

GERDAU S.A.

Condensed consolidated interim financial
information at September 30, 2004 and 2003
prepared in accordance with generally accepted
accounting principles in United States (US GAAP)

GERDAU S.A.
CONDENSED CONSOLIDATED INTERIM BALANCE SHEETS
(in thousands of U.S. Dollars, except number of shares)

ASSETS

	September 30, (unaudited)		December
	2004	2003	31, 2003
Current assets			
Cash and cash equivalents	255,636	126,948	92,504
Restricted cash	4,277	-	1,935
Short-term investments	412,201	362,030	236,137
Trade accounts receivable, net	785,746	470,666	465,857
Inventories	1,111,002	784,848	797,961
Unrealized gains on derivatives	-	17,471	9,599
Deferred income taxes	104,099	46,682	49,451
Tax credits	48,382	30,125	37,953
Prepaid expenses	24,459	22,149	21,859
Other	64,022	49,030	46,576
Total current assets	<u>2,809,824</u>	<u>1,909,949</u>	<u>1,759,832</u>
Non-current assets			
Property, plant and equipment, net	2,497,101	2,426,226	2,304,158
Deferred income taxes	181,976	126,697	231,306
Judicial deposits	35,112	46,223	66,121
Unrealized gains on derivatives	-	204	86
Equity investments	197,169	133,823	153,555
Investments at cost	8,045	7,407	23,854
Goodwill	135,103	119,231	119,531
Prepaid pension cost	44,192	32,367	35,253
Other	72,860	87,305	77,138
Total assets	<u>5,981,382</u>	<u>4,889,432</u>	<u>4,770,834</u>

GERDAU S.A.
CONDENSED CONSOLIDATED BALANCE SHEETS
(in thousands of U.S. Dollars, except number of shares)

LIABILITIES

	September 30, (unaudited)		December
	2004	2003	31, 2003
Current liabilities			
Short-term debt	330,214	580,706	479,586
Current portion of long-term debt	296,232	370,558	318,910
Debentures	2,678	112,938	1,048
Trade accounts payable	535,355	341,957	372,518
Income taxes payable	133,967	33,972	27,790
Unrealized losses on derivatives	12,658	31,837	29,582
Deferred income taxes	6,052	6,050	7,286
Payroll and related liabilities	67,297	55,074	54,478
Dividends and interest on equity payable	45,457	22,775	53,202
Taxes payable, other than income taxes	70,922	24,359	26,482
Other	90,499	65,093	88,280
Total current liabilities	1,591,331	1,645,319	1,459,162
Non-current liabilities			
Long-term debt, less current portion	1,224,815	1,097,854	1,132,429
Debentures	183,827	158,716	155,420
Deferred income taxes	112,379	72,536	72,125
Accrued pension and other post-retirement benefits obligation	105,818	110,950	108,679
Provision for contingencies	77,003	87,883	102,060
Taxes payable in installments	23,787	3,200	3,642
Unrealized losses on derivatives	9,024	3,292	11,445
Other	58,616	49,606	57,812
Total non-current liabilities	1,795,269	1,584,037	1,643,612
Total liabilities	3,386,600	3,229,356	3,102,774
Commitments and contingencies			
Minority interest	382,338	380,200	264,997
SHAREHOLDERS' EQUITY			
Preferred shares - no par value			
193,771,574 shares issued at September 30, 2004 and 2003 and December 31, 2003, after giving, at September 30, 2003 and December 31, 2003, retroactive effect to the stock bonus approved on April 29, 2004	1,016,846	653,344	653,344
Common shares - no par value			
102,936,448 shares issued at September 30, 2004 and 2003 and December 31, 2003, after giving, at September 30, 2003 and December 31, 2003, retroactive effect to the stock bonus approved on April 29, 2004	522,358	329,257	329,257
Additional paid-in capital	3,448	3,187	3,271
Treasury stock - 1,573,200 and 690,000 preferred shares at September 30, 2004 and December 31, 2003, respectively, after giving, at December 31, 2003, retroactive effect to the stock bonus approved on April 29, 2004	(15,256)	-	(5,920)
Legal reserve	64,517	43,637	63,834
Retained earnings	1,334,990	1,056,906	1,161,527
Cumulative other comprehensive loss			
- Foreign currency translation adjustment	(702,940)	(783,967)	(790,731)
- Additional minimum pension liability	(11,519)	(16,590)	(11,519)
- Unrealized loss on cash flow hedge	-	(5,898)	-
Total shareholders' equity	2,212,444	1,279,876	1,403,063
Total liabilities and shareholders' equity	5,981,382	4,889,432	4,770,834

GERDAU S.A.
CONDENSED CONSOLIDATED INTERIM STATEMENT OF INCOME
(in thousands of U.S. Dollars, except number of shares and per share amounts)

	Three-month period ended		Nine-month period ended	
	September 30, (unaudited)		September 30, (unaudited)	
	2004	2003	2004	2003
Sales	2,088,128	1,294,239	5,550,097	3,603,525
Less: Federal and state excise taxes	(194,558)	(114,897)	(511,971)	(304,540)
Less: Discounts	<u>(24,249)</u>	<u>(19,249)</u>	<u>(61,160)</u>	<u>(62,816)</u>
Net sales	1,869,321	1,160,093	4,976,966	3,236,169
Cost of sales	<u>(1,236,877)</u>	<u>(884,041)</u>	<u>(3,424,675)</u>	<u>(2,465,220)</u>
Gross profit	632,444	276,052	1,552,291	770,949
Sales and marketing expenses	(35,553)	(36,440)	(105,989)	(101,887)
General and administrative expenses	(92,717)	(58,811)	(242,009)	(156,472)
Other operating income (expenses), net	<u>32,783</u>	<u>(3,473)</u>	<u>32,219</u>	<u>(13,507)</u>
Operating income	536,957	177,328	1,236,512	499,083
Financial expenses	(50,057)	(34,000)	(115,345)	(161,244)
Financial income	30,944	10,502	50,398	48,440
Foreign exchange gains and losses, net	89,367	(17,565)	(13,836)	170,109
Gains and losses on derivatives, net	(37,590)	(36,870)	143	(199,473)
Equity in earnings of unconsolidated companies, net	<u>55,674</u>	<u>(729)</u>	<u>103,142</u>	<u>8,528</u>
Income before taxes on income and minority interest	625,295	98,666	1,261,014	365,443
Provision for taxes on income				
Current	(108,155)	(23,579)	(217,488)	(75,686)
Deferred	7,874	7,155	(50,678)	78,341
	<u>(100,281)</u>	<u>(16,424)</u>	<u>(268,166)</u>	<u>2,655</u>
Income before minority interest	525,014	82,242	992,848	368,098
Minority interest	(63,327)	(139)	(123,835)	(35,041)
Net income	<u>461,687</u>	<u>82,103</u>	<u>869,013</u>	<u>333,057</u>
<u>Per share data (in US\$)</u>				
Basic earnings per share				
Preferred	1.56	0.28	2.94	1.12
Common	1.56	0.28	2.94	1.12
Diluted earnings per share				
Preferred	1.56	0.28	2.94	1.12
Common	1.56	0.28	2.93	1.12
Number of weighted-average common shares				
outstanding after giving retroactive effect to				
stock bonus – Basic and diluted	<u>102,936,448</u>	<u>102,936,448</u>	<u>102,936,448</u>	<u>102,936,448</u>
Number of weighted-average preferred shares				
outstanding after giving retroactive effect to				
stock bonus – Basic	<u>192,198,374</u>	<u>193,771,574</u>	<u>192,320,954</u>	<u>193,771,574</u>
Number of weighted-average preferred shares				
outstanding after giving retroactive effect to				
stock bonus – Diluted	<u>193,125,088</u>	<u>193,942,122</u>	<u>193,251,556</u>	<u>193,943,572</u>

GERDAU S.A.
CONDENSED CONSOLIDATED INTERIM STATEMENT OF COMPREHENSIVE INCOME
(in thousands of U.S. Dollars)

	<u>Three-month period ended</u>		<u>Nine-month period ended</u>	
	<u>2004</u>	<u>2003</u>	<u>2004</u>	<u>2003</u>
Net income as reported in the consolidated statement of income	461,687	82,103	869,013	333,057
Foreign currency translation adjustments	164,271	(9,699)	87,791	150,885
Unrealized loss on cash flow hedge, net of taxes	-	(3,416)	-	(3,588)
Comprehensive income for the period	<u>625,958</u>	<u>68,988</u>	<u>956,804</u>	<u>480,354</u>

GERDAU S.A.
CONDENSED CONSOLIDATED INTERIM STATEMENT OF CASH FLOWS
(in thousands of U.S. Dollars)

	Three-month period ended		Nine-month period ended	
	September 30, (unaudited)		September 30, (unaudited)	
	2004	2003	2004	2003
Cash flows from operating activities				
Net income	461,687	82,103	869,013	333,057
Adjustments to reconcile net income to cash flows from operating activities:				
Depreciation and amortization	42,561	53,435	174,963	150,213
Equity in earnings on unconsolidated companies, net	(55,674)	729	(103,142)	(8,528)
Foreign exchange (gain) loss	(89,367)	17,565	13,836	(170,109)
Losses (gains) on derivative instruments	37,590	36,870	(143)	199,473
Minority interest	63,327	139	123,835	35,041
Deferred income taxes	(7,874)	(7,155)	50,678	(78,341)
Loss on dispositions of property, plant and equipment	95	2,566	3,172	5,015
Provision for doubtful accounts	(32)	1,893	2,187	3,797
Provision for contingencies	1,011	264	19,373	1,749
Other	31,120	(3,763)	14,245	1,781
Changes in assets and liabilities:				
Decrease (increase) in accounts receivable	(36,754)	(18,768)	(288,021)	(80,562)
Decrease (increase) in inventories	(167,277)	22,569	(304,496)	(59,043)
Increase in accounts payable and accrued liabilities	76,575	24,151	165,620	45,759
Decrease in other assets	52,020	22,008	34,732	16,616
Increase in other liabilities	50,958	14,174	132,592	11,420
Net cash provided by operating activities	459,966	248,780	908,444	407,338
Cash flows from investing activities				
Additions to property, plant and equipment	(97,753)	(70,732)	(248,837)	(215,883)
Proceeds from sales of property, plant and equipment	-	-	-	77
Payment of installments for acquisition of Margusa	(1,018)	-	(13,472)	-
Payment for acquisition of Potter Form & Tie Co	-	-	(11,128)	-
Payment for Distribuidora Matco S.A.	(3,846)	-	(3,846)	-
Payment for acquisition of interest in Dona Francisca Energética S.A.	-	-	-	(5,725)
Cash balance of acquired company	-	-	270	-
Purchases of short-term investments	(88,549)	(374,756)	(383,548)	(820,073)
Proceeds from maturities and sales of short-term investments	25,088	328,128	265,195	864,171
Others	-	(775)	(10,147)	(8)
Net cash used in investing activities	(166,078)	(118,135)	(405,513)	(177,441)

GERDAU S.A.
CONDENSED CONSOLIDATED INTERIM STATEMENT OF CASH FLOWS
(in thousands of U.S. Dollars)

	Three-month period ended		Nine-month period ended	
	September 30, (unaudited)		September 30, (unaudited)	
	2004	2003	2004	2003
Cash flows from financing activities				
Cash dividends (interest on equity) paid	(87,771)	(18,412)	(181,011)	(97,936)
Purchase of treasury shares	-	-	(9,336)	-
Decrease (increase) in restricted cash	(947)	-	(2,039)	16,418
Debt issuance, short term	68,634	135,257	250,482	771,931
Debt issuance, long term	328,671	143,301	626,769	743,798
Repayment of debt, short term	(326,330)	(312,495)	(568,897)	(999,218)
Repayment of debt, long term	(176,457)	(48,433)	(475,532)	(571,081)
Net related party debt loans and repayments	5,196	(2,510)	6,688	(5,875)
Other	-	44	-	9
Net cash used in financing activities	(189,004)	(103,248)	(352,876)	(141,954)
Effect of exchange rate changes on cash	(4,301)	(3,337)	1,771	(1,452)
Increase (decrease) in cash and cash equivalents	100,583	24,060	151,826	86,491
Cash and cash equivalents at beginning of period	155,053	102,888	92,504	40,457
Cash of Dona Francisca Energética S.A. as of January 1 ^o , 2004	-	-	11,306	-
Cash and cash equivalents at end of period	255,636	126,948	255,636	126,948