



Annual Report 2006

5	Company profile
10	Highlights
12	Message to the shareholders
14	Management's report
22	Statement of results
24	Pipes
28	Equipment
32	Social action report
43	Administrative council
47	Financial statements
84	Cash flow statement





Company profile

More than 60 years in activity

In 1943, the banker Gastão Vidigal, in partnership with the Polish industrialist Isydor Kleinberger, acquired the Fábrica Nacional de Tambores in an auction. The company, which produced steel drums, gas cylinders and refrigerators, had been confiscated from its German owners in consequence of the Second World War. This was the beginning of Confab's history in the São Paulo district of Pompéia.

Gastão Vidigal placed his son, Carlos Bueno Vidigal in charge of Confab, and it was he who ensured the consolidation of the company, imbuing it with a sense of seriousness, responsibility, transparency and respect for its employees, combined with a constant drive to improve the quality of products and services and invest in technology and human capital.

With the creation of Petrobras in 1953 and the development of the petroleum refining industry in Brazil, Confab had the opportunity to expand its business, by manufacturing equipment for the new industry.

Growing with Brazil

In 1961, Confab began to manufacture welded steel pipes. It was at this time that the company entered into its first large-scale manufacturing contract: the supply of tubular stakes for the construction of Usiminas.

In the 1970's, Confab was split into two units: pipes and equipment, and two plants were built in Pindamonhangaba, 160 km from São Paulo. The company started supplying the petroleum & gas, petrochemical, mining, steel, cellulose & paper and sanitation industries, as well as nuclear power plants.

It was during this period, with the business now under the command of Roberto Caiuby Vidigal, that Confab realized that it was time to expand into new markets. The company played a major role in the implementation of the petrochemical industry, aimed at making Brazil a self-sufficient oil producer, as well as in the expansion of Brazil's steel industry.

Exports and going public: new challenges

Confab began to gain global recognition in the beginning of the 1980's, when in partnership with Cosipa, it won a competitive bid to construct part of a 2,000 km oil pipeline, from Texas to California, for All American Pipeline, in United States. That was the period when the company expanded its commercial network from Singapore and Teheran to Houston, Texas.

It was also during the 1980's that the Board of Directors decided to go public, considering this measure essential to the company's future.

Sixty percent of its stock were offered to ensure growth, diversification and external funding. The funds raised – and the confidence of shareholders – provided the fuel for the company to continue its activities. In addition to bringing on board a large number of shareholders, Confab turned its employees into true partners by initiating a profit sharing scheme for all employees meeting their targets.

Tenaris: global leader

In 1993, as part of the company's growth and globalization strategies, 30% of Confab's shares were swapped with Siat, a welded steel pipe manufacturer belonging to the Techint Organization, whose values and principles had a great deal in common with Confab's. The company shares remained listed on the São Paulo Stock Exchange (Bovespa), with 60% of its capital in the hands of Brazilian shareholders.

In order to add value and increase the range of products on offer to customers, in 1998 Confab formed a joint venture with the Argentine company Soco-Ril. The partnership was sealed with the construction of a center of excellence in pipe coatings – today known as Socotherm Brasil, also located in Pindamonhangaba.

In 1999, the Techint Organization acquired a controlling share in Confab, and Roberto Vidigal was invited to stay on as president of the company.

In 2001, the Tenaris brand – which originally denoted a strategic alliance involving eight welded and seamless steel pipe producers strategically located around the globe – came into existence. The following year, the company signed some of the biggest export contracts in its history for supply of pipes to the Camisea project in Peru, OCP in Ecuador, Gasryg in Bolivia and Carina & Aires in Argentina.

Tenaris is the world's leading producer of steel pipes producer and provider of drilling, completion and production services for oil and gas wells, also being a leader in producing tubular products and providing services to processing and energy generating plants for specialized industrial and automotive applications.

With an annual production capacity of 6 million tons of pipes (October 05, 2006), Tenaris currently has 21,800 employees, 29 production centers and a distribution and service network in over 20 countries.

TenarisConfab and Confab Equipamentos

In Brazil, after merging with Tenaris, the Confab divisions were renamed: TenarisConfab and Confab Equipamentos.

TenarisConfab is the leader in the production and supply of welded steel tubes to the Brazilian energy industry and the leading exporter of these products to Latin America. Confab Equipamentos produces heavy metallic structures utilized in the chemical, petrochemical, steel, energy, steam generation, oil and gas, cellulose, infrastructure, engineering, construction industries, and storage tanks for gas stations.

With the mission of complementing its products with an increasing number of services, in 2002 TenarisConfab installed a base in Macaé in the state of Rio de Janeiro to manage customers' inventories and ensure the just-in-time supply of pipes for oil wells. The following year, the company gained a definitive foothold in the oil and gas exploration and production industry with the inauguration of a heat treatment plant in Pindamonhangaba.

In 2004, the company started to produce sucker rods and accessories for the onshore industry.

In 2005, through Socotherm Brasil, the company invested in the construction of a special coatings plant in the state of Espírito Santo to supply offshore projects. In addition to having exclusive technology in Brazil, the venture reinforces Tenaris' global partnership with Socotherm.

25 years on the São Paulo stock exchange

In 2003, TenarisConfab adhered to Level 1 Corporate Governance, confirming the commitment to its investors that the company had striven to maintain since its shares were first traded on the stock market. By adopting some standards in addition to the legal requirements, the select group of companies of which Confab is part today aims solely and exclusively to provide greater security to its investors.

The share split in 2004 was meant to provide more liquidity to Confab's shares and once again the market responded positively by valuing the company's securities.

In 2005, the company celebrated 25 years on the São Paulo Stock Exchange. It also received the APIMEC SP Seal for Assiduity, awarded by the Capital Markets Investments Analysts and Professionals Association, for five consecutive years of activity in the institution.

Sustained by its transparent and responsible performance, over the years Confab has earned the trust of the market and its shareholders.



Pindamonhangaba, São Paulo, Brazil. Heat treatment plant.



Highlights

	2006	2005
PIPE DIVISION (IN TONS)		
Export sales	131,063	107,369
Domestic sales	111,503	320,548
Total sales	242,566	427,917
SAW – submerged arc welding production		
	214,470	279,871
ERW – electric resistance welding production		
	69,971	103,288
Total production	284,441	383,159
EQUIPMENT DIVISION (IN MAN/HOURS)		
Level of activity	503,489	604,371
HEADCOUNT (NUMBER OF EMPLOYEES)		
	2,361	2,086
CONSOLIDATED FINANCIAL INFORMATION (*)		
Net operating revenues	1,030,767	1,783,105
Net earnings	87,824	277,013
Net earnings per share in R\$	0.2524	0.8517
Common nominative shares		
	136,739,760	127,794,168
Preferred shares without certificate		
	211,275,597	197,453,829
Total shares	348,015,357	325,247,997
Current assets		
	1,167,244	769,311
Long term receivables		
	49,360	39,172
Permanent assets		
	327,819	318,050
Total assets	1,544,423	1,126,533
Current liabilities		
	730,259	358,043
Long term liabilities		
	95,151	110,746
Minority interest		
	18,877	20,117
Shareholders' equity		
	700,136 (**)	637,627
Total equity and liabilities	1,544,423	1,126,533
Dividends / interest on owners' equity		
	25,315 (***)	67,118

(*) Amount expressed in thousand of reais, except earnings per share and amount shares.

(**) Shareholders' equity less interest on owners' equity.

(***) To be confirmed at Shareholders' Meeting in 2007.

Message to the shareholders

Dear shareholders,

The year 2006 was particularly important for the company since challenges were overcome and new safety records were established in our plants, restating our commitment to our employees' safety and occupational health.

Especially worthy of note are the unprecedented low rate of accidents with time off, and the production of high specification pipes for the Moho-Bilondo project in the Congo and the PDET project in Brazil. It is also worth mentioning the review of our internal controls to meet the SOX 404 certification requirements, thus ensuring the quality of the financial information disclosed by the company.

At the end of the fiscal year we managed to sell some important projects which enabled us to start 2007 with an order backlog amounting to 1,6 billion, a value higher than the total revenues of the entire previous year (R\$ 1.0 billion). The orders include the Loops gas pipeline project, GASCAC, spheres for Petrobras, Petroquímica Paulista, Suzano Petroquímica, CST and black liquor evaporation systems for Aracruz Celulose and Veracel Celulose.

Nonetheless, the pipes business showed lower levels of activity in 2006. The company's net profit was R\$ 87.8 million, 42% down on 2005, as a result of a significant decrease in the domestic sales volumes and an increase in export activities which, because of lower dollar exchange rates during the year, resulted in smaller margins on the products sold by the company.

Differently from 2005, exports to non-Latin American countries, mainly Africa, NAFTA and Peru, accounted for the major part of sales, representing 54% of the total volume invoiced in 2006.

However, the regional outlook for 2007 is very positive: in Brazil and Argentina, the demand for natural gas continues to grow, resulting in pipe sales for the 980 km Gascac gas pipeline (Cacimbas-Catu) linking the Southeast and Northeast regions of Brazil, as well as the 632 km 2006-2008 Loops project in Argentina.

The announcement of "Plangás" by Petrobras is boosting domestic transportation and distribution projects with a view to the expansion of the pipeline infrastructure and an increased offer of natural gas for those thermo-electric plants already under construction or designed, which will result in an important source of pipe demand in 2007 and 2008.

In the mining sector, it is worth mentioning the construction of the Germano-Ubu iron ore pipeline by Samarco Mineração. A highlight in the OCTG (Oil Country Tubular Goods) market is the 3.6% increase in demand for pipes compared with 2005, sustained essentially by higher demand for pipes by Petrobras in the Northeast region of Brazil.

The drivers in export markets continue to be favorable, with the prospect of important pipeline projects in Latin American, USA and Canada.

In 2006, the equipments business grew 33% compared with the previous year, the result of market expansion and higher levels of activity in the steel, metallurgy, cellulose and oil segments.

The main projects for Confab Equipamentos during the year were: black liquor evaporation systems for Veracel Celulose and for Aracruz Celulose, an alumina precipitation system for Alunorte, furnaces for Petrobras Cacimbas, gas storage spheres for Petrobras, Petroquímica Paulista, Suzano Petroquímica and CST, and tanks for Braskem and Petrobras Cacimbas.

Confab Equipamentos is starting the year with a solid order backlog and very favorable prospects, thanks mainly to new investments by Petrobras at most of its refineries, which are aimed at improving fuel quality and launching new products, like propene, to match the expected domestic market growth.

In the petrochemical and cellulose sectors a number of short and medium-term investment plans shall be implemented throughout the country. Our prospects of participating in the supply of small plants and/or equipment for the biodiesel and ethanol sectors before the end of 2007 are significant.

Our performance in the fuel tank segment was satisfactory in 2006, driven by the creation of new products such as the supply kit, tanks on skids with a containment basin for use on construction sites and vertical aerial tanks.

We would like to thank our team for their dedication and high degree of professionalism, which resulted not only in increased efficiency and productivity, but also in new safety records. We also take this opportunity to thank our customers, suppliers and shareholders for their ongoing trust and support.

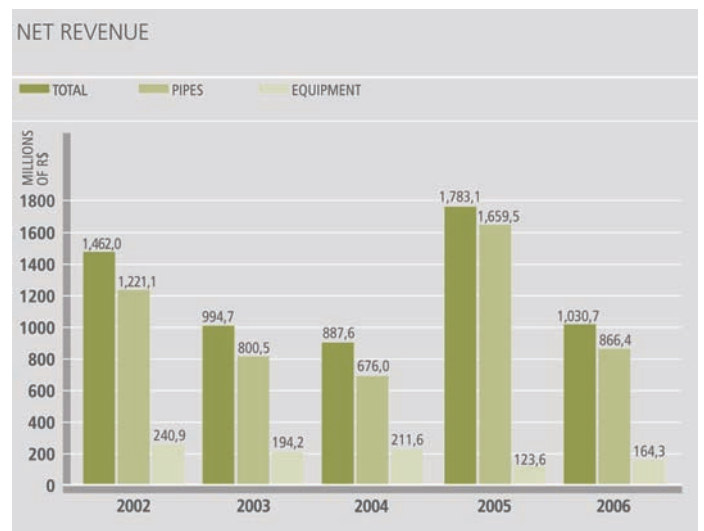
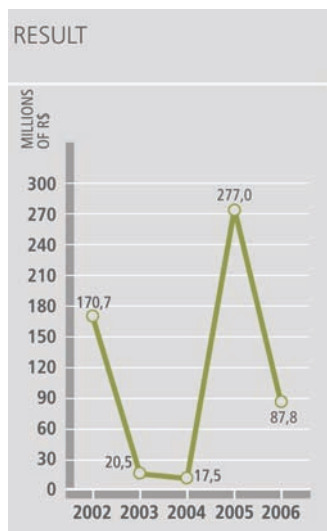
Roberto Caiuby Vidigal
President of the Administrative Council

Management report

Operational performance

In 2006 the economies of Brazil and South America benefited from a favorable world business prospects. In Brazil, the Real continued to appreciate against the US\$ Dollar, the country risk decreased and the trade balance and external accounts were positive. Inflation was kept under control and the interest rate continued its downward trend. In spite of this positive situation, Brazil showed growth rates lower than the Latin America average.

The demand for natural gas in Brazil and Argentina continued to grow. In the second half of the year, this led to two important projects that were in our order backlog on December 31, 2006 and which will affect the company's performance in 2007. Differently from 2005, exports to non-South American countries accounted for most of our revenues, reducing our share in projects both in Brazil and Argentina. Revenues from the equipments business showed a significant growth, the result of an expanding market that generated sales in all the segments the company operates in.



Revenues

Confab Industrial S.A and its subsidiaries recorded net operating revenues of R\$ 1,030.7 million in 2006, 42% less than in 2005. This decrease was due to a significant reduction in sales volumes for the pipe business, both in the domestic market and in exports to Argentina. The equipment business showed a 33% increase over the previous year, with higher levels of activity in the steel and metallurgy, cellulose and oil segments.

The graph shows the net revenues evolution over the last five years.

Earnings

In 2006 the company recorded a net profit of R\$ 87.8 million, compared with R\$ 277.0 million in 2005. The graph shows the consolidated profits evolution from 2002 to 2006. Earnings per share were R\$ 0.2524 in 2006, against R\$ 0.8517 in 2005.

Operating profit before financial income and income in associated companies decreased from R\$ 436.3 million in 2005 to R\$ 135.6 million in 2006. This reduction is due to

the lower sales volume in the pipe business (242.6 thousand tons in 2006 compared with 427.9 thousand tons in 2005) and the larger share of exports in total sales, added to the US Dollar exchange rate depreciation throughout the year, from R\$ 2.3407 in January to R\$ 2.1380 on December 31, 2006.

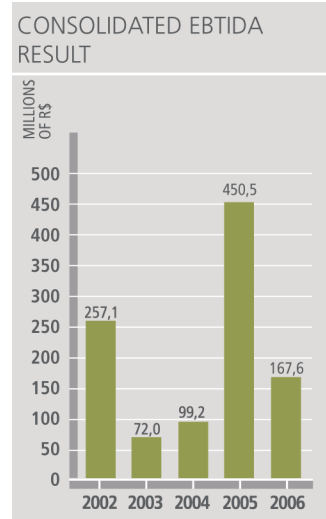
Financial income

The net financial income for 2006 shows an expense of R\$ 14.2 million (R\$ 11.7 million in 2005), equivalent to 1.4% of net revenues (0.7% in 2005).

The breakdown of such result follows:

- i) net interest from asset and liability operations showed an income of R\$ 13.1 million in 2006 and an expense of R\$ 0.8 million in 2005;
- ii) exchange variation and forwards recorded a net expense of R\$ 18.9 million in 2006, and an income of R\$ 0.9 million in 2005;
- iii) CPMF and other taxes on financial income of R\$ 8.4 million in 2006 and R\$ 11.8 million in 2005.





The EBITDA result (Earnings before Interest, Income Tax, Depreciation and Amortization) was R\$ 167.6 million (R\$ 450.5 million in 2005), with the following composition:

	2006	2005
Operating Profit	R\$ 120.8	R\$ 427.8
Results in Associates	R\$ 0.5	R\$ (3.2)
Financial Income	R\$ (21.8)	R\$ (34.2)
Financial Expenses	R\$ 36.0	R\$ 45.9
Depreciation and Amortization	R\$ 34.1	R\$ 29.6
Employee Share	R\$ (2.0)	R\$ (15.2)
Non Operational Expenses	–	R\$ (0.2)
EBITDA	R\$ 167.6	R\$ 450.5

EBITDA is not a measure adopted in Brazilian accounting practice, not representing the cash flow for the periods presented. Neither should it be considered as an alternative to net profit as an indicator of operational performance or as an alternative to cash flow as an indicator of liquidity. EBITDA does not have a standardized meaning and our definition of EBITDA may not be comparable with adjusted EBITDA as defined by other companies. Even if in accordance with accounting practices adopted in Brazil, EBITDA does not provide a measure for cash flow; our management uses it

to measure our operational performance. In addition to this, it is our understanding that certain investors and financial analysts use EBITDA as an indicator of operational performance and/or cash flow for companies.

Total financial debt on December 31, 2006 was R\$ 63.2 million, 40% short term and 60% long term.

At the end of the year, net cash (cash on hand less short term loans and bank finance) totaled R\$ 316 million, influenced by customer advances received in the last quarter.

Equity interest

Confab Industrial S.A. has equity interest in the following companies: SIAT S.A. (30%), Argentine manufacturer of welded steel pipes; Socotherm Brasil S.A. (50%), a steel pipe coating company; TenarisConfab Hastes de Bombeio S.A. (49%), a company specialized in the manufacture and commercialization of sucker rods and other materials used in the oil and petrochemical segments.

SIAT's share in the Company's earnings represented a loss of R\$ 2.2 million in 2006 (earnings of R\$ 4.8 million in 2005), due to a positive operational result of R\$ 2.8

million and a negative exchange result of R\$ 5.0 million, caused by the appreciation of the Real against the Argentine Peso. The level of activity was lower than in 2005, when pipes were supplied for the expansion of gas pipelines in that country.

The equity interest in Socotherm Brasil showed earnings of R\$ 0.2 million in the company's result, a decrease compared with 2005 (earnings of R\$ 11.1 million), caused by lower levels of demand, mainly in the Brazilian market.

The TenarisConfab Hastes de Bombeio equity interest represented earnings of R\$ 1.6 million in 2006, as opposed to a loss of R\$ 1.6 million in 2005, showing a recovery curve since it started operating in 2004.

Human Resources

Social action – working with responsibility

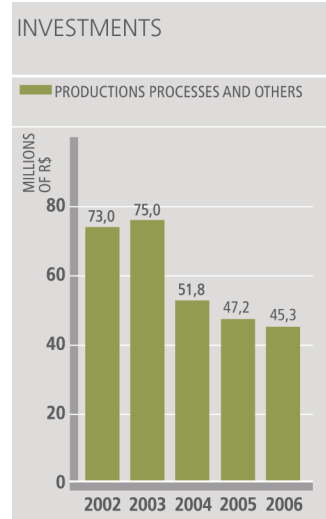
Confab strives to practice corporate social responsibility through diverse actions that focus on the needs of the public with which it interacts. To do this, the company

seeks to identify the needs of its employees and the communities in which its plants are located, in addition to respecting the environment. At the end of 2006, the Company had 2,361 employees.

In 2006, the company invested more than R\$ 2.6 million in technical, managerial, IT, language and postgraduate level courses. Employees undertook more than 135 thousand hours of training, more than 60 hours per person, representing an increase of approximately 20% over the previous year. (See Social Action Report on page. 32)

Investments

During the year the Company invested R\$ 45.3 million, mainly in expanding and updating plants, updating technologies to improve quality, automation, productivity and competitiveness. The chart above shows the investments made in the last five years.



Investments were made in the ERW (electric resistance welding) pipe production line resulting in higher quality, more reliable pipes, in addition to increased production capacity.

Investments in improving the SAW (submerged arc welding) production line were also aimed at increasing our capacity to meet the growing demand for pipelines expected in the next few years.

External audits

The Company's policy related to hiring services not related to external auditing from its independent auditors is intended to preserve independence of the external auditor. In accordance with internationally accepted principles, this policy stipulates that: (a) the auditor should not audit own work, (b) the auditor should not exercise managerial functions in the audited company; and, (c) the auditor should not promote the interests of the audited company.

During 2006, we hired our external auditors for tax consulting in the indirect taxes area. The work lasted less than one year; the cost was R\$ 46,831.95, equivalent to 16% of the annual contract for independent auditing services.

Risk management and internal controls

In 2006, the company carried out the mapping and monitoring of the main risks associated with the controls existing in each business process. This allowed proper management of such controls and greater control and transparency of the disclosed information.



The successful pipe supply for the first stage of the iron ore pipeline has opened the doors to another contract between both companies. Experience – together with technical capacity and logistics optimization - was a decisive factor for TenarisConfab to win the international bid, after almost eight months.

Samarco duplicates iron ore pipeline using TenarisConfab pipes



The company has supplied Samarco Mineração S.A. with 346 km of 14" Ø and 16" Ø pipes, with polyethylene triple-layer coating. The pipes, delivered in February and October, 2006, have been used in the Germano-Ubu iron ore slurry pipeline duplication, which will interconnect Mariana, in Minas Gerais, and Anchieta, in Espírito Santo. Said pipeline was originally constructed in 1975 with pipes supplied by Confab. The pipes – still in perfect work conditions – were part of the world's largest iron ore slurry pipeline at that time, and have become an important asset in negotiating the contract.

The mining market is very important to TenarisConfab, since Brazil – where some of the major world players are established - has iron ore reserves and production capacity ranked among the top ten countries in the world. Our company plays an active role in the Brazilian mining industry productivity. Our welded pipes are used in iron ore slurry transportation, ground and crushed ore transportation, as well in sedimentation and treatment lagoons layering, in carrying treated and untreated water, and in transportation operations between alumina processing and refining plants.

Income Statement

(amounts expressed in thousands of reais, except for earnings per share)

INCOME STATEMENT – CONSOLIDATED	2006	2005	2004	2003	2002
Net operating revenues	1,030,767	1,783,105	887,626	994,756	1,461,974
Costs and operating expenses	(895,184)	(1.346.818)	(822,908)	(948,879)	(1,217,391)
Operating income before financial income and other income	135,583	436,287	64,718	45,877	244,583
Financial expenses	(14,201)	(11,688)	(24,165)	(10,940)	(32,364)
Earnings in subsidiaries / associates	(541)	3,182	(6,146)	(15,409)	36,680
Interest Shares / Statutory Contributions and non-operating results	(2,161)	(23,193)	(4,734)	(5,242)	(21,146)
Income Tax and Social Contribution	(30,856)	(127,575)	(12,154)	6,221	(57,015)
Net profit for year	87,824	277,013	17,519	20,507	170,738
Net profit per share in R\$	0.2524	0.8517	0.0539	0.1892	1.5748
Total shares	348,015,357	325,247,997	325,247,997	108,415,999	108,415,999
EBITDA (profit before Interest, Taxes, Depreciation and Amortization)	167,654	450,515	99,225	72,018	257,115
FINANCIAL POSITION					
Working capital	436,995	411,268	217,433	175,166	250,486
Total assets	1,544,423	1.126.533	1,213,594	1,118,811	1,148,856
Long term debt	56,710	64,251	78,059	50,417	105,016
Shareholders' equity	700,136	637,627	426,401	430,478	461,978



Pipes

In 2006, welded tubular product sales totaled 242.6 thousand tons, a 43.3% decrease compared with the 427.9 thousand tons sold in 2005.

Uncertainty about the future of Bolivian gas supplies affected investment plans for gas transportation and distribution projects in Brazil and to a lesser extent in Argentina. The Gascac project and the second expansion of the Argentine gas pipelines were finally contracted in the second semester, with deliveries scheduled for 2007.

As a result of this situation the foreign market accounted for the major part of sales in 2006, with 54% of the total. The main export markets were NAFTA, Peru and Africa.

The pipes business had net revenues of R\$ 866.4 million in 2006, a decrease of 47.8% as compared to 2005 (R\$ 1,659.5 million).

During 2006, the main factors affecting demand were:

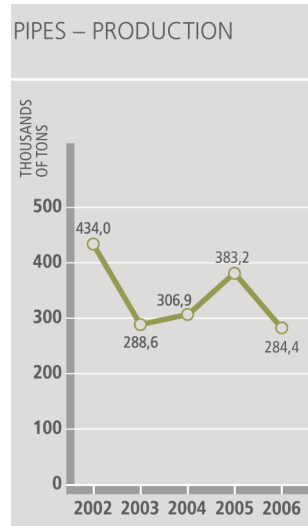
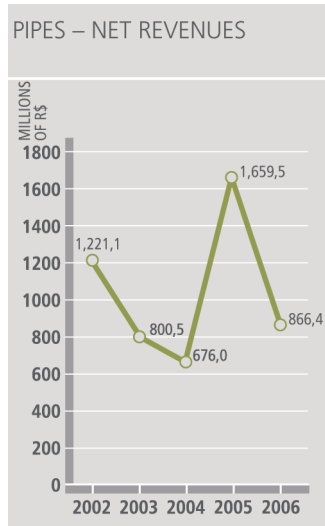
- The pipeline projects segment in Brazil was seriously affected by the events mentioned above.

- In the OCTG (Oil Country Tubular Goods) market, there was a 6.8% increase in the number of wells drilled (from 447 in 2005 to 480 in 2006), generating a 3.6% increase in the demand for pipes compared with 2005. This was driven mainly by an increase in demand for pipes by Petrobras in the Northeast of Brazil.
- In the mining sector, worthy of mention was the construction of the Germano-Ubu iron ore pipeline by Samarco Mineração.
- Pipe sales in the distributor market maintained their 2005 levels, sustained by industrial activity in Brazil.

As to the foreign market, oil and gas prices continue to drive demand for pipes in all markets highlight the exports to Peru and the United States, where existing gas pipeline infrastructure is being expanded.

Business Prospect

The demand for natural gas and oil in Brazil and Argentina will continue to grow, sustained mainly by economic growth and the growing participation of natural gas in the Brazilian energy grid.



The business prospect for 2007 is positive, the highlights being:

In September, Confab received the purchase order for the manufacture of the second stretch of the Gasene – Gascac Project (Cacimbas-Catu), a 980 km gas pipeline that will link the southeast and northeast regions of the country.

At the end of the year, Petrobras announced the “Plangás” plan, driving domestic gas transportation and distribution projects aimed at expanding pipeline infrastructure and increasing the offer of natural gas to meet the demand from thermo-electric mills that have been designed or are under construction, as well as from industry as a whole. This will result in significant demand for pipes in the second half of 2007 and in 2008.

In Argentina, the renegotiation of gas supply contracts with Bolivia has meant the go-ahead for important projects to meet the increasing demand for gas. In September, we received an order from Nación Fideicomisos S.A. for 632 km of pipeline to be supplied in 2007.

In the export markets, drivers continue to be favorable for pipeline projects, with important projects underway in

Latin America, the United States and Canada.

In the chart we show the evolution of the pipes business order backlog in the last five years.

Production

Pipe production totaled 284.4 thousand tons in 2006, a 26% decrease compared with the 383.2 thousand tons produced in 2005. The graph shows the pipe production evolution from 2002 to 2006.

A number of safety records were broken during the year: 109 days without any kind of accident and 279 days with no lost time accidents. We ended 2006 with a lost time accident rate of 1%, an unprecedented achievement for the Company.

A number of challenges were overcome in SAW pipe production, with the company meeting extremely high quality requirements in offshore pipes produced for the Moho-Bilondo project in the Congo and the PDET project in Brazil.



Upon winning the international bid, TenarisConfab has entered into one of its biggest contracts, in tonnage, with Transportadora GASENE S.A., corresponding to nearly a year of welded steel pipes manufacture.

Pipes for Gascac



TenarisConfab entered into a contract with Transportadora GASENE S.A. to supply pipes for the GASCAC gas pipeline construction. The pipeline, interconnecting Cacimbas (Espírito Santo) and Catu (Bahia), is the last stretch of the Southeast and Northeast pipings interconnecting project.

The contract represents a total supply of 980 km of 28" Ø coated welded steel pipes. The steel has been supplied by the Usiminas System, and a significant part of the pipes coating is being performed by Socotherm Brazil. Shippings are scheduled to be completed by December, 2007.

The Gasene project is formed by three gas pipelines: Cacimbas-Vitória, Cabiúnas-Vitória (Gascav) and Cacimbas-Catu (Gascac). The first one will carry natural gas from the Peroá-Cangoá fields to Vitória, capital city of Espírito Santo. From that point, the product shall be transported to Cabiúnas, in Rio de Janeiro, through the Gascav pipeline.

The approximately 300-km-long Gascav pipeline will allow a daily flow of 20 million cubic meters. In its turn, the 940-km-long Gascac pipeline, with similar daily flow, will carry natural gas from Cacimbas to Catu (Bahia), where it will be connected to the Catu-Carmópolis-Pilar pipeline. All of these important projects have been implemented using TenarisConfab pipes.

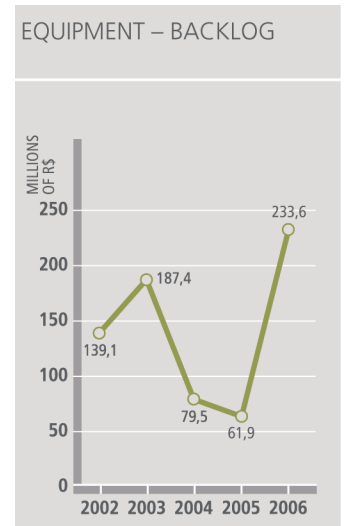
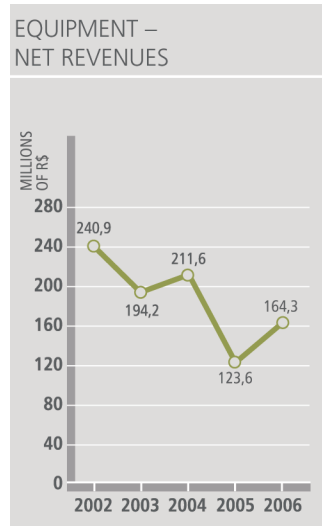
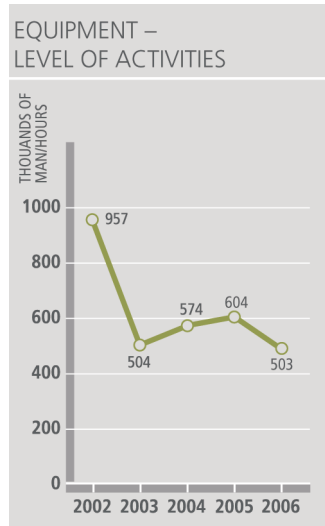
Equipment

There was a reduction in the nominal production level for the industrial equipment operations, which include manufacture and assembly, from 604,000 man hours in 2005 to 503 thousand man hours in 2006, due basically to the different types of product supplied during the year.

In spite of the decrease in man hours, the net revenues of the equipment business for 2006 were R\$ 164.3 million, a 33% increase compared with the previous year (R\$ 123.6 million). Revenue evolution for the past five years is shown in the graph below:

The main contracts contributing to revenues in 2006 were:

- Veracel Celulose project (Black Liquor Evaporation System / GNC);
- Aracruz project (Black Liquor Evaporation System);
- Alumina precipitation system for Alunorte (Precipitators and Thickeners);
- Furnaces for Petrobras – Cacimbas;



- Gas storage spheres – Petrobras (REPLAN, REVAP, Cacimbas ES), Petroquímica Paulista S.A. (PPSA), Suzano Petroquímica and CST;
- Tanks for Brasken and Petrobras Cacimbas;
- Performance in the service station fuel tank segment was good in 2006, partially due to the creation of new products, such as the supply kit, tanks on skids with containment basin for use on construction sites and vertical aerial tanks.

Outlook

Our order backlog and prospects for 2007 are good. This is due to new sales driven by investments being made mainly by Petrobras in practically all its refineries. Such investments are aimed at improving fuel quality and the introduction of new products like propene and others in anticipation of an increase in local demand.

In the petrochemical segment, a number of investments plans will be coming to fruition in the short and medium term in São Paulo, Bahia, Rio de Janeiro and Rio Grande do Sul.

The steel sector shall continue to require new equipment in a number of new mills in the medium term to fulfill export orders.

There are good prospects that the company will be participating in the supply of small plants and / or equipment for the biodiesel and ethanol sectors before the end of 2007.

There are a number of studies underway in the paper and cellulose industry and investments are likely to begin in the next four years (2007-2010) in new plants for Aracruz, Veracel, Klabin and VCP.



Confab Equipamentos confirms its position as a furnace and sphere leading manufacturer.

Leadership in spheres
and furnaces supply



Confab Equipamentos is delivering another 12 gas storage spheres to different customers. As a result, the company confirms its leadership in supplying and mounting this kind of equipment: a total of 197 have already been delivered, representing approximately 90% of all equipments operating in Brazil.

Among the customers receiving the spheres - with sizes ranging from 14.5 to 18.3 meters and weights from 280 to 310 tons - are Suzano Petroquímica, Petrobras, and Petroquímica Paulínia.

Several mounting work practices have been reviewed, improved and implemented, such as those applied to the sphere caps and equators as well as to the new auxiliary mounting devices. Such practices have reduced the amount of time required for mounting and welding at high locations, and has improved safety as well.

In the industrial furnaces area, the supply of furnaces for hydrogen generation units; load heating furnaces, and HDT furnaces should also be highlighted.

Social action report

Confab strives to practice corporate social responsibility through diverse actions that focus on the needs of the public the company interacts with. To do this, the company seeks to identify the needs of its employees and the communities where its plants are located, in addition to an emphatic respect to the environment.

By assuming this commitment to be socially responsible and, at the same time doing business in an ethical and transparent way, Confab contributes to a sustainable social, economic and environmental development, therefore improving quality of life of society as a whole.

Human capital– the company’s main asset

Confab’s present and future depend on the professional and personal development of its employees, who are the company’s main asset. The quality of the company’s products and services is the result of the combination of talents and technologies brought together in a global organizational structure.

Confab’s philosophy for human resources philosophy is to promote synergies, team work, flexibility and exchange, aimed at meeting the growing demands of an increasingly competitive market.

In 2006, the company invested more than R\$ 2.6 million in technical, managerial, IT, language and postgraduate level courses. Employees undertook more than 135 thousand hours of training, more than 60 hours per person, an increase of approximately 20% over the previous year.

The high standards of these training activities are guaranteed by renowned Confab partners, such as: University of São Paulo (USP), Federal University of Rio de Janeiro (UFRJ), The Welding Institute (TWI), Associação Brasileira de Metalurgia e Materiais (ABM), Fundação Dom Cabral (FDC) and Fundação Getúlio Vargas (FGV), to name but a few.

The company maintained its partnership with Colégio Objetivo for employee participation in supplementary education courses. Last year, 78 employees completed their secondary level education and 40 completed their basic education. Another 146 employees began attending these courses. In addition to providing a high quality education program, the company covered the cost of travel, food, uniform and teaching materials for participants.

Courses on Quality Management, Non-Destructive Testing and Laboratory accounted for 25% of the total training hours provided by the company in 2006. One of

the main programs was the second group to do the Phased Array Ultrasound basic course.

2006 also saw the graduation of the second group of employees from the Metallurgy course organized in partnership with the Welding Institute (TWI). A total of 15 employees received 142 hours of training.

In partnership with Fundação Getúlio Vargas, the company formed two groups for the contracts Financial Management course. A total of 40 people from the Contracts, Finance and Commercial areas had 52 hours of class each.

Around 16% of the total training hours for administrative employees involved e-learning. A number of new courses were launched in 2006 and TenarisUniversity has been steadily increasing the provision of courses for the whole company.

Global Trainee Program

The company has an exclusive trainee program, adopted throughout Tenaris. Called the Global Trainee Program (GTP), this is a strategic initiative to develop young talents. The main features of the program are: rotation of the Global Trainees (GT's) through at least two company areas,

formal assessment with pre-established targets (which are related to departmental targets), individual follow-up throughout the program, specific e-learning courses for the GT's specific area of activity and training packages.

The program also stimulates the global integration of participants. All of the Tenaris trainees spend a month together to learn more about the organization's culture and values and other pertinent information.

The GTP also includes a component developed in partnership with Fundação Dom Cabral (FDC). The course embraces the concept of distance learning in conjunction with classroom activities organized and assigned by highly qualified lecturers. The course contents include strategic management, business management, people management, oral and written information, management skills and project management.

The different program modules are designed to develop participants' technical and managerial skills therefore fostering their professional development. At the end of the course the participants are split up into groups to develop projects based on real company needs. At this stage, the participants receive orientation from the directors and managers of the areas involved.

In October 2006, 25 Confab trainees completed the FDC training course.

Over the last six years, a total of 121 young professionals have graduated from the company's trainee program, having had the opportunity to get familiar with the latest business trends. They are currently working in their respective areas in Confab or other Tenaris plants around the world.

Another group of 24 GTs will graduate from the program by the end of 2007.

Relation with universities

Aiming to strengthen relations with the universities from which its professionals are recruited, Confab hired nine interns during the 2006 vacations for its Summer Work Program (known as PRV).

In addition to the PRV, the company has a one-year internship program providing opportunities for university students in the human and exact areas.

In 2006, the company continued its Roberto Rocca Education Program (RREP), designed to promote the development of human resources in the Science and

Technology areas. One component of the program is to award undergraduate students with scholarships.

The latest group in this program consisted of 36 students, selected among the best Engineering students of Universidade Estadual de São Paulo – Guaratinguetá Campus (UNESP-FEG), Escola Politécnica (Poli-USP), FEI, Lorena Engineering School (EEL-USP) and Aeronautical Technological Institute (ITA).

The program includes monthly financial support, a quarterly in-company meeting and academic performance follow-up. The selected students have priority in the recruitment of interns and trainees.

Profit share and rewards

The company maintains its Profit Share Program as to acknowledge the contribution of employees who fulfill their targets and improve company indicators. In 2006, the company paid R\$ 7.0 million to employees under this scheme.

Environment, safety and occupational health

Employee involvement and commitment are fundamental for the success of actions focused on accident prevention. Therefore to ensure ongoing reduction in accident rates, Confab has changed its managerial safety meetings. Firstly, they are now held weekly instead of monthly. Secondly, each meeting is now attended by employees from diverse sectors and functions, with an average group of 50 participants.

The group performs a critical analysis of each occurrence, aimed at implementing preventive safety measures. One of the strengths of this initiative is the rotation of participants, allowing everyone to contribute with their experience and to feel responsible for fulfilling the company's objectives.

In addition to the managerial safety meetings, other initiatives have stimulated proactive measures aimed at eliminating unsafe conditions and attitudes. As a result of such involvement and commitment, several production areas have broken records in the number of zero-accident days; indeed some areas had no accidents for over a year. As a result Confab has an outstanding performance in accident reduction among the Tenaris companies.



Its successful history was determinant in Confab Equipamentos' victory, and has helped the company to consolidate its participation in this market share by means of a reliable solution, already tested and approved by several customers.

Black liquor evaporation system for Aracruz Celulose



Confab Equipamentos has supplied another Black Liquor Evaporating System to Aracruz Celulose. The agreement, by the turn-key method, has foreseen a 17-month period for both equipment and components manufacturing – using the North-American HPD-Veolia technology – and civil construction and electromechanical mounting.

The system, with evaporation capacity of 600 tons of water per hour, has been mounted at Aracruz plant in Barra do Riacho, city of Aracruz (Espírito Santo), and integrated to the four systems previously supplied by Confab Equipamentos to the same plant. One of them has become the world's first system with seven effects to produce black liquor concentrated at 80% of dry solids using low-pressure steam.

Also in 2006, Confab Equipamentos delivered a similar system to the Veracel Celulose plant, built in Eunápolis (Bahia) by Aracruz Celulose and by Finnish-Swedish Stora Enso. By the end of the project, Confab Equipamentos was awarded as a Perfect Partner of Veracel Celulose for best global performance as a supplier, having been assessed safety rates and relationship with customers, among other items. The black liquor evaporation system supplied to Veracel ranks as the largest in Brazil and the second largest in the world as to capacity of evaporated water – 1000 tons per hour.

Environmental preservation has also been the target of important Confab initiatives. Around 80% of the work to increase the capacity of the effluent treatment station has been concluded. The improvement of the industrial wastewater treatment techniques allows the water reutilization, and greater efficiency in the extraction and appropriate disposal of contaminating agents results in a cleaner environment.

The solid and liquid waste reception areas have also been provided with a containment basin, cover and a hydrant system to meet legal requirements. Preservation extends to the maintenance and certification of properly qualified companies for the disposal of solid and liquid wastes generated during the manufacturing process. Confab has also involved the employees' families in planting native tree species and other activities to increase their environmental awareness.

In 2006, Confab invested R\$ 5.2 million in the environment, safety and occupational health area.

Quality of life

Confab has adopted a number of measures to improve its employees' quality of life. The company restaurants serve nutritionally balanced meals. Employees also receive

medical and dental assistance and are encouraged to take part in sporting and leisure activities. At the end of 2006, Confab had 2,361 employees.

A total of R\$7.1 million was invested in dental and medical assistance. Employees and their dependents have a number of options for health plans with differentiated coverage.

The Confab plants have self-service restaurants which served more than 500 thousand meals and around 246 thousand breakfasts in 2006. This benefit represented an investment of R\$ 3.7 million during the year.

The company subsidizes commuting for some 960 employees. This segment had an investment of R\$ 2.6 million in 2006.

More than R\$ 635 was invested in subsidized medicine, school materials, toys, Christmas hampers and baby clothes during the year.

Credit cooperative

Employees who are members of the Credit Cooperative have access to quick and cheap loans. On December 31, 2006, its 1,816 members had a capital of R\$ 5.3 million. A total of R\$ 9.7 million was lent to employees during the year.



Confab Sports Association (Associação Desportiva Classista Confab)

Just one year after being completely remodeled, the Confab Sports Association received a new athletics track in 2006. This is the company's way of offering yet another alternative for employees and their families to practice physical activities. There is increasing scientific evidence that playing sports is important for improving people's health and quality of life.

Located on a former farmland, the Confab ADC club offers employees and their families a large green area, equipped with children's and adults' swimming pools, changing rooms, playgrounds, barbecue pits, a gymnasium, a multi-use sports court, a football field, and a five-a-side football court, as well as a reception area and a large common room for social events.

Supporting the community

Confab has sought to contribute to the well being of the local community by supporting numerous initiatives in the city of Pindamonhangaba, where its plants are located. The company has prioritized the educational and health areas for these community actions.

The projects supported by the company benefit hundreds of people of all ages. In 2006, Confab invested more than R\$ 720,000 in its corporate social responsibility project.

Technology School

In 2006 the Pindamonhangaba region received the first Technology School (Fatec) in State of São Paulo to offer a Metallurgy course. This was enabled by the effective participation of Confab, which donated part of the equipment necessary for the school laboratories. Additionally, company employees participated in the study group that defined the curriculum and the infrastructure necessary for the laboratories.

The option for implementing the Metallurgy program took into account the characteristics of the companies installed in the city, which present a heavy demand for qualified labor in this area. The 40 vacancies on the first Metallurgy course were disputed by almost 1,800 candidates. The course is offered free of charge and the first group will graduate in 2008.

Welding Cities project

In 2006, Confab began supporting the Eastern São Paulo State Welding Cities project, aimed at including needy

youngsters of the São José dos Campos region in the labor market by providing training in welding. This project was conceived by Petrobras, together with São José dos Campos City Hall, Fiesp, Senai and other companies.

Confab is in charge of providing two of the 16 apprentices in the project with an allowance, transportation costs and a food hamper. They also had the opportunity to work as interns in the company. Additionally, the company donated around three tons of carbon steel to be used in the participants' hands-on training.

Staying off the streets

Around 1,700 children and teenagers in the Pindamonhangaba area benefit from this project, which stimulates participants' formal education with back up classes by specialized professionals.

The project also provides participants with street dancing, aerobics, capoeira, football and seven-side football classes. It also seeks to promote social inclusion by ensuring that participants' free time be dedicated to cultural and educational activities.

The players in the under-eleven indoor football team of the Staying off the Streets project won the São Paulo Football Association 2006 Open Championship. It was their second participation in the competition.

The "Anália Franco" Space

More than 400 needy children and teenagers in Pindamonhangaba attend the "Anália Franco" Space, a halfway house dedicated to promoting citizenship and ethical behavior. The children participate in a number of activities designed to develop their basic skills and self-esteem. TenarisConfab provided support for the construction of this home five years ago and since then has provided a monthly allowance to fund its activities.

The Fabiano de Cristo Halfway House, responsible for the Espaço "Anália Franco", was recognized as one of the 50 best charitable institutions in Brazil in 2006. It was chosen from among the 350 candidates considered examples of excellence during the 10 years of the existence of the Efficiency Award, created by the business consultant and lecturer Stephen Kanitz.

“Flowers for Brazil” project

Confab has “adopted” the seven main Pindamonhangaba squares. By this initiative the population benefits from the green areas which contribute to a healthier environment.

Assisting the elderly

Over the last year, Confab maintained its support for the two homes for elderly people in Pindamonhangaba. The Irmã Terezinha and the São Vicente de Paula homes provide shelter for around 140 elderly people. Over the last six years the two homes have received approximately R\$ 293,000 from the company. This support ensures greater quality of life, leisure and special care for their inmates.

“Volunteers in Action” campaign

Aiming at increasing the impact of its social responsibility initiatives, Confab encouraged its employees to participate in voluntary social activities in institutions within the Pindamonhangaba area.

In 2006, they extended their voluntary work to activities with children and elderly people living in other charitable institutions.

Supporting APAE

Recognized nationwide for its important role in educating children and young people with special needs, APAE (Association of Parents and Friends of Disabled Individuals) has been supported by Confab in the construction of a mult-sports Gymnasium – the only one in Vale do Paraíba region specifically designed for the disabled.

Administrative council

President

Roberto Caiuby Vidigal

Vice Presidents

Guillermo Héctor Noriega
Paolo Rocca

Council Members

Carlos Eduardo Bacher
João Pedro Gouvêa Vieira Filho
Rinaldo Campos Soares
Tomas Tomislav Antonin Zinner
Victor Adler

Board of directors

President

Roberto Caiuby Vidigal

Director Local Sales

Nicolau Marcelo Bernardo

Executive Vice President

Director Pipe Business

Túlio Cesar do Couto Chipoletti

Director Strategic Planning

Juan Carlos Satostegui

Executive Vice President

Director Equipment Business

Emyr Elias Berbare

Director Administration & Finance and
Investor Relations

Marcelo Héctor Barreiro



Pindamonhangaba, São Paulo, Brazil. Pipe storage.



Financial statements

2006, 2005, December 31

All amounts in thousands of reais, unless otherwise stated.

Balance sheet

ASSETS	Parent Company		Consolidated	
	2006	2005	2006	2005
CURRENT ASSETS				
Cash and banks	14,828	3,157	48,845	6,186
Financial investments (Note 3)	292,730	251,525	292,730	253,590
Accounts receivable (Note 4)	143,590	129,870	153,635	139,492
Inventories (Note 5)	564,170	229,643	552,180	261,305
Receivables from associated parties (Note 11)	11,834	43,402	10,470	24,252
Taxes recoverable (Note 6)	75,320	60,088	92,079	69,761
Deferred income tax and social contribution (Note 17)	8,173	11,319	9,709	11,420
Prepaid expenses and others	7,421	987	7,596	3,305
Total current assets	1,118,066	729,991	1,167,244	769,311
NON-CURRENT ASSETS				
Long term receivables				
Subsidiary and associated parties (Note 11)	16	16	–	–
Deferred income tax and social contribution (Note 17)	22,366	18,382	23,463	18,468
Taxes recoverable (Note 6)	6,568	5,950	13,666	8,080
Judicial deposits	4,456	4,443	4,679	4,692
Property for investment	6,894	7,109	6,894	7,109
Other receivables	658	823	658	823
Permanent Assets				
Investments				
Subsidiary and associated parties (Note 7)	102,938	98,990	51,141	51,682
Other investments	–	–	77	84
Property, plant and equipment (Note 8)	226,428	216,748	267,899	254,219
Intangible (Note 9)	8,699	12,060	8,702	12,065
Total non-current assets	379,023	364,521	377,179	357,222
Total assets	1,497,089	1,094,512	1,544,423	1,126,533

The explanatory notes are an integral part of the financial statements.

LIABILITIES AND SHAREHOLDERS' EQUITY	Parent Company		Consolidated	
	2006	2005	2006	2005
CURRENT LIABILITIES				
Suppliers (Note 10)	161,148	84,116	155,126	71,009
Loans and financings (Note 12)	17,650	13,425	25,468	13,425
Customer advances (Note 13)	485,023	101,336	511,395	122,435
Taxes and contributions payable	8,835	85,959	9,965	90,457
PAES – Special Installment Plan (Note 14)	2,974	2,796	3,317	3,335
Salaries and social security charges	12,814	10,886	14,978	12,379
Employee profit share provision	2,003	8,576	2,228	9,031
Loans – related parties (Note 11)	13,029	12,492	–	–
Dividends and interest payable on own capital	677	26,988	2,041	27,553
Other accounts payable	4,392	6,085	5,741	8,419
Total current liabilities	708,545	352,659	730,259	358,043
NON-CURRENT LIABILITIES				
Long term liabilities				
Deferred income tax and social contribution (Note 17)	2,097	2,423	2,097	2,423
Loans and financings (Note 12)	37,805	42,390	37,805	42,390
PAES – Special Installment Plan (Note 14)	16,448	18,280	18,905	21,861
Provision for contingencies (Note 15)	32,058	41,133	36,344	44,072
Total non-current liabilities	88,408	104,226	95,151	110,746
MINORITY INTEREST	–	–	18,877	20,117
SHAREHOLDERS' EQUITY				
Capital (Note 16 a.)	316,419	229,419	316,419	229,419
Capital reserve	309	309	309	309
Revaluation reserve (Note 16 b.)	5,391	6,035	5,391	6,035
Profit reserves	378,017	401,864	378,017	40,864
Total shareholders' equity	700,136	637,627	700,136	637,627
Total liabilities and shareholders' equity	1,497,089	1,094,512	1,544,423	1,126,533

The explanatory notes are an integral part of the financial statements.

Income statement

	Parent Company		Consolidated	
	2006	2005	2006	2005
GROSS REVENUE	1,098,104	2,067,603	1,206,981	2,121,874
Sales taxes	(159,010)	(313,900)	(176,214)	(338,769)
NET OPERATING REVENUE	939,094	1,753,703	1,030,767	1,783,105
Cost of goods and services sold	(665,381)	(1,168,652)	(736,236)	(1,155,227)
Gross profit	273,713	585,051	294,531	627,878
OPERATING EXPENSES				
Selling	(75,757)	(104,485)	(80,092)	(106,625)
Administrative and general	(61,979)	(49,376)	(65,889)	(51,170)
Management fees	(6,468)	(7,025)	(7,156)	(8,057)
Other operational expenses, net (Note 18)	(416)	(23,957)	(5,811)	(25,739)
	(144,620)	(184,843)	(158,948)	(191,591)
INCOME BEFORE EQUITY IN RESULTS OF SUBSIDIARIES AND FINANCIAL EXPENSES	129,093	400,208	135,583	436,287
Equity in results of subsidiaries (Note 7)	5,312	18,322	(541)	3,182
OPERATING INCOMES BEFORE FINANCIAL EXPENSES	134,405	418,530	135,042	439,469
Net exchange variation (Note 19)	(14,505)	20,647	(14,276)	17,423
Financial expenses	(19,770)	(45,981)	(21,680)	(45,876)
Financial income	20,564	16,430	21,755	16,765
	(13,711)	(8,904)	(14,201)	(11,688)
OPERATING INCOME	120,694	409,626	120,841	427,781
Non operating results	49	(242)	9	(256)
PROFIT BEFORE INCOME TAX, SOCIAL CONTRIBUTION, PROFIT SHARE AND MINORITY INTERESTS	120,743	409,384	120,850	427,525
Income tax and social contribution (Note 17)	(31,530)	(118,375)	(30,856)	(127,575)
Profit share – employees (Note 20)	(1,389)	(13,996)	(2,045)	(15,237)
Minority interest	–	–	(125)	(7,700)
Net income for year	87,824	277,013	87,824	277,013
Net earnings per share – R\$	0.2524	0.8517		

The explanatory notes are an integral part of the financial statements.

Statement of changes in stockholders' equity

	Capital reserve			Profit reserves				
	Capital	Investment incentives	Revaluation reserve	Legal reserve	For capital increase	Retention of profits	Accumulated profits	Total
At December 31, 2004	229,419	309	6,273	30,284	–	160,116	–	426,401
Constitution of reserve for capital increase	–	–	–	–	87,000	(87,000)	–	–
Realization of revaluation reserve, net of tributary effects	–	–	(690)	–	–	–	690	–
Realization of income tax and social contribution on reappraisal of land	–	–	452	–	–	–	(452)	–
Net income for year	–	–	–	–	–	–	277,013	277,013
Constitution of reserves	–	–	–	13,851	–	263,400	(277,251)	–
Complementary dividends proposed (R\$ 0.0762 per share) (Note 16 f.)	–	–	–	–	–	(24,781)	–	(24,781)
Interest on own capital (R\$ 0.4797 per share) (Note 16 f.)	–	–	–	–	–	(41,006)	–	(41,006)
At December 31, 2005	229,419	309	6,035	44,135	87,000	270,729	–	637,627
Capital increase with profit reserves (Note 16 a.)	87,000	–	–	–	(87,000)	–	–	–
Constitution of reserve for capital increase (Note 16 d.)	–	–	–	–	31,000	(31,000)	–	–
Realization of revaluation reserve, net of tributary effects	–	–	(644)	–	–	–	644	–
Net income for year	–	–	–	–	–	–	87,824	87,824
Constitution of reserves (Note 16 e.)	–	–	–	4,391	–	84,077	(88,468)	–
Interest on own capital (R\$ 0.07274 per share) (Note 16 f.)	–	–	–	–	–	(25,315)	–	(25,315)
At December 31, 2006	316,419	309	5,391	48,526	31,000	298,491	–	700,136

The explanatory notes are an integral part of the financial statements.

Statement of changes in financial position

	Parent Company		Consolidated	
	2006	2005	2006	2005
ORIGINS OF FUNDS				
OPERATIONS				
Net income for year	87,824	277,013	87,824	277,013
Expenses (revenues) not affecting working capital				
Depreciation and amortization (Note 8 and 9)	28,483	25,140	34,116	29,076
Residual value of disposal permanent asset (Note 8 and 9)	800	673	839	687
Equity in results of subsidiaries and associated companies (Note 7)	(5,312)	(18,322)	541	(3,182)
Monetary variation and other from long term items	1,105	3,095	1,267	3,401
Change in minority interests	–	–	125	7,700
Amortization of deferred assets	–	–	–	462
Amortization of goodwill on investments	–	182	–	182
Provision for losses on investments	–	325	–	393
Exchange variation in associated company abroad	–	–	6	10
Contingencies provision (Note 15)	3,506	23,389	7,949	23,837
	116,406	311,495	132,667	339,579
THIRD PARTIES				
Loans and financing raised	13,091	–	13,091	–
Dividends in subsidiaries and associated companies (Note 7)	1,364	1,331	–	–
Total funds provided	130,861	312,826	145,758	339,579

The explanatory notes are an integral part of the financial statements.

	Parent Company		Consolidated	
	2006	2005	2006	2005
FUNDS USED FOR				
Property, plant and equipment and intangible (Note 8 and 9)	35,602	29,763	45,272	47,198
Interest on own capital and proposed dividends (Note 16 f.)	25,315	65,787	26,679	67,118
Transfer to short term – loans and finance	17,676	13,820	17,676	13,820
Increase in long term assets	4,258	6,702	10,210	8,236
Decrease of long term liabilities	15,821	8,562	20,204	9,372
Total funds used	98,672	124,634	120,041	145,744
Increase in net working capital	32,189	188,192	25,717	193,835
CHANGES IN WORKING CAPITAL				
CURRENT ASSETS				
At beginning of year	729,991	801,653	769,311	884,037
At end of year	1,118,066	729,991	1,167,244	769,311
	388,075	(71,662)	397,933	(114,726)
CURRENT LIABILITIES				
At beginning of year	352,659	612,513	358,043	666,604
At end of year	708,545	352,659	730,259	358,043
	355,886	(259,854)	372,216	(308,561)
Increase in working capital	32,189	188,192	25,717	193,835

The explanatory notes are an integral part of the financial statements.

Explanatory notes

1. Operational context

Confab Industrial S.A. (hereinafter “Company”) is a publicly traded corporation based in São Caetano do Sul, with manufacturing plants in Pindamonhangaba in the state of São Paulo. Its parent company is Siderca S.A., a subsidiary of the Tenaris Group.

The main operating activities of the Company and its subsidiaries and associated companies involve the manufacture of welded steel pipes for the petroleum, petrochemical, gas and sanitation industries and of industrial equipment for the petroleum, petrochemical, cellulose, metallurgical, steel industries, among others.

2. Main accounting practices

a. Financial statements

The financial statements have been prepared and are presented in conformity with the accounting practices adopted in Brazil and in compliance with Corporation Law and the specific norms established by the Securities Commission – CVM. These statements incorporate the changes introduced by rulings n° 488 – Presentation and Disclosure of Financial Statements and n° 489 – Provisions, Liabilities, Liability Contingencies and Asset Contingencies, both issued by CVM.

The financial statements for the year ending December 31, 2005, presented for purposes of comparison, show certain data which have been restated to adapt to the above mentioned regulations and allow comparison with the current year. The main alterations resulting from the application of these regulations are related to the denomination of the “Non current” group in Assets and Liabilities and the opening of judicial deposits to reduce the “contingencies provision” account.

b. Determination of income

Income is determined by the accounting accrual basis, considering the following:

- Revenues from steel pipe sales are recognized only when the respective risks and rewards are transferred to the customer.
- The gross profit on equipment sales contracts is recognized proportionally to the work performed on each contract up to the balance sheet date. Provisions for losses are made in those cases where costs incurred to date plus the estimate of costs still to be incurred exceed the total restated sale price.
- Provision for income tax and social charges is calculated and recorded based on rates and taxable profits adjusted by the specific legislation, including tax incentives.

c. Current assets and long term assets

Assets are stated at their historical cost, including, whenever applicable, monetary or exchange variations and related accrued income, not exceeding their realizable value.

Financial investments are represented by highly liquid temporary investments, which will be maintained until their due date and are recorded at cost price plus income until the balance sheets date, which do not exceed their market or realizable value.

Accounts receivable are recorded and maintained in the financial statements at the nominal value of the securities representing these credits. The provision for doubtful receivables is based on an individual analysis and at an amount considered sufficient by the company management to cover possible losses in realizing these credits, the balance of which is deducted from this provision.

Inventories are stated at their average cost of acquisition or production, which does not exceed the market value, including provisions to cover possible losses. Imports in progress and advances to suppliers are stated at the accrued cost of each import / advance.

The income tax and social charges on temporary differences between the book profit and the profit determined for taxation purposes are recognized as deferred tax credits or debits to the extent of their probable realization.

d. Permanent assets

Stated at cost price restated up to December 31, 1995, under the following conditions:

- Investments in subsidiaries and associated companies are recorded using equity equivalence.
- Revaluation of property, plant and equipment, conducted in 1991, based on appraisals by independent experts.
- Depreciation of property, plant and equipment on a straight line basis, using the annual rates mentioned in explanatory note 8, which take into account the working lives of the assets.
- Amortization of intangible assets on a straight line basis, at the annual rate mentioned in explanatory note 9.

e. Current and long term liabilities

They are shown at known or calculable amounts, in addition to monetary or exchange variations and corresponding charges, whenever applicable.

f. Contingencies provision

The provision for contingencies is recorded based on an appraisal done by the Company's legal advisors for judicial and administrative processes where losses are deemed probable, in compliance with NPC n° 22 of the Brazilian independent auditors institute - Ibracon. The balances of contingency provisions are stated net of the respective judicial deposits, where applicable.

g. Derivatives

Operations with financial derivatives are recorded on an accrual basis, considering the net result of the operation in accordance with contractual conditions.

h. Amounts in foreign currency

Monetary assets and liabilities denominated in foreign currency are converted to Reais at the exchange rate on the balance sheets closing dates. The differences arising from currency conversion are stated in the income statements.

i. Profit per share

Calculated based on the quantity of shares on the closing dates of the financial years.

j. Use of estimates

In the preparation of the financial statements it is necessary to use estimates for certain assets, liabilities and other operations. Therefore the financial statements show a number of estimates relative to the working life of property, plant and equipment, the realization of deferred tributary credits, the provisions necessary for doubtful debts, inventory losses and contingencies; the actual results may differ from the estimates.

K. Consolidation criteria

The consolidated financial statements were prepared in accordance with the technical consolidation criteria in Ruling n° 247/96 issued by the CVM. In the preparation of these financial statements, the parent company's accounting practices were strictly observed.

For the preparation of the consolidated financial statements, the following accounts are eliminated: investments, unrealized profits or losses between the parent company and subsidiaries or associated companies, results of equity equivalence, revenues and expenses from transactions between the companies, the

balances between the companies for the current and long term assets and liabilities. The minority stockholders' interests are clearly shown in the results and stockholders' equity.

The consolidated financial statements encompass the following subsidiary companies:

- Confab Montagens Ltda.
- Confab Revestimentos Ltda.
- Socotherm Brasil S.A.
- Confab Trading LLC and its subsidiary Confab Trading N.V.

I. Supplementary information

In order to maximize the information disclosed to the market, the Company is including as supplementary information the cash flow statement, prepared in accordance with NPC n°20 issued by IBRACON (Instituto dos Auditores Independentes do Brasil).

3. Financial investments

		Parent company		Consolidated	
		2006	2005	2006	2005
FIXED TERM DEPOSITS	ANNUAL INTEREST RATE				
Local currency	100,3% to 100,5% CDI	119,767	42,254	119,767	42,254
Foreign currency	5,26% + US\$	172,963	209,271	172,963	211,336
		292,730	251,525	292,730	253,590

The Company diversifies its investments between local and foreign currency, seeking to manage exchange risk in accordance with the nature and composition of its working capital and the estimated time of use.

Financial investments are made with leading banks, with every effort made to reduce risk exposure and maximize earnings. These investments are fully liquid.

4. Accounts receivable

	Parent company		Consolidated	
	2006	2005	2006	2005
CUSTOMERS				
Domestic market	44,372	96,320	50,481	101,182
Foreign market	2,975	5,260	64,580	3,635
Related parties (Note 11)	91,505	14,085	33,757	18,550
Other credits	4,738	14,205	4,817	16,125
	143,590	129,870	153,635	139,492

On December 31, 2006, the amounts receivable are stated net of provision for doubtful receivables in the amount of R\$ 6,444 for Confab Industrial S.A

(R\$ 9,274 on December 31, 2005) and R\$ 9,438 (R\$ 12,446 on December 31, 2005) for the consolidated in the foreign market.

5. Inventories

	Parent company		Consolidated	
	2006	2005	2006	2005
Finished products	221,053	123,692	238,733	131,084
Products in progress	810	729	810	2,616
Raw material	121,475	69,699	135,820	87,999
Sundry material	23,770	20,548	25,897	22,155
Advances to suppliers	210,187	14,359	163,231	16,278
Imports in progress	4,177	9,950	5,652	10,507
Provision for obsolescence/market	(17,302)	(9,334)	(17,963)	(9,334)
	564,170	229,643	552,180	261,305

The level of products in stock is directly related to the orders on the company books. The increase for 2006 is substantially related to the “Cacimbas-Catú Gas Pipeline

(Gascac)” project in the domestic market and the “Loops” project (Argentina) in the foreign market.

6. Taxes recoverable

Represented mainly by tax credits and advances, as follows:

	Parent company		Consolidated	
	2006	2005	2006	2005
CURRENT				
Value added tax on goods and services – ICMS	27,090	40,876	33,858	43,984
Excise tax – IPI	12,437	4,073	16,365	6,272
Income tax – IRPJ and CSLL	10,018	4,544	13,179	4,784
PIS and Cofins – non cumulative	17,827	8,440	19,497	8,440
PIS and Cofins recoverable – others	7,653	1,117	8,256	1,852
Others	295	1,038	924	4,429
	75,320	60,088	92,079	69,761
LONG TERM				
Finsocial recoverable	2,368	2,368	2,368	2,368
INSS recoverable	–	–	5,143	–
ICMS recoverable on fixed assets	4,200	3,582	6,155	5,712
	6,568	5,950	13,666	8,080

The company periodically checks its accumulated tax credits, with the aim of using them in the short term, as follows:

- Federal taxes (IPI, PIS and Cofins) – used to offset tax payments on sales and income tax and social charges, whenever applicable.

- State tax (ICMS) – used to offset the amounts payable for the ICMS-value added tax on sales and on diverse imports. Under the special regime granted by the state tax authority, this is currently used to pay suppliers.

7. Investments in subsidiaries and associated companies

MOVEMENT	Confab Montagens Ltda. ^(I)	Confab Revestimentos Ltda. ^(I)	Socotherm Brasil S.A. ^(IV)	TenarisConfab Hastes de Bombeio S.A. ^(II)	Confab Trading LLC ^(I)	Siat S.A. ^(III)	Total
Balances on December 31, 2005 (parent)	8,930	(5)	19,891	(517)	18,492	52,199	98,990
Dividends proposed	–	–	(1,364)	–	–	–	(1,364)
Earnings in subsidiaries and associated companies	5,314	–	209	1,628	330	(2,169)	5,312
Balances on December 31, 2006 (parent)	14,244	(5)	18,736	1,111	18,822	50,030	102,938
Eliminations	(14,244)	5	(18,736)	–	(18,822)	–	(51,797)
Balances on December 31, 2006 (consolidated)	–	–	–	1,111	–	50,030	51,141

(I) Reviewed by our independent auditors (reviewed by independent auditors in 2005).

(II) Examined by our independent auditors (examined by other independent auditors in 2005).

(III) Examined by other independent auditors.

(IV) Examined by our independent auditors.

	Thousands of shares or quotas held by company		Company share in made up capital – %	Adjusted shareholder equity	Adjusted net profit / (loss)	Exchange parity / Profit not realized
	Ordinary shares	Quotas				
On December 31, 2005						
Confab Montagens Ltda.	–	10,419	100	8,930	5,921	–
Confab Revestimentos Ltda.	–	7,103	100	(5)	–	–
Socotherm Brasil S.A.	932	–	50	40,233	15,400	225
TenarisConfab Hastes de Bombeio S.A.	1,505	–	49	(1,056)	(3,296)	–
Confab Trading LLC	–	–	100	18,492	548	(2,405)
Siat S.A.	12,000	–	30	173,997	37,474	(21,480)
On December 31, 2006						
Confab Montagens Ltda. ^(I)	–	10,419	100	14,244	5,314	–
Confab Revestimentos Ltda. ^(II)	–	7,103	100	(5)	–	–
Socotherm Brasil S.A. ^(V)	932	–	50	37,755	249	141
TenarisConfab Hastes de Bombeio S.A. ^(III)	1,505	–	49	2,266	3,322	–
Confab Trading LLC ^(IV)	–	–	100	18,822	1,931	(1,601)
Siat S.A. ^(VI)	12,000	–	30	166,768	9,399	(16,628)

(I) Confab Montagens Ltda – activities consist mainly of conducting studies and carrying out the assembly, installation and maintenance of apparatus, machinery or industrial sub-assemblies made by third parties.

(II) Confab Revestimentos Ltda – non-operational company.

(III) Tenaris Confab Hastes de Bombeio S.A. – the company' main activity is manufacturing and commercializing sucker rods and other metallic material, equipment and accessories for the oil and petrochemical segments.

(IV) Confab Trading LLC – based in Delaware – USA, the company was incorporated on November 9, 2001, with a capital injection consisting of all the shares of Confab Trading N.V. It was created as a means of holding shares in foreign companies.

(V) Socotherm Brasil S.A. – activities consist mainly of the industrialization, commercialization and provision of services in internal and external coatings for steel pipes and metallic parts in general, and the acquisition and transfer of technology in anticorrosive and thermal coating for metallic parts.

(VI) Siat S.A. – located in Argentina, the company is involved mainly in manufacturing welded steel pipes for the oil, petrochemical, gas and sanitation industries.

8. Property, plant and equipment

	Parent company				
	2006				2005
	Annual depreciation rate – %	Corrected and restated cost	Accumulated depreciation	Net value	Net value
Land	–	9,010	–	9,010	9,010
Building	4	82,324	(31,831)	50,493	49,488
Machinery and equipment	10	218,603	(109,529)	109,074	112,537
Installations	10	19,876	(6,685)	13,191	13,005
IT equipment	20	9,932	(6,497)	3,435	3,153
Furniture and fixtures	10	3,559	(2,252)	1,307	1,383
Vehicles	20	16,805	(12,146)	4,659	3,236
Construction in progress	–	35,259	–	35,259	24,936
		395,368	(168,940)	226,428	216,748

	Consolidated				
	2006				2005
	Annual depreciation rate – %	Corrected and restated cost	Accumulated depreciation	Net value	Net value
Land	–	9,010	–	9,010	9,010
Building	4	93,478	(35,317)	58,161	52,624
Machinery and equipment	10	247,899	(119,371)	128,528	123,617
Installations	10	24,458	(8,831)	15,627	13,925
IT equipment	20	10,341	(6,782)	3,559	3,261
Furniture and fixtures	10	3,694	(2,318)	1,376	1,447
Vehicles	20	18,921	(13,752)	5,169	3,975
Construction in progress	–	46,469	–	46,469	46,360
		454,270	(186,371)	267,899	254,219

a. On December 31, 2006 and 2005, the property, plant and equipment balances for the parent company include a reappraisal of assets occurred in 1991, carried out by

specialists and approved by the general meeting. The position of the reassessed goods is:

	2006			2005
	Restated cost	Accumulated depreciation	Net value	Net value
Land	1,331	–	1,331	1,331
Buildings	15,009	(10,613)	4,396	5,043
Machinery and equipment	11,886	(10,116)	1,770	2,084
Vehicles	428	(428)	–	–
	28,654	(21,157)	7,497	8,458

b. The construction in progress refers essentially to the expenditures on the expansion and modernization of the pipe division plant in Pindamonhangaba – SP.

Changes in property, plant and equipment:

	Parent company		Consolidated	
	2006	2005	2006	2005
Balance at beginning of year	216,748	211.750	254,219	235,720
ADDITIONS				
Buildings	4,031	3,297	9,971	3,297
Machinery and equipment	12,691	18,436	24,246	23,558
Installations	1,993	3,774	4,212	3,798
IT equipment	1,866	1,093	1,934	1,093
Furniture and fixtures	132	184	151	184
Vehicles	3,105	731	3,188	843
Construction in progress	10,818	(457)	604	11,728
	34,636	27,058	44,306	44,501
Net write offs	(800)	(592)	(839)	(601)
Depreciation	(24,156)	(21,468)	(29,787)	(25,401)
Balance at end of year	226,428	216,748	267,899	254,219

9. Intangible

	Parent company				
			2006	2005	
	Annual rate of amortization %	Corrected cost	Accumulated amortization	Net value	Net value
Software licenses	20	26,201	(17,502)	8,699	12,060
Others	–	20	(20)	–	–
		26,221	(17,522)	8,699	12,060
	Consolidated				
			2006	2005	
	Annual rate of amortization %	Corrected cost	Accumulated amortization	Net value	Net value
Software licenses	20	26,330	(17,628)	8,702	12,065
Others	–	29	(29)	–	–
		26,359	(17,657)	8,702	12,065

Changes in intangibles:

	Parent company		Consolidated	
	2006	2005	2006	2005
	Balance at beginning of year	12,060	13,108	12,065
ADDITIONS				
Software licenses	966	2,705	966	2,697
Net write offs	–	(81)	–	(86)
Depreciation	(4,327)	(3,672)	(4,329)	(3,675)
Balance at end of year	8,699	12,060	8,702	12,065

10. Suppliers

	Parent company		Consolidated	
SUPPLIERS	2006	2005	2006	2005
Domestic market	106,296	41,826	126,876	61,572
Foreign market	3,511	6,449	5,534	3,351
Related parties	51,341	35,841	22,716	6,086
	161,148	84,116	155,126	71,009

As mentioned previously, the increase for 2006 is due to the production for ongoing projects, mainly the Cacimbas-Catú (Gascac) gas pipeline in the domestic market.

11. Transactions with related parties

ACCOUNTS	NOTES	Parent company		Consolidated	
		2006	2005	2006	2005
CURRENT ASSETS					
ACCOUNTS RECEIVABLE					
Confab Montagens Ltda.		–	1	–	–
Confab Trading N.V.	(I)	85,618	832	–	–
Exiros BR Ltda.		6	–	6	–
Siat S.A.		64	–	64	–
Siderca S.A.I.C.		–	–	–	500
Socominter Sociedade Comercial Internacional Ltda.		–	1	–	1
Socominter S.A. (Venezuela)		3	–	3	8,434
Socotherm Brasil S.A.	(II)	2,491	2,382	–	–
Tecgas Argentina S.A.		37	40	37	40
Techint Compagnia Tecnica Internazionale S.p.A.		46	50	46	50
Techint S.A.		–	1	–	1
TenarisConfab Hastes de Bombeio S.A.	(III)	2,898	6,616	2,898	6,616
Tenaris Global Services (USA) Corporation	(IV)	–	–	28,237	–
Tenaris Global Services S.A.		257	1,937	1,555	2,759
Tenaris Global Services Nigéria Ltd.		–	–	907	6
		91,420	11,860	33,753	18,407
INVENTORIES (ADVANCES TO SUPPLIERS)					
Socotherm Brasil S.A.	(V)	47,237	11,126	–	–
		47,237	11,126	–	–
ACCOUNTS RECEIVABLE (CREDITS TO BE BILLED)					
Confab Trading N.V.		72	78	–	–
Dalmine S.p.A.		–	130	–	130
Exiros BR Ltda.		4	8	4	8
Socotherm Brasil S.A.		9	2,004	–	–
TenarisConfab Hastes de Bombeio S.A.		–	5	–	5
		85	2,225	4	143
RECEIVABLES WITH RELATED PARTIES					
Confab Trading N.V.		–	13,127	–	–
Socotherm Brasil S.A.	(II)	1,364	6,023	–	–
TenarisConfab Hastes de Bombeio S.A.	(VI)	10,470	24,252	10,470	24,252
		11,834	43,402	10,470	24,252
LONG TERM RECEIVABLES					
LOANS					
Confab Revestimentos Ltda.		16	16	–	–
		16	16	–	–
Total		150,592	68,629	44,227	42,802

ACCOUNTS	NOTES	Parent company		Consolidated	
		2006	2005	2006	2005
CURRENT LIABILITIES					
SUPPLIERS					
Confab Trading N.V.	(VII)	(21,592)	(23,640)	–	–
Dalmine S.p.A.		(541)	(735)	(555)	(735)
Finma S.A.I.F.		(5)	–	(5)	–
Information Systems & Technologies S.A.		(354)	–	(354)	–
Metalmecanica S.A.		–	(105)	–	(105)
Siat S.A.	(VIII)	(4,831)	(10)	(4,873)	(56)
Siderar S.A.I.C.		(1)	(1)	(1)	(1)
Siderca S.A.I.C.		(752)	(2,116)	(811)	(2,116)
Socotherm Brasil S.A.	(IX)	(6,068)	(4,931)	–	–
Tamsa – Tubos de Acero de México S.A.		(2)	(12)	(2)	(12)
Techint S.A.		(11)	–	(11)	–
Techint Eng. Technical and Commercial Services LLC		(28)	–	(28)	–
Techint Engineering Holding S.A.		(6)	(6)	(6)	(6)
Tenaris Global Services Far East Pte Ltd.		–	–	–	(5)
Tenaris Global Services LLC		(421)	(94)	(427)	(101)
		(34,612)	(31,650)	(7,073)	(3,137)
ADVANCES TO CUSTOMERS					
Confab Trading N.V.		(2,672)	–	–	–
Socominter Sociedade Comercial Internacional Ltda.		–	(5,359)	–	(5,359)
Tenaris Global Services (U.S.A.) Corporation		–	–	(3,809)	–
		(2,672)	(5,359)	(3,809)	(5,359)
DEBITS TO BE BILLED					
Confab Trading N.V.		(1,141)	(1,250)	–	–
Dalmine S.p.A.		(965)	(1,034)	(965)	(1,046)
Exiros BR Ltda.		(198)	(11)	(198)	(11)
Finma S.A.I.F.		(19)	–	(19)	–
Metalcentro S.A.		–	(1)	–	(1)
Metalmecanica S.A.		(1)	–	(1)	–
Siat S.A.		(6)	(238)	(6)	(238)
Siderca S.A.I.C.		(483)	(92)	(542)	(92)
Socotherm Brasil S.A.		(4)	(4)	–	–
Tamsa – Tubos de Acervo de México S.A.		(26)	–	(26)	–
Tenaris Global Services LLC	(X)	(13,667)	(1,321)	(13,667)	(1,321)
Tenaris Global Services S.A.		(219)	(240)	(219)	(240)
		(16,729)	(4,191)	(15,643)	(2,949)
LOANS					
Confab Montagens Ltda.	(XI)	(13,029)	(12,492)	–	–
		(13,029)	(12,492)	–	–
Total		(67,042)	(53,692)	(26,525)	(11,445)

ACCOUNTS	Parent company		Consolidated	
	2006	2005	2006	2005
SALES OF PRODUCTS AND SERVICES				
Confab Montagens Ltda.	76	2	–	–
Confab Trading N.V.	371,200	70,302	–	–
Dalmine S.p.A.	215	–	215	–
Exiros BR Ltda.	–	249	–	252
Siat S.A.	713	3,576	713	8,859
Siderca S.A.I.C.	–	–	–	475
Socominter Sociedade Comercial Internacional Ltda.	16,162	–	16,929	–
Socominter S.A.	3	31,624	3	31,624
Socotherm Brasil S.A.	3,349	2,313	–	–
Tecgas Argentina S.A.	–	187	–	187
Techint International Construction Corporation	–	–	5,497	31
Techint S.A.	7	1,340	59	1,341
TenarisConfab Hastes de Bombeio S.A.	1,936	1,396	1,936	1,396
Tenaris Global Services (Canada) Inc.	–	–	903	2,793
Tenaris Global Services (USA) Corporation	–	–	220,663	16,010
Tenaris Global Services S.A.	8,608	–	36,700	8,280
Tenaris Global Services Nigéria Ltd.	–	–	2,866	4,961
	402,269	110,989	286,484	76,209
INTEREST ON LOANS (ASSETS)				
Confab Trading N.V.	113	77	–	–
Socotherm Brasil S.A.	761	553	–	–
TenarisConfab Hastes de Bombeio S.A.	2,243	3,024	2,243	3,024
	3,117	3,654	2,243	3,024
RENTAL INCOME				
Socotherm Brasil S.A.	579	549	–	–
TenarisConfab Hastes de Bombeio S.A.	299	271	299	271
	878	820	299	271
Total	406,264	115,463	289,026	79,504

ACCOUNTS	Parent company		Consolidated	
	2006	2005	2006	2005
COSTS AND/OR EXPENSES RELATED TO				
PURCHASE OF PRODUCTS AND SERVICES				
Confab Montagens Ltda.	(49)	–	–	–
Dalmine S.p.A.	(1,249)	(1,003)	(1,263)	(1,003)
Exiros BR Ltda.	(5,350)	(4,866)	(5,350)	(4,866)
Finma S.A.I.F.	(41)	–	(41)	–
Information Systems & Technologies S.A.	(358)	–	(358)	–
Italimpanti International do Brasil Ltda.	–	–	(74)	–
Metalcentro S.A.	–	(49)	–	(49)
Metalmeccanica S.A.	(928)	(1,821)	(928)	(1,821)
Siat S.A.	(5,695)	(1,384)	(5,695)	(1,384)
Siderar S.A.I.C.	–	(13)	–	(13)
Siderca S.A.I.C.	(472)	(2,943)	(531)	(2,943)
Socotherm Brasil S.A.	(47,661)	(93,831)	–	–
Socominter S.A.	(3)	–	(3)	–
Socominter Sociedade Comercial Internacional Ltda.	(590)	(2)	(590)	(2)
Tamsa – Tubos de Acero de México S.A.	–	(33)	–	(33)
Tamtrade S.A. de C.V.	–	(112)	–	(112)
Techint Compagnia Tecnica Internazionale S.p.A.	(24)	(55)	(24)	(55)
Techint Eng. Technical and Commercial Services LLC	(84)	(116)	(84)	(116)
Techint Engineering Company Inc.Panamá	–	(4)	–	(4)
Techint International Construction Corporation	–	(30)	–	(30)
Techint S.A.	(151)	–	(151)	–
Tenaris Conection B.V.	–	451	–	451
TenarisConfab Hastes de Bombeio S.A.	–	(4,932)	–	(4,932)
Tenaris Global Services LLC	(14,253)	(2,572)	(14,253)	(2,572)
Tenaris Global Services UK Ltd.	–	–	–	–
Tenaris Global Services (USA) Corporation	(22)	–	(22)	–
Tenaris Global Services S.A.	–	(250)	–	(250)
	(76,930)	(113,565)	(29,367)	(19,734)
INTEREST ON LOANS (LIABILITIES)				
Confab Montagens Ltda.	(1,411)	(1,411)	–	–
Techint Engineering Company B.V.	–	(175)	–	(175)
	(1,411)	(1,586)	–	(175)
Total	(78,341)	(115,151)	(29,367)	(19,909)

The purchase and sale of products and services are carried out under normal market conditions; balances of credits and debits payable between associated companies are subject to the usual market finance charges.

The main credits and debits between associated companies are given below:

(I) Confab Trading N.V. – balance receivable of R\$ 85,618 refers to commercial operations, with no security, due as follows: R\$ 23 in May 2007, R\$ 37,807 in July 2007, R\$ 32,467 in August 2007, R\$ 15,3 in September 2007.

(II) Socotherm Brasil S.A. – balance receivable of R\$ 2,491 refers to commercial operations, with no security, due as follows: R\$ 264 in January 2007 and R\$ 2,227 in June 2007. The balance of R\$ 1,364 corresponds to interest receivable on equity capital.

(III) Tenaris Confab Hastes de Bombeio S.A. – balance receivable of R\$ 2,898 refers to commercial operations, with no security, due as follows: R\$ 6 in January/2007, R\$ 2,892 in June 2007.

(IV) Tenaris Global Services (USA) Corporation – balance receivable of R\$ 28,237 refers to commercial operations carried out by the subsidiary Confab Trading N.V., with no security, due as follows: R\$ 19,994 in January 2007 and R\$ 8,243 in March 2007.

(V) Socotherm Brasil S.A. – advance of R\$ 47,237 granted for pipe coating services for the following projects and applications: R\$ 945 – PQU Expansion project in March 2007, R\$ 42,920 – Gascac project between March and December 2007, R\$ 68 – Nor Peruano Oil pipeline project in March 2007, R\$ 3,304 – PDET Deep Waters project between January and March 2007.

(VI) Tenaris Confab Hastes de Bombeio S.A. – balance receivable of R\$ 10,470 corresponding to loan granted at SELIC variation, due in May 2007.

(VII) Confab Trading N.V. – balance payable of R\$ 21,592 corresponding to commercial operations with no security, due in March 2007.

(VIII) Siat S.A. – balance payable of R\$ 4,831 corresponding to commercial operations with no security, due in March 2007.

(IX) Socotherm Brasil S.A. – balance payable of R\$ 6,068 corresponding to the supply of coating services for pipes, with no security, due as follows: R\$ 2,457 in January 2007, R\$ 29 in April 2007, R\$ 3,408 in May 2007 and R\$ 174 in June 2007.

(X) Tenaris Global Services LLC – balance payable of R\$ 13,667, corresponding to commissions due in January 2007 and February 2007.

(XI) Confab Montagens Ltda. – balance payable of R\$ 13,029 corresponding to loan with unspecified due date, subject to interest of 1% per month.

12. Loans and financing

Type	Index / currency	Annual interest rates	Parent company		Consolidated	
			2006	2005	2006	2005
a. BREAKDOWN OF AMOUNTS PAYABLE						
LOCAL CURRENCY						
BNDES investments	TJLP	4% and 4,25%	42,296	41,968	42,296	41,968
BNDES investments	UMBND	4% and 4,25%	13,159	12,585	13,159	12,585
			55,455	54,553	55,455	54,553
FOREIGN CURRENCY						
Exchange contract advances – ACC	US\$	4,05% and 5,59%	–	1,262	7,818	1,262
Total			55,455	55,815	63,273	55,815
CURRENT LIABILITIES						
LONG TERM LIABILITIES						
			37,805	42,390	37,805	42,390

TJLP – Long term interest rate

UMBND – BNDES monetary unit (basket of currencies)

b. FALLING DUE IN LONG TERM

2007	–	14,559	–	14,559
2008	12,127	9,307	12,127	9,307
2009	12,054	9,227	12,054	9,227
2010	8,980	6,137	8,980	6,137
2011	4,644	3,160	4,644	3,160
	37,805	42,390	37,805	42,390

c. GUARANTEES

Investment finance was guaranteed by mortgaging company assets.

Finance in foreign currency was guaranteed by promissory notes.

13. Customer advances

The balance of R\$ 485,023 (R\$ 101,336 on December 31, 2005) entered in the parent company and R\$ 511,395 (R\$ 122,435 on December 31, 2005) in the consolidated statements refers to customer advances for the production of goods or rendering of services. This liability is represented by the contractual obligation to produce such goods or provide such services, and, should these not materialize, the amounts received should be returned.

As mentioned previously, the increase recorded for 2006 is related to advances received for production for the projects on the order backlog, mainly the Cacimbas-Catú (Gascac) Gas pipeline in the domestic market, for which the company had received advances of R\$ 423,697 on December 31, 2006.

14. PAES – Special Installment Plan

On July 31, 2003, the parent company and its subsidiary Confab Montagens Ltda. adhered to the PAES regime, which allows payment of taxes and charges in up to 120 installments. On December 31, 2006 and 2005, the annual amounts due for the long term installments were:

Year	Parent company		Consolidated	
	2006	2005	2006	2005
2007	–	2,812	–	3,363
2008	2,990	2,812	3,576	3,363
2009	2,990	2,812	3,576	3,363
2010	2,990	2,812	3,576	3,363
2011 a 2013	7,478	7,032	8,177	8,409
	16,448	18,280	18,905	21,861

15. Contingencies

The Company and its subsidiaries are parties in labor, tax and civil law suits involving contingency responsibilities. These law suits are currently either at the administrative defense phase or are in the judicial sphere.

Based on the advice of its legal advisors, the management of the parent company and the subsidiaries make contingency provisions deemed sufficient to cover eventual losses in the event of an unfavorable decision, as shown below:

	Parent company		Consolidated	
	2006	2005	2006	2005
Labor suits	14,265	25,651	17,158	27,003
Labor suits – Rio de Janeiro Refrescos S.A.	3,579	3,949	3,579	3,949
Tax suits	9,501	9,338	11,014	11,067
Tax suits – Rio de Janeiro Refrescos S.A.	2,625	2,515	2,625	2,515
Civil suits	2,592	1,540	2,592	1,540
Civil suits – Rio de Janeiro Refrescos S.A.	–	1,000	–	1,000
	32,562	43,993	36,968	47,074
Judicial deposits	(504)	(2,860)	(624)	(3,002)
	32,058	41,133	36,344	44,072

The main contingencies are described below:

Labor suits

These refer to diverse labor suits brought against the Company and its ex-subsiary Rio de Janeiro Refrescos S.A., which have been provisioned because they are deemed probable losses by the company's legal advisors.

Tax suits

Related to claims brought against the Company and its ex-subsiary Rio de Janeiro Refrescos S.A., mainly in the indirect tax area.

Civil suit

Related substantially to indemnification suits brought against the Company and deemed probable losses.

Provisions are demonstrated below:

	Parent	Consolidated
Balance of December 31, 2004	22,358	25,127
Provisions constituted, net of reversions (Note 18)	23,389	23,837
Compensation by amounts receivable – Rio de Janeiro Refrescos S.A.	(2,907)	(2,907)
Payments	(1,707)	(1,985)
Balance on December 31, 2005	41,133	44,072
Provisions constituted, net of reversions (Note 18)	3,506	7,949
Compensation by amounts receivable – Rio de Janeiro Refrescos S.A.	(1,615)	(1,615)
Payments	(10,966)	(14,062)
Balance on December 31, 2006	32,058	36,344

The company is responsible for contingent liabilities from the period it administered its ex-subsiary Rio de Janeiro Refrescos S.A., sold in 1994. Additionally, in accordance with the corresponding sales contract, the company has a mortgage on its plant equipment with a net book value of R\$ 14,919.

On December 31, 2006, the Company has law suits deemed by its legal advisors to be possible losses in the amounts of R\$ 96,758 (R\$ 89,782 on December 31, 2005) for the parent company and R\$ 104,252 (R\$ 90,803 on December 31, 2005) in the consolidated account. From these suits, the amount of R\$ 9,566 (R\$ 14,737 on December 31, 2005) refer to the company Rio de Janeiro Refrescos S.A. Based on legal opinion and management appraisal, no provision was made for these contingencies.

On the other hand, on December 31, 2006, there are ongoing law suits with a probable positive outcome, involving the consolidated amount of R\$ 91,418 (R\$ 72,988 on December 31, 2005), net of legal fees, which will be recognized as the controversy comes to an end (transit in rem judicatam).

The company and its subsidiary Confab Montagens Ltda. judicially contested the constitutionality of the broadening of the calculation base determined by Law nº 9.718/98, referring to the Programa de Integração

Social - PIS and the Contribuição para o Financiamento da Seguridade Social - Cofins. During the year ending on December 31, 2006, the suit referring to PIS was judged in favor of the Company and its subsidiary, permitting recognition of a gain of R\$ 2,473 in the parent company (R\$ 2.604 consolidated).

The Cofins suit is still in process, and the probable economic benefits will only be recognized after judgment.

The income filings for the last five years and the taxes and charges with varying expiry terms, are subject to review by the competent authorities. However, the Company Management considers that all taxes have been properly paid or provisioned and that, on December 31, 2006, no significant contingencies were known to exist against the Company.

16. Shareholders equity

a. Capital stock

The Company by-laws authorize a capital increase up to the total limit of 452,419,970 shares, respecting proportionality between the existing classes. The Administrative Council is responsible for determining the conditions applicable to share issues, based on the authorized capital and on the applicability or not of the preference rights of current shareholders, under the terms of article 172 of Law nº 10.303/2001.

The subscribed and paid up capital on December 31, 2006 shows the following holdings:

Shareholders	Quantity of ordinary shares	%	Quantity of preferential shares	%	Total quantity	%
Controlling (foreign capital)	135,676,678	99.22	–	–	135,676,678	38.99
Management						
Administrative Council	120,018	0.09	27,441,808	12.99	27,561,826	7.92
Board of Directors	642,000	0.47	6,050,850	2.86	6,692,850	1.92
Audit Council	–	–	570,200	0.27	570,200	0.16
Other shareholders	301,064	0.22	177,212,739	83.88	177,513,803	51.01
Total	136,739,760	100.00	211,275,597	100.00	348,015,357	100.00

Share composition on December 31, 2005:

Shareholders	Quantity of ordinary shares	%	Quantity of preferential shares	%	Total quantity	%
Controlling (foreign capital)	126,800,634	99.22	–	–	126,800,634	38.99
Management						
Administrative Council	15	–	–	–	15	–
Board of Directors	600,003	0.47	5,655,000	2.86	6,255,003	1.92
Audit Council	–	–	530,000	0.27	530,000	0.16
Other shareholders	393,516	0.31	191,268,829	96.87	191,662,345	58.93
Total	127,794,168	100.00	197,453,829	100.00	325,247,997	100.00

The Ordinary and Extraordinary Shareholders' Meeting held on April 18, 2006 approved a capital increase from R\$ 229,419 to R\$ 316,419, using R\$ 87,000 from the profit reserve balance.

22,767,360 new shares were issued, consisting of 8,945,592 ordinary shares and 13,821,768 preferred shares, to be distributed to shareholders as a bonus.

b. Revaluation reserve

Consists of the surplus value of fixed assets, net of tax effects, established by independent experts appraisals.

c. Legal reserve

Allocated 5% of the net profit accrued each fiscal year under the terms of article 193 of Law n° 6.404/76.

d. Capital increase reserve

As mentioned above, the amount of R\$ 87,000 was used to increase the capital as approved by the General and Extraordinary Shareholders Meeting on April 18, 2006. Additionally, it will be proposed at the General and Extraordinary Shareholder Meeting to be held on April 19, 2007 that a capital increase reserve of R\$ 31,000 be constituted and used in full for another capital increase.

e. Retained revenue reserve

Considering that the company's main source of finance is its own fund generation, and considering the prospects of important investments in pipelines in Brazil and other Latin American countries, at the General and Extraordinary Shareholders Meeting to be held on April 19 2007, it will be proposed that the remaining balance of surplus earnings be retained in accordance with the capital expenditure budget proposed by the management.

f. Dividends and interest on equity capital

Preferred shares, with no voting rights, have priority on the return of capital, as well as the preferential right to the receipt of non-cumulative fixed dividends of 8% per year on that portion of the capital attributable to them, which take priority in payment above all other classes of shares. After payment of the 8 % on the preferred shares, the ordinary shares are guaranteed the same profit share, equivalent to a minimum of 25% of the adjusted net profit, whichever the higher.

In accordance with tax legislation, the company paid shareholders R\$ 25,315 as interest on capital in line with the mandatory minimum dividend for 2006. These interest payments were approved in Board meetings held on August 1 and October 31 and were paid on August 31 and November 28, respectively.

The interest on equity capital, corresponding to the years ending on December 31, 2006 and 2005, was initially recorded in the income statement as a financial expense, and upon the calculation of the net profit for the year, it was later reverted and restated as the destination of accumulated profits in the statement of changes in shareholders' equity.

The calculation of dividends and interest on capital for the net profit in the years ending December 31, 2006 and 2005 is shown below:

	Net profit		Capital	
	2006	2005	2006	2005
Percentage	25%	25%	8%	8%
Net profit for year	87,824	277,013	–	–
Capital	–	–	316,419	229,419
Legal reserve (5%)	(4,391)	(13,851)	–	–
Basis of calculation	83,433	263,162	316,419	229,419
Minimum dividend	20,858	65,787	25,315	18,354

17. Income tax and social contribution

a. Deferred taxes

The parent company and subsidiaries recorded tax credits as a result of temporary timing differences related to income tax losses and a negative social contribution base. These credits have been recorded in current and

long term assets based on the expected date of realization, taking into account projections of taxable future profits approved by the Administrative Council, as well as finalization dates and the restriction of offsets to 30% of annual taxable income in accordance with the legislation in force.

Breakdown of deferred taxes:

	2006			2005		
	Current	Long term/ asset liability	Change in result	Current	Long term/ asset liability	Change in result
DEFERRED TAX ASSET						
Taxes challenged in court	–	6,861	509	–	7,370	–
Provision for doubtful receivables and other receivables	1,440	–	503	1,943	–	325
Contingencies provision	–	8,276	2,736	–	11,012	6,703
Provision of adjustment of market value / obsolescent inventory	6,708	–	(3,550)	3,158	–	2,386
Other temporary credits	25	7,229	(2,394)	4,860	–	61
Tax loss and negative base	–	–	1,358	1,358	–	(14,246)
Total parent company	8,173	22,366	(838)	11,319	18,382	(4,771)
Subsidiaries	1,536	1,097	(2,446)	101	86	116
Consolidated Total	9,709	23,463	(3,284)	11,420	18,468	(4,655)
DEFERRED FISCAL LIABILITIES						
Revaluation reserves	–	2,097	(326)	–	2,423	809
Public company profit	–	–	–	–	–	423
Total parent and consolidated	–	2,097	(326)	–	2,423	1,232
Net change in result			(3,610)			(3,423)

Estimation of realization of credits:

	1 year	2 years	3 years	From 4 years	Total
DEFERRED TAX ASSET					
Taxes challenged in court	–	6,861	–	–	6,861
Provision for doubtful receivables and other receivables	1,440	–	–	–	1,440
Contingencies provision	–	1,081	525	6,670	8,276
Provision of adjustment of market value / obsolescent inventory	6,708	–	–	–	6,708
Other temporary credits	25	5,847	–	1,382	7,254
Total parent company	8,173	13,789	525	8,052	30,539
Subsidiaries	1,536	190	120	787	2,633
Consolidated total	9,709	13,979	645	8,839	33,172
DEFERRED FISCAL LIABILITIES					
Revaluation reserves (*)	–	332	332	1,433	2,097
Total parent and consolidated	–	332	332	1,433	2,097

(*) Deferred income tax and social contribution calculated based on the revaluation of property, plant and equipment are expected to be realized based on the depreciation of assets, the rates of which are informed in Note 8.

b. Reconciliation of income tax and social contribution with the amount of tax payable were they to be assessed by applying tax rates to the results shown in the corporate accounts

	Parent company		Consolidated	
	2006	2005	2006	2005
PROFIT BEFORE INCOME TAX AND SOCIAL CONTRIBUTION AND AFTER EMPLOYEE PROFIT SHARE NOMINAL AGREED RATE – %	119,354	395,388	118,805	412,288
EXPENSES WITH NOMINAL INCOME TAX AND SOCIAL CONTRIBUTION	(40,580)	(134,432)	(40,394)	(140,178)
TRIBUTARY EFFECT ON PERMANENT DIFFERENCES				
Results in subsidiaries and associates	1,806	6,230	(728)	264
Interest on own capital	8,607	13,943	8,607	14,849
Other permanent additions, net	(1,363)	(4,116)	(151)	(3,637)
TEMPORARY DIFFERENCES				
Tax loss and negative base	1,358	14,246	1,358	15,373
Tax credit on temporary additions, net	(2,522)	(10,707)	(3,158)	(10,823)
Current tax	(32,694)	(114,836)	(34,466)	(124,152)
Use of tax loss and negative base	(1,358)	(14,246)	(1,358)	(14,246)
Deferment of temporary additions, net	2,522	10,707	4,968	10,823
Deferred tax	1,164	(3,539)	3,610	(3,423)
Change for income tax and social contribution for period	(31,530)	(118,375)	(30,856)	(127,575)

In 2006, the subsidiary Confab Montagens Ltda. carried out the initial filing for tax credits resulting from temporary differences and tax losses totaling R\$ 1,809, with R\$ 1,220 of this amount corresponding to a tax loss and negative social contribution base that the

subsidiary's management expects to realize during 2007.

No tax credit was constituted on the portion of fiscal losses expected to be realized after 2007, totaling approximately R\$ 3,150 on December 31, 2006.

18. Other operating expenses, net

	Parent company		Consolidated	
	2006	2005	2006	2005
Contingency provision	(3,506)	(23,389)	(7,949)	(23,837)
Other income (expenses), net	3,090	(568)	2,138	(1,902)
	(416)	(23,957)	(5,811)	(25,739)

19. Net exchange variation

	Parent company		Consolidated	
	2006	2005	2006	2005
Positive exchange variation on financial assets	367	9,194	386	8,657
Positive exchange variation on financial liabilities	2,627	34,812	4,615	34,666
Negative exchange variation on financial assets	(17,474)	(23,162)	(19,266)	(25,704)
Negative exchange variation on financial liabilities	(25)	(197)	(11)	(196)
	(14,505)	20,647	(14,276)	17,423

20. Employee profit share

The Company and its subsidiaries grant a share in profits to employees, linked with operational profit targets and other specific objectives that are established and approved each year.

For the year ending December 31, 2006, the parent company and the consolidated statements show R\$ 1,389 and R\$ 2,045 respectively in the income statement for employee profit share (R\$ 13,996 and R\$ 15,237, respectively in the parent company and consolidated for the year ended on December 31, 2005). These amounts are gross of income tax and social contribution.

21. Financial instruments

The parent company and its subsidiaries engage in transactions involving financial instruments to reduce exposure to the effects of changes in interest and exchange rates and other market risks. Transactions observe guidelines established and monitored by the corporate executive board.

a. Estimating the value of financial instrument

The Company's main asset and liability financial instruments on December 31, 2006 are described hereinafter, together with the criteria for valuing / evaluating them:

(I) Cash funds, financial investments

Financial investments are stated based on the effectively negotiated interest rates, given that the company and its subsidiaries aim to maintain such investments until their effective maturity. The book values are close to the market values on the financial statements dates.

(II) Accounts receivable, other current assets and accounts payable

The amounts accounted for are close to market values.

(III) Investments

These consist mainly of investments in private subsidiaries, recorded by the equity equivalence method, which are of strategic interest to the Company.

(IV) Loans and financing

Subject to interest rates close to normal market rates on the date of the financial statements, as described in explanatory Note 12.

b. Risk management

The main risks the Company and its subsidiaries are exposed to reflect strategic/operational and economic/financial aspects.

The economic and financial risk reflect mainly the behavior of macroeconomic variables, such as interest and exchange rates.

Policies and guidelines determined by the company management prohibit speculative negotiation and establish the diversification of instruments and counterparties. They also aim to constantly monitor and evaluate the global portfolio position in order to measure financial results and their impact on cash flow.

To protect its assets, the company and its subsidiaries adopt conservative fund raising and financial investment policies and seek to minimize the capital cost.

(I) Interest rate risk

The debt portion shown in Reais subject to floating rates basically involves the long-term Brazilian interest rates (TJLP), informed by the Brazilian Central Bank.

(II) Exchange rate risk

The Company monitors the effect of exchange rate oscillations on its assets and liabilities in foreign currency and on the commercial flow of contracts on the books and

under negotiation. Additionally, it strives to diversify its financial investments between domestic and foreign currency (reais and U.S dollar), in accordance with its working capital and estimated usage of same.

The equity position for the main foreign currency accounts on December 31, 2006:

	Parent	Consolidated
CURRENT ASSETS		
Financial investments (Note 3)	172,963	172,963
Accounts receivable (Note 4)	89,072	95,429
Total current assets	262,035	268,392
CURRENT LIABILITIES		
Loans and financing (Note 12)	–	(7,818)
Suppliers (Note 10)	(48,571)	(28,041)
Total current liabilities	(48,571)	(35,859)
Net hedge	213,464	232,533

In 2006, the Company and its subsidiaries entered into forward contracts, in US dollars, aimed at reducing exposure to currency risks. These operations, with a base value of US\$ 69,500 thousand in the parent company (equivalent to R\$ 148,591 considering the US dollar rate on December 31, 2006) and US\$ 79,500 for the consolidated account (equivalent to R\$ 169,971, considering the US dollar rate on December 31, 2006), were recommended and monitored by the Company's financial executive officers.

On December 31 2006, the Company had no ongoing derivative financial operations.

(III) Credit risk

These risks are managed and minimized through a specific policy of granting credit to selected customers, with coverage for eventual default as established in explanatory Note 4.

(IV) Strategic / operational risks

Strategic operational risks such as demand behavior, competition and technological innovation, come under the competence of the Company's management model.

The Company's economic performance is related to the supply of steel pipes for infrastructure projects in the oil,

petrochemical, gas and sanitation industries, and may vary significantly from time to time, depending on the order backlogs and delivery terms.

c. Market values

The Company and its subsidiaries evaluate their book assets and liabilities in relation to market values using available information and appropriate methodologies, a procedure requiring considerable judgment and reasonable estimates to produce the most suitable realizable value.

The market values of financial investments and loans and financing were calculated based on the current value of the respective contracts, using indexes and interest rates applicable to instruments of similar nature, terms and risks.

22. Insurance coverage

It is the policy of the Company and its subsidiaries to contract fire insurance for plant and equipment subject to risk for amounts considered sufficient to cover possible losses, considering the nature of the operation and based on insurance consultants advice.

Cash flow

	Parent company		Consolidated	
	2006	2005	2006	2005
OPERATIONAL ACTIVITIES				
NET INCOME FOR YEAR	87,824	277,013	87,824	277,013
EXPENSES (REVENUES) NOT AFFECTING CASH AND EQUIVALENTS				
Depreciation and amortization	28,483	25,140	34,116	29,076
Monetary / exchange variation	23,202	(575)	23,898	2,386
Amortization of deferred assets	–	–	–	462
Residual value of written off permanent assets	800	673	839	687
Equity in results of subsidiaries	(5,312)	(18,322)	541	(3,182)
Deferred income tax and social contribution	(1,164)	3,539	(3,610)	3,423
Provision for losses in investment	–	325	–	393
Amortization of goodwill in investments	–	182	–	182
Variation in minority shareholdings	–	–	125	7,700
Exchange variation in associated company abroad	–	–	6	10
Contingency provision	3,506	23,389	7,949	23,837
	137,339	311,364	151,688	341,987
REDUCTION (INCREASE) IN ASSETS				
Accounts receivable	(13,721)	57,181	(14,143)	48,373
Receivable from associated parties	32,932	(24,645)	13,782	(9,045)
Inventories	(334,527)	126,402	(290,875)	99,244
Prepaid expenses	(6,493)	(236)	(4,351)	(2,343)
Taxes recoverable	(15,233)	63,063	(26,145)	59,351
Others	(192)	1,001	(1,305)	(446)
	(337,234)	222,766	(323,037)	195,134
INCREASE (DECREASE) IN LIABILITIES				
Suppliers	77,032	(45,075)	84,117	(28,093)
Customer advances	383,687	(54,575)	388,960	(92,116)
Taxes and contributions payable	(32,984)	55,968	(32,865)	64,155
Social Security	1,928	791	2,600	1,067
PAES – special installment plan	(1,654)	(938)	(2,975)	(1,121)
Disbursement for contingencies provision	(10,966)	(1,707)	(14,062)	(1,985)
Disbursement for income tax and social contribution	(44,140)	(8,778)	(47,628)	(14,626)
Others	(10,166)	(4,056)	(11,380)	(3,615)
	362,737	(58,370)	366,767	(76,334)
Cash generated by operational activities	162,842	475,760	195,418	460,787

	Parent company		Consolidated	
	2006	2005	2006	2005
INVESTMENT ACTIVITIES				
Dividends received from subsidiary and associate	–	665	–	–
Acquisition of property, plant and equipment	(35,602)	(29,763)	(45,272)	(47,198)
Cash used for investment	(35,602)	(29,098)	(45,272)	(47,198)
FINANCING				
Payment of dividends and interest on own capital	(51,340)	(58,047)	(51,906)	(59,697)
Contracting loans and financing	15,119	662,816	56,252	706,163
Amortization of loans and financing – principal	(15,037)	(860,964)	(48,064)	(932,172)
Amortization of loans and financing – interest	(5,083)	(17,133)	(5,920)	(17,133)
Use of cash in financing activities	(56,341)	(273,328)	(49,638)	(302,839)
Effect of exchange variations on cash and equivalents	(18,024)	(11,563)	(18,709)	(17,592)
Increase in cash and equivalents	52,875	161,771	81,799	93,158
Initial balance cash and equivalents	254,682	92,911	259,776	166,618
Final balance cash and equivalents	307,557	254,682	341,575	259,776
Increase in cash and equivalents	52,875	161,771	81,799	93,158

Sérgio Ricardo Putini
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Report of the independent auditors

To the Board of Directors and Shareholders
Confab Industrial S.A.

1. We have audited the balance sheets of Confab Industrial S.A. (parent company and consolidated) as of December 31, 2006, and the respective statements of income, of changes in shareholders equity (parent company) and of changes in the financial position for the period ending on this date, prepared under the responsibility of the management. It is our responsibility to express an opinion about these financial statements. The financial statements of the associated company SIAT S.A. for the period ending on December 31, 2006 were examined by other independent auditors, and our opinion with respect to the value of this investment, totaling R\$ 50,030 thousand on December 31, 2006 and the respective net profit of this associated company in the amount of R\$ 2,820 thousand for the period in question, is based on the report of these independent auditors.

2. Our audit was conducted in accordance with Brazilian auditing standards and encompassed: (a) the planning of work, considering the relevance of balances, the volume of transactions, and the Company's accounting and internal control systems; (b) the examination, based on tests, of evidence and records supporting the amounts and disclosures in the financial statements, and (c) the assessment of the most representative accounting practices and estimates used by the company's management, as well as the overall presentation of the financial statements.

3. In our opinion, based on our examination and on the opinion of other independent auditors, the financial statements referred to in paragraph 1 properly show, in all material aspects, the equity and the financial position of Confab Industrial on December 31, 2006, as well as the results of its operations, the changes in shareholders' equity (parent company) and the changes in the consolidated financial position for the period ending on that date, in compliance with the accounting practices adopted in Brazil.

4. The audit was conducted with the objective of presenting an opinion about the financial statements referred to in the first paragraph taken as a whole. The statements of cash flow (parent company and consolidated) for the period ending on December 31, 2006, that are being presented to provide supplementary information about the Company and its subsidiaries, are not required by the accounting practices adopted in Brazil. The statements of cash flow for the period ending on December 31, 2006, were submitted to the audit procedures described in paragraph 2 and, in our opinion, it properly shows in all material aspects the cash flow situation in relation to the overall presentation of the financial statements for the period ending on December 31, 2006.

5. The financial statements and the consolidated financial statements for the period ending on December 31, 2006 and the cash flow and consolidated cash flow statements presented for purposes of comparison, were audited by other independent auditors, the opinion of which, dated January 27, 2006 contains no restrictions.

São Paulo, January 19, 2007

Deloitte Touche Tohmatsu Independent Auditors
CRC nº 2 SP 011609/O-8
Paulo Manuchakian
Accountant
CRC nº 1 SP 108972/O-1

Deloitte.



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