

Conference Call – 4th Quarter 2008

GERDAU S.A. CONSOLIDATED - IFRS

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Gerdau – Highlights
4th Quarter



	Units	4Q08	4Q07	Δ %
OUTPUT	Million tonnes	3,263	4,921	-33,7%
SHIPMENTS	Million tonnes	3,506	4,637	- 24.4%
REVENUES	R$ million	9,420	8,073	+ 16.7%
EBITDA	R$ million	1,452	1,606	- 9.6%
NET INCOME	R$ million	311	944	- 67.1%
INVESTMENTS	US$ million	658		

Steel Market



4Q07 x 4Q08

GLOBAL STEEL PRODUCTION

- ✓ **Reduction of 17.3%, to 294 million tonnes.**
- ✓ **China led the decline in volume, but remained as the world's leading producer: output of 111 million tonnes (-8.3%).**

PRICES / COSTS

- ✓ **Reduction in the prices of steel products in export countries (such as Eastern Europe and Asia).**
- ✓ **Increase in raw material costs, such as coal and iron ore.**
- ✓ **Mini mills' distinguished capacity to adapt to this new scenario.**

Sources: Worldsteel, Metal Bulletin Research projections

Gerdau – 4Q08 x 4Q07 performance



Brazil

- ✓ Economic activity is beginning to slowdown.
- ✓ Brazil's crude steel production fell by 21.8%.
- ✓ The apparent consumption of steel products and long products dropped by 17.5% and 9.8%, respectively, over the 4Q07.
- ✓ Gerdau's sales dropped by 18.9% compared to the 4Q07.

OUTLOOK

- ✓ Economic growth below that of 2008 in Brazil.
- ✓ Brazil has strong economic fundamentals.
- ✓ Potential positive effect of the economic measures.

Source: IBS (Brazilian Steelmaking Institute)

Gerdau – 4Q08 x 4Q07 performance



North America

- ✓ Drop of 3.8% in GDP in the 4Q08.
- ✓ Demand decline and production adjustment.
- ✓ Steel production in the U.S. and Canada totaled 18.0 million tonnes, down by 38%.
- ✓ Gerdau's sales dropped by 38.2%.
- ✓ Evaluation of goodwill impairment: US$ 1.2 billion expense.

OUTLOOK

- ✓ Scenario is still uncertain.
- ✓ North American operations can directly benefit from the new government's stimulus package (30% of sales go to infrastructure).

Gerdau – 4Q08 x 4Q07 performance



Latin America (except Brazil)

- ✓ **GDP slowdown in most countries: decline in exports and moderation in the domestic market.**
- ✓ **Reduced credit availability affected the performance of local markets.**
- ✓ **Decline of 21.9% in the region's production.**
- ✓ **Sales fell by 27.6% in the region.**

OUTLOOK

- ✓ **Access to credit should remain difficult and costly.**
- ✓ **More substantial decline in the pace of growth, especially in the countries focused on exports.**
- ✓ **The steel industry's performance will depend on the stimulus packages launched by governments.**

Gerdau – 4Q08 x 4Q07 performance



Specialty Steel

- ✓ **Brazil: car production dropped by 24.9%, leading to low sales volumes in November and December.**
- ✓ **USA: reduction of 30.1% in car and truck production.**
- ✓ **Europe: negative performance throughout the year, especially in the 4Q08.**
- ✓ **Segment sales grew by 17.3% (consolidation of Macsteel)**

OUTLOOK

- ✓ **Performance of the automotive sector linked to governmental incentive measures.**
- ✓ **Strategy: market diversificaton, adjustment of production levels and plant utilization optimization.**

Conclusion



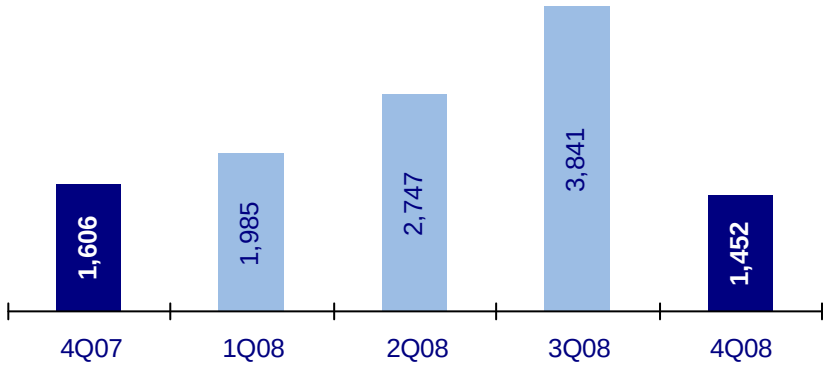
- ✓ Adjustment of operations to the new scenario
- ✓ Efficient resource management
- ✓ Experience in times of crisis
- ✓ Production process flexibility (mini-mill)
- ✓ Main adjustment measures:
  - ✓ Cost reduction
  - ✓ Anticipation of scheduled shutdowns
  - ✓ Anticipation of holidays
  - ✓ Revision of the investment schedule
  - ✓ Negotiations with unions

Gerdau – Consolidated Financials

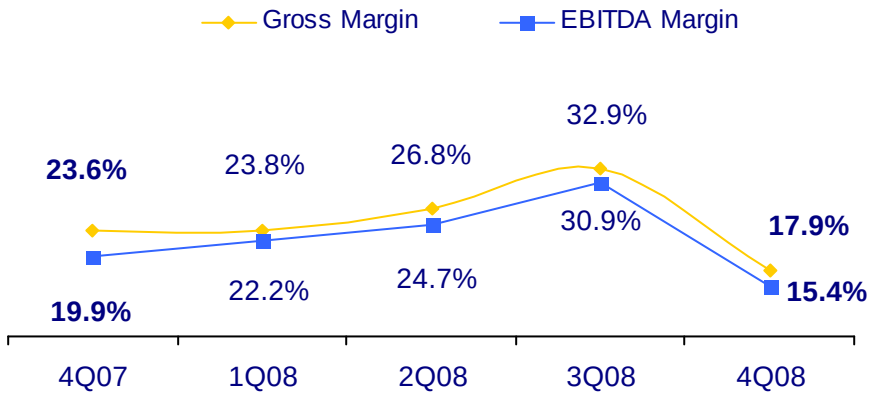


In millions of R$	4Q08	4Q07	
NET SALES	9,420	8,073	+16.7%
Cost of Sales	7,734	6,171	+25.3%
Gross profit	1,686	1,902	(11.3%)
Sales, General and Administrative Expenses	(760)	(680)	
Other operating income (expenses)	9	(39)	
Operating profit	936	1,183	(20.9%)
Equity in earnings of unconsolidated companies	(115)	23	
Net financial results	(952)	(120)	
Provision for income tax	442	(143)	
NET INCOME	311	944	(67.1%)

EBITDA
In millions of R$



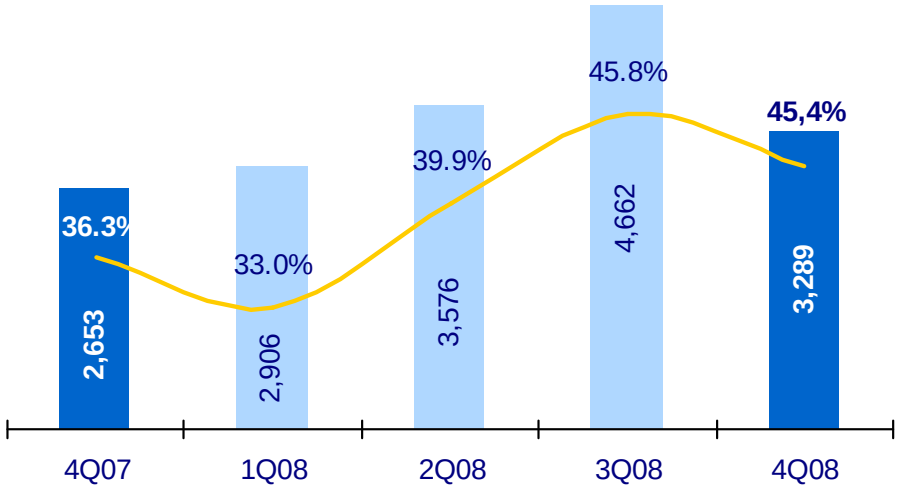
MARGINS



Gerdau Performance – Brazil[1]



NET SALES (R$ MILLION) & GROSS MARGIN (%)



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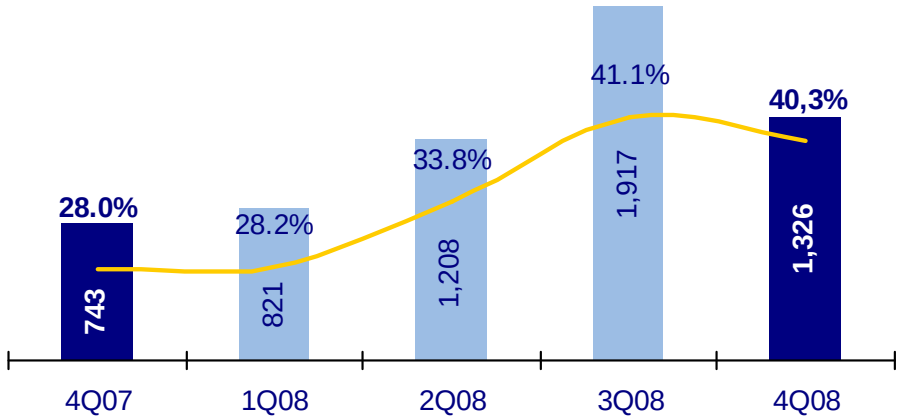
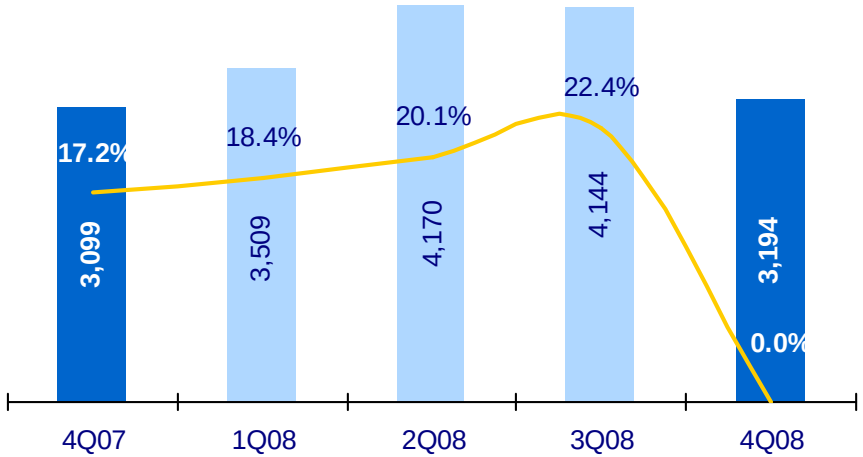


Note[1]: Does not include specialty steel operations

Gerdau Performance – North America[1]



NET SALES[2] (R$ MILLION) & GROSS MARGIN (%)



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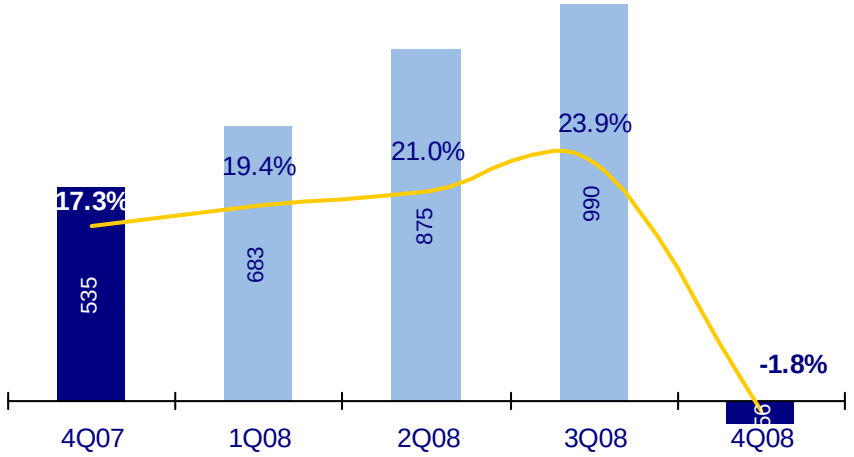
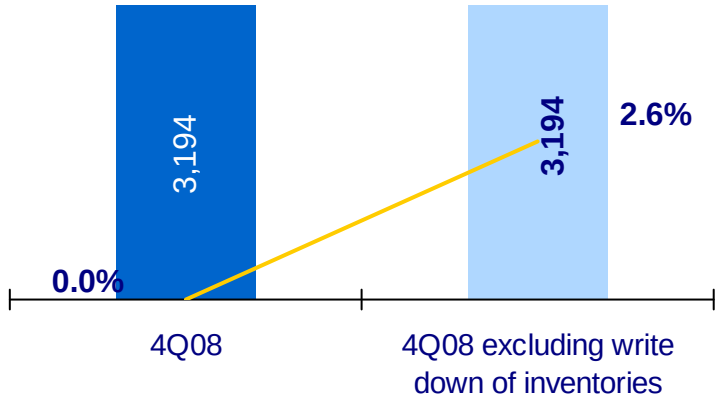


EXCLUDING WRITE DOWN OF INVENTORY



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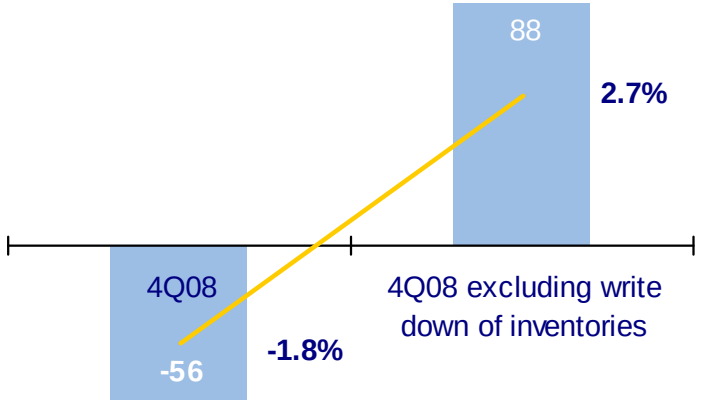


GERDAU

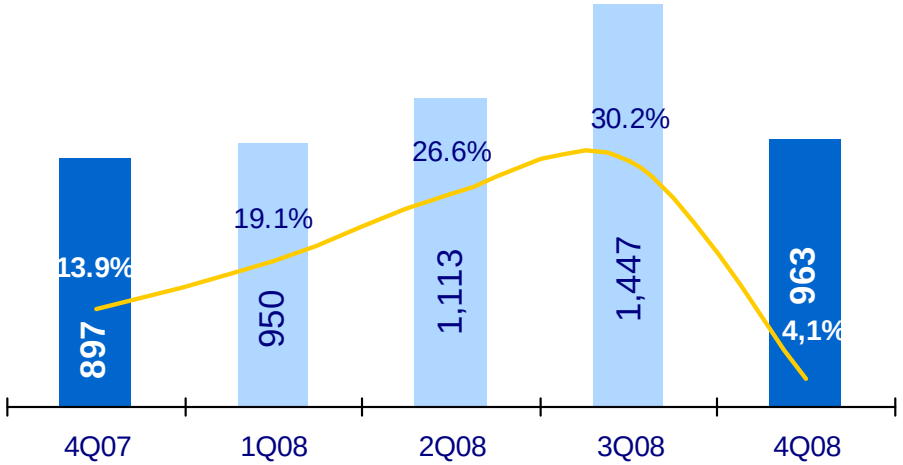
Note[1]: Does not include Mexico and MacSteel

Note[2]: Information above does not include data from associated companies and joint ventures

Gerdau Performance – Latin America[1]



NET SALES[2] (R$ MILLION)



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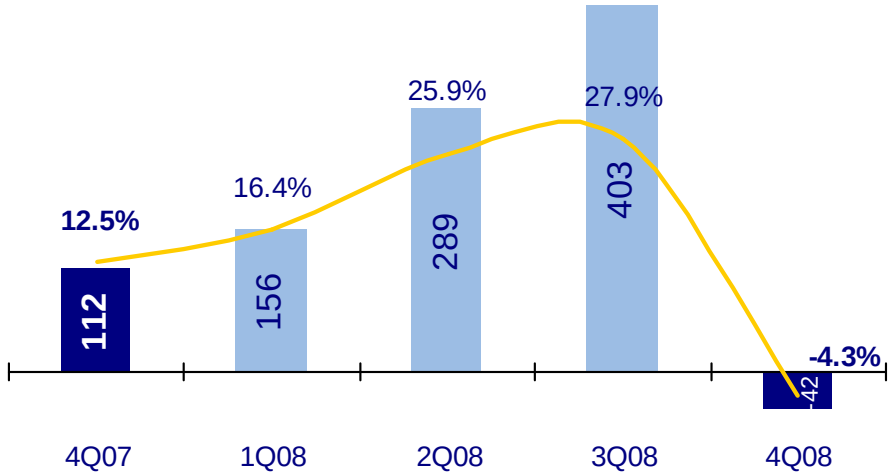

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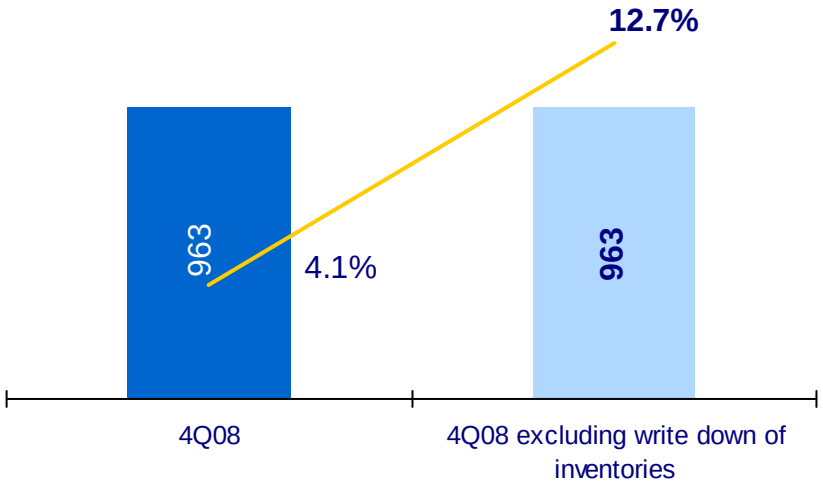

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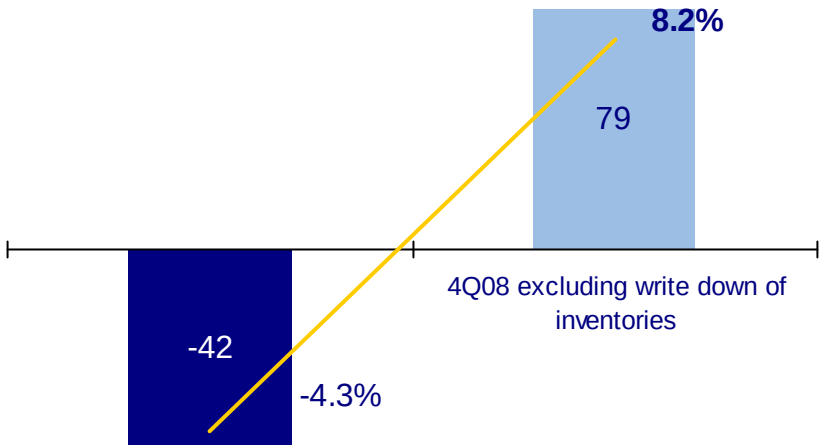

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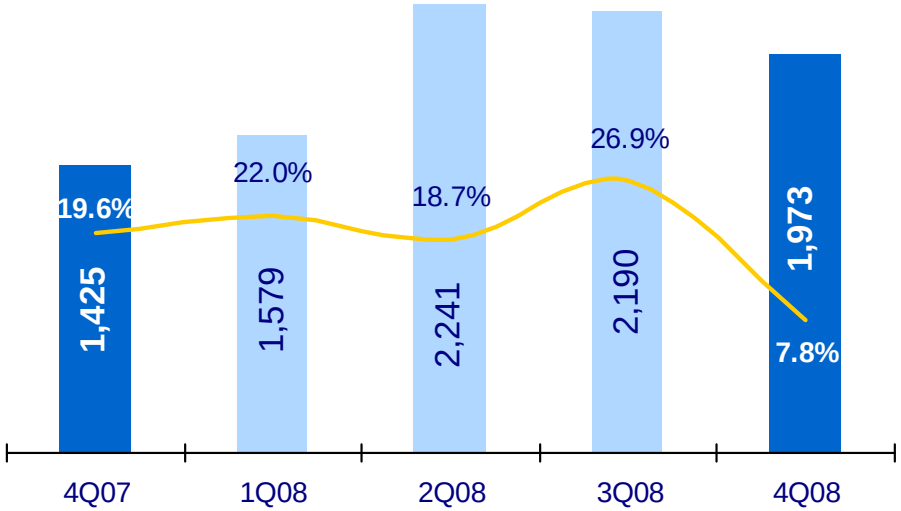
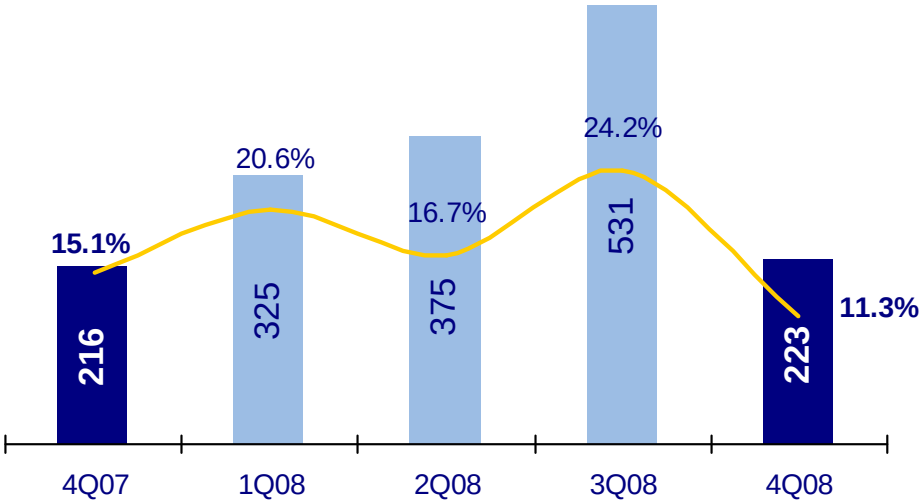
Gerdau Performance – Specialty Steel



NET SALES[2] (R$ MILLION) & GROSS MARGIN (%)



EBITDA (R$ MILLION) & EBITDA MARGIN (%)





Dividends – 4th quarter 2008

- ✓**Payment: March 12th, 2009**
- ✓**Base date: record at close of business on March 2nd (ex-dividends in March 3rd).**
- ✓**Metalúrgica Gerdau S.A. will pay R$ 40,6 million (R$ 0,10 per share)**
- ✓**Gerdau S.A. will pay R$ 56,8 million (R$ 0,04 per share)**

Indebtedness

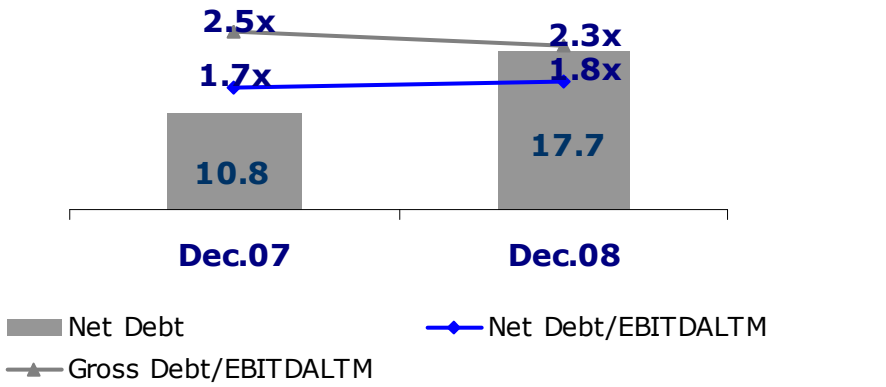


In millions of R$

	Dec. 08	Dec. 07
Local Currency	3,516	3,718
Foreign Currency	7,990	4,862
Companies Abroad	11,728	7,323
GROSS DEBT	23,234	15,903
Financial Investments	5,491	5,139
NET DEBT	17,743	10,764

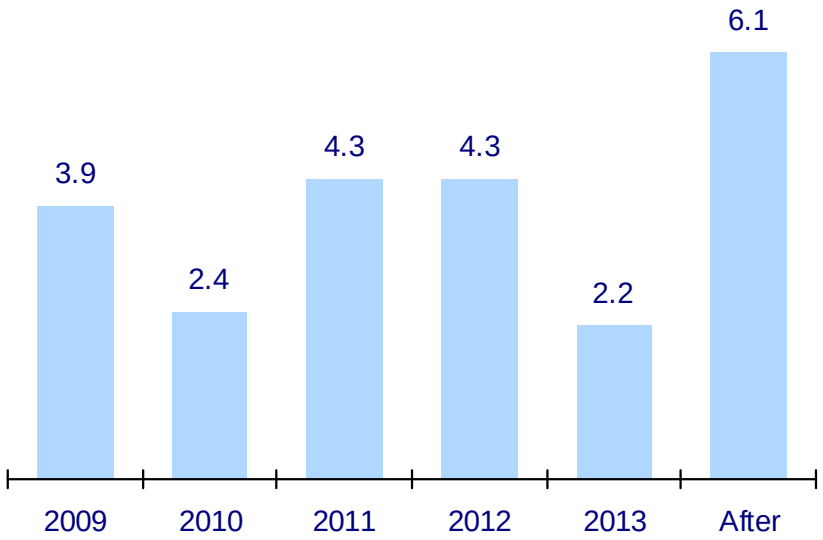
Debt Average Term: 7 years and 6 months

DEBT/EBITDA

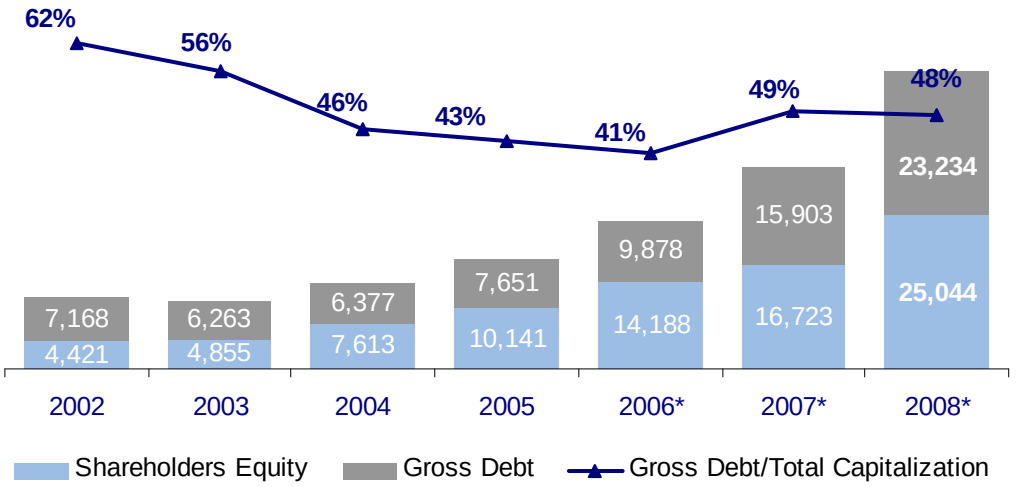


LTM EBITDA: Last 12 months EBITDA

DEBT MATURITY



GROSS DEBT/TOTAL CAPITALIZATION



*** Data in IFRS. Others in BRGAAP.**

Conclusion



- ✓Exchange rate variation
  - ✓Effect of R$384 million in the quarter (net of taxes)
  - ✓Full year: R$683 million (net of taxes)
- ✓Write down of inventories at market prices: R$ 287 million
  - ✓Brazil: R$23 million
  - ✓Latin America: R$120 million
  - ✓North America: R$144 million
- ✓Goodwill impairment evaluation
  - ✓Accounting effect - it does not affect cash
  - ✓Only in North America (US GAAP, it did not happen in IFRS)

Statement



This presentation may contain forward-looking statements. These forward-looking statements rely upon estimates, information or methods that may be incorrect or inaccurate and may not actually occur. These estimates are also subject to risks, uncertainties and assumptions, including, among others: general economic, political and commercial conditions in Brazil and in the markets where we operate and existing and future government regulations. Potential investors are hereby informed that these estimates do not constitute a guarantee of future performance as they involve risks and uncertainties. The Company does not undertake, and specifically denies, any obligation to update any estimate, which only speak as of the date they are made.

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