



**Vision**

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

**Mission**

Gerdaul is an organization focused on the steel business, seeking to satisfy customers' needs and to create value for shareholders, committed to the fulfillment of people and to 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 specialty long steel and flat steel primarily utilizing electric arc furnaces through the 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 3rd quarter of 2009**

| Key information   | 3rd quarter<br>2009 | 2nd quarter<br>2009 | Variation<br>3Q09/2Q09 | 9M09   | 9M08   |
|---|---------------------|---------------------|------------------------|--------|--------|
| Production (1,000 tonnes)                               |                     |                     |                        |        |        |
| Crude Steel (slabs/blooms/billets)                      | 4,024               | 3,100               | 29.8%                  | 9,673  | 16,336 |
| Rolled Products   | 3,324               | 2,792               | 19.1%                  | 8,562  | 13,769 |
| Sales (1,000 tonnes)                                    | 3,876               | 3,378               | 14.7%                  | 10,316 | 15,612 |
| Net Revenue (R\$ million)                               | 6,808               | 6,401               | 6.4%                   | 20,177 | 32,488 |
| EBITDA (R\$ million)                                    | 1,375               | 595                 | 131.1%                 | 2,570  | 8,572  |
| Net Income (R\$ million)                                | 655                 | (329)               | -                      | 361    | 4,634  |
| Net Income, without non-recurring effects (R\$ million) | 745                 | 467                 | 59.5%                  | 1,247  | 4,634  |
| Gross Margin  | 22.1%               | 12.5%               |                        | 15.4%  | 28.3%  |
| EBITDA Margin   | 20.2%               | 9.3%                |                        | 12.7%  | 26.4%  |
| Net Margin  | 9.6%                | -5.1%               |                        | 1.8%   | 14.3%  |
| Net Margin, without non-recurring effects               | 10.9%               | 7.3%                |                        | 6.2%   | 14.3%  |
| Shareholders' Equity (R\$ million)                      | 22,046              | 22,324              |                        | 22,046 | 24,242 |
| Total Assets (R\$ million)                              | 45,932              | 49,272              |                        | 45,932 | 54,809 |
| Net Income / Shareholders' Equity <sup>1</sup>          | 3.0%                | 6.4%                |                        | 3.0%   | 23.0%  |
| Gross Debt / Total Net Capitalization                   | 42.2%               | 45.9%               |                        | 42.2%  | 44.0%  |
| Gross Debt / EBITDA <sup>2</sup>                        | 4.0x                | 2.9x                |                        | 4.0x   | 1.9x   |
| Net Debt / EBITDA <sup>2</sup>                          | 2.7x                | 2.0x                |                        | 2.7x   | 1.3x   |

1) Last 12 months Net Income/ September 30, 2009 Shareholders' Equity

2) Last 12 months EBITDA

**Conference Call  
November 5, 2009**

**Portuguese**

2:30 p.m. (Brasília)

Tel:

- from Brazil: 11 2188 0188

0800 726 5606

- From other countries: +55 11 2188 0188

Code: Gerdaul

**English (simultaneous translation)**

2:30 p.m. (Brasília)

Tel:

- from the U.S. and Canada: +1 866 890 2584

- From other countries: +1 646 843 6054

- from Brazil: 11 2188 0188

0800 726 5606

Code: Gerdaul (in Portuguese)

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## Performance in the third quarter of 2009

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

### Business operations

The information in this report is presented in accordance with the respective corporate governance policy, as follows:

- Brazil (Brazil BO) – includes Brazil's operations, except specialty steel;
- North America (North America BO) – includes all North American operations, except Mexico and specialty steel;
- Latin America (Latin America BO) – includes all Latin American operations, except for Brazil;
- Specialty Steel (Specialty Steel BO) – includes the specialty steel operations in Brazil, Spain and the United States.

### Production

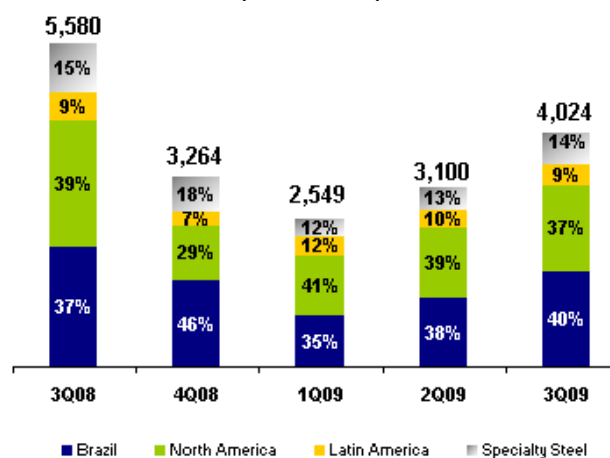
#### **Crude Steel**

- On a consolidated basis, the 29.8% increase in Gerdau's crude steel production in 3Q09 in relation to 2Q09 reflects the recovery in the world steel market (led by Brazil BO), signaling a gradual recovery to the Company's historical capacity utilization levels. Gerdau increased production levels at its various business operations to follow the demand growth observed in the respective markets.
- The Brazil BO registered growth in crude steel output of 39.2%, mainly due to the reactivation of blast furnace 1 at the Ouro Branco unit in Minas Gerais state in July 2009. The North America BO recorded production growth of 22.7% in the third quarter of 2009. The Latin America BO posted growth in crude steel production of 13.6%, led by Chile, Mexico and Uruguay. The Specialty Steel BO registered a 36.9% increase in output in the third quarter of 2009, with recoveries observed in Brazil and the United States. In Spain production contracted, due to the seasonal effects from usual holiday season in August.

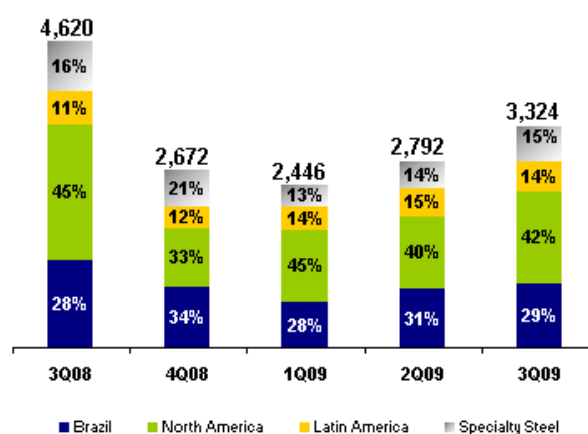
| <b>Production</b><br>(1,000 tonnes)            | <b>3rd quarter</b><br><b>2009</b> | <b>2nd quarter</b><br><b>2009</b> | <b>Variation</b><br><b>3Q09/2Q09</b> | <b>9M09</b>  | <b>9M08</b>   |
|--|-----------------------------------|-----------------------------------|--------------------------------------|--------------|---------------|
| <b>Crude Steel</b> (slabs, blooms and billets) |                                   |                                   |                                      |              |               |
| Brazil   | 1,626                             | 1,168                             | 39.2%                                | 3,674        | 5,972         |
| North America                                  | 1,493                             | 1,217                             | 22.7%                                | 3,754        | 6,647         |
| Latin America                                  | 360                               | 317                               | 13.6%                                | 992          | 1,457         |
| Specialty Steel                                | 545                               | 398                               | 36.9%                                | 1,253        | 2,260         |
| <b>Total</b>                                   | <b>4,024</b>                      | <b>3,100</b>                      | <b>29.8%</b>                         | <b>9,673</b> | <b>16,336</b> |
| <b>Rolled Products</b>                         |                                   |                                   |                                      |              |               |
| Brazil   | 956                               | 874                               | 9.4%                                 | 2,508        | 3,731         |
| North America                                  | 1,387                             | 1,103                             | 25.7%                                | 3,584        | 6,330         |
| Latin America                                  | 469                               | 416                               | 12.7%                                | 1,230        | 1,620         |
| Specialty Steel                                | 512                               | 399                               | 28.3%                                | 1,240        | 2,088         |
| <b>Total</b>                                   | <b>3,324</b>                      | <b>2,792</b>                      | <b>19.1%</b>                         | <b>8,562</b> | <b>13,769</b> |

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

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



**Rolled Steel Production**  
(‘000 tonnes)



**Rolled Products**

- Consolidated rolled products output was 3.3 million tonnes in the third quarter, up 19.1% from 2.8 million tonnes in the second quarter of 2009. As it did for crude steel, the Company sought to increase output at its various business operations to follow the demand growth observed in the respective markets. Growth in rolled products production slightly lagged the growth in crude steel production, mainly due to the reactivation of the blast furnace at the Ouro Branco unit in Minas Gerais, which focuses on producing slabs, blooms and billets.

**Sales**

- Consolidated sales volume in the third quarter of 2009 came to 3.9 million tonnes, for growth of 14.7% over the previous quarter. The higher sales volume primarily reflects the recovery in the main sectors that consume the Company’s products and, specifically in the North America BO, the restocking of depleted inventories. Another important factor was the 46.3% growth in sales in September 2009 in relation to December 2008, with a gradual recovery to historical sales levels.

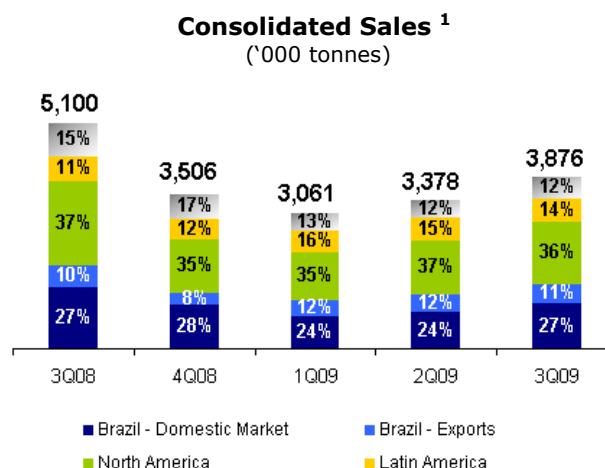
| Consolidated Sales <sup>1</sup><br>(1,000 tonnes) | 3rd quarter<br>2009 | 2nd quarter<br>2009 | Variation<br>3Q09/2Q09 | 9M09          | 9M08          |
|---|---------------------|---------------------|------------------------|---------------|---------------|
| Brazil  | 1,454               | 1,212               | 20.0%                  | 3,762         | 5,322         |
| Domestic Market                                   | 1,026               | 812                 | 26.4%                  | 2,559         | 3,855         |
| Exports   | 428                 | 400                 | 7.0%                   | 1,203         | 1,467         |
| North America                                     | 1,410               | 1,239               | 13.8%                  | 3,729         | 6,420         |
| Latin America                                     | 537                 | 507                 | 5.9%                   | 1,531         | 1,788         |
| Specialty Steel                                   | 475                 | 420                 | 13.1%                  | 1,294         | 2,082         |
| <b>Total</b>                                      | <b>3,876</b>        | <b>3,378</b>        | <b>14.7%</b>           | <b>10,316</b> | <b>15,612</b> |

1 - Excludes shipments to controlled companies

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

- In the Brazil BO, the highlight was the expansion in the domestic market, with sales of more than one million tonnes, which represents growth in the quarter of 26.4% in relation to the second quarter of 2009, with growth rates of more than 30% in sales to industrial clients and of 10% in sales to the construction sector. Government incentives in various sectors of the economy helped support the recovery in domestic consumption.

- Sales in the North American BO in the third quarter grew by 13.8% over the second quarter of 2009, primarily due to inventory restocking and positive seasonal effects. The North American BO has yet to see any meaningful effects from the U.S. government stimulus packages and the bonds issued by state and local governments to promote infrastructure investments.
- In the Latin America BO, sales in the third quarter rose by 5.9% versus the second quarter, with sales in the region already at historical levels. Argentina, Chile, Uruguay and Mexico recorded the strongest sales. In this business operation, Colombian units continue to suffer impacts from the global economic crisis.



1 - Excluding sales to subsidiaries.

- The Specialty Steel BO posted sales growth of 13.1% in the third quarter over the second quarter of 2009. In Brazil, stronger vehicle sales supported growth in specialty steel sales in the third quarter of 24.1% on the second quarter. According to the National Association of Vehicle Manufacturers (Anfavea), vehicle licensing increased by 9% in the third quarter versus the previous quarter, driven by the reduction in the rate of the federal value-added (IPI) tax and the financing provided at competitive costs by the Brazilian government. In the United States, specialty steel sales rose by 29.9%, fueled by the government's Cash for Clunkers program. In Spain, sales fell in relation to the second quarter, due to the vacations in August.

## **Results**

### **Net Revenue**

- In the third quarter of 2009, consolidated net revenue was R\$ 6.8 billion, increasing by 6.4% in relation to the second quarter of 2009, due to the higher sales volume in the period. Revenue growth was partially contained by the foreign exchange loss on revenue denominated in U.S. dollar due to the appreciation in the Brazilian real against the U.S. dollar.
- The Brazil BO (domestic market plus exports) posted net revenue growth in the third quarter of 15.5% in relation to the second quarter of 2009, which was fueled by the 20% increase in sales volumes, which was sufficient to offset the marginal drop in prices (-3.7% in net revenue/tonne sold).
- In the other businesses operations, for which the bulk of revenue is generated outside Brazil, the recovery in sales volume was sufficient to offset the foreign exchange loss on revenue translated into Brazilian real (appreciation of 9.9% in the average quarterly BRL/USD exchange rate).

| <b>Net Revenue</b><br>(R\$ million) | <b>3rd quarter</b><br><b>2009</b> | <b>2nd quarter</b><br><b>2009</b> | <b>Variation</b><br><b>3Q09/2Q09</b> | <b>9M09</b>   | <b>9M08</b>   |
|-------------------------------------|-----------------------------------|-----------------------------------|--------------------------------------|---------------|---------------|
| Brazil                              | 2,781                             | 2,408                             | 15.5%                                | 7,556         | 11,144        |
| Domestic Market                     | 2,415                             | 2,019                             | 19.6%                                | 6,403         | 8,912         |
| Exports                             | 366                               | 389                               | -5.9%                                | 1,153         | 2,232         |
| North America                       | 2,130                             | 2,112                             | 0.9%                                 | 6,640         | 11,823        |
| Latin America                       | 778                               | 798                               | -2.5%                                | 2,487         | 3,510         |
| Specialty Steel                     | 1,119                             | 1,083                             | 3.3%                                 | 3,494         | 6,011         |
| <b>Total</b>                        | <b>6,808</b>                      | <b>6,401</b>                      | <b>6.4%</b>                          | <b>20,177</b> | <b>32,488</b> |

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

### Cost of goods sold

- Throughout the first half of the year, Gerdau concentrated its efforts on lowering production costs, achieving gains of R\$ 2.4 billion in the period, and also wrote down its inventories to match them with the new price scenario.
- These efforts were partially reflected in the Company's results for the third quarter of 2009. Even with sales growth in the quarter of 14.7% over the previous quarter, the Company obtained a reduction of 5.3% in the cost of goods sold. The higher sales volume also helped further dilute the Company's fixed costs. Both these factors were responsible for the gross margin expansion of 9.6 percentage points, from 12.5% in the second quarter to 22.1% in the third quarter of 2009.
- In the Brazil BO specifically, the main factors contributing to the gross margin expansion from 28.6% in the second quarter to 34.4% in the third quarter were the reactivation of the blast furnace at the Ouro Branco unit in Minas Gerais and the 20.0% growth in sales volume.
- In the North America BO, where sales volumes were substantially below historical levels, the 13.8% increase in sales in the third quarter was enough to double gross margin, which expanded from 6.3% in the second quarter to 13.2% in the third quarter, even with the increase in the scrap price observed in the period.
- The Latin America BO, despite the intense pressure from imported products, posted a recovery in gross margin due to inventory write-offs during the first half of 2009 combined with the improvement of 5.9% in sales in the third quarter, with a higher dilution of fixed costs. Gross margin went from -2.7% in the second quarter to 11.2% in the third quarter of 2009.
- Stronger sales in Brazil and the United States contributed to fixed cost dilution in the Specialty Steel BO, increasing gross margin from 0.2% in the second quarter to 16.3% in the third quarter of 2009.

### Selling, general and administrative expenses

- Selling, general and administrative expenses declined by 13.8%, from R\$ 603.8 million in the second quarter to R\$ 520.3 million in the third quarter of 2009. As a result, these expenses as a percentage of net revenue fell from 9.4% to 7.6%, respectively.

### EBITDA

- EBITDA (earnings before interest, tax, depreciation, amortization and losses from asset impairments), also known as operating cash flow, totaled R\$ 1.4 billion in the third quarter of 2009, more than double the amount in the second quarter. EBITDA margin reached at 20.2% in the third quarter, compared with 9.3% in the previous quarter.

| <b>Consolidated EBITDA breakdown</b><br>(R\$ million) | <b>3rd quarter</b><br><b>2009</b> | <b>2nd quarter</b><br><b>2009</b> | <b>9M09</b>  | <b>9M08</b>  |
|---|-----------------------------------|-----------------------------------|--------------|--------------|
| Net Income  | 655                               | (329)                             | 361          | 4,634        |
| Provision for Income Tax and Social Contribution      | 152                               | (81)                              | (18)         | 1,390        |
| Net Financial Result                                  | 23                                | (517)                             | (315)        | 1,283        |
| Depreciation and Amortization                         | 402                               | 442                               | 1,319        | 1,265        |
| Impairment  | 143                               | 1,080                             | 1,223        | -            |
| <b>EBITDA</b>   | <b>1,375</b>                      | <b>595</b>                        | <b>2,570</b> | <b>8,572</b> |

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.

- The Brazil BO was the main contributor to operating cash flow in the period, recording growth of 45.4% in the third quarter against the second quarter, with EBITDA margin of 29.9%. The North America BO registered strong growth in EBITDA in the third quarter compared to the second quarter, as reflected by the margin of 14.4%. The other operations (Latin America and Specialty Steel) also registered significant improvements in EBITDA margin.

| <b>EBITDA by Business Operation</b><br>(R\$ million) | <b>3rd quarter</b><br><b>2009</b> | <b>2nd quarter</b><br><b>2009</b> | <b>9M09</b>  | <b>9M08</b>  |
|--|-----------------------------------|-----------------------------------|--------------|--------------|
| Brazil   | 830                               | 571                               | 2,054        | 3,946        |
| North America  | 306                               | 125                               | 519          | 2,547        |
| Latin America  | 40                                | (95)                              | (193)        | 848          |
| Specialty Steel                                      | 199                               | (6)                               | 190          | 1,231        |
| <b>Total</b>   | <b>1,375</b>                      | <b>595</b>                        | <b>2,570</b> | <b>8,572</b> |

| <b>EBITDA by Business Operation</b><br>(R\$ million) | <b>3rd quarter 2009</b> |                      |                      |                        |              |
|--|-------------------------|----------------------|----------------------|------------------------|--------------|
|  | <b>Brazil</b>           | <b>North America</b> | <b>Latin America</b> | <b>Specialty Steel</b> | <b>Total</b> |
| Net Income   | 605                     | (45)                 | 14                   | 81                     | 655          |
| Provision for Income Tax and Social Contribution     | 169                     | (39)                 | 8                    | 14                     | 152          |
| Net Financial Result                                 | (119)                   | 118                  | (4)                  | 28                     | 23           |
| Depreciation and Amortization                        | 175                     | 129                  | 22                   | 76                     | 402          |
| Impairment   | -                       | 143                  | -                    | -                      | 143          |
| <b>EBITDA 3rd quarter 2009</b>                       | <b>830</b>              | <b>306</b>           | <b>40</b>            | <b>199</b>             | <b>1,375</b> |

### Equity Income

- Companies in which Gerdau has shared control or joint ventures were not consolidated and their results were evaluated based on the equity method.
- Considering the respective equity interests, these companies sold 253,000 tonnes of steel products in the third quarter of 2009, for growth of 24.6% on the second quarter, and generated net sales revenue of R\$ 303.7 million. The highlight was the strong growth in sales volume at Gallatin (+45.1%), which was driven by improvement in the flat steel sector in the United States.
- Based on these companies' results, equity income was a gain of R\$ 5.3 million in the third quarter of 2009.

### Financial Result

- In the third quarter of 2009, the financial result (financial income less financial expenses, foreign exchange variation and gains/losses on hedge operations) was a net financial expense of R\$ 23.8 million, compared with net financial income of R\$ 517.0 million in the previous quarter. This lower financial result in the third quarter is mainly due to the lower financial income and lower impact

from the BRL/USD exchange rate in the period (8.9% appreciation in the third quarter, versus 15.7% in the second quarter) on the portion of financing denominated in foreign currencies contracted by companies in Brazil.

- Note that of the total foreign-currency debt contracted by companies in Brazil of US\$ 3.3 billion on September 30, 2009, US\$ 1.5 billion is related to the acquisitions of companies abroad, in which foreign exchange variation is recorded directly on the balance sheet, in accordance with IFRS rules. For the remaining US\$ 1.8 billion, foreign exchange variation is recorded on the income statement.

## Net Income

- Net income was R\$ 655.1 million in the third quarter, which compares with a net loss of R\$ 329.1 million in the second quarter. The net income improvement reflects the recovery in the Company's operating margins in the period. With the result obtained in the third quarter, net income in the first nine months of 2009 stands at R\$ 361,0 million.

| <b>Net Income</b><br>(R\$ million)                | <b>3rd quarter</b><br><b>2009</b> | <b>2nd quarter</b><br><b>2009</b> | <b>9M09</b>  | <b>9M08</b>  |
|---|-----------------------------------|-----------------------------------|--------------|--------------|
| Brazil  | 605                               | 643                               | 1,720        | 2,149        |
| North America                                     | (45)                              | (70)                              | (194)        | 1,273        |
| Latin America                                     | 14                                | (219)                             | (437)        | 597          |
| Specialty Steel                                   | 81                                | (683)                             | (728)        | 615          |
| <b>Net income</b>                                 | <b>655</b>                        | <b>(329)</b>                      | <b>361</b>   | <b>4,634</b> |
| Impairments                                       | 143                               | 1,080                             | 1,223        | -            |
| Income tax on impairments                         | (53)                              | (284)                             | (337)        | -            |
| <b>Net income excluding non-recurring effects</b> | <b>745</b>                        | <b>467</b>                        | <b>1,247</b> | <b>4,634</b> |

## Dividends

- The Company approved a dividend payment related to an anticipation of 2009 minimum mandatory dividend, in the form of interest on capital, based on the results of the first nine months of 2009, as follows:
  - R\$ 106.5 million (R\$ 0.075 per share)
  - Payment on November 26th, 2009
  - Brazilian Record date: November 16th, 2009 (ex-dividend on November 17th, 2009)

## Impairment

- In the third quarter of 2007, Gerdau started to report its consolidated financial statements in accordance with the international accounting standards established by the International Accounting Standard Board – IASB (known as the International Financial Reporting Standards – IFRS). The standards determine that the Company's assets must have impairment tests based on revisions of the prospects for cash generation and the future earnings from the Company's operations.
- During the first nine months of 2009, the Company has been monitoring indicators of asset deterioration and applying impairment tests whenever necessary. These tests are based on the prospects of a global economic scenario that has demonstrated deterioration in steel assets around the world.
- These tests consider the Discounted Cash Flow methodology, in which important assumptions are considered for discount rates, growth rates, perpetuity, working capital, investment plans and expected cash flow that could substantially influence the Company results.

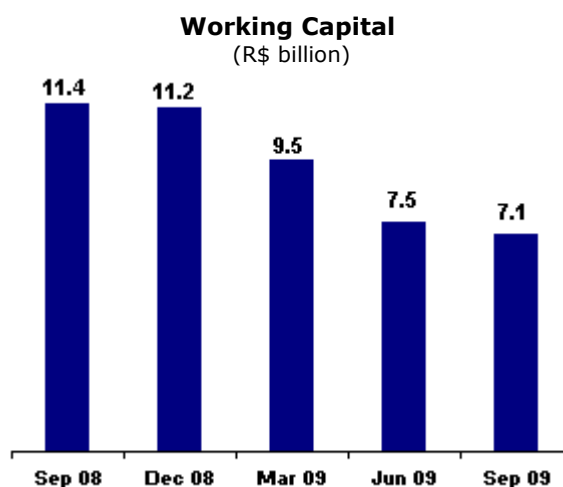
- Losses identified in the first nine months of 2009 totaled R\$ 1.2 billion, which were mainly generated by downward revisions in expectations for operating results in the North America and Specialty Steel BOs. These losses were classified as follows:

| Impairment by Business Operation<br>(R\$ million)         | 9 months of 2009 |               |               |                 |              |
|---|------------------|---------------|---------------|-----------------|--------------|
|   | Brazil           | North America | Latin America | Specialty Steel | Total        |
| Property, plant and equipment                             | -                | 166           | 136           | 218             | 520          |
| Goodwill  | -                | -             | -             | 202             | 202          |
| Other intangible assets                                   | -                | -             | -             | 304             | 304          |
| Investments in associates and jointly-controlled entities | -                | -             | -             | 46              | 46           |
| Others  | -                | 49            | -             | 102             | 151          |
| <b>Total</b>  | -                | <b>215</b>    | <b>136</b>    | <b>872</b>      | <b>1,223</b> |

- This Impairment effect, net of income tax, impacted the Company's net income of the nine months ended in September 2009 in R\$ 886 million.
- Specifically in the third quarter, the Company identified R\$ 143 million in impairment of assets in the North America BO (R\$ 90 million net of income tax).

### Working Capital

- Working capital (represented by accounts receivable from clients, plus inventories, less suppliers) totaled R\$ 7.1 billion in September 2009, declining R\$ 430 million in relation to June 2009, mainly influenced by the foreign-exchange variation in the period.



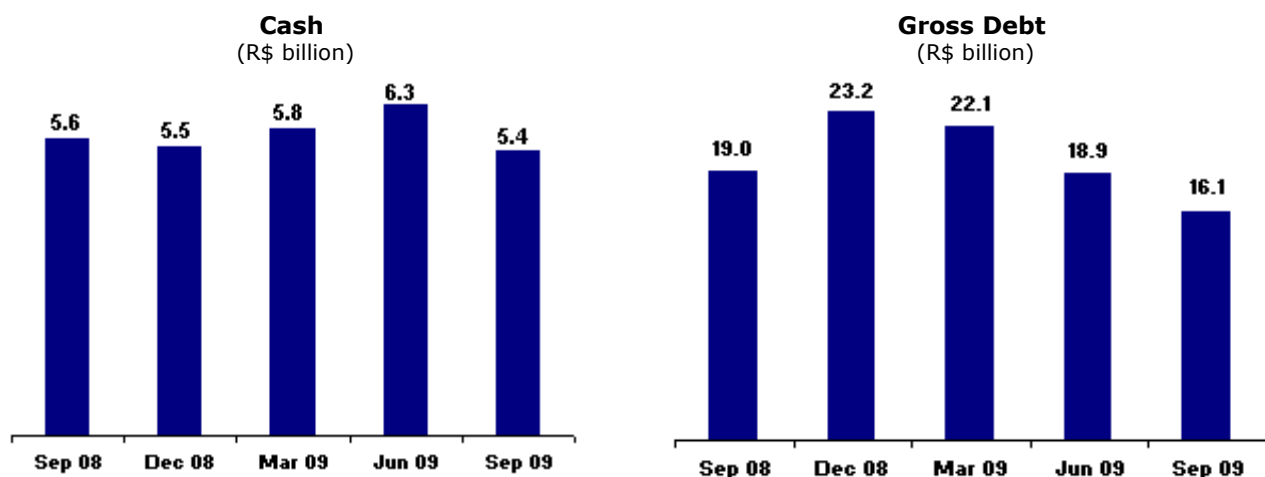
### Investments

- In the third quarter of 2009, investments in fixed assets totaled R\$ 231.7 million. Of this total, 66.3% was allocated to Brazil, with the remaining 33.7% allocated to companies in other countries. A total of R\$ 1.1 billion has been disbursed so far this year.

- As announced in October, Gerdau resumed the project for the installation of a heavy plates rolling mill in the Ouro Branco unit, state of Minas Gerais, signaling its entry into Brazil's flat steel sector. The project details are as follows:
  - Investment of R\$ 1.75 billion;
  - Capacity of 1 million tonnes;
  - Use of continuous slab casting, with capacity of 1.5 million tonnes;
  - Start up of operations slated for late 2012;
  - Supplying the oil, shipping, construction and heavy-equipment sectors in both the domestic market and international markets.
- Additionally the Company will restart operations at Várzea de Lopes (MG) iron ore mine, in which should reach an annual production of 1.5 million tonnes, which combined with Miguel Burnier iron ore production, Gerdau expects to reach a total annual production of 2.7 million tonnes, fully directed to its own consumption.
- The plan for investments in fixed assets from 2010 to 2014 was revised and is currently estimated at R\$ 9.5 billion, which includes strategic investments in the Ouro Branco unit and in the joint-venture in India.

**Financial Liabilities**

- Gross debt (loans and financing plus debentures) totaled R\$ 16.1 billion on September 30, 2009, of which 13.2% was short-term (R\$ 2.1 billion) and 86.8% was long-term (R\$ 14.0 billion). Note that in the third quarter of 2009 there was a R\$ 2.8 billion reduction in gross debt as a result of payments made and the foreign exchange variation in the period. On September 30, gross debt was equivalent to 4.0 times EBITDA in the last 12 months.
- On September 30, the composition of gross debt was 19.7% in Brazilian real, 36.6% in foreign currency contracted by companies in Brazil and 43.7% in various different currencies contracted by subsidiaries abroad.
- Cash (Cash, cash equivalents and short-term investments) totaled R\$ 5.4 billion in September, of which 40.6% was held by Gerdau's subsidiaries abroad, mainly in U.S. dollar.



- Net debt (loans and financing, plus debentures, less cash, cash equivalents and investments) on September 30 this year totaled R\$ 10.7 billion, equivalent to 2.7 times EBITDA in the last 12 months.

| <b>Indebtedness</b><br>(R\$ million)              | <b>09/30/2009</b> | <b>12/31/2008</b> |
|---|-------------------|-------------------|
| <b>Short-term</b>                                 | <b>2,126</b>      | <b>3,933</b>      |
| Local Currency (Brazil)                           | 1,032             | 892               |
| Foreign Currency (Brazil)                         | 353               | 1,103             |
| Companies Abroad                                  | 741               | 1,938             |
| <b>Long-term</b>                                  | <b>13,951</b>     | <b>19,301</b>     |
| Local Currency (Brazil)                           | 2,127             | 2,625             |
| Foreign Currency (Brazil)                         | 5,537             | 6,886             |
| Companies Abroad                                  | 6,287             | 9,790             |
| <b>Gross debt</b>                                 | <b>16,077</b>     | <b>23,234</b>     |
| Cash, cash equivalents and short-term investments | 5,405             | 5,491             |
| <b>Net Debt</b>                                   | <b>10,672</b>     | <b>17,743</b>     |

- The main indicators of indebtedness at Gerdau companies at the end of September are shown below:

| <b>Ratios</b>                                 | <b>09/30/2009</b> | <b>12/31/2008</b> |
|---|-------------------|-------------------|
| Gross Debt/ Total Capitalization <sup>1</sup> | 42.2%             | 48.1%             |
| Gross Debt / EBITDA <sup>2</sup>              | 4,0x              | 2,3x              |
| Net Debt / EBITDA <sup>2</sup>                | 2,7x              | 1,8x              |

1 - Total Capitalization = Shareholders' Equity + Gross Debt

2 - Last 12 Months

- The long-term debt amortization schedule, including debentures, on September 30 is shown below:

| <b>Year</b>                | <b>R\$ million</b> |
|----------------------------|--------------------|
| 2010 (October to December) | 598                |
| 2011                       | 2,603              |
| 2012                       | 3,861              |
| 2013                       | 1,727              |
| 2014 and afterwards        | 5,162              |
| <b>Total</b>               | <b>13,951</b>      |

- Note that on August 31, 2009, the subsidiary Gerdau Ameristeel redeemed US\$ 405 million (R\$ 764 million) in Senior Notes with an annual coupon of 10.375% and maturity in 2011. The redemption price totaled US\$ 412,3 million (R\$ 777,8 million), paid totally with the Company's cash.

## THE MANAGEMENT

*In view of 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.**  
**CONDENSED CONSOLIDATED STATEMENTS OF FINANCIAL POSITION**  
**in thousands of Brazilian reais (R\$)**

|   | <u>September 30, 2009</u> | <u>December 31, 2008</u> |
|---|---------------------------|--------------------------|
| <b>CURRENT ASSETS</b>                                     |                           |                          |
| Cash and cash equivalents                                 | 2,647,787                 | 2,026,609                |
| Short-term investments                                    |                           |                          |
| Held for Trading  | 2,446,200                 | 2,759,486                |
| Available for sale  | 253,828                   | 627,151                  |
| Trade accounts receivable                                 | 2,979,230                 | 3,683,933                |
| Inventories   | 5,698,547                 | 10,398,263               |
| Tax credits   | 598,469                   | 857,923                  |
| Prepaid expenses  | 91,036                    | 89,262                   |
| Unrealized gains on derivatives                           | 1,745                     | 10,035                   |
| Other current assets                                      | 234,683                   | 322,878                  |
|   | <u>14,951,525</u>         | <u>20,775,540</u>        |
| <b>NON-CURRENT ASSETS</b>                                 |                           |                          |
| Long-term investments                                     | 57,635                    | 77,563                   |
| Tax credits   | 602,194                   | 521,441                  |
| Deferred income taxes                                     | 1,339,552                 | 1,766,355                |
| Unrealized gains on derivatives                           | 98,691                    | 68,145                   |
| Prepaid expenses  | 72,897                    | 129,368                  |
| Judicial deposits   | 313,979                   | 258,620                  |
| Other non-current assets                                  | 271,502                   | 323,415                  |
| Prepaid pension cost                                      | 320,027                   | 271,447                  |
| Investments in associates and jointly-controlled entities | 1,215,151                 | 1,775,073                |
| Other investments   | 42,901                    | 21,768                   |
| Goodwill  | 8,521,733                 | 11,294,102               |
| Other intangible assets                                   | 1,010,073                 | 1,712,930                |
| Property, plant and equipment, net                        | 17,114,144                | 20,054,747               |
|   | <u>30,980,479</u>         | <u>38,274,974</u>        |
| <b>TOTAL ASSETS</b>                                       | <u><u>45,932,004</u></u>  | <u><u>59,050,514</u></u> |

**GERDAU S.A.**  
**CONDENSED CONSOLIDATED STATEMENTS OF FINANCIAL POSITION**  
in thousands of Brazilian reais (R\$)

|  | <u>September 30, 2009</u> | <u>December 31, 2008</u> |
|--|---------------------------|--------------------------|
| <b>CURRENT LIABILITIES</b>                                     |                           |                          |
| Trade accounts payable   | 1,623,925                 | 2,855,419                |
| Short-term debt  | 1,959,018                 | 3,788,085                |
| Debentures   | 167,604                   | 145,034                  |
| Taxes payable  | 738,325                   | 517,272                  |
| Payroll and related liabilities                                | 389,702                   | 551,941                  |
| Dividends payable  | 40,818                    | 7,820                    |
| Unrealized losses on derivatives                               | 5,564                     | 69,435                   |
| Provision for environmental liabilities                        | 12,823                    | 17,759                   |
| Other current liabilities                                      | 389,982                   | 522,672                  |
|  | <u>5,327,761</u>          | <u>8,475,437</u>         |
| <b>NON-CURRENT LIABILITIES</b>                                 |                           |                          |
| Long-term debt   | 13,387,983                | 18,595,002               |
| Debentures   | 562,870                   | 705,715                  |
| Deferred income taxes  | 2,210,204                 | 3,060,268                |
| Unrealized losses on derivatives                               | 153,812                   | 314,267                  |
| Provision for tax, labor and civil claims                      | 440,527                   | 467,076                  |
| Provision for environmental liabilities                        | 63,682                    | 74,996                   |
| Employees benefits   | 923,377                   | 1,275,985                |
| Put options on minority interest                               | 530,651                   | 698,321                  |
| Other non-current liabilities                                  | 285,517                   | 339,869                  |
|  | <u>18,558,623</u>         | <u>25,531,499</u>        |
| <b>EQUITY</b>  |                           |                          |
| Capital  | 14,184,805                | 14,184,805               |
| Treasury stocks  | (127,387)                 | (122,820)                |
| Legal reserve  | 144,062                   | 144,062                  |
| Stock option compensation plan                                 | 6,781                     | 1,426                    |
| Retained earnings  | 5,418,942                 | 5,099,384                |
| Other consolidated comprehensive income                        | (1,576,544)               | 859,645                  |
| <b>EQUITY ATTRIBUTABLE TO THE EQUITY HOLDERS OF THE PARENT</b> | <u>18,050,659</u>         | <u>20,166,502</u>        |
| <b>NON-CONTROLLING INTERESTS</b>                               | <u>3,994,961</u>          | <u>4,877,076</u>         |
| <b>EQUITY</b>  | <u>22,045,620</u>         | <u>25,043,578</u>        |
| <b>TOTAL LIABILITIES AND EQUITY</b>                            | <u><u>45,932,004</u></u>  | <u><u>59,050,514</u></u> |

**GERDAU S.A.**  
**CONDENSED CONSOLIDATED STATEMENTS OF INCOME**  
in thousands of Brazilian reais (R\$)

|  | Periods of three months ended in |                  | Periods of nine months ended in |                    |
|--|----------------------------------|------------------|---------------------------------|--------------------|
|  | September 30, 2009               | June 30, 2009    | September 30, 2009              | September 30, 2008 |
| <b>NET SALES</b>   | 6,807,904                        | 6,401,515        | 20,177,204                      | 32,488,191         |
| Cost of sales  | (5,301,685)                      | (5,599,129)      | (17,078,552)                    | (23,285,318)       |
| <b>GROSS PROFIT</b>  | 1,506,219                        | 802,386          | 3,098,652                       | 9,202,873          |
| Selling expenses   | (144,497)                        | (150,556)        | (450,018)                       | (495,911)          |
| General and administrative expenses                                    | (375,766)                        | (453,201)        | (1,321,168)                     | (1,717,901)        |
| Impairment of assets   | (142,834)                        | (1,080,063)      | (1,222,897)                     | -                  |
| Other operating income   | 36,877                           | 29,233           | 148,201                         | 121,165            |
| Other operating expenses   | (54,779)                         | (19,287)         | (109,487)                       | (40,887)           |
| Equity in earnings of unconsolidated companies                         | 5,318                            | (55,753)         | (115,398)                       | 237,567            |
| <b>OPERATIONAL INCOME BEFORE FINANCIAL INCOME (EXPENSES) AND TAXES</b> | 830,538                          | (927,241)        | 27,885                          | 7,306,906          |
| Financial income   | 72,750                           | 139,463          | 311,585                         | 320,478            |
| Financial expenses   | (307,194)                        | (335,330)        | (1,035,558)                     | (1,106,443)        |
| Exchange variations, net   | 184,417                          | 696,096          | 1,029,363                       | (453,926)          |
| Gain and losses on derivatives, net                                    | 26,248                           | 16,762           | 9,962                           | (43,041)           |
| <b>INCOME BEFORE TAXES</b>   | 806,759                          | (410,250)        | 343,237                         | 6,023,974          |
| Income and social contribution taxes                                   |                                  |                  |                                 |                    |
| Current  | (185,246)                        | (140,814)        | (270,366)                       | (1,686,470)        |
| Deferred   | 33,632                           | 221,969          | 288,178                         | 296,305            |
| <b>NET INCOME</b>  | <u>655,145</u>                   | <u>(329,095)</u> | <u>361,049</u>                  | <u>4,633,809</u>   |
| <b>ATTRIBUTED TO:</b>  |                                  |                  |                                 |                    |
| Parent company's interest  | 553,031                          | (266,060)        | 375,403                         | 3,705,115          |
| Non-controlling interests  | 102,114                          | (63,035)         | (14,354)                        | 928,694            |
|  | <u>655,145</u>                   | <u>(329,095)</u> | <u>361,049</u>                  | <u>4,633,809</u>   |
| Basic earnings per share - preferred and common                        | 0.39                             | (0.19)           | 0.26                            | 2.68               |
| Diluted earnings per share - preferred and common                      | 0.39                             | (0.19)           | 0.26                            | 2.67               |

**GERDAU S.A.**  
**CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOW**  
in thousands of Brazilian reais (R\$)

|  | <b>Periods of nine months ended in</b> |                           |
|--|--|---------------------------|
|  | <b>September 30, 2009</b>              | <b>September 30, 2008</b> |
| <b>Cash flows from operating activities</b>                                      |  |                           |
| Net income   | 361,049                                | 4,633,809                 |
| Adjustments to reconcile net income to net cash provided by operating activities |  |                           |
| Depreciation and amortization  | 1,318,601                              | 1,265,457                 |
| Impairment of assets   | 1,222,897                              | -                         |
| Equity in earnings of unconsolidated companies                                   | 115,398                                | (237,567)                 |
| Exchange variation, net  | (1,029,363)                            | 453,926                   |
| (Gains) Losses on derivatives, net   | (9,962)                                | 43,041                    |
| Post-employment benefits   | 112,627                                | 38,103                    |
| Stock based compensation   | 7,568                                  | 5,682                     |
| Income and social contribution taxes   | (17,812)                               | 1,390,165                 |
| (Gain) Loss on disposal of property, plant and equipment and investments         | (7,148)                                | 16,319                    |
| Provision for losses on available for sale securities                            | -                                      | 89,400                    |
| Allowance for doubtful accounts  | 34,360                                 | 15,501                    |
| Reversal of tax, labor and civil claims  | (21,645)                               | (23,598)                  |
| Interest income  | (197,543)                              | (198,973)                 |
| Interest expense   | 794,614                                | 725,470                   |
| (Reversal) provision for obsolescence and fair market value adjustment           | (126,861)                              | 128,108                   |
|  | <u>2,556,780</u>                       | <u>8,344,843</u>          |
| <b>Changes in assets and liabilities:</b>  |  |                           |
| Decrease (Increase) in trade accounts receivable                                 | 1,140,260                              | (1,348,671)               |
| Decrease (Increase) in inventories   | 3,844,957                              | (3,172,309)               |
| Decrease in trade accounts payable   | (1,834,241)                            | (199,657)                 |
| Decrease in other receivables  | 79,514                                 | 583,676                   |
| Increase (Decrease) in other payables  | 237,857                                | (730,238)                 |
| Distributions from joint-controlled entities                                     | 20,294                                 | 66,118                    |
| Purchase of trading securities   | (1,279,867)                            | (4,910,135)               |
| Proceeds from sale of trading securities   | 1,344,656                              | 5,655,543                 |
| <b>Cash provided by operating activities</b>                                     | <u>6,110,210</u>                       | <u>4,289,170</u>          |
| Interest paid on loans and financing   | (801,810)                              | (701,866)                 |
| Income and social contribution taxes paid  | (175,776)                              | (1,098,129)               |
| <b>Net cash provided by operating activities</b>                                 | <u>5,132,624</u>                       | <u>2,489,175</u>          |
| <b>Cash flows from investing activities</b>                                      |  |                           |
| Additions to property, plant and equipment                                       | (1,102,086)                            | (1,445,309)               |
| Additions to other intangible assets   | (81,691)                               | (70,815)                  |
| Payments for business acquisitions, net of cash of acquired entities             | (4,200)                                | (3,145,407)               |
| Purchases of available for sale securities                                       | (1,644,644)                            | -                         |
| Proceeds from sale of available for sale securities                              | 2,034,517                              | 114,100                   |
| Interest received on cash investments  | 74,121                                 | 111,751                   |
| <b>Net cash used in investing activities</b>                                     | <u>(723,983)</u>                       | <u>(4,435,680)</u>        |
| <b>Cash flows from financing activities</b>                                      |  |                           |
| Capital increase   | -                                      | 2,885,058                 |
| Treasury stocks  | (6,779)                                | -                         |
| Dividends and interest on capital paid   | (140,735)                              | (1,196,769)               |
| Payments of deferred finance costs   | (37,989)                               | -                         |
| Proceeds from loans and financing  | 1,766,873                              | 4,227,979                 |
| Repayment of loans and financing   | (4,870,098)                            | (3,747,841)               |
| Intercompany loans, net  | (211,958)                              | 855,058                   |
| <b>Net cash (used in) provided by financing activities</b>                       | <u>(3,500,686)</u>                     | <u>3,023,485</u>          |
| Exchange variation on cash and cash equivalents                                  | (286,777)                              | 78,328                    |
| Increase in cash and cash equivalents  | 621,178                                | 1,155,308                 |
| Cash and cash equivalents at beginning of period                                 | 2,026,609                              | 2,026,096                 |
| <b>Cash and cash equivalents at end of period</b>                                | <u>2,647,787</u>                       | <u>3,181,404</u>          |

This document contains 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 risk, uncertainties and assumptions that include, among other factors: the general economic, political and commercial conditions in Brazil and in the markets where we operate and existing and future government regulations. Potential investors are warned that these forward-looking statements are not guarantees of future performance, given that they involve risks and uncertainties. The company does not assume and expressly renounces any obligation to update any of these forward-looking statements, which are only applicable on the date on which they were made.