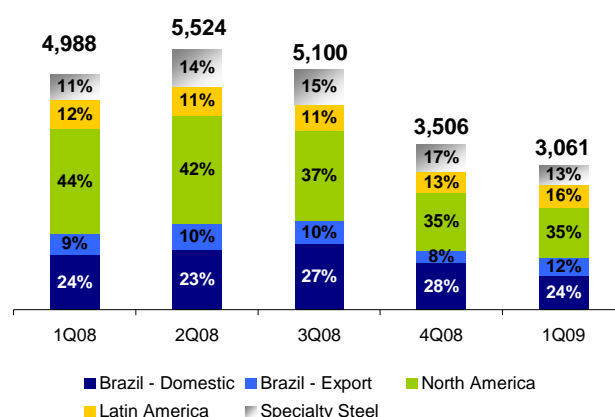
1 - Excludes shipments to controlled companies.

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 2009	4th de 2008	Variation 1Q09/4Q08	1st quarter 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.

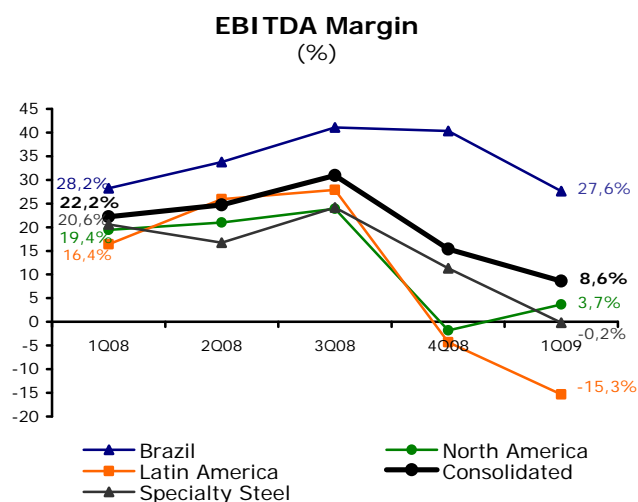
EBITDA

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 Gerda'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

GERDAU S.A. AND SUBSIDIARIES

CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

AS OF MARCH 31, 2009 AND 2008

Prepared in accordance with the International Financial Reporting Standards as issued by the International Accounting Standards Board – IASB following the IAS 34 standard, and with instruction No. 457 of July 13, 2007 as issued by the Brazilian Securities and Exchange Commission (CVM).

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	
	<u>03/31/2009</u>	<u>03/31/2008</u>
NET SALES	6,967,785	8,944,510
Cost of sales	<u>(6,177,738)</u>	<u>(6,812,177)</u>
GROSS PROFIT	790,047	2,132,333
Selling expenses	(154,965)	(151,483)
General and administrative expenses	(492,201)	(505,866)
Other operating income	82,091	51,053
Other operating expenses	<u>(35,421)</u>	<u>(24,810)</u>
INCOME FROM OPERATIONS	189,551	1,501,227
Equity in earnings of unconsolidated companies	<u>(64,963)</u>	<u>60,833</u>
INCOME BEFORE FINANCIAL INCOME (EXPENSES) AND TAXES	124,588	1,562,060
Financial revenues	99,372	119,719
Financial expenses	(393,034)	(353,544)
Exchange variations, net	148,850	43,622
Gain and losses on derivatives, net	<u>(33,048)</u>	<u>25,906</u>
(LOSS) INCOME BEFORE TAXES	(53,272)	1,397,763
Provision for income and social contribution taxes		
Current	55,694	(333,872)
Deferred	<u>32,577</u>	<u>26,226</u>
NET INCOME	<u><u>34,999</u></u>	<u><u>1,090,117</u></u>
ATTRIBUTED TO:		
Parent company's interest	88,432	874,382
Non-controlling interests	<u>(53,433)</u>	<u>215,735</u>
	<u><u>34,999</u></u>	<u><u>1,090,117</u></u>
Basic earnings per share - preferred and common	0.06	0.66
Diluted earnings per share - preferred and common	0.06	0.66

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

	<u>03/31/2009</u>	<u>03/31/2008</u>
Net income recognized in the income statement	34,999	1,090,117
Net unrealized Loss with pension plans, net of tax of R\$ 11,514	(21,931)	-
Cumulative translation adjustments	(458,044)	27,895
Unrealized Gain on net investment hedge	32,700	-
Unrealized Gain (Loss) on derivative instruments, net of tax of R\$ (28,860) (R\$ 10,547 as of 03/31/2008)	46,570	(16,496)
Unrealized Gain on available for sale securities, net of tax of R\$ (5,540) (R\$ 3,010 as of 03/31/2008)	11,248	5,748
Comprehensive income for the period, net of tax	<u>(354,458)</u>	<u>1,107,264</u>
Comprehensive income attributed to:		
Parent company's interest	(159,812)	981,156
Non-controlling interests	(194,646)	126,108
	<u>(354,458)</u>	<u>1,107,264</u>

GERDAU S.A. and subsidiaries

CONSOLIDATED STATEMENT OF RECOGNIZED INCOME AND EXPENSE

In thousands of Brazilian reais (R\$)

	Attributed to controlling shareholder's interest					Total parent's company interest	Non-controlling Interest	Total Shareholder's Equity	
	Capital stock	Treasury stock	Legal reserve	Other reserves	Cumulative translation adjustment	Retained earnings			
Balance as of January 1st, 2008	7,810,453	(106,667)	278,713	13,723	(1,049,333)	5,765,616	12,712,505	3,929,573	16,642,078
Total of comprehensive income recognized in the period	-	-	-	(3,563)	110,337	874,382	981,156	126,108	1,107,264
Stock option expenses recognized in the period	-	-	-	1,695	-	-	1,695	-	1,695
Stock option exercised during the period	-	29,918	-	(7,732)	-	-	22,186	-	22,186
Dividends/interest on capital	-	-	-	-	-	(250,336)	(250,336)	(114,176)	(364,512)
Destinations proposed to the general assembly	-	-	(5,188)	-	-	5,188	-	-	-
Minority interest over fair value allocation	-	-	-	-	-	-	-	7,496	7,496
Minority interest on consolidated entities	-	-	-	-	-	(63,064)	(63,064)	(55,453)	(118,517)
Put options	-	-	-	-	-	-	-	(150,939)	(150,939)
Treasury stock	-	(49,702)	-	-	-	-	(49,702)	-	(49,702)
Balance as of March 31st, 2008	7,810,453	(126,451)	273,525	4,123	(938,996)	6,331,786	13,354,440	3,742,609	17,097,049
Balance as of January 1st, 2009	14,184,805	(122,820)	144,062	(1,028,355)	1,877,992	5,110,818	20,166,502	4,877,076	25,043,578
Total of comprehensive income recognized in the period	-	-	-	42,563	(290,807)	88,432	(159,812)	(194,646)	(354,458)
Stock option expenses recognized in the period	-	-	-	2,086	-	-	2,086	-	2,086
Stock option exercised during the period	-	767	-	(238)	-	-	529	-	529
Dividends/interest on capital	-	-	-	-	-	(56,816)	(56,816)	(7,122)	(63,938)
Minority interest over fair value allocation	-	-	-	-	-	-	-	(7)	(7)
Minority interest on consolidated entities	-	-	-	-	-	54	54	(116,746)	(116,692)
Put options	-	-	-	-	-	-	-	1,639	1,639
Balance as of March 31st, 2009	14,184,805	(122,053)	144,062	(983,944)	1,587,185	5,142,488	19,952,543	4,560,194	24,512,737

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

	3 Months period ended in	
	03/31/2009	03/31/2008
Cash flows from operating activities		
Net income	34,999	1,090,117
Adjustments to reconcile net income to the cash flow provided by operating activities:		
Depreciation and amortization	474,386	422,542
Equity accounting	64,963	(60,833)
Exchange variation	(148,850)	(43,622)
Loss (Gains) on derivatives, net	33,048	(25,906)
Post-employment benefits and stock based remuneration	26,517	(1,921)
Income tax	(88,271)	307,646
(Gains) Loss on disposal of property, plant and equipment and investments	(10,891)	(5,399)
Provision for losses on available-for-sale securities	-	39,647
Allowance for doubtful accounts	13,900	3,467
Provision (Reserve) for contingencies	8,644	(58,947)
Distributions from joint ventures	-	18,197
Interest income	(76,615)	(85,419)
Interest expense	315,604	233,377
(Reverse) Provision for obsolescence and net realisable value adjustment	(56,175)	3,549
	<u>591,259</u>	<u>1,836,495</u>
Changes in assets and liabilities:		
Reduction (Increase) in trade accounts receivable	163,030	(423,272)
Reduction (Increase) in inventories	2,090,762	(254,750)
(Decrease) Increase in trade accounts payable	(610,340)	135,600
Decrease (Increase) in other receivables	29,477	190,822
(Decrease) Increase in other payables	(345,043)	(535,601)
Investments in Trading securities and available for sale securities	(52,539)	(1,363,558)
Redemption of trading securities	20,324	2,437,386
Cash provided by operating activities	<u>1,886,930</u>	<u>2,023,122</u>
Interest paid on loans and financing	(306,831)	(272,504)
Income and social contribution taxes paid	(47,604)	(130,514)
Net cash provided by operating activities	<u>1,532,495</u>	<u>1,620,104</u>
Cash flows from investing activities		
Additions to property, plant and equipment and intangibles	(485,281)	(470,275)
Payments for business acquisitions	-	(369,861)
Interest received on cash investments	2,499	33,745
Net cash used in investing activities	<u>(482,782)</u>	<u>(806,391)</u>
Cash flows from financing activities		
Capital increase/Treasury stock	-	-
Dividends and interest on capital paid	(106,879)	(319,047)
Borrowings	320,761	368,353
Repayment of loans and financing	(1,012,889)	(834,585)
Intercompany loans, net	17,406	(7,110)
Net cash used in financing activities	<u>(781,601)</u>	<u>(792,389)</u>
Exchange variation on cash and cash equivalents	(44,204)	31,958
Increase in cash and cash equivalents	223,908	53,282
Cash and cash equivalents at beginning of period	<u>2,026,609</u>	<u>2,026,096</u>
Cash and cash equivalents at end of period	<u>2,250,517</u>	<u>2,079,378</u>