

GERDAU S.A.  
Form 20-F  
May 31, 2007

# U.S. SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

## FORM 20-F

- REGISTRATION STATEMENT PURSUANT TO SECTION  
12(b) OR (g)  
OF THE SECURITIES EXCHANGE ACT OF 1934  
OR
- ANNUAL REPORT PURSUANT TO SECTION 13 OR 15 (d)  
OF THE SECURITIES EXCHANGE ACT OF 1934  
For the fiscal year ended December 31, 2006
- TRANSITION REPORT PURSUANT TO SECTION 13 OR 15  
(d)  
OF THE SECURITIES EXCHANGE ACT OF 1934  
OR
- SHELL COMPANY REPORT PURSUANT TO SECTION 13 OR  
15 (d)  
OF THE SECURITIES EXCHANGE ACT OF 1934

Commission file number 1-14878

## GERDAU S.A.

(Exact Name of Registrant as Specified in its Charter)

Federative Republic of Brazil  
(Jurisdiction of Incorporation or Organization)

N/A  
(Translation of Registrant's name into English)

Av. Farrapos 1811  
Porto Alegre, Rio Grande do Sul - Brazil CEP 90220-005  
(Address of principal executive offices) (Zip code)

Securities registered pursuant to Section 12(b) of the Act:

Title of Each Class	Name of Each Exchange in Which Registered
Preferred Shares, no par value per share, each represented by American Depositary Shares	New York Stock Exchange

Securities registered pursuant to Section 12(g) of the Act:

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None

Securities for which there is a reporting obligation pursuant to Section 15(d) of the Act:

None

The total number of issued shares of each class of stock of GERDAU S.A. as of December 31, 2006 was:

231,607,008 Common Shares, no par value per share  
435,986,042 Preferred Shares, no par value per share

Indicate by check mark if the Registrant is a well-known seasoned issuer, as defined in Rule 405 of the Securities Act.

Yes  No

If this report is an annual or transition report, indicate by check mark if the registrant is not required to file reports pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934.

Yes  No

Indicate by check mark whether the Registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or such shorter period that the Registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes  No

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, or a non-accelerated filer.

Large accelerated filer  Accelerated filer  Non-accelerated filer

Indicate by check mark which financial statement item the Registrant has elected to follow Item 17  Item 18

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## INTRODUCTION

Unless otherwise indicated, all references herein to:

- (i) the Company or to Gerdau are references to Gerdau S.A., a corporation organized under the laws of the Federative Republic of Brazil ( Brazil ) and its consolidated subsidiaries,
- (ii) Açominas are references to Aço Minas Gerais S.A. Açominas prior to November 2003 whose business was to operate the Ouro Branco steel mill. In November 2003 the company underwent a corporate reorganization, receiving all of Gerdau's Brazilian operating assets and liabilities and being renamed Gerdau Açominas S.A.,
- (iii) Gerdau Açominas are references to Gerdau Açominas S.A. after November 2003 and to Açominas before such date, between November 2003 and July 2005. Gerdau Açominas hold all operating assets and liabilities of the Company in Brazil. In July 2005, certain assets and liabilities of Gerdau Açominas were spun-off to other four newly created entities: Gerdau Aços Longos, Gerdau Aços Especiais, Gerdau Comercial de Aços and Gerdau América do Sul Participações. As a result of such spin-off as from July 2005 the activities of Gerdau Açominas only comprise the operation of the Ouro Branco steel mill,
- (iv) Preferred Shares and Common Shares refer to the Company's authorized and outstanding preferred stock and common stock, designated as *ações preferenciais* and *ações ordinárias*, respectively, all without par value. All references herein to the *real*, *reais* or *R\$* are to the Brazilian *real*, the official currency of Brazil. All references to (i) U.S., dollars, U.S.\$ or \$ are to United States dollars, (ii) Canadian dollars or Cdn\$ are to Canadian dollars (iii) billions are to thousands of millions, (iv) km are to kilometers, and (v) tonnes are to metric tonnes.

The Company has prepared the consolidated financial statements included herein in accordance with accounting principles generally accepted in the United States ( U.S. GAAP ). The investments in Gallatin Steel Co. ( Gallatin ), Bradley Steel Processor and MRM Guide Rail, all in North America, of which Gerdau Ameristeel holds 50% of the total capital, the investments in Armacero Industrial y Comercial Limitada, in Chile, in which the Company holds a 50% stake and the investment in Dona Francisca Energética S.A, in Brazil, in which the Company holds a 51.82% stake, are accounted for using the equity accounting method.

Unless otherwise indicated, all information in this Annual Report is stated for December 31, 2006. Subsequent developments are discussed in Item 8 - Financial Information - Significant Changes.

### CAUTIONARY STATEMENT WITH RESPECT TO FORWARD-LOOKING STATEMENTS

Statements made in this Annual Report with respect to the Company's current plans, estimates, strategies, beliefs and other statements that are not historical facts are forward-looking statements about the Company's future performance. Forward-looking statements include but are not limited to those using words such as believe, expect, plans, strategy, prospects, forecast, estimate, project, anticipate, may or similar meaning in connection with a discussion of future operations or financial performance. From time to time, oral or written forward-looking statements may also be included in other materials released to the public. These statements are based on management's assumptions and beliefs in the light of the information currently available to it. The Company cautions potential investors that a number of important risks and uncertainties could cause actual results to differ materially from those discussed in the forward-looking statements. Investors should not thus place undue reliance on the forward-looking statements. The Company expressly disclaims any obligation or undertaking to release publicly any updates or revisions to any forward-looking statements contained herein to reflect any change in the Company's expectations or to reflect any change in events, conditions or circumstances on which any such forward-looking statements is based, in whole or in part. Risks and uncertainties that might affect the Company include, but are not limited to: (i) general economic conditions in the Company's markets, particularly levels of spending; (ii) exchange rates, particularly between the *real* and the U.S. dollar, and other currencies in which the Company realizes significant sales or in which its assets and liabilities are denominated; and (iii) the outcome of contingencies.

**PART I****ITEM 1. IDENTITY OF DIRECTORS, SENIOR MANAGEMENT AND ADVISERS**

Not applicable, as the Company is filing this Form 20-F as an annual report.

**ITEM 2. OFFER STATISTICS AND EXPECTED TIMETABLE**

Not applicable, as the Company is filing this Form 20-F as an annual report.

**ITEM 3. KEY INFORMATION****A. SELECTED FINANCIAL DATA**

The selected financial information for the Company included in the following table should be read in conjunction with, and is qualified in its entirety by, the U.S. GAAP financial statements of the Company and Operating and Financial Review and Prospects appearing elsewhere in this Annual Report. The consolidated financial data for the Company on December 31, 2006, 2005, 2004, 2003, and 2002 are derived from the financial statements prepared in accordance with U.S. GAAP.

Income Statement	(Expressed in thousands of U.S. dollars except quantity of shares and amounts per share)				
	2006	2005	2004	2003	2002
Net sales	11,844,230	8,894,432	6,952,149	4,530,969	3,264,926
Cost of sales	(8,777,827 )	(6,564,245 )	(4,838,949 )	(3,445,564 )	(2,349,636 )
Gross profit	3,066,403	2,330,187	2,113,200	1,085,405	915,290
Sales and marketing expenses	(256,064 )	(203,244 )	(154,558 )	(146,388 )	(112,645 )
General and administrative expenses	(821,497 )	(466,034 )	(359,102 )	(241,854 )	(221,895 )
Other operating income (expenses), net	107,395	(8,246 )	28,710	(824 )	(18,187 )
Operating income	2,096,237	1,652,663	1,628,250	696,339	562,572
Interest expense, exchange (gain) loss and gains (losses) on derivatives, net	(311,396 )	(191,897 )	(132,409 )	(254,763 )	(424,147 )
Interest income	458,812	204,483	81,592	62,036	100,350
Equity in earnings (losses) of unconsolidated companies, net	118,074	96,476	141,890	22,062	(10,057 )
Gain on Gerdau Ameristeel investment			2,742		
Income before income taxes and minority interest	2,361,727	1,761,725	1,722,065	525,674	228,718
Income taxes benefit (expense)					
Current	(442,016 )	(347,545 )	(329,229 )	(87,812 )	(27,065 )
Deferred	3,115	(117,750 )	(77,451 )	121,925	20,507
Income before minority interest	1,922,826	1,296,430	1,315,385	559,787	222,160
Minority interest	(409,018 )	(178,909 )	(157,027 )	(49,623 )	9,667
Net income available to common and preferred shareholders	1,513,808	1,117,521	1,158,358	510,164	231,827
Basic income per share (i) in US\$					
Common	2.28	1.68	1.74	0.76	0.35
Preferred	2.28	1.68	1.74	0.76	0.35
Diluted income per share (i) in US\$					
Common	2.26	1.67	1.74	0.76	0.35
Preferred	2.26	1.67			