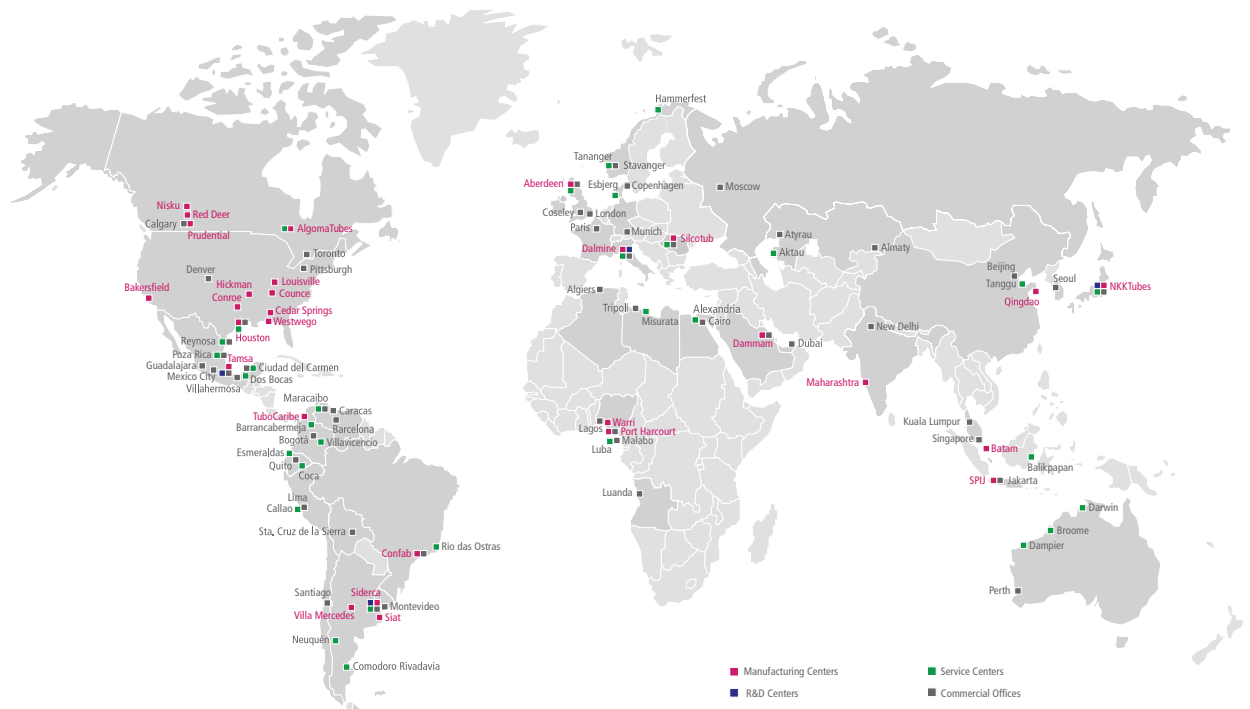


Annual Report 2010

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Company profile



Our History

In 1943, a banker named Gastão Vidigal teamed up with a Polish captain of industry named Izydor Kleinberger and together they acquired the Fábrica Nacional de Tambores [National Drum Factory] in an auction. The factory had been seized from German ownership as a result of the Second World War. Thus, it was in the warehouse, which served as a factory to produce steel drums, gas cylinders and refrigerators, in the district Pompéia, São Paulo, that Confab was born.

Gastão Vidigal put his son, Antônio Carlos Bueno Vidigal, in command of the company. It was he that instituted the corporate culture of hard work, responsibility, transparency and value for people that was decisive for the consolidation of Confab. The success of the company was also the result of its ongoing concern to improve the quality

of its products and services, its investments in technology and human resources.

With the creation of Petrobras, in 1953, and with the development of the oil refining industry in the country, the opportunity arose for Confab to expand its business activities and begin manufacturing equipment for this primary industry.

Growing with Brazil

In 1961, Confab began production of welded steel pipes. It was at this time that it entered into its first large-scale supply agreement: providing pipe posts for the construction of Usiminas.

In the 1970s, Confab was restructured into two production units - pipes and equipment - and two new plants were constructed in Pindamonhangaba, 160 km from São Paulo. The company began to serve the petroleum, petrochemical and gas, mining, ironworks, pulp and paper and sanitation sectors as well as the fledgling nuclear power industry.

Also during this time, now with Roberto Caiuby Vidigal leading the company, Confab realized it was time to conquer new markets. It participated intensely in the program to establish petrochemical production centers and the expansion of the Brazilian ironworks industry, two of the initiatives that were part of the wider aim of making industrially Brazil self-sufficient.

Exports and the IPO: new challenges

A great leap for the company's global recognition came at the beginning of the 1980s when, in partnership with Cosipa, it won a tender in the United States to build part of a two thousand-kilometer oil pipeline from Texas to California, called the All American Pipeline. It was then that the company expanded its commercial network, from Singapore and Tehran to Houston.

It was also in the 1980s that the top management of the company decided that an IPO was essential for its sustainability as a company. It sold 60% of its shares in its quest for growth, diversification and external fund raising.

As a result of this fund raising – and with the new-found confidence of its shareholders – Confab gained a new lease of life to pursue its activities. It also attracted a lot of new shareholders.

Tenaris: global leader

In 1993, as a continuation of its project for growth and globalization, Confab and SIAT, a producer of welded steel pipes owned by the Techint Group, carried out a 30% share exchange. The values and principles of both companies were similar. The company shares were still listed on the Bovespa Stock Exchange with 60% of its capital in the hands of Brazilian shareholders.

With the objective of adding value and increasing the range of products offered to clients, Confab entered into a joint venture with Argentine company Soco-Ril in 1998. The partnership was consummated with the construction of a center of excellence in pipe coating – now called Socotherm Brasil, also located in Pindamonhangaba. In 1999, the Techint Group acquired the controlling interest in Confab, and Roberto Vidigal was invited to continue on in the position of company president.

In 2001, the brand Tenaris was born, which, initially, represented a strategic alliance between eight major producers of seamed and seamless steel pipes, strategically located around the world. It was in the following year that the company entered into some of the largest export agreements in its history: the supply of pipes to the Camisea Project, in Peru; OCP, in Ecuador; Gasyrg, in Bolivia and Carina & Aries, in Argentina.

Currently, Tenaris is world leader in the production of steel pipes and services for drilling, capping

and production of oil and gas wells, and leader in the supply of tubular products and services for processing plants and energy generation for specialized industrial and automotive applications.

By means of an integrated network of production, client services and research and development centers, the company works together with clients to meet their requirements for the timely delivery of high-performance products in operational environments that are becoming more and more complex.

With an annual production capacity of more than 6 million tons of pipes, Tenaris employs more than 25,500 employees at production centers in more than 15 countries and a distribution and services network in a total of 25 countries.

TenarisConfab and Confab Equipamentos

In Brazil, as a result of incorporation by Tenaris, the Confab units were renamed: TenarisConfab and Confab Equipamentos.

TenarisConfab is leader in the production and supply of welded steel pipes for the Brazilian energy industry and leader in the export of these products to Latin America. Confab Equipamentos produces medium and large scale metallic equipment for the chemical, petrochemical, ironworks, energy and steam generation, oil and gas, infrastructure, engineering and construction industries, as well as fuel storage tanks for service stations.

With its main mission being more and more to add services to products, TenarisConfab has a base in Rio das Ostras (RJ) to serve its clients in the Campos, Santos and Espírito Santo basins.

It also delivers, within the ‘just-in-time system’, steel pipes for use in oil and gas wells. The company also offers other services, such as stock administration.

For seven years, Confab has also produced pumping rods and accessories for onshore drilling applications. To meet the demand of clients for pipes with special coatings, Confab has taken advantage of the global partnership that Tenaris maintains with Socotherm.

Listed on Bovespa for 31 years

By joining the Bovespa Nível 1 [Level 1] corporate governance listing tier, Confab confirmed the commitment it has kept to its investors since the day it first went public. With criteria above and beyond those required by law, the select group of companies to which Confab belongs has the sole and exclusive objective of providing more security to those who decide to invest in the company.

With the share split in 2004, greater liquidity was sought for Confab shares and, once more, the market responded positively and the company shares increased in value.

In 2005, the company celebrated 25 years as a public company on the São Paulo Stock Market and it received the APIMEC-SP (Association of Professional Investment Analysts of the Capital Markets) Seal of Assiduity - for its consecutive years of being listed by the institution.

Throughout these years, and sustained by consistently transparent and responsible operations, Confab has won over the confidence of the market and its shareholders.

Letter to shareholders

Dear shareholders,

The year 2010 was marked by the downturn in Pipes Trade, mainly due to a lack of large-scale construction projects. In the opposite direction, the manufacturing segment for products used in oil wells (OCTG) confirmed the growth tendency it had registered in recent years. For its part, the equipment business has managed to maintain the important performance it registered in the previous year, with its billings concentrated in the oil and petrochemical sectors. 2010 was also a year of recovery for the company's portfolio of orders, which means we are starting 2011 with greater optimism. Without a doubt, our staying power when faced with a more challenging global scenario has enabled us to finish the year with positive results and to position ourselves better to continue on into 2011.

The level of consolidated billings of our company in 2010 was BRL 1.0 billion (BRL 2.1 billion in 2009). The portfolio of orders of the Pipes Business, which began the year at BRL 249 million, registered an increase of 199%, finishing the financial year at BRL 546 million, mainly due to new orders for gas pipelines, as well as the volume required to serve the OCTG segments, Distributors and Exports.

The portfolio of orders of the Equipment Business amounted to BRL 683 million at the end of 2010 (BRL 478 in 2009). This performance is due to the demand from the oil and petrochemical sector, mainly from refineries belong to our client Petrobras, and the nuclear energy sector, which, with the beginning of construction of the Angra III plant, has placed a series of new orders.

At the same time it worked hard to overcome the downturn, the company has also concentrated its efforts in the implementation of initiatives that would allow it to continue meeting the growing necessities of its clients.

Accordingly, we continue undertaking investments to modernize our factories and to update our technology, with the purpose of continually improving the quality of our products and the productivity of our processes, and consequently, our competitiveness.

In 2010, BRL 74.8 million was invested (BRL 50.3 million in 2009), mainly in new ultrasonic flaw detection systems at the ERW factory, in the Pipes Business. In the Equipment Business, we constructed a 7,000m² pavilion in order to manufacture industrial equipment such as pressure vessels and process furnaces for refineries and petrochemical plants. With this investment, we increased the production capacity of our equipment plant by 25%.

We still have another two projects in the investment phase. One of them is dedicated to the OCTG product line (mainly Roscas Hydril), and the other in the construction of a dedicated building for the TenarisUniversity. With a built area of 2,083 m², our corporate university will have a complete infrastructure to enable it to expand the training activities we offer to our employees, thus ensuring the preservation of our company knowledge.

Another noteworthy piece of news for 2010 was our winning of the concession tender for an area of 4,013 m² in the Ilha do Fundão Technological Park in Rio de Janeiro (RJ), where we will build our Research and Development Center.

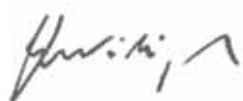
The investment is estimated at BRL 41 million, and the building work will begin in 2011. Even though our main focus is the development and improvement of technology products for the oil exploration market, solutions for other markets will also be developed for sectors such as automotive, nuclear, mining and construction.

When we analyze our income for 2010, we can consider ourselves victorious. We were able to avoid the negative consequences of the downturn and, at the same time, we managed to identify opportunities for growth.

We are certainly well prepared to fulfill the objectives we have set for ourselves. Both the Pipes Business and the Equipment Business, and we start 2011 faced with a positive scenario, with regards to orders that have already been placed and because of the market perspectives. We have reasons to be sure of a solid performance for the company in 2011.

Once more, these achievements would not be possible without the support and confidence of our clients, suppliers, employees and shareholders.

We are grateful to you all.



Roberto Caiuby Vidigal
President of the Board of Directors

Management Report

Dear shareholders,

The Board of Confab Industrial S.A. hereby presents the Management Report and Financial Statements for the company and its subsidiaries, together with the report from our independent auditors, for the financial year ending 31 December 2010, for your appreciation.

A. Comments regarding performance

I. Introduction

Throughout 2010, the company managed to maintain a good rate of profitability despite the reduction in the volume of billings in the Pipe Business. Additionally, its orders portfolio increased, mainly due to demand for industrial equipment in the oil and petrochemical and nuclear energy segments.

The level of consolidated billings was BRL 1.0 billion (BRL 2.1 billion in 2009), with the highlights being the billings in the Equipment Business, which maintained the good performance of the previous year, and the Pipe Business, for the increase in sales of products to the OCTG segment.

The order portfolio for the Pipe Business, which began the year at BRL 249 million, registered an increase of 119%, finishing the fiscal year at BRL 546 million.

In the Equipment Business, the oil and petrochemical sector maintained a consistent demand, due mainly to the Petrobras refineries and the nuclear energy sector, which, with the beginning of construction of the Angra III nuclear power plant, resulted in new deals. This enabled us to finish 2010 with a relevant order portfolio that amounted to BRL 683 million.

During the year, important investments were made, especially the new ultrasonic flaw detection systems at the ERW factory (Pipe Business), the development of Rosca Hydril (Pipe Business) and the increase in production capacity of the Equipment Business with the construction of a new pavilion at the Moreira César plant. The OCTG product line and the training center are still in the investment phase, with the two projects having been budgeted in 2010.

II. Revenues

Confab Industrial S.A. and its subsidiaries recorded net operational revenue of BRL 1.0 billion in 2010, or 52.4% less than in 2009. In the Pipe Business, the receding sales volume, both in the domestic market and abroad, contributed to the reduction of revenue. The Equipment Business maintained the good performance of the previous year, with the increase in activity in the oil and petrochemical segment.

III. Consolidated Results

In 2010, the registered net profit was BRL 95.6 million, compared to BRL 205.5 million in 2009. The profit per share calculated according to corporate law was BRL 0.23362 in 2010, compared to BRL 0.51429 in 2009.

This result is composed of:

- The net revenue reached the value of BRL 1.0 billion in 2010. The gross margin as a percentage of revenue was 31.0% more than that of 2009 (30%).
- Expenses with sales as well as general and administrative expenses amounted to BRL 167.3 million, which was a reduction of 8.8% compared to 2009, when the total was BRL 183.5 million,

due mainly to a reduction in expenses with shipping pertaining to billed projects, partially compensated by the increase in the provision for contingencies.

- Administrative fees, including social security contributions, amounted to BRL 8.1 million (BRL 7.0 million in 2009).
- The equity accounting result showed a BRL 3.0 million profit in 2010 compared to a profit of BRL 3.5 million in 2009. Confab Industrial S.A. holds shares from SIAT S.A. (30%), an Argentine company that manufactures welded steel pipes, and Tenaris Confab Hastes de Bombeio S.A. (49%), a specialized company in the manufacture and commercialization of pumping rods and other material for use in the land-based oil exploration segment.

SIAT participation in the Company's results represented a loss of BRL 0.8 million in 2010, compared to earnings of BRL 1.6 million in 2009. The reduced level of activity of the company in 2010 justifies the result.

The participation of Tenaris Confab Hastes de Bombeio S.A. represented record earnings of BRL 3.8 million in 2010, compared to BRL 1.9 million in 2009, with the supply of pumping rods, mainly for the internal market.

- The net financial result for 2010 registered an expense of BRL 20.6 million (BRL 177.5 million in 2009), comprising of: i) net interest on credit and debit transactions registered a revenue of BRL 12.3 million in 2010 and a revenue of BRL 17.5 million in 2009; ii) foreign exchange rate variation

and results from 'forwards' (foreign exchange futures contract) registered a net expense of BRL 31.3 million in 2010, compared to a net expense of BRL 191.1 million in 2009; iii) banking expenses and other taxes on financial revenue of BRL 1.6 million in 2010 and BRL 3.9 million in 2009.

IV. EBITDA

EBITDA is not a measure used in Brazilian accounting practices; however it is used by the company as an indicator of gross cash flow generation. As there is no standardized meaning, and our definition cannot be comparable to that used by other companies.

Income measured by the EBITDA (Earnings Before Interest, Taxes, Depreciation, and Amortization) in 2010 was BRL 174.9 million (BRL 480.7 million in 2009), as detailed below:

	BRL million	
	2010	2009
Operational Profit	125.6	272.1
Capital Equity	(3.0)	(3.5)
Financial Revenues	(18.2)	(19.3)
Financial Expenses	38.8	196.8
Depreciation and Amortization	31.7	34.6
EBITDA	174.9	480.7

V. Financial position

The total financial debt on 31 December 2010 was BRL 92.2 million, 0.5% short term and 99.5% long term.

At the end of the period, total cash flow, financial investments and bonds and securities was BRL 604.6, of which BRL 490.8 was invested in USD and, therefore, subject to foreign exchange rate

variation. The net financial position (cash flow, financial investments and bonds and securities less bank loans) amounted to BRL 512.4.

VI. Investments

In this fiscal year, BRL 74.8 million was invested (BRL 50.3 million in 2009), mainly in the expansion and modernization of factories, reinforcing the process of updating technology, with the purpose of improving the quality, automation, productivity and competitiveness of the company.

The highlights are the investments in the new ultrasonic flaw detection systems at the ERW factory (Pipe Business), the development of Roscas Hydril (Pipe Business) and the increase of the production capacity of the Equipment Business with the construction of the new pavilion at the Moreira César plant.

B. Corporate Governance

Since 2003, the company has adhered to Bovespa's Level 1 of Corporate Governance.

I. Market value

The company share capital comprises of 167,447,439 common shares (CNFB3) and 243,409,871 preferred shares (CNFB4). The price of the company's preferred shares (CNFB4) ended 2010 at BRL 6.10 per share, up 22% (the Ibovespa index rose 1% during the same period). In 2009, CNFB4 had risen 56%, compared to 83% for Ibovespa. The market value of the company, estimated based on multiplying the closing preferred share price of 2010 (CNFB4) by the total number of company shares, common and preferred, gives an estimated market value of BRL 2.5 billion.

II. Dividends and Interest on proprietary capital

During the year, it was decided to advance the payment of Interest on Own Equity as dividends for the 2010 fiscal year, to the amount of BRL 62.8 million, a value which exceeded the required minimum, of which the amount of BRL 44.5 million was paid by 31 December 2010.

III. Share Repurchase program approved on 23 February 2010

During the timeframe of the buy-back program approved by the Board of Directors in a meeting held on 23 February 2010, which ended 18 February 2011, a total of 1,717,300 preferred shares were acquired. The Board, in a meeting held on 18 February 2011, decided to put the cancellation of the shares acquired without reduction of share capital up for approval at an Extraordinary General Meeting, to be held on 26 April 2011.

IV. New Share Repurchase Program

At a meeting held on 18 February 2011, the Board of Directors approved a new buy-back program for preferred shares issued by the company for the purpose of keeping them in treasury for later divestment or cancellation, without reduction of share capital. The program is limited to an acquisition of up to 12,000,000 preferred shares (approximately 5% of the shares of the class) and will be valid for a timeframe of one year counting from 01 March 2011 to 28 February 2012.

C. Risk management and internal controls

The company has a risk management system with the purpose of providing an adequate degree of safety for its operations. The internal controls are tested and analyzed by internal and external auditors that attest to their credibility.

D. External audits

In compliance with CVM Instruction nº 381/2003, we inform that PricewaterhouseCoopers Independent Auditors, the company that provides auditing services on the financial statements of the company, did not provide any other services other than those mentioned above in the 2010 fiscal year.

E. Social responsibility and personnel management

I. Support for social projects

The company aims to practice corporate social responsibility by means of initiatives that take into consideration the necessities of the public that is directly affected by its presence. Within this proposal, it attempts to identify the necessities of the communities in the areas where it operates, as well as emphasizing respect for the environment.

In 2010, the company invested BRL 1.8 million in accordance with its corporate social development policy. Of this amount, BRL 1.1 million was used for projects based on the cultural incentive law (the 'Rouanet Law'), and projects relating to sports, children and adolescents.

Among the projects supported by the company, we can highlight: The Pinda Florida Project, which promotes knowledge, education and conservation of environmental heritage at the Trabiju Municipal Park; the Pinda Race, which has become one of the largest events organized in the region; and the Award for Excellence in Education, which aims to stimulate, highlight and award students that present excellent school performance.

Confab supports the Saindo das Ruas (Off the Streets) project, by the Guri e Agentes Históricos NGO, which sponsors more than 2,000 children and adolescents to stay at school and improve

their academic performance and discipline and school attendance. The Anália Franco Children's Center is also supported by the company with a scholarship program for adolescents in high school and university preparation courses.

II. Institutional

In 2010, through the benefits from the cultural, sports, children and adolescent incentive laws, BRL 1.1 million was invested in the following projects:

- Louise Bourgeois Exhibition;
- Pinda Race;
- Agentes Históricos and Natal Solidário.

III. Human resources – the company's biggest asset

In 2010, the company invested more than BRL 1.3 million in technical, management, computer, language and graduate courses through its corporate university (Tenaris University), impacting an average of 2,800 employees. More than 136,000 hours of training were provided, representing 49 hours of training per employee.

IV. Occupational safety, health and environment

In 2010, Confab invested BRL 4.3 million in areas pertaining to the environment and occupational health and safety. We continued with the SGMASS (Environment, Health and Safety Management System) and we concluded improvement activities around issues such as dealing with deviations in the TSE (Tenaris Safety and Environment) system identified by employees.

In the Pipes Business, we can point to the following highlights pertaining to the environment: finishing the adaptation project for the ETE (Effluent Treatment Station) for water reuse, the

system for correcting PH and chlorine in potable water, the construction of the second phase of the warehouse for the waste handling center and the adaptation of the flammable material store in order to avoid leaks and labor-related accidents. With regards to safety, the highlight was the development and acquisition of a device for rescuing workers from control cabins in overhead cranes, in cases of emergency.

In the Equipment Business, the highlights were: the manufacture and assembly of the industrial warehouse, the fire protection system and the assembly of the spray booth, as well as a series of improvements to the dining hall.

V. Quality of life

Confab undertakes several initiatives that contribute to improving the quality of life of its employees. In 2010, BRL 12.2 million was invested in health and dentistry plans. Employee food allowances accounted for an investment of BRL 7.1 million and transportation allowances accounted for another BRL 2.9 million. More than BRL 1.1 million was invested in other benefits, such as drug subsidies, school supplies, toys, Christmas hampers and layette sets for newborns.

Furthermore, we undertook the following initiatives focused on health and quality of life in 2010:

- Anti-tobacco Program, with 28 participants; 13 stopped smoking and the rest are still in treatment;
- Nutritional Evaluations, in which more than 130 evaluations and orientations have been carried out;
- Obesity Treatment Program, in which 15 participants have access to nutritional and psychological evaluations, group therapy and physical exercise. All the activities are carried

out during working hours, and the criteria for participation are determined by medical recommendation;

- Flu vaccination campaign (H1N1 + Seasonal), immunizing more than 75% of employees.

Perspectives for 2011

Pipe Business

In a better state than the previous year, the Pipes Business is beginning 2011 with a portfolio of orders amounting to BRL 546 million (in the previous year it was BRL 249 million) and a positive scenario due to the market perspectives for the next few years, with gas pipeline construction projects (mainly offshore), ethanol pipelines and mineral pipelines currently in the analysis phase.

In the export market, the high costs caused by the current exchange rates, in conjunction with the increasing participation of international competitors, who take advantage of underhanded commercial strategies and undervalued currencies, continue being an obstacle to our business opportunities, especially in South America and the Caribbean, which are our traditional export markets.

In this scenario, the OCTG (Oil Country Tubular Goods) segment in Brazil once again stands out. These are products used for lining oil wells, and perspectives for the segment look promising due to investment plans announced by Petrobras and other private companies.

In order to accompany the growth in demand for offshore products for pipelines and OCTG, the company has kicked off an aggressive investment plan aimed at accompanying the Petrobras technological requirements for undersea pipelines and the exploration and production of offshore wells. We highlight the investments made to produce Tenaris Hydril screws, especially designed to fulfill the demanding working conditions in offshore fields and very deep waters.

Equipment Business

During 2010, the company maintained the good performance of 2009, finishing the year with a significant number of orders in its portfolio, to the value of BRL 638 million (BRL 478 in 2009), comprising mainly of projects in the oil and petrochemical and nuclear energy segments.

During 2010, with the objective of increasing its production capacity by 25%, a new 7,000m² pavilion was constructed for the purpose of manufacturing equipment such as pressure vessels, petrochemical furnaces and coking drums for refineries.

Based on the portfolio of orders and the market perspectives - announcements of the construction of new refineries and fertilizer factories and, potentially, new nuclear power plants in the northeastern and southeastern regions of the country, as well as the growth of the pulp and paper segment and the opportunities for equipment sales in the offshore area of Petrobras, which look set to create new business for the company - a consistent performance for the company is predicted, in line with our positive expectations for the future.

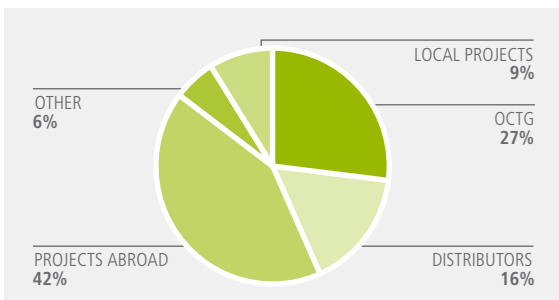
Pipes

Sales of welded tubular products in 2010 amounted to 148.3 thousand tons, registering a negative fluctuation of 49.4% compared to the 293.3 thousand tons billed in 2009. The internal market was responsible for most of the volume billed in 2010, accounting for 57.9% of the total. The reduction in billings in the internal market was due to the weak demand for pipeline projects. Among the 148.3 thousand tons billed, the highlight was the OCTG (Oil Country Tubular Goods) segment – which includes high value-added products for the exploration of oil wells – which registered an increase of 25.4% compared to 2009, amounting to 40.0 thousand tons billed in the period.

In the export market, we faced a scenario of scarcity of projects in the region, in conjunction with greater competition from Chinese and Indian products. The appreciation of the Real compared to the North American Dollar also negatively affected our external competitive capacity. At the beginning of 2010, an expansion project was sold for the Peruvian Camisea gas pipeline, a project of 91,000 tons, of which 48,000 were billed during this period. The remaining 43,000 tons are included in the portfolio of orders on 31 December 2011 for billing in 2011.

The net revenue of the Pipes Business in 2010 was BRL 647 million, which represented a decrease of 63.2% compared to 2009 (BRL 1,759 million).

The main billed segments were:

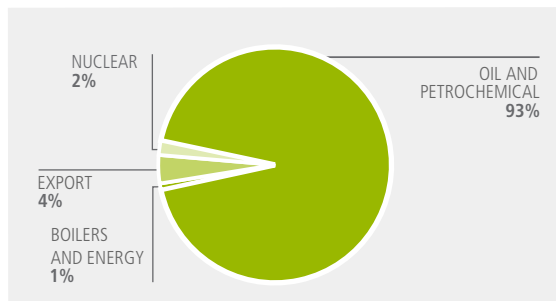


Equipment

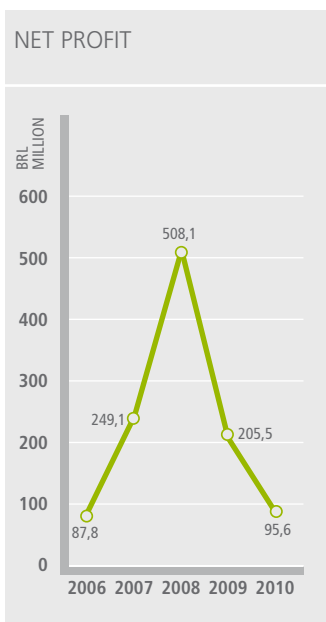
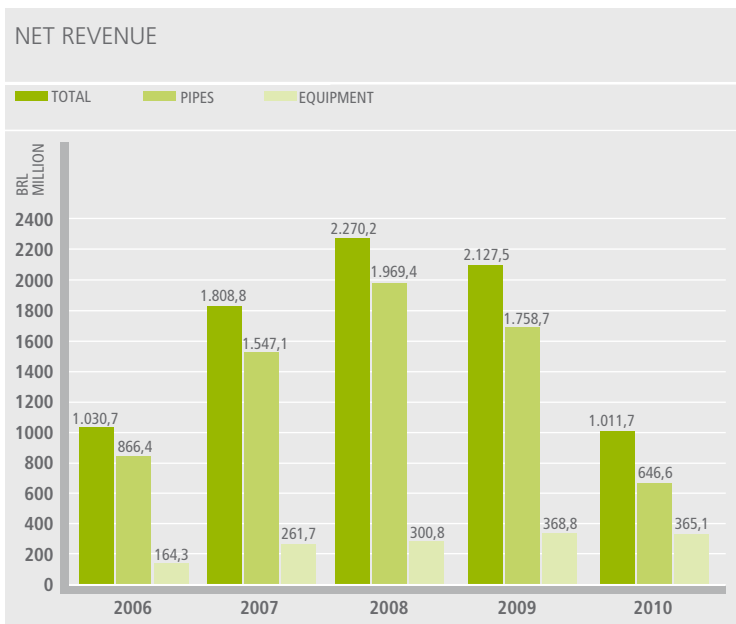
The industrial equipment operations, which includes manufacturing and assembly, presented a decrease in the nominal level of production at the factory, with 636 thousand man hours worked in 2010, compared to 751 thousand man hours in 2009. However, this was compensated by greater participation by assembly services in the billed total.

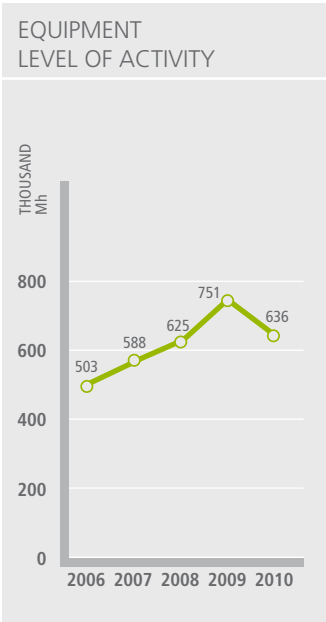
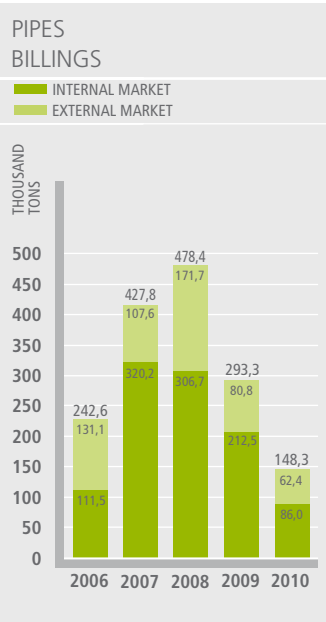
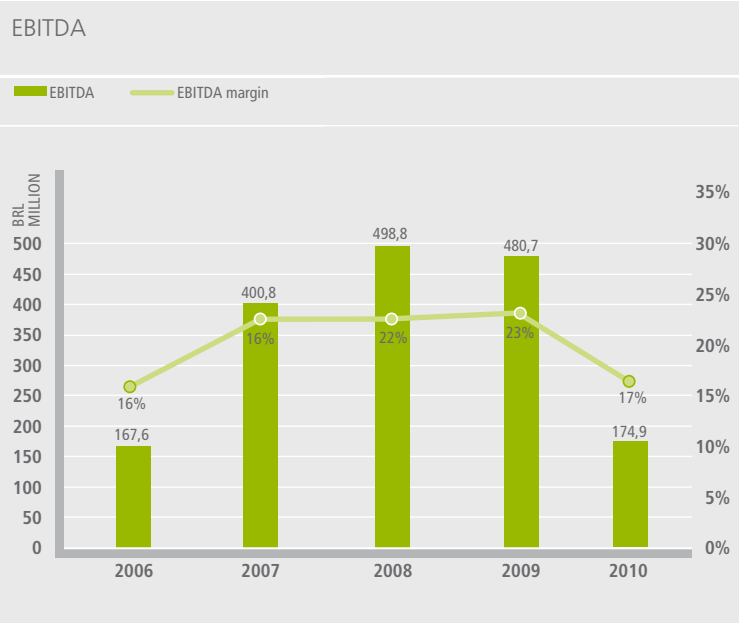
The net revenue of the Equipment Business in 2010 was BRL 365.1 million, representing a decrease of 1.0% compared to the previous period (BRL 368.8 million).

During 2010, business activity was focused mainly on the oil and petrochemical segment. Revenue distribution per segment was as follows:



TenarisConfab in numbers





Board of Directors

President

Roberto Caiuby Vidigal

Vice-Presidents

Guillermo Héctor Noriega

Paolo Felice Bassetti

Board members

Carlos Eduardo Bacher

João Pedro Gouvêa Vieira Filho

Rinaldo Campos Soares

Tomas Tomislav Antonin Zinner

Victor Adler

Executive Officers

President Director

Roberto Caiuby Vidigal

Executive Vice-President Director of the Pipes Business

Tulio Cesar do Couto Chipoletti

Executive Vice-President Director of the Equipment Business

Emyr Elias Barbare

Local Sales Director

Nicolau Marcelo Bernardo

Strategic Planning Director

Juan Carlos Satostegui

Administration & Finance and Investor Relations Director

Marcelo Héctor Barreiro

Financial statements

December, 31st 2010 and 2009

Amounts expressed in thousands of reais,
except when indicated otherwise

Balance sheet

ASSETS	Parent Company			Consolidated		
	12/31/2010	12/31/2009	1/1/2009	12/31/2010	12/31/2009	1/1/2009
CURRENT						
Cash and banks (Note 3)	282,786	506,179	432,318	331,657	546,696	466,715
Financial Investments (Note 4)	272,988	78,062	–	272,988	78,062	–
Accounts receivable (Note 5)	162,439	391,161	372,546	193,368	414,437	387,144
Inventories (Note 6)	351,466	190,726	602,370	351,050	191,982	602,473
Receivables from associated parties (Note 12)	–	–	5,350	–	–	2,675
Recoverable income tax and social security contributions	38,290	19,248	6,140	39,732	19,692	8,205
Taxes Recoverable (Note 7)	79,476	32,789	137,694	82,900	34,461	139,239
Prepaid expenses and others	1,972	2,040	43,355	2,478	2,336	43,746
Total current assets	1,189,417	1,220,205	1,599,773	1,274,173	1,287,666	1,650,197
NON-CURRENT						
Long term receivables						
Subsidiaries and associated parties (Note 12)	11,871	16,451	12,320	10,079	16,451	12,320
Deferred income tax and social contributions (Note 18A)	61,163	54,583	54,768	64,923	57,417	57,629
Legal Deposits (Note 7)	7,733	7,617	5,447	22,741	19,262	14,658
Deposits in court	41,724	36,549	34,294	44,505	39,222	36,966
Other credits	382	82	708	382	82	708
Investments						
Associates (Note 8)	187,146	171,821	187,743	73,146	72,687	90,345
Other investments	–	–	–	62	65	84
Property, plants and equipment (Note 9)	275,345	233,013	215,198	287,797	245,641	228,892
Intangible (Note 10)	2,413	1,875	3,051	2,413	1,875	3,088
Total non-current assets	587,777	521,991	513,529	506,048	452,702	444,690
Total assets	1,777,194	1,742,196	2,113,302	1,780,221	1,740,368	2,094,887

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

LIABILITIES AND STOCKHOLDERS' EQUITY	Parent Company			Consolidated		
	12/31/2010	12/31/2009	1/1/2009	12/31/2010	12/31/2009	1/1/2009
CURRENT LIABILITIES						
Suppliers (Note 11)	126,475	104,254	219,375	109,483	81,198	173,489
Borrowings (Note 13)	506	506	12,550	506	506	12,550
Customer advances (Note 14)	53,991	72,880	367,679	56,330	76,910	372,771
Taxes and contributions payable	7,183	15,243	26,281	9,543	20,491	36,091
PAES – Special Installment Plan (Note 15)	3,811	3,396	2,975	3,811	3,396	3,490
Salaries and related costs	23,850	20,468	19,643	31,596	26,082	22,256
Provision for employee profit sharing	2,504	5,988	16,489	2,690	6,431	17,526
Dividend and interest on own capital payable	16,542	19,012	90,012	16,542	19,012	92,687
Other accounts payable	22,126	13,041	5,861	23,419	13,364	6,819
Total current liabilities	256,988	254,788	760,865	253,920	247,390	737,679
NON-CURRENT LIABILITIES						
Diferred income tax and social contribution (Note 18A)	–	–	12,463	–	–	12,549
Borrowings plan (Note 13)	91,740	91,740	14,086	91,740	91,740	14,086
Special installment Plan (Note 15)	2,530	5,851	11,697	2,530	5,851	11,786
Provision for contingencies (Note 16)	89,297	74,550	71,268	95,392	80,120	75,864
Total non-current liabilities	183,567	172,141	109,514	189,662	177,711	114,285
NET EQUITY						
Share capital (Note 17A)	658,419	602,419	431,419	658,419	602,419	431,419
Capital reserve	309	309	309	309	309	309
Retained earnings	689,165	724,219	807,179	689,165	724,219	807,179
Treasury shares (Note 17F)	(7,290)	(11,837)	(34,628)	(7,290)	(11,837)	(34,628)
Adjustments to equity valuation	(3,964)	157	38,644	(3,964)	157	38,644
Total net equity	1,336,639	1,315,267	1,242,923	1,336,639	1,315,267	1,242,923
Total net equity and liability	1,777,194	1,742,196	2,113,302	1,780,221	1,740,368	2,094,887

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

Income statement

	Parent Company		Consolidated	
	2010	2009	2010	2009
NET SALES (Note 19)	882,805	2,026,617	1,011,714	2,127,473
Cost of goods and services sold (Note 23)	(603,303)	(1,450,770)	(696,748)	(1,496,624)
Gross profit	279,502	575,847	314,966	630,849
OPERATIONAL REVENUE (EXPENSES)				
Sales (Note 23)	(67,462)	(91,445)	(69,196)	(93,285)
General and Administrative (Note 23)	(94,515)	(84,877)	(98,127)	(90,198)
Management fees (Note 12)	(8,058)	(7,043)	(8,058)	(7,043)
Other net operating expenses (Note 20)	4,933	6,127	3,661	5,752
	(165,102)	(177,238)	(171,720)	(184,774)
OPERATIONAL RESULTS BEFORE EQUITY EQUIVALENCE AND FINANCIAL RESULTS				
Capital equity results (Note 8)	22,541	25,377	2,979	3,541
	114,400	398,609	143,246	446,075
OPERATIONAL PROFIT BEFORE THE FINANCIAL RESULTS				
Net exchange variation (Note 22)	(26,086)	(111,899)	(25,818)	(125,115)
Financial expenses (Note 21)	(12,788)	(71,350)	(13,018)	(71,715)
Financial income (Note 21)	16,557	18,260	18,192	19,316
	(22,317)	(164,989)	(20,644)	(177,514)
PROFIT BEFORE INCOME TAX, SOCIAL CONTRIBUTION AND STATUTORY PARTICIPATION				
Income tax and social contribution (Note 18B)	(19,042)	(53,454)	(29,999)	(66,559)
	95,582	205,543	95,582	205,543
Net earnings on fiscal year	95,582	205,543	95,582	205,543
Basic profit and diluted per common share – BRL (Note 24)	0,23530	0,52963		
Basic profit and diluted per preferred share – BRL (Note 24)	0,23530	0,52963		

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

Statement of changes in equity (Parent company)

	Capital reserve					Profit reserve			Total
	Share Capital	Incentive Investments	Legal Reserve	For capital increase	Retention of profit	Treasury shares	Equity Revaluation Adjustment	Accumulated profits	
Balances on 01 January 2009	431,419	309	86,284	171,000	549,895	(34,628)	38,644	-	1,242,923
Capital increase with retained earnings (Note 17A)	171,000	-	-	(171,000)	-	-	-	-	-
Reserve for capital increase (Note 17C)	-	-	-	56,000	(56,000)	-	-	-	-
Constitution of reserves (Note 17D)	-	-	10,277	-	195,266	-	-	(205,543)	-
Acquisitions of Treasury shares (Note 17F)	-	-	-	-	-	(21,104)	-	-	(21,104)
Cancellation of Treasury shares (Note 17F)	-	-	-	-	(43,895)	43,895	-	-	-
Interest on Share Capital (BRLO.184173 per share) (Note 17E)	-	-	-	-	(73,608)	-	-	-	(73,608)
Capital transactions	171,000	-	10,277	(115,000)	21,763	22,791	-	(205,543)	(94,712)
"Hedge Accounting", net of deferred tax credit (Note 25)	-	-	-	-	-	-	(17,288)	-	(17,288)
Foreign exchange rate variation of subsidiaries abroad	-	-	-	-	-	-	(21,199)	-	(21,199)
Other wide-ranging income	-	-	-	-	-	-	(38,487)	-	(38,487)
Net profit for the fiscal year	-	-	-	-	-	-	-	205,543	205,543
Balances on 31 December 2009	602,419	309	96,561	56,000	571,658	(11,837)	157	-	1,315,267
Treasury Shares Acquisition (Note 17A)	56,000	-	-	(56,000)	-	-	-	-	-
Reserve formation for capital increase (Note 17C)	-	-	-	15,400	(15,400)	-	-	-	-
Constitution of reserves (Note 17D)	-	-	4,779	-	90,803	-	-	(95,582)	-
Acquisitions of Treasury shares (Note 17F)	-	-	-	-	-	(7,290)	-	-	(7,290)
Cancellation of Treasury shares (Note 17F)	-	-	-	-	(11,837)	11,837	-	-	-
Interest on Share Capital (BRLO.153490 per share) (Note 17E)	-	-	-	-	(62,799)	-	-	-	(62,799)
Capital transactions	56,000	-	4,779	(40,600)	767	4,547	-	(95,582)	(70,089)
"Hedge Accounting", net of deferred tax credit (Note 25)	-	-	-	-	-	-	(905)	-	(905)
Foreign exchange rate variation of subsidiaries abroad	-	-	-	-	-	-	(3,216)	-	(3,216)
Other wide-ranging income	-	-	-	-	-	-	(4,121)	-	(4,121)
Net profit for the fiscal year	-	-	-	-	-	-	-	95,582	95,582
Balances on 31 December 2009	658,419	309	101,340	15,400	572,425	(7,290)	(3,964)	-	1,336,639

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

Cash flow statements

	Parent Company		Consolidated	
	2010	2009	2010	2009
OPERATIONAL ACTIVITIES				
Net profit for the fiscal year	95,582	205,543	95,582	205,543
Expenses (revenue) that do not affect the cash position and equivalents				
Depreciations and amortizations	30,455	32,366	31,658	34,577
Currency and exchange fluctuations	30,484	112,514	31,009	120,281
Net book value of fixed asset disposals	165	48	177	48
Replacement parts	(58)	173	(55)	175
Equity accounting income	(22,541)	(25,377)	(2,979)	(3,541)
Deferred income tax and social security contributions	(6,114)	(590)	(7,040)	(650)
Obsolescence and adjustment to market value of stock	(176)	26,302	45	26,368
Provision for doubtful debt	(1,961)	(750)	(2,400)	(472)
Foreign exchange rate variation of investments abroad	–	–	(694)	19
Provision for contingencies	18,627	7,800	19,791	9,315
Derivatives	329	(12,965)	329	(12,965)
	144,792	345,064	165,423	378,698
(Increase) reduction in assets				
Receivables	230,683	(17,865)	223,469	(26,821)
Credit with associated individuals	4,580	(4,131)	6,372	(14,180)
Stock	(160,893)	385,342	(159,442)	384,123
Advanced expenses	(498)	2,210	(708)	2,052
Recoverable taxes	(83,245)	48,078	(90,545)	44,338
Others	(5,023)	17,994	(8,493)	15,810
	(14,396)	431,628	(29,347)	405,322
(Increase) reduction in liabilities				
Suppliers	22,221	(115,121)	28,285	(92,291)
Advances to clients	(18,889)	(294,799)	(20,580)	(295,861)
Taxes payable	27,555	60,710	41,887	72,254
Salaries and payroll charges	3,382	825	5,514	3,826
Special installments	(2,906)	(5,426)	(2,906)	(6,030)
Expenses linked to provision for contingencies	(2,809)	(2,495)	(3,448)	(3,036)
Income tax and social security contribution expenses	(18,099)	(28,028)	(30,769)	(38,900)
Others	3,157	(4,044)	3,868	(5,271)
	13,612	(388,378)	21,851	(365,309)
Cash position generated by operational activities	144,008	388,314	157,927	418,711

	Parent Company		Consolidated	
	2010	2009	2010	2009
INVESTMENT ACTIVITIES				
Bonds and securities – investments	(231,523)	(108,613)	(231,523)	(112,197)
Bonds and securities – withdrawals	27,361	28,559	27,361	32,143
Bonds and securities – interest	–	(1,558)	–	(1,558)
Treasury shares	(7,290)	(21,104)	(7,290)	(21,104)
Dividends received from subsidiaries and associated companies	4,000	25,450	–	12,725
Acquisition fixed assets	(73,432)	(49,226)	(74,474)	(50,336)
Cash used for investment activities	(280,884)	(126,492)	(285,926)	(140,327)
FINANCING ACTIVITIES				
Payment of dividends and Interest on Own Equity	(65,269)	(144,608)	(65,269)	(147,283)
Raising of loans and financing	–	91,740	–	91,740
Amortization of loans and financing – principle	–	(25,168)	–	(25,168)
Amortization of loans and financing – interest	(4,117)	(2,065)	(4,117)	(2,065)
Cash used for financing activities	(69,386)	(80,101)	(69,386)	(82,776)
Effects of foreign exchange variations on cash position and equivalents	(17,131)	(107,860)	(17,654)	(115,627)
Increase in cash and equivalents	(223,393)	73,861	(215,039)	79,981
Initial balance of cash and equivalents	506,179	432,318	546,696	466,715
Final balance of cash and equivalents	282,786	506,179	331,657	546,696
Increase in cash and equivalents	(223,393)	73,861	(215,039)	79,981

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

Wide-ranging income statement

	Parent Company and Consolidated	
	2010	2009
Net profit for the fiscal year	95,582	205,543
"Hedge" for net investments	(905)	(17,288)
Foreign exchange rate variation of investments abroad	(3,216)	(21,199)
Total wide-ranging income for the fiscal year	91,461	167,056

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

Value added statement

	Parent Company		Consolidated	
	2010	2009	2010	2009
REVENUE				
Merchandise, products and service provided	1,071,166	2,507,586	1,222,480	2,635,245
Other revenues	3,787	6,617	3,874	7,445
Revenue pertaining to construction of company-owned assets	1,436	–	1,436	–
Provision for doubtful credits – reversion (formation)	1,961	750	2,400	472
	1,078,350	2,514,953	1,230,190	2,643,162
INPUTS ACQUIRED FROM THIRD PARTIES (including ICMS, IPI, PIS ,CONFINS)				
Costs of products, merchandise and services provided	600,701	1,743,218	713,574	1,805,395
Material, energy, third-party service and others	143,312	162,948	90,630	137,358
	744,013	1,906,166	804,204	1,942,753
GROSS ADDED VALUE	334,337	608,787	425,986	700,409
DEPRECIATIONS AND AMORTIZATION	30,455	32,366	31,658	34,577
NET ADDED VALUE PRODUCED BY THE ENTITY	303,882	576,421	394,328	665,832
ADDED VALUE RECEIVED IN TRANSFER				
Income from equity accounting	22,541	25,377	2,979	3,541
Financial revenue	24,973	56,980	26,609	58,134
	47,514	82,357	29,588	61,675
TOTAL ADDED VALUE TO DISTRIBUTE	351,396	658,778	423,916	727,507
DISTRIBUTION OF THE ADDED VALUE				
Personnel	144,160	140,569	201,373	176,700
Direct remuneration	116,705	112,814	168,891	146,102
Benefits	15,502	16,966	19,431	18,960
FGTS	8,183	7,598	8,909	8,121
Others	3,770	3,191	4,142	3,517
Taxes, fees and contributions	62,811	90,688	76,944	107,859
Federal	61,904	89,997	76,033	107,165
State	620	413	624	416
City	287	278	287	278
Third-party capital remuneration	48,843	221,978	50,017	237,405
Interest	45,842	218,180	45,694	231,766
Leases	271	1,564	1,222	2,675
Others	2,730	2,234	3,101	2,964
Compensation from company-owned capital	95,582	205,543	95,582	205,543
Interest on Own capital	62,799	73,608	62,799	73,608
Earnings retained the fiscal year	32,783	131,935	32,783	131,935

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

(*) The consolidated added value statement is not part of the consolidated financial statements, according to IFRS.

Explanatory notes

I. Operational context

Confab Industrial S.A. (hereinafter denominated “Company”) is a publically-held joint stock company based in São Caetano do Sul and with manufacturing units in Pindamonhangaba, State of São Paulo. Its controlling shareholder is Siderca S.A.I.C., a subsidiary of Tenaris S.A.

Company shares are listed under Level 1 Corporate Governance on the São Paulo Stock Exchange (“BM&FBOVESPA”) - BOVESPA - ON: CNFB3 and PN: CNFB4.

The operational activities of the Company and its subsidiaries and associated companies consist mainly of the manufacture of seamed steel pipes for the oil, petrochemical, gas, mining and sanitation industries, and industrial equipment for the oil, petrochemical, pulp and paper, steel, ironworks and other industries.

These financial statements were approved and authorized for issuance by the Company Board of Directors at a meeting held on 18 February 2011.

As mentioned in Note N°. 27(V), the economic activities of the Company are connected to the supply of steel pipes and industrial equipment for infrastructure projects in the oil, petrochemical, gas and sanitation industries.

Operations in the fiscal year ending 31 December 2010 were impacted by the downturn in the aforementioned projects, especially large-scale pipeline projects, when compared to orders received up to 31 December 2009.

II. Presentation of financial statements and main accounting practices

2.1. Presentation of financial statements

A. Consolidated financial statements

The consolidated financial statements have been drawn up and are being presented in accordance with the accounting standards adopted in Brazil, including the rulings handed down by the Brazilian Accounting Standards Committee (“CPC”) and in accordance with International Financial Reporting Standards (IFRS) issued by the International Accounting Standards Board.

These are the first financial statements presented by the Company in full compliance with the CPC and IFRS. An analysis of the impacts resulting from the adoption of the CPC and IFRS standards is detailed in Note N°. 2.4.

B. Financial statements of the parent company

The individual financial statements of the parent company were drawn up and are being presented in accordance with the accounting standards adopted by Brazil issued by the CPC, and these are published together with the consolidated financial statements.

C. Preparation bases

The financial statements were prepared taking into account the historical cost as a base value and were adjusted to reflect the financial assets and liabilities (including derivative instruments) measured by their fair value through the income of the fiscal year.

In the elaboration of the financial statements, it is necessary to use estimates to account for certain assets, liabilities and other operations. The estimates that involve a greater degree of judgment are detailed in Note N°. 2.3.

2.2. Main accounting standards adopted

The main accounting practices adopted in the elaboration of these financial statements have been applied in a consistent manner throughout all fiscal years presented, except when stated otherwise. They are as follows:

A. Consolidation criteria

In the preparation of the consolidated financial statements, the following have been eliminated: investments and unrealized profits among the companies, net of tax effects; the income from equity accounting, revenues and expenses for business undertaken among the companies, balances among the companies and the current and non-current liabilities and assets. The balance sheet and the income statement of the subsidiaries and the subsidiaries together are generated from the same data base as that for the Company. The Company's consolidated financial statements include the account balances of its subsidiaries.

B. Subsidiaries

Subsidiaries are all entities whose financial and operational policies may be conducted by the Company and in which there is a equity interest of more than half the voting rights, including, where applicable, the existence of the effect of potential voting rights that are executable or convertible and that are taken into account when evaluating whether the Company effectively controls the other entity. The subsidiaries are fully consolidated from the date in which control is transferred to the Company and they are no longer subsidiaries from the date on which control ceases.

The consolidated financial statements cover the following subsidiaries and subsidiaries together:

- Confab Montagens Ltda. (control: 100%)
- Confab Revestimentos Ltda. (control: 100%)
- Confab Trading LLC (control: 100%)
- Confab Trading N.V. (indirect control: 100%)
- Socotherm Brasil S.A. (joint control: 50%)

The financial statements cover proportional consolidation of Socotherm Brasil S.A., a joint controlled company. Accordingly, the percentage of 50% was applied on the assets, liabilities, revenue and expenses pertaining to the participation of the investor in this company, thus eliminating the participation that does not belong to the Company.

C. Associated companies

Associated companies are all entities in which the Company has significant influence, but not control, generally in conjunction with an equity interest of 20% to 50% of the voting rights. Investments in associated companies are accounted for by the equity accounting method and are, initially, acknowledged by their cost value. Investment by the company in associated companies includes their spread identified upon acquisition, net of any loss due to accumulated impairment, when applicable.

The Company has participation in the following associated companies:

- Tenaris Confab Hastes de Bombeio S.A. (49%)
- Siat S.A. (30%)

The Company's participation in profits or losses of its associated companies after acquisition is acknowledged in the income of the fiscal year and its participation in the movement of stockholders' equity after acquisition is acknowledged in the stockholders' equity. The accumulative post acquisition movements are adjusted against the book value of the investment. When the

participation of the Company in the losses of an associated company are equal or more than its participation in the associated company, including any other receivables, the Company does not acknowledge additional losses, unless they have occurred in obligations or by executing payments on behalf of the associated company.

Unrealized earnings in the operations between the Company and its associated companies are eliminated by the proportion of the Company's participation in the associated companies. Unrealized losses are also eliminated, unless the operation supplies some evidence of a loss (impairment) in the transferred asset. The accounting policies of the associated companies have been altered, when necessary, to ensure consistency with the policies adopted by the Company.

If equity interest in the associated company is reduced, but significant influence is maintained, only the proportional part of the previously acknowledged values in other comprehensive income will be reclassified for the income, when appropriate.

The dilution earnings and losses, incurred in participations in associated companies, are acknowledged in the income of the fiscal year.

D. Joint-controlled entities

As mentioned in item b) above, the Company has a joint-investment with Socobrás Participações S.A. (participation of 50%) in Socotherm Brasil S.A., a company dedicated to pipe coating activities. This company was established by means of a contractual agreement that defines a common control over its operations.

The investments in joint-controlled entities are registered by the proportional consolidation method. By the proportional consolidation method, the Company acknowledges its participation in the assets, liabilities and revenue and expenses of the joint-controlled entity in its consolidated financial statements.

E. Presentation of reports per segment

Information per operational segment is presented in a manner consistent with the internal report supplies for the main operational decision taker. The main operational decision taker, responsible for resource allocation and for evaluating the performance of operational segments, is the Executive Vice-President, who is also responsible for taking strategic decisions on behalf of the Company in each one of its operational segments (Pipe Business and Equipment Business).

F. Foreign currency conversion

(i) Functional currency and presentation currency of the financial statements

Upon analysis of the economic, institutional and legal environment in which the Company operates, the Board has defined the Real (BRL) as the functional and presentation currency for its financial statements.

(ii) Transactions in foreign currency

The monetary assets and liabilities denominated in foreign currency are converted into Reais at the exchange rate on the dates the balance sheets are closed. The earnings and losses resulting from currency conversion are acknowledged in the income statements as "net foreign exchange rate variation".

(iii) Conversion of associated companies and subsidiaries

The balance sheets and the income of the Company's subsidiary entities and associated companies (none of which operates under a hyperinflationary currency) for the fiscal year, whose functional currency is different from the presentation currency, are converted into the presentation currency, as follows:

- The assets and liabilities of each balance sheet presented are converted by the closing rate on the date the financial statements are closed.
- The revenue and expenses of each income statement are converted by the average exchange rates.
- All resulting differences in exchange are acknowledged as a separate component in the stockholders' equity.

In the consolidation, the resulting exchange differences for the conversion of net investment in operations abroad are acknowledged in the stockholders' equity. When an operation abroad is partially divested or sold, the exchange differences that were registered in the stockholders' equity are acknowledged in the income statement as part of the earning or loss on the sale.

G. Financial instruments

The Company classifies its financial assets under the following categories: (i) measured at fair value through income, (ii) loans and receivables, (iii) investments maintained up to maturity. Classification depends on the purpose for which the financial assets were acquired, and it is up to the Board whether to determine the classification of its financial assets in its initial acknowledgement.

The regular purchase and sale of financial assets are acknowledged on the date of negotiation – the

date on which the Company promises to purchase or sell the asset.

The financial assets measured at fair value through income are acknowledged at their fair value, and the transaction costs are debited from the income statement.

The financial assets not measured at fair value through income are acknowledged at their fair value, in addition to the transaction costs.

Financial assets are written down when the rights to receive cash flows from the investments have expired or have been transferred; in this latter case, as long as the Company has significantly transferred all the risks and benefits of the property.

- **Financial assets measured at fair value through income**
Financial assets measured at fair value through income are those maintained for active and frequent negotiations and classified under current assets, mainly derivatives and certain financial investments. Earnings or losses resulting from variations in the fair value of these assets are presented in the income statement under Revenue or Financial Expenses for the period in which they occur.

- **Loans and receivables**

Included in this category are loans provided and receivables that are non-derivative financial assets, with fixed or determinable payments, not quoted in an active market. They are included in the current or non-current assets, according to the execution timeframe, and they include loans to associated companies, receivables from clients, any other receivables and cash and cash equivalents. They are accounted for by their amortized cost, using the effective interest rate method.

- **Investments maintained until their maturity date**

Whenever applicable, investments in negotiable securities that the Company has the ability and intention to maintain until their maturity dates, are classified as investments maintained until their maturity dates and are registered by their amortized cost.

The Company evaluates, on the date of the balance sheet, whether there is objective evidence that a financial asset, or group of assets, is registered at a value above its recoverable value – impairment. Whenever applicable, the provision is acknowledged for the devaluation of this asset.

The criteria that the Company uses to determine whether there is objective evidence for a loss by impairment include:

- relevant financial difficulties of the issuer or debtor;
- breach of contract, such as default or delay in payment of interest or the principal;
- for economic or legal reasons pertaining to financial difficulties on the part of the borrower, the Company guarantees the borrower a concession that the creditor would not consider;
- it becomes probable that the borrower will declare bankruptcy or some other form of financial reorganization;
- the disappearance of an active market for that financial asset due to financial difficulties; or
- observable data that indicates that there has been a measurable reduction in estimated future cash flows from a portfolio of financial assets since the initial acknowledgment of those assets, although this reduction cannot yet be identified with individual financial assets in the portfolio, including:

(a) adverse changes in the payment situation of loan borrowers in the portfolio;

(b) national or local economic conditions that cause defaults on assets in the portfolio.

The Company first evaluates whether there is objective evidence of impairment. The amount of loss is determined by the different between the book value of the assets and the present value of estimated future cash flows (excluding future credit losses that have not been incurred), minus the original interest rate applied for the financial assets. The book value of the asset is reduced and the value of the loss is acknowledged in the income for the fiscal year. As a practical manner, the Company can measure impairment based on the fair value of an instrument by using an observable market price.

If, in a subsequent period, the value of the loss through impairment diminishes and the reduction can be objectively related to an event that has occurred after impairment is acknowledged (such as improvement in the credit classification of the debtor), the reversion of the loss through the previously acknowledged impairment will also be acknowledged in the income of the fiscal year.

H. Cash and cash equivalents

These include assets in cash, available bank deposits and short-term financial investments, usually with maturity dates of up to 90 days from the date of contraction, with high liquidity, readily convertible into a known amount of cash, subject to an insignificant risk of change in value.

I. Bonds and securities

Financial investments with original maturity dates above 90 days on the date of investment are included in this classification, especially for the purpose of short term sale.

J. Derivatives and hedge operations

Operations with derivatives are acknowledged in the financial income by their fair value, considering that the Company uses specific tools for calculating each financial instrument.

Furthermore, the Company has derivatives contracted for protection against exchange rate fluctuation in the acquisition of raw material in foreign currencies, for certain sales agreements whose prices are set in Reais. These instruments are designated as firm commitment hedges for the purchase of raw material (cash flow hedges), when they comply with the CPC 38 and IAS 39 rules for designation as hedge instruments.

Variations in fair value of the derivatives classified as cash flow hedges for the purchase of the aforementioned raw material are registered as follows: (i) the actual installment, net of income tax effects and social security contributions, under the item “adjustments of equity evaluation” in the stockholders’ equity; and (ii) the non-effective installment as financial income of the period.

The registered values under the item “adjustments of equity evaluation” are transferred to the cost of raw material in stock when they are received by the Company and, subsequently, when the products in which the protected raw material is invested are sold, they come under the item “cost of sold goods”.

The derivatives that, although contracted with the objective of providing economic protection in accordance with the Company’s risk management policies, do not comply with the provisions of CPC 38 and IAS 39 with regards to hedge accounting to cover a firm raw material purchase commitment,

or that have not been designated for this, are measured at their fair value and the respective variations are registered in the income for the fiscal year in which they occur.

K. Receivables

These are registered and maintained in the financial statements by the amortized cost of the representative bonds of the credits and adjusted by their present value, if such an adjustment is relevant.

The provision for doubtful credits is constituted based on individual analysis and on an amount considered sufficient by the Board to cover any losses in the execution of these credits. Significant financial difficulties on the part of the debtor, the probability of the debtor filing for bankruptcy or insolvency and lack of payment or default (owed for more than 180 days) are considered the main indicators for the constitution of this provision.

The value of the provision is the difference between the book value and the recoverable value of the credit, considering that this loss value is acknowledged in the income statement as “expenses with sales”.

L. Stock

This is evaluated by the average cost of acquisition or production and presented as the lowest value between the cost and the net realizable value. The cost of finished products and products being produced covers raw material, direct labor, other direct costs and general expenses pertaining to production (based on normal operational capacity).

One provision for potential losses is constituted when, based on an estimate by the Board, the items are defined as obsolete or of low turnover. The net

realizable value is the estimated price of sale for the identified items, minus the execution costs and the sales expenses.

Imports underway and advances to suppliers are listed at the accumulated cost of each import/advance.

M. Income tax and social security contributions

Expenses with income tax and social security contributions for the period include current and deferred tax. Tax on income is acknowledged in the income statement, except that which is related to items acknowledged directly in the net worth or in the overall income. In this case, the tax is also acknowledged in the net worth or in the overall income.

The current income tax and social security contributions charges are calculated based on enacted, or substantially enacted, tax legislation on the date of the financial statements of the countries in which the subsidiaries and associated companies of the Company operate and generate taxable profit. The Board evaluates, periodically, the positions assumed by the Company in its income tax declarations with regards to situations in which the applicable fiscal regulation is open to interpretation. It establishes provisions, where appropriate, based on estimated payments made to tax authorities.

The provisions are calculated and registered based on taxable rates and profits adjusted by specific legislation. In the case of Brazilian operations, the nominal rate amounts to 34% – considering 25% income tax and 9% social security contribution – on the net profit.

The income tax and the social security contribution on the temporary differences

between the accounting base and the tax base are acknowledged as credits, to the extent that their execution is probable, or deferred tax debits. The expectation of absorption of tax credits is based on projections of taxable profit, considering that these projections that are based on internal premises and future economic scenarios may, therefore, be subject to alterations.

The income tax deferred assets and liabilities are compensated when there is a legally exercisable right to compensate current fiscal assets against current fiscal liabilities and when the income tax deferred assets and liabilities are related to incident income tax by the same taxable authority on the tax entity or different tax entities where there is the intention to discharge the balances on a net basis.

N. Fixed assets

Fixed assets are evaluated by the cost of their acquisition, formation or construction, minus accumulated depreciation and loss through impairment.

Depreciation is calculated by the linear method, on annual taxes mentioned in Note N^o. 9, taking into consideration the economically useful life of the assets, according to an annual analysis executed by internal specialists and reviewed by the final controlling company, Tenaris S.A.

The evaluation results in the preparation of a report that takes into account the general state of conservation of assets and internal and external factors, such as the operational planning of the Company, the maintenance and use plan for assets, accounting information, technical specifications, physical inventories executed, available technologies, the economic

environment, benchmarking, recommendations and manufacturers' manuals and the useful life of the assets.

Residual values of items of fixed assets are not attributed, since the Company does not execute divestment of these assets, unless they are scrapped.

The subsequent costs are included in the book value of assets or acknowledged as separate assets, as appropriate, only when it is probable that future economic benefits associated with the items are forthcoming and the cost of the items can be measured with some degree of certainty. The book value of the items or replacement parts is written down. All other repairs and maintenance are recorded against the income of the fiscal year, when they are incurred.

Material allocated to specific projects is added to investments underway so that it can later be transferred to permanent accounts of fixed assets.

Whenever applicable, the costs of charges on loans taken out to finance the construction of fixed assets are capitalized during the period necessary to execute and prepare the assets for their intended use.

Profit and loss from divestments are determined by comparing the income with the book value and they are acknowledged under "other net operational revenue (expenses)" on the income statement.

O. Intangible

This pertains to licenses acquired for computer programs, which are capitalized and amortized by the linear method, at the annual rate mentioned in Note N^o.10.

Expenses associated with development or maintenance of software are acknowledged as expenses as they are incurred. Expenses directly associated with identifiable and proprietary software programs, which are controlled by the Company and will probably generate greater economic benefits than costs for more than a year, are acknowledged as intangible assets.

Amortization periods and methods for intangible assets are revised annually. Expenses with research are acknowledged as expenses when they are incurred.

P. Evaluation of the recovery of non-financial assets

The Board revises the book value of assets annually with the objective of evaluating events or changes in economic, operational or technological conditions that may indicate a deterioration or loss in their recoverable value. When such evidence is identified and the net book value exceeds the recoverable value, provision for deterioration adjusted the net book value to the recoverable value is constituted. These losses, when they occur, are classified as operational expenses, according to their origin.

Q. Other current and non-current assets

These are presented according to their historical costs, including, whenever applicable, monetary or exchange variations and the corresponding income received, not exceeding their realized values.

R. Indirect recoverable taxes

The Company, due to the dynamic of its operations, exports part of its products at a zero tax rate, thus creating tax credits with regards to PIS, COFINS, IPI and ICMS. The evolution of these credits is periodically monitored with the objective of making use of them in the short term,

especially by means of options for compensation covered by the Law. Based on this evaluation, it is possible to determine the timeframe for realization of these credits and classify them as current and/or realizable assets in the long term.

Furthermore, in the specific case of ICMS, the Company requests, when necessary, authorization from the State Treasury Authority by means of the special regime for the use of this credit for the payment of suppliers.

The recoverable tax balances are presented by the amount for which the Board expects to compensate these credits. If there is evidence that part or all of the credits are not recoverable, a provision for losses is acknowledged as an expense in the income for the fiscal year.

S. Loans and financing

These are acknowledged by their fair value when the resources are received, net of any transaction costs incurred. They are then presented by their amortized cost; that is, including charges and interest proportional to the period incurred - "pro rata temporis" - minus the cost of fund raising, and classified as current or non-current liabilities, according to the payment timeframe defined in the agreement.

The rates paid for the establishment of a loan are registered as an advance payment for services, minus the value registered in the liability, and amortized during the loan period to which it pertains, minus the value effectively released and, consequently, including the effective rate of interest.

T. Advances from clients

These are advances from clients for the production of goods or the execution of services. This liability

is represented by the contractual obligation to produce such goods or provide services, and in the event this does not come to pass, the return of the values received.

U. Special installments – Law 11,941/09

This pertains to the payment of taxes and contributions in installments minus interest, fines and monetary correction calculated based on the SELIC rate.

They essentially consist of tax debts pertaining to income tax, social security contributions and COFINS, and they are paid in 34 monthly installments from November 2009. In order to maintain the agreed upon terms of payment, the installments must be paid regularly and on time.

V. Provisions

Provisions in general are acknowledged as liabilities when a reliable estimate of their value can be made and when the Company has a present obligation, either legally formalized or otherwise, as income for past events, considering that it is probable that resources will need to be discharged in order to liquidate the obligation.

Whenever applicable, the provisions are measured by the present value of the expenses that are necessary to liquidate the obligation, and the increase of this obligation as a result of the passage of time is acknowledged as a financial expense.

Contingencies are acknowledged based on an evaluation executed by the Company's legal advisors, taking into account the nature of the actions, precedence in prior processes, complexity and the positioning of the courts, whenever the loss is evaluated as probable and the amounts

involved are measurable with sufficient certainty, suggesting a possible discharge of resources for the liquidation of the obligations. The contingent liabilities classified as possible losses are not acknowledged in the accounting, they are only divulged in the financial statements, and those classified as remote are neither provisioned nor divulged.

W. Contingent assets

These are not acknowledged in accounting, except when the Company judges that the income is practically certain or when there are real guarantees or favorable and unappealable judicial rulings.

X. Other current and non-current liabilities

These are stated by the acknowledged or or calculated values, whenever applicable, of the monetary or exchange variation and the corresponding charges incurred.

Y. Acknowledgment of revenue

Revenue from sales of pipes is acknowledged only when the respective risks and rewards are transferred to the client, in other words, when the sales terms in the corresponding agreement have been fulfilled.

Revenue from sales agreements involving equipment is acknowledged by the incurred cost method, considering the proportion of execution of each agreement. According to this method, the contractual revenue is proportional to the contractual costs incurred in each stage of measuring. Adaptation of the acknowledgment of revenue is realized based on the best estimates by the Board, when they become evident. Forecast costs, calculated based on the real cost incurred and to be incurred that exceed the total readjusted

price, are provisioned. Revenue incurred, net of advances received, are acknowledged as receivables in the balance sheet.

Z. Cost of products sold and services provided

The costs are accounted for on an accrual basis, being substantially represented by the raw material acquired for the productive process, especially steel and coating products.

AA. Operational expenses

Sales expenses are represented basically by logistics expenses inherent to the billed projects.

General and administrative expenses pertain to expenses with the fixed Company infrastructure, including mainly salaries, third-party services and provision for contingencies.

Other operational revenue and expenses include revenue from rent and other extraordinary items.

BB. Financial revenue and expenses

Financial revenue and expenses consist mainly of income from financial investments, income for derivatives and financial charges on loans.

CC. Employee benefits

Profit sharing is linked to the fulfillment of operational profit targets and other qualitative indicators, established and approved for each fiscal year. Profit sharing is directly related to the economic result obtained by the company during the period from July to June of the subsequent year, and it is normally paid in the month of September of each year. The expenses are registered monthly in the income of the fiscal year based on the profit generated and on the estimated probability of fulfilling the respective targets.

Severance benefits are required when a position of employment is terminated by the Company before the normal date of retirement or whenever the employee accepts to be laid off in exchange for these benefits. The Company acknowledges the severance benefits when it is clearly committed to the severance of current employees in accordance with a formal detailed plan, which cannot be suspended or canceled, or the provision of severance benefits as a result of an offer made to encourage resignation.

Retirement obligations: the Company only participates in defined contribution plans. A defined contribution plan is a pension plan in which the Company makes fixed contractual contributions to a separate entity, and does not have the obligation to make additional contributions in the event the fund does not have sufficient assets to pay all the employees the benefits pertaining to their current and previous periods of service. The contributions are acknowledged as expenses of benefits paid to employees, as they are owed.

DD. Dividends and interest on own equity

The proposal for the distribution of dividends to shareholders is acknowledged as a liability in the Company's financial statements at the end of the fiscal year, in accordance with its corporate by-laws. Any value above the obligatory minimum is only provisioned on the date on which it is approved by the Board of Directors.

The interest on own equity paid or provisioned is registered in the accounting as a financial expense for fiscal purposes. However, for the purposes of presenting the financial statements, these are presented directly as reductions in stockholders'

equity, rather than being included in the calculation of minimum obligatory dividends.

EE. Result per share

Basic income per common and preferred share is calculated by the division of net profit (loss) available to shareholders by the average quantity of each class of shares in circulation during the fiscal year; on the other hand, the diluted income per share, which is not applicable to the Company, would be calculated in a similar manner to the basic income per share, except for the fact that the quantities of shares in circulation are adjusted to reflect the additional shares that would be in circulation in the event that transactions with the potential effect of dilution had been issued during the fiscal year.

In order to comply with corporate law, the Company divulges the income per share of the parent company, which is calculated considering the existing quantity of shares in circulation on the date of the financial statements, minus the treasury shares.

Shares in circulation, according to the applicable norms, refer to the total number of shares issued by the Company minus those maintained in treasury.

FF. Cash flow statements

These have been prepared and are being presented in compliance with the CPC 03 (R2) – Cash Flow Statements, and IAS 7 – Cash Flow Statements.

GG. Norms, alterations and interpretations of norms that are not yet in force

The following norms and alterations of norms were published and are obligatory for the Company's accounting period from the beginning

on 1 January 2011, or after this date, or for subsequent periods. However, there was no advanced adoption of these norms and alterations or norms on behalf of the Company.

- IFRS 9, “Financial Instruments”, issued in November 2009. This norm is the first step in the process to replace IAS 39 “Financial Instruments: Acknowledgment and Measurement”. IFRS 9 introduces new demands to classify and measure financial assets and it may affect the Company’s accounting of its financial assets. The norm is not applicable until 1 January 2013, but it is available for prior adoption.
- IAS 24 (revised), “Publication of Business Partner”, issued in November 2009. It replaced the IAS 24, “Publication of Business Partners”, issued in 2003. O IAS 24 (revised) is obligatory for periods beginning on or after 1 January 2011. Prior application, in full or in part, is permitted.

The revised norm clarifies and simplifies the definition of the business partner and removes the government demand that related entities publish details of all transactions with the government itself and other entities related to these entities. The Company will apply the revised norm from 1 January 2011. When the revised norm is applied, the Company and the parent company will need to divulge any transactions among its subsidiaries and associated companies. The Company is currently operating appropriate systems to obtain the necessary information, therefore, it is not possible, at this stage, to divulge the impact, if any, of the revised norm on the release of information by its business partners.

- “Classification of the issuing of rights” (alteration to IAS 32), issued in October 2009. The alteration

applies to annual periods beginning on or after 1 February 2010. Prior application is permitted. The alteration covers the accounting of equity proceeds denominated in another currency other than the functional one used by the issuer. As long as certain conditions are met, these equity proceeds are now classified as assets, regardless of the currency in which the execution price is denominated. Previously, shares had to be accounted for as derivative liabilities. The alteration is applied retroactively, in accordance with IAS 8, “Accounting Policies, Changes and Accounting Estimates and Errors”. The Company will apply the revised norm from 1 January 2011. No impact on the financial statements of the Company is expected.

- IFRIC 19, “Extinction of the Financial Liabilities with equity Instruments” has been in force since 1 July 2010. The interpretation clarifies the accounting when the timeframes of a financial liability are renegotiated and result in the issuance of equity instruments by the entity to a creditor of the entity in order to extinguish all or part of the financial liability (debt conversion). This requires that a profit or loss be acknowledged in the income, which is measured as the difference between the book value of the financial liability and the fair value of the equity instruments issued. If the fair value of the financial instruments cannot be measured reliably, the equity instruments must be measured to reflect the fair value of the extinct financial liability. The Company will apply the interpretation from 1 January 2011. No impact on the financial statements of the Company is expected.
- “Advanced payments of Minimum Requirements for Provisioning of Funds” (alteration to IFRIC 14). The alterations correct an unintentional

consequence of the IFRIC 14, IAS 19 – “Limit of a Defined Benefit Asset, Minimum Requirements for Provision of Resources and their Interaction”. Without the alterations, the entities cannot acknowledge some advanced voluntary payments of minimum contributions for the provisioning of funds as an asset. This was not the intention when the IFRIC 14 was issued, and the alterations correct this point. The alterations come into force in annual periods beginning 1 January 2011. Prior application is permitted. The alterations must be applied retroactively to the first comparative period presented. The Company will apply these alterations in the presentation period of the financial reports, beginning on 1 January 2011. No impact on the financial statements of the Company is expected.

2.3. Estimates and critical accounting judgments

Estimates and accounting judgments are continually evaluated and they are based on historical experience and other factors, including expectations of future events considered reasonable under the circumstances. Based on premises, the Company makes estimates with regards to the future. By definition, the resulting accounting estimates will rarely be equal to the respective actual income.

The main estimate that could present a significant risk, with a probability of causing a relevant adjustment in the book values for the next financial year, is the provision for contingencies, which is based on the opinion of legal and administrative advisors and whose provisioned amounts are considered sufficient to deal with any losses that may arise from unfavorable outcomes.

2.4. Adoption of IFRS and CPCS for the first time

The consolidated financial statements for the fiscal year ending 31 December 2010 are the first annual consolidated financial statements in compliance with the CPCS and the IFRS. The Company has applied Rulings CPCS 37 and 43 and IFRS 1 in the preparation of these consolidated financial statements.

The individual financial statements of the Parent Company for the fiscal year ending 31 December 2010 are the first annual individual statements in compliance with the CPCS. The Company has applied Rulings CPCS 37 and in the preparation of these consolidated financial statements.

The date of transition is 1 January 2009. The Board prepared the opening balance sheets in accordance with the IFRS and the CPCS on this date.

In the preparation of these financial statements in accordance with the IFRS and CPCS, the Company has applied the relevant obligatory exceptions and certain optional exemptions with regards to the complete retrospective application of the IFRS and CPCS, which are described as follows:

Obligatory exceptions to retrospective application

- **Estimates:** the estimates used in the preparation of the financial statements in accordance with the IFRS and the CPCS on 1 January 2001 and 31 December 2009 are consistent with the estimates used on the same dates according to practices previously adopted by the Company. There is no evidence that these estimates presented any errors.

The other obligatory exceptions are not applicable, because there were no significant differences with regards to the accounting practices previously adopted by the Company in these areas:

- Write down of financial assets and liabilities.
- Participation of non-controlling companies
- Hedge accounting.

Obligatory exemptions to retrospective application

The Company has opted to apply the following exemptions with regards to retrospective application:

- Assets and liabilities of the parent company: the company acknowledged and measured its assets and liabilities on the date of transition by the book values that would be included in the consolidated accounting statements of its parent company, based on the date of transition to the IFRS of the parent company.

The other optional exemptions were not used by the Company, because they do not apply or their acknowledgment and measurement do not bring any benefits to the of the assets and liabilities of the Company on the date of transition:

- Insurance agreements: the Company does not execute transactions of this kind.
- Lease agreements: the accounting practices adopted by the Company were already equivalent to the IFRS and CPCS in 2009.
- Employee benefits: the Company does not undertake any transactions subject to this exemption.
- Accumulated conversion differences: the Company maintained the balances of accumulated conversion differences since there were no adjustments in the opening statement in accordance with the IFRS and CPCS that had any impact on this balance.
- Investment in subsidiaries, joint-controlled entities and associated companies: not applicable to associated entities, subsidiaries and joint subsidiaries of the Company.
- Compound financial instruments: the Company

does not execute transactions of this kind.

- Liabilities resulting from deactivation included in the cost of fixed assets: the Company does not execute transactions of this kind.
- Financial assets or intangible assets resulting from concession agreements: the Company does not execute transactions of this kind.
- Asset transfer: the Company does not execute transactions of this kind.
- Cost attributed to fixed assets: the Company has not adopted the attributed cost, because the currently practiced rates of depreciation are adequate and periodically revised, and there is no significant difference between the fair value and the book values of the fixed asset.

Effects resulting from transition to IFRS and CPCS

• Profit per share

This started to be ascertained based on the weighted average of shares that were in circulation in the period, excluding treasury shares. As the Company does not have share options, the diluted income per share is not applicable.

• Reclassification

The taxes deferred assets and liabilities are presented in their net form under the non-current asset or liability, whenever the Company has the legal right to such compensation.

Spare parts, replacement parts, tools and equipment for internal use are classified as fixed assets, since they are only used in connection with other items of fixed assets. Previously, they were classified as part of stock.

Expenses with legal contingencies are being presented under the item of administrative expenses. Previously they were presented under the item of other operational expenses.

As the adoption of these new accounting practices has not had any effect on Company income from the date of transition on 1 January 2009, it was not necessary to prepare the reconciliation of the previously presented net worth with the new accounting practices.

Information from previous periods, specifically with regards to the aforementioned effects, has been presented for the purposes of comparison and elaborated using the same accounting policies applied in the elaboration of the financial statements of 31 December 2010 (Note N°. 2.2).

III. Cash and cash equivalents

	Parent Company			
	12/31/2010	12/31/2009	1/1/2009	2010 Average
CASH AND BANKS				
Brazilian currency				20.00% of CDI
Itaú BBA	16,265	10,009	3,128	N/A
Others	1,276	1,006	1,761	
	17,541	11,015	4,889	
Foreign currency				N/A
Citibank	6	1,593	246	N/A
JP Morgan	34	55	1,268	N/A
Others	14	–	–	
	54	1,648	1,514	
Total cash and banks	17,595	12,663	6,403	
FINANCIAL INVESTMENTS				
Brazilian currency				100.9% of CDI
Certificate of Deposit ^(c)	64,404	93,436	–	
Foreign currency (North American dollars)				
Funds ^(b)				–
Goldman Sachs Liquidity Reserves	–	825	–	0.25%
Legg Mason Western Asset	67,869	152,440	–	–
JP Morgan USD Liquidity – Fund	–	155,602	425,915	
	67,869	308,867	425,915	
Certificate of Deposit / Export Notes				0.75%
Itaú BBA (Nassau)	67,201	35,007	–	0.50% + USD
Santander / Citibank (Brasil)	8,835	56,206	–	
	76,036	91,213	–	0.43%
Commercial Paper ^(a)	56,882	–	–	
Total foreign currency	200,787	400,080	425,915	
Total financial investments	265,191	493,516	425,915	
Total cash and cash equivalents	282,786	506,179	432,318	

All investments, according to Company policy, are made with institutions that are classified as low risk by the 3 main credit rating agencies – S&P, Moody's e Fitch.

The Company accounts for its investments by their fair value or their historical cost, which is close to their fair value.

	Consolidated			
	12/31/2010	12/31/2009	1/1/2009	2010 Average
CASH AND BANKS				
Brazilian currency				
Itaú BBA	16,565	17,075	4,638	20.00% of CDI
Others	2,114	2,068	2,390	N/A
	18,679	19,143	7,028	
Foreign currency				
Citibank	449	2,463	1,565	N/A
JP Morgan	243	278	1,572	N/A
Others	14	–	17	N/A
	706	2,741	3,154	
Total cash and banks	19,385	21,884	10,182	
FINANCIAL INVESTMENTS				
Brazilian currency				
Certificate of Deposit ^(c)	95,159	94,145	2,827	100.9% of CDI
Foreign currency (North American dollars)				
Funds ^(b)				
Goldman Sachs Liquidity Reserves	–	825	–	–
Legg Mason Western Asset	67,869	152,440	–	0.25%
JP Morgan USD Liquidity – Fund	6,098	161,965	428,602	0.19%
	73,967	315,230	428,602	
Certificate of Deposit / Export Notes				
Itaú BBA (Nassau)	67,201	35,007	–	0.75%
Santander / Citibank (Brasil)	19,063	80,430	25,104	0.46% + USD
	86,264	115,437	25,104	
Commercial Paper ^(a)	56,882	–	–	0.43%
Total foreign currency	217,113	430,667	453,706	
Total financial investments	312,272	524,812	456,533	
Total cash and cash equivalents	331,657	546,696	466,715	

(a) Corresponding to investment-grade bonds, issued by corporations and governments. The rates listed refer to those practiced at the moment of investment.

(b) Investment funds consisting mainly of financial instruments such as Fixed Income Securities, American Treasury Bonds and Corporate Bonds, among others. All funds have daily liquidity.

(c) Operations with a buy-back commitment by the respective financial institutions that ensure immediate liquidity.

IV. Bonds and securities

	Parent Company			
	12/31/2010	12/31/2009	1/1/2009	2010 Average
MATURITY > 90 DAYS FROM THE DATE OF INVESTMENT				
Bonds and securities				
Foreign currency (North American dollars)				
Funds ^(b)				
Goldman Sachs USD Libor Tracker 3 M	58,335	–	–	0.45%
Corporate Bonds ^(a)	136,029	46,230	–	1.16%
Sovereign Bonds ^(a)	65,302	14,341	–	1.37%
Commercial Paper ^(a)	13,322	–	–	0.53%
Certificate of Deposit / Export Notes				
Santander (Brasil)	–	17,491	–	–
Total bonds and securities	272,988	78,062	–	

	Consolidated			
	12/31/2010	12/31/2009	1/1/2009	2010 Average
MATURITY > 90 DAYS FROM THE DATE OF INVESTMENT				
Bonds and securities				
Foreign currency (North American dollars)				
Funds ^(b)				
Goldman Sachs USD Libor Tracker 3 M	58,335	–	–	0.45%
Corporate Bonds ^(a)	136,029	46,230	–	1.16%
Sovereign Bonds ^(a)	65,302	14,341	–	1.37%
Commercial Paper ^(a)	13,322	–	–	0.53%
Certificate of Deposit / Export Notes				
Santander (Brasil)	–	17,491	–	–
Total bonds and securities	272,988	78,062	–	

(a) Corresponding to investment-grade bonds, issued by corporations and governments. The rates listed refer to those practiced at the moment of investment.

(b) Investment funds consisting mainly of financial instruments such as Fixed Income Securities, American Treasury Bonds and Corporate Bonds, among others. All funds have daily liquidity.

All investments, according to Company policy, are made with institutions that are classified as low risk by the 3 main credit rating agencies – S&P, Moody's e Fitch.

The Company accounts for its investments by their fair value or their historical cost, which is close to their fair value.

V. Clients

	Parent Company			Consolidated		
	12/31/2010	12/31/2009	1/1/2009	12/31/2010	12/31/2009	1/1/2009
DOMESTIC MARKET						
Third-parties	116,908	311,154	124,075	150,863	337,662	143,651
Business partners (Note 12)	4,570	3,423	6,247	2,661	1,807	3,225
Provision for doubtful debts	(872)	(3,207)	(3,965)	(872)	(3,667)	(4,224)
Subtotal	120,606	311,370	126,357	152,652	335,802	142,652
DOMESTIC MARKET						
Third-parties	8,400	77,359	248,945	8,464	77,402	248,978
Business partners (Note 12)	31,026	1,940	1,855	29,894	758	125
Provision for doubtful debts	(28)	(46)	(5,294)	(78)	(78)	(5,306)
Subtotal	39,398	79,253	245,506	38,280	78,082	243,797
Other credits	4,565	2,669	2,814	6,731	4,945	5,863
Provision for doubtful debts	(2,130)	(2,131)	(2,131)	(4,295)	(4,392)	(5,168)
Subtotal	2,435	538	683	2,436	553	695
Total	162,439	391,161	372,546	193,368	414,437	387,144

The transactions in the provision for impairment of receivables from clients are as follows:

	Parent Company	Consolidated
Balances on 01 January 2009	(11,390)	(14,698)
Reversions / (constituted provisions)	750	472
Reversion related to the Loops Project (registered in the financial income)	4,323	4,386
Write down	12	12
Foreign exchange rate variation	921	1,691
Balances on 31 December 2009	(5,384)	(8,137)
Reversions / (constituted provisions)	1,961	2,400
Write down	124	124
Foreign exchange rate variation	269	368
Balances on 31 December 2009	(3,030)	(5,245)

The fair values of receivables from clients and other accounts are close to their book values on 31 December 2010 and 2009 and on 1 January 2009. The balances of clients on the external market are invariably denominated in North American dollars.

On 31 December 2010, receivables from clients to the value of BRL 49,745 (31 December 2009 – BRL 121,840 and 1 January 2009 – BRL 106,173) in the parent company and BRL 49,771 (31 December 2009 – BRL 130,381 and 1 January 2009 – BRL 126,523) in the consolidated company are overdue but not impaired.

These values are covered within the credit limits authorized by the treasury of the Company for each client. The analysis of the due-by date of these receivables is presented below:

	Parent Company			Consolidated		
	12/31/2010	12/31/2009	1/1/2009	12/31/2010	12/31/2009	1/1/2009
Up to three months	38,647	112,846	90,209	38,667	120,705	109,463
From three to six months	11,098	8,994	15,964	11,104	9,676	17,060
Total	49,745	121,840	106,173	49,771	130,381	126,523

The maximum exposure to credit risks on the date of the financial statements is the book value of each class of the aforementioned receivables. The Company has advances from clients that partially offset this risk.

VI. Inventories

	Parent Company			Consolidated		
	12/31/2010	12/31/2009	1/1/2009	12/31/2010	12/31/2009	1/1/2009
Finished products	146,679	76,463	126,695	144,857	76,203	127,876
Products in program	46,168	12,721	61,603	46,328	12,788	62,001
Raw material	109,672	92,717	255,701	111,264	94,928	262,001
Consumable material	29,117	27,313	24,836	30,775	28,852	26,116
Suppliers advances	45,436	14,652	51,664	43,873	12,572	42,510
Ongoing Imports	13,579	6,221	94,930	13,586	6,227	95,189
Provision for adjustment due to obsolescence/market	(39,185)	(39,361)	(13,059)	(39,633)	(39,588)	(13,220)
Total	351,466	190,726	602,370	351,050	191,982	602,473

The amount of products in stock is directly related to the portfolio of orders.

The transaction of the provision for adjustment for obsolescence/market is detailed as follows, considering that the reversions originate from the sale of material:

	Parent Company		Consolidated	
	Raw material and consumables	Finished product	Raw material and consumables	Finished product
Balances on 01 January 2009	(5,528)	(7,531)	(5,689)	(7,531)
Reversions / (constituted provisions)	(10,299)	(16,003)	(10,365)	(16,003)
Balances on 31 December 2009	(15,827)	(23,534)	(16,054)	(23,534)
Reversions / (constituted provisions)	(1,447)	1,623	(1,667)	1,622
Balances on 31 December 2009	(17,274)	(21,911)	(17,721)	(21,912)
		(39,185)		(39,633)

VII. Indirect recoverable taxes

These are represented mainly by credits and tax advances, with the following composition:

	Parent Company			Consolidated		
	12/31/2010	12/31/2009	1/1/2009	12/31/2010	12/31/2009	1/1/2009
CURRENT						
Value-Added Tax on goods and services – ICMS	41,609	14,492	62,891	42,422	14,992	63,342
Tax on Industrialized Products – IPI	5,996	8,624	1,001	6,156	8,884	1,648
Social Integration Program – PIS and Contribution for the Funding of Social Security – COFINS (recoverable – non-cumulative)	12,807	3,866	36,302	12,807	3,866	36,302
PIS and CONFINS (recoverable – others)	10,939	4,268	13,600	13,380	5,161	13,997
Others	8,125	1,539	23,900	8,135	1,558	23,950
Total	79,476	32,789	137,694	82,900	34,461	139,239
NON CURRENT						
Social Investment Fund – FINSOCIAL (recoverable)	3,980	3,980	2,368	3,980	3,980	2,368
National Institute of Social Security – INSS (recoverable)	–	–	–	14,495	10,766	7,996
ICMS recoverable on fixed asset acquisitions	3,753	3,637	3,079	4,266	4,516	4,294
Total	7,733	7,617	5,447	22,741	19,262	14,658

The Company periodically monitors the evolution of accumulated tax credits, with the purpose of taking advantage of them in the short term and making use of the following:

a) Federal taxes (IPI, PIS and COFINS)

Used to compensate payable values relating to federal taxes on sales and, whenever applicable, income tax and social security contributions on taxable profit.

b) State tax (ICMS)

Used to compensate payable values pertaining to ICMS due on miscellaneous sales and imports. Additionally, by means of a special regime conceded by the State Treasury Authority, it is used to pay suppliers. The Company predicts that these credits will be fully used in its operations over the next 12 months.

VIII. Investments in subsidiaries and associated companies

	Subsidiaries				Associated company		Total
	Confab Montagens Ltda.	Confab Revestimentos Ltda.	Socotherm Brasil S.A.	Confab Trading LLC	TenarisConfab Hastes de Bombeio S.A.	Siat S.A.	
MOVEMENT							
Parent company							
Balances on 01 January 2009	50,469	(5)	25,973	20,961	7,029	83,316	187,743
Capital Equity	16,780	–	9,802	(4,746)	1,948	1,593	25,377
Dividends	–	–	(20,100)	–	–	–	(20,100)
Effect of the conversion to Reais from foreign investments	–	–	–	–	–	(21,199)	(21,199)
Balances on 31 December 2009	67,249	(5)	15,675	16,215	8,977	63,710	171,821
Eliminations	(67,249)	5	(15,675)	(16,215)	–	–	(99,134)
Consolidated company							
Balances on 31 December 2009	–	–	–	–	8,977	63,710	72,687
Parent company							
Balances on 31 December 2009	67,249	(5)	15,675	16,215	8,977	63,710	171,821
Capital Equity	22,666	–	(3,057)	(46)	3,767	(789)	22,541
Dividends	–	–	(4,000)	–	–	–	(4,000)
Effect of the conversion to Reais from foreign investments	–	–	–	(697)	–	(2,519)	(3,216)
Balances on 31 December 2010	89,915	(5)	8,618	15,472	12,744	60,402	187,146
Eliminations	(89,915)	5	(8,618)	(15,472)	–	–	(114,000)
Consolidated company							
Balances on 31 December 2010	–	–	–	–	12,744	60,402	73,146

	Thousands of shares or stocks possessed		Company share in paid in capital – %	Net equity (unsecured liabilities)	Balance of profit not performed	Net profit	Effect in the exchange/ Profit not performed
	Ordinary Shares	Quotas					
On 31 December 2009							
Confab Montagens Ltda. ^(a)	–	10,419	100	67,249	–	16,780	–
Confab Revestimentos Ltda. ^(b)	–	7,103	100	(5)	–	–	–
Socotherm Brasil S.A. ^(d)	932	–	50	32,213	(432)	18,599	502
Tenaris Confab Hastes de Bombeio S.A. ^(c)	1,505	–	49	18,319	–	3,976	–
Confab Trading LLC ^(e)	–	–	100	16,215	–	796	(5,542)
Siat S.A. ^(f)	12,000	–	30	212,363	–	5,309	(21,199)
On 31 December 2010							
Confab Montagens Ltda. ^(a)	–	10,419	100	89,915	–	22,666	–
Confab Revestimentos Ltda. ^(b)	–	7,103	100	(5)	–	–	–
Socotherm Brasil S.A. ^(d)	932	–	50	21,557	(2,161)	(2,656)	(1,729)
Tenaris Confab Hastes de Bombeio S.A. ^(c)	1,505	–	49	26,008	–	7,688	–
Confab Trading LLC ^(e)	–	–	100	15,472	–	(46)	(697)
Siat S.A. ^(f)	12,000	–	30	201,338	–	(2,629)	(2,519)

(a) Revised by independent auditors hired by the Company, its activities consist mainly of the execution of studies in the execution of assembly, installation and maintenance of devices, machinery and/or industrial subsets, manufactured by third-parties.

(b) Non-operational company.

(c) Audited by independent auditors hired by the Company, its main activities are the manufacture and commercialization of pumping rods and other metallic material, equipment, components and accessories, for use by the oil and petrochemical sector.

(d) Audited by other independent auditors, its activities consist mainly of the industrialization, commercialization and provision of services to the internal and external steel pipe and metallic part coating segment in general, and the acquisition and transfer of technology in the anti-corrosive and thermal coating of metallic parts segment.

(e) Revised by independent auditors hired by the Company, it was created with the purpose of commercializing exports. Currently not operational.

(f) Located in Argentina and audited by the same company as the independent auditor hired by the Company, its activities consist mainly of the manufacture of seamed steel pipes for the oil, petrochemical, gas and sanitation industries.

IX. Fixed assets

Parent Company						
	12/31/2010				12/31/2009	1/1/2009
	Annual rate of depreciation %	Cost corrected	Depreciation accumulated	Net	Net	Net
Land	–	7,680	–	7,680	7,680	7,680
Buildings	2 a 4	79,397	(31,387)	48,010	45,891	46,537
Machinery and equipment	10	282,089	(180,212)	101,877	111,999	109,763
Installations	5 a 10	36,282	(15,306)	20,976	16,981	17,658
Computer equipment	20 a 33	13,379	(11,831)	1,548	1,208	2,831
Furniture and utensils	10 a 20	5,008	(3,715)	1,293	1,357	1,474
Vehicles	20	19,062	(15,738)	3,324	3,379	4,110
Replacement parts	–	2,600	–	2,600	2,543	2,716
Fixed assets underway	–	88,037	–	88,037	41,975	22,429
Total		533,534	(258,189)	275,345	233,013	215,198

Consolidated						
	12/31/2010				12/31/2009	1/1/2009
	Annual rate of depreciation %	Cost corrected	Depreciation accumulated	Net	Net	Net
Land	–	7,680	–	7,680	7,680	7,680
Buildings	2 a 4	84,237	(33,257)	50,980	48,750	49,306
Machinery and equipment	10	298,533	(190,012)	108,521	119,051	117,925
Installations	5 a 10	39,327	(16,742)	22,585	18,530	19,304
Computer equipment	20 a 33	13,638	(12,060)	1,578	1,229	2,859
Furniture and utensils	10 a 20	5,097	(3,778)	1,319	1,384	1,507
Vehicles	20	21,672	(17,557)	4,115	4,279	4,807
Replacement parts	–	2,619	–	2,619	2,563	2,738
Fixed assets underway	–	88,400	–	88,400	42,175	22,766
Total		561,203	(273,406)	287,797	245,641	228,892

Transactions pertaining to fixed assets in the periods is as follows:

	Parent Company		Consolidated	
	12/31/2010	12/31/2009	12/31/2010	12/31/2009
Balance at the beginning of the period	233,013	215,198	245,641	228,892
ADDITIONS				
Buildings	4,814	1,894	4,900	2,243
Machinery and equipment	11,222	24,144	11,563	24,482
Installations	6,384	1,571	6,557	1,686
Computer equipment	2,381	192	2,400	196
Furniture and utensils	408	268	414	270
Vehicles	1,373	584	1,627	1,061
Fixed assets underway (net of transfers from concluded projects) (i)	46,184	19,547	46,347	19,409
Total of additions	72,766	48,200	73,808	49,347
Replacement parts	58	(173)	55	(175)
Net write-downs	(165)	(48)	(177)	(48)
Depreciations	(30,327)	(30,164)	(31,530)	(32,375)
Balances at the end of the period	275,345	233,013	287,797	245,641

(i) The balances pertaining to fixed assets underway pertain basically to expenses with the expansion and modernization that is being carried out by the Company – Pipes Business and Equipment Business.

As mentioned in Note 16 on 31 December 2010, the Company has assets as collateral for certain judicial proceedings underway, to the amount of BRL 12,103 (31 December 2009 – R\$12,980).

The amounts of BRL 26,348 in the parent company and BRL 27,551 in the consolidated company (2009 – BRL 27,268 and BRL 29,479, respectively) pertaining to expenses with depreciation, have been acknowledged in the income under “Costs of products sold”. The

amounts of BRL 3,979 in the parent company and in the consolidated company (2009 – BRL 2,896) are registered under “General and administrative expenses”.

X. Intangible

Parent Company						
	12/31/2010				12/31/2009	1/1/2009
	Annual amortization rate %	Corrected cost	Accumulated amortization	Net	Net	Net
Software use licenses	20 a 33	29,845	(27,432)	2,413	1,875	3,051
Others	–	20	(20)	–	–	–
Total		29,865	(27,452)	2,413	1,875	3,051

Consolidated						
	12/31/2010				12/31/2009	1/1/2009
	Annual amortization rate %	Corrected cost	Accumulated amortization	Net	Net	Net
Software use licenses	20 a 33	29,966	(27,553)	2,413	1,875	3,088
Others	–	29	(29)	–	–	–
Total		29,995	(27,582)	2,413	1,875	3,088

The movement of the intangible in the periods is detailed as followed:

	Parent Company		Consolidated	
	12/31/2010	12/31/2009	12/31/2010	12/31/2009
Balance at the beginning of the period	1,875	3,051	1,875	3,088
ADDITIONS				
Software end-user licenses	666	1,026	666	989
Amortizations	(128)	(2,202)	(128)	(2,202)
Balances at the end of the period	2,413	1,875	2,413	1,875

XI. Suppliers

	Parent Company			Consolidated		
	12/31/2010	12/31/2009	1/1/2009	12/31/2010	12/31/2009	1/1/2009
DOMESTIC MARKET						
Third-parties	72,875	51,645	107,919	75,723	53,640	112,879
Business Partners (Note 12)	3,620	12,058	52,123	1,883	6,058	26,286
Subtotal	76,495	63,703	160,042	77,606	59,698	139,165
DOMESTIC MARKET						
Third-parties	1,853	838	6,087	2,046	907	6,741
Related parties (Note 12)	48,127	39,713	53,246	29,831	20,593	27,583
Subtotal	49,980	40,551	59,333	31,877	21,500	34,324
Total	126,475	104,254	219,375	109,483	81,198	173,489

The balances of suppliers on the external market are invariably denominated in United States dollars.

XII. Transactions with related parties

EQUITY ACCOUNTS	Parent Company			Consolidated		
	12/31/2010	12/31/2009	1/1/2009	12/31/2010	12/31/2009	1/1/2009
CURRENT ASSETS – CLIENTS						
INTERNAL MARKET – BILLED						
Confab Montagens Ltda.	196	–	–	–	–	–
Exiros.BR Ltda.	2	4	3	2	4	3
Socotherm Brasil S.A. ^(a)	2,676	2,628	2,871	1,338	1,314	1,435
Techint Engenharia e Construção S.A.	28	–	–	28	–	–
Tenaris Confab Hastes de Bombeio S.A.	71	105	179	71	105	179
Ternium Brasil S.A.	395	–	–	395	–	–
	3,368	2,737	3,053	1,834	1,423	1,617
INTERNAL MARKET – TO BE BILLED						
Exiros.BR Ltda.	56	9	27	56	9	27
Confab Revestimentos Ltda.	16	16	16	–	–	–
Socotherm Brasil S.A.	796	569	3,140	398	283	1,570
Techint Engenharia e Construção S.A.	112	–	–	123	–	–
Tenaris Confab Hastes de Bombeio S.A.	88	92	11	88	92	11
Ternium Brasil S.A.	134	–	–	162	–	–
	1,202	686	3,194	827	384	1,608
Total internal market	4,570	3,423	6,247	2,661	1,807	3,225
EXTERNAL MARKET – BILLED						
Confab Trading N.V.	1,076	1,182	1,730	–	–	–
Dalmine S.p.A.	81	–	–	81	–	–
Information System & Technology S.A.	–	2	2	–	2	2
Siat S.A.	514	315	70	514	315	70
Siderca S.A.I.C.	–	75	–	–	75	–
Socominter S.A.	–	–	3	–	–	3
Techint Compañía Técnica Internacional S.A.C.I.	102	–	50	102	–	50
Tenaris Global Services (USA) Corporation	377	–	–	377	–	–
Tenaris Global Services Nigeria Ltd.	693	–	–	693	–	–
Tenaris Global Services Peru S.A.C.	–	351	–	–	351	–
Tenaris Global Services S.A.	26	–	–	26	–	–
Tenaris Ingeniería Argentina S.A.	2	–	–	2	–	–
Transportadora de Gás del Peru S.A. ^(b)	27,934	(42)	–	27,934	(42)	–
Tubos del Caribe Ltda.	–	57	–	–	57	–
	30,805	1,940	1,855	29,729	758	125

EQUITY ACCOUNTS	Parent Company			Consolidated		
	12/31/2010	12/31/2009	1/1/2009	12/31/2010	12/31/2009	1/1/2009
CURRENT ASSETS – CLIENTS						
EXTERNAL MARKET – TO BE BILLED						
Confab Trading N.V.	56	–	–	–	–	–
Tenaris Global Services Nigeria Ltd.	165	–	–	165	–	–
	221	–	–	165	–	–
Total external market	31,026	1,940	1,855	29,894	758	125
Total of clients	35,596	5,363	8,102	32,555	2,565	3,350
STOCKS (ADVANCE TO SUPPLIERS)						
Siat S.A.	–	–	19,157	–	–	19,157
Socotherm Brasil S.A. ^(c)	3,427	4,260	19,049	1,713	2,130	9,524
	3,427	4,260	38,206	1,713	2,130	28,681
RECEIVABLE DIVIDENDS						
Siat S.A.	–	–	5,350	–	–	2,675
NON-CURRENT ASSETS						
REALIZABLE LONG TERM (LOANS)						
Socotherm Brasil S.A. ^(d)	3,583	–	–	1,791	–	–
Tenaris Confab Hastes de Bombeio S.A. ^(e)	8,288	16,451	12,320	8,288	16,451	12,320
	11,871	16,451	12,320	10,079	16,451	12,320
Total	50,894	26,074	63,978	44,347	21,146	47,026

EQUITY ACCOUNTS	Parent Company			Consolidated		
	12/31/2010	12/31/2009	1/1/2009	12/31/2010	12/31/2009	1/1/2009
CURRENT LIABILITIES – SUPPLIERS						
INTERNAL MARKET – BILLED						
Confab Montagens Ltda.						
Socotherm Brasil S.A. ^(f)	114	16	27	–	–	–
Techint Engenharia e Construção S.A.	3,075	11,968	51,620	1,536	5,984	25,810
Tenaar Confab Hastes de Bombeio S.A.	14	–	–	14	–	–
	–	7	–	–	7	–
INTERNAL MARKET – PROVISIONS	3,203	11,991	51,647	1,550	5,991	25,810
Confab Montagens Ltda.						
Exiros.BR Ltda.	4	–	–	–	–	–
Socotherm Brasil S.A.	206	9	450	218	9	450
Techint Engenharia e Construção S.A.	183	–	–	91	–	–
Tenaar Confab Hastes de Bombeio S.A.	24	56	26	24	56	26
	–	2	–	–	2	–
Total internal market	417	67	476	333	67	476
	3,620	12,058	52,123	1,883	6,058	26,286
EXTERNAL MARKET – BILLED						
Confab Trading N.V.						
Dalmine S.p.A.	17,440	19,155	24,461	–	–	–
Hydril Company	276	310	400	276	310	400
Siat S.A.	487	–	–	487	–	–
Siderar S.A.I.C.	419	7	353	454	42	399
Siderca S.A.I.C. ^(g)	–	1	1	–	1	1
Techint Eng. Company Inc. Suc. B. Aires	3,171	27	28	3,171	27	28
Techint Engineering Holding S.A.	–	–	19	–	–	19
Tenaar Global Services LLC	4	5	6	4	5	6
Tenaar Global Services S.A. ^(h)	696	727	1,766	696	727	1,766
Tubos de Acero de México S.A.	5,616	8,150	3,931	5,616	8,150	3,931
	53	–	–	53	–	–
	28,162	28,382	30,965	10,757	9,262	6,550

EQUITY ACCOUNTS	Parent Company			Consolidated		
	12/31/2010	12/31/2009	1/1/2009	12/31/2010	12/31/2009	1/1/2009
CURRENT LIABILITIES – SUPPLIERS						
EXTERNAL MARKET – PROVISIONS						
Confab Trading N.V.	891	–	1,248	–	–	–
Dalmine S.p.A.	1,018	95	124	1,018	95	124
Exiros S.A.	–	143	140	–	143	140
Hydril Company	995	533	–	995	533	–
Maverick Tube LLC	–	19	–	–	19	–
Siat S.A.	3,443	5	550	3,443	5	550
Siderca S.A.I.C.	2,470	3,119	6,972	2,470	3,119	6,972
Techint Eng. Company Inc. Suc. B. Aires	32	16	29	32	16	29
Techint Eng. Tech. Commercial Serv. LLC	–	1	1	–	1	1
Tenaris Connection BV	3,174	1,232	–	3,174	1,232	–
Tubos de Acero de México S.A.	527	128	29	527	128	29
Tenaris Ingenieria S.A.	77	–	–	77	–	–
Tenaris Global Services S.A.	7,338	6,040	13,188	7,338	6,040	13,188
	19,965	11,331	22,281	19,074	11,331	21,033
Total external market	48,127	39,713	53,246	29,831	20,593	27,583
Total of suppliers	51,747	51,771	105,369	31,714	26,651	53,869
ADVANCES FROM CLIENTS						
Tenaris Global Services (USA) Corporation	–	–	–	–	358	481
DIVIDENDS PAYABLE						
Siderca S.A.I.C.	6,317	8,264	35,821	6,317	8,264	35,821
Total	58,064	60,035	141,190	38,031	35,273	90,171

The main credit and obligation values pertaining to operations with business partners are as follows:

- (a) Balance receivable to the value of BRL 2,676 pertaining to unguaranteed commercial operations, with the following due-by dates: BRL 449 in January/2011 and BRL 2,227 in December/2011.
- (b) Balance receivable to the value of BRL 27,934 pertaining to unguaranteed commercial operations, receivable in February/2011.
- (c) Advance to the value of BRL 3,427 conceded through coating service of pipes produced by the Company that are to be coated by Socotherm com with the following due-by dates: BRL 412 in January/2011 to February/2011, and BRL 3,015 from February/2011 to June/2011.
- (d) Balance receivable of BRL 3,583 pertaining to a loan conceded, compensated by the variation of the SELIC rate, due-by February/2011.
- (e) Balance receivable of BRL 8,288 pertaining to a loan conceded, compensated by the variation of the SELIC rate, due-by March/2012.
- (f) Balance payable to the value of BRL 3.075 pertaining to unguaranteed commercial operations, due-by January/2011.
- (g) Balance payable to the value of BRL 3.171 pertaining to unguaranteed commercial operations, due-by January/2011.
- (h) Balance payable to the value of BRL 5,616 pertaining to unguaranteed commercial operations, due-by January/2011.

END ACCOUNTS	Parent Company		Consolidated	
	2010	2009	2010	2009
SALES OF PRODUCTS AND SERVICES				
Confab Montagens Ltda.				
Exiros.BR Ltda.	834	89	–	–
Dalmine S.p.A.	81	152	81	152
Socotherm Brasil S.A.	430	(2)	430	(2)
Siat S.A.	2,459	5,863	1,230	2,931
Siderca S.A.I.C.	2,079	1,293	2,079	1,293
Techint Engenharia e Construção S.A.	288	1,561	288	1,561
Techint Compañía Técnica Internacional S.A.C.I.	47	39	47	39
Tenaris Confab Hastes de Bombeio S.A.	107	–	107	–
Tenaris Global Services Nigéria Ltd.	786	863	786	863
Tenaris Global Services Peru S.A.C.	1,645	1,364	1,645	1,364
Tenaris Global Services S.A.	–	360	–	360
Tenaris Ingenieria S.A.	4,287	20,551	4,287	20,551
Tenaris Global Services (USA) Corporation	46	–	46	–
Ternium Brasil S.A.	8,949	–	8,949	–
Transportadora de Gás del Peru S.A.	533	–	533	–
Tubos del Caribe Ltda.	131,707	91,138	131,707	91,138
	–	57	–	57
INTERESTS ON LOANS (ASSET)	154,278	123,328	152,215	120,307
Socotherm Brasil S.A.				
Tenaris Confab Hastes de Bombeio S.A.	135	–	67	–
	1,138	1,362	1,138	1,362
RENTAL INCOME	1,273	1,362	1,205	1,362
Socotherm Brasil S.A.				
Tenaris Confab Hastes de Bombeio S.A.	739	714	370	357
	436	425	436	425
Total	1,175	1,139	806	782
	156,726	125,829	154,226	122,451

END ACCOUNTS	Parent Company		Consolidated	
COSTS AND/OR EXPENSES	12/31/2010	12/31/2009	12/31/2010	12/31/2009
Confab Montagens Ltda.				
Dalmine S.p.A.	(1,326)	(3,532)	–	–
Exiros.BR Ltda.	(11,876)	(2,159)	(11,876)	(2,159)
Exiros S.A.	(8,110)	(7,508)	(8,110)	(7,508)
Hydril Company	–	(1,237)	–	(1,237)
Maverick Tube LLC	(1,757)	(431)	(1,757)	(431)
Siat S.A.	(353)	(1,451)	(353)	(1,451)
Siderca S.A.I.C.	(5,089)	(40,819)	(5,089)	(40,819)
Socotherm Brasil S.A.	(9,112)	(6,484)	(9,112)	(6,484)
Tubos de Acero de México S.A.	(36,434)	(95,504)	(18,217)	(47,752)
Techint Eng. Tech. Commercial Serv. LLC	(769)	(2,543)	(769)	(2,543)
Techint Compagnia Técnica Internazionale S.p.A.	(3)	–	(3)	–
Techint Engenharia e Construção S.A.	(2)	(7)	(2)	(7)
Techint Eng. Company Inc. Suc. B. Aires	(258)	(166)	(258)	(166)
Tenaris Connection BV	(78)	(101)	(78)	(101)
Tenaris Confab Hastes de Bombeio S.A.	(2,088)	–	(2,088)	–
Tenaris Global Services (USA) Corporation	–	(76)	–	(76)
Tenaris Global Services (UK) Ltd.	(297)	(44)	(297)	(44)
Tenaris Global Services S.A.	(3)	(107)	(3)	(107)
Tenaris Ingenieria S.A.	(7,043)	(21,949)	(7,043)	(21,949)
Ternium Brasil S.A.	(627)	–	(627)	–
	(6)	–	(6)	–
	(85,231)	(184,118)	(65,688)	(132,834)

Compensation of key management personnel

The key management personnel includes directors appointed pursuant to the corporate by-laws and board members, and their compensation is as follows:

	Parent Company e Consolidated	
	2010	2009
INCOME STATEMENT		
Directors' fees	5,732	5,040
Board members' fees	782	702
Payroll charges	1,544	1,301
Post-employment benefits (defined contribution plan)	205	188
Short term benefits	283	316
	8,546	7,547

XIII. Borrowings

A. BREAKDOWN OF AMOUNTS PAYABLE

Type	Indexer	Annual interest rates	Parent Company / Consolidated		
			12/31/2010	12/31/2009	1/1/2009
BRAZILIAN CURRENCY					
Banco Nacional de Desenvolvimento Econômico e Social – BNDES					
Investments	TJLP	+4,25%	–	–	19,485
Investments	UMBND	+4,25%	–	–	7,151
Pre-export	–	4,5%	92,246	92,246	–
Total			92,246	92,246	26,636
Current			(506)	(506)	(12,550)
Non-Current			91,740	91,740	14,086

B. MATURITY AND GUARANTEES

The loan in effect on 31 December 2010 (Pre-export) is due in 2012 has no guarantee or a financial covenant clause.

C. FAIR VALUE

The book values of non-current loans are close to their fair values on 31 December 2010 and 2009 and on 1 January 2009.

XIV. Customers advances

The balances of BRL 53,991 (BRL 72,880 on 31 December 2009 and BRL 367,679 on 1 January 2009) in the parent company and BRL 56,330 (BRL 76,910 on 31 December 2009 and BRL 372,771 on 1 January 2009) in the consolidated company pertain to investments from clients for the production of goods or the provision of services. Of these balances, a substantial part pertains to advances received for the production of the Sul Norte Capixaba Project, in the Pipes segment, and Angra III, in the Equipment segment, both in the internal market.

This liability is represented by the contractual obligation to produce these goods or provide services and, in the event these do not come to pass, the return of the amounts received.

XV. Special installments plan – Law 11,941/09

On 26 November 2009, the Company adhered to the Special Installments Plan covered by Law 11,941/09, benefiting from the payment renegotiation of taxes and social security contributions with a reduction in interest and fines and monetary correction calculated based on the SELIC rate, which included the old Special Installment Program (PAES), signed on 31 July 2003.

This installment program mainly covers fiscal debts pertaining to income tax, social security contributions and COFINS and includes payment in 34 monthly installments, calculated based on the minimum installment equivalent to 85% of the value of the last installment owed in the previous installment program, which have been paid since November 2009. The benefit to the Company with the reductions in interest (30%) and fines (70%) was BRL 2,686, registered under “other operational revenue” in the income of the fiscal year ending 31 December 2009.

In order to maintain the agreed upon terms of payment, the installments must be paid regularly and on time. The long-term installments are due in 2012.

XVI. Provision for contingencies

The Company and its subsidiaries are plaintiffs in judicial proceedings in the labor, tax and civil courts, and these proceedings involve contingent responsibilities. The proceedings are currently in the administrative defense phase and in progress in the courts.

Based on the opinion of its legal advisors, the Board of the Company and its subsidiaries maintain provisions for contingencies in amounts considered sufficient to cover any losses that may result from unfavorable outcomes, detailed as follows:

	Parent Company			Consolidated		
	12/31/2010	12/31/2009	1/1/2009	12/31/2010	12/31/2009	1/1/2009
Labor	57,906	52,170	46,087	63,819	57,676	50,619
Labor – Rio de Janeiro Refrescos S.A.	2,100	2,840	4,257	2,100	2,840	4,257
Tax	7,084	9,184	9,526	7,266	9,248	9,590
Tax – Rio de Janeiro Refrescos S.A.	3,128	2,851	2,754	3,128	2,851	2,754
Civil	19,079	7,505	8,644	19,079	7,505	8,644
Total	89,297	74,550	71,268	95,392	80,120	75,864

The main contingencies are detailed as follows:

Labor

These pertain to several claims brought against the Company and its ex-subsidiary Rio de Janeiro Refrescos S.A., which have been provisioned based on an estimate of loss classified as probable by the legal advisors.

Tax

These pertain to tax deficiency notices drafted against the Company and its ex-subsidiary, Rio de Janeiro Refrescos S.A., mainly with regards to indirect taxes.

Civil

These pertain mostly to compensatory proceedings brought against the Company, classified as probable losses.

The provision transaction is detailed as follows:

	Parent Company	Consolidated
Balances on 01 January 2009	71,268	75,864
Constituted provisions	10,107	11,622
Reversions	(2,307)	(2,307)
Compensation with receivable values – Rio de Janeiro Refrescos S.A.	(1,900)	(1,900)
Compensation with receivable values – Belmeq	(123)	(123)
Payments	(2,495)	(3,036)
Balances on 31 December 2009	74,550	80,120
Constituted provisions	21,896	23,060
Reversions	(3,269)	(3,269)
Compensation with receivable values – Rio de Janeiro Refrescos S.A.	(1,071)	(1,071)
Payments	(2,809)	(3,448)
Balances on 31 December 2009	89,297	95,392

The Company maintained the liability contingencies under its responsibility from the period of its administration of the ex-subsiary Rio de Janeiro Refrescos S.A., sold in 1994. Additionally, as a result of the aforementioned agreement, the assets of the equipment manufacturing unit were mortgaged at a net book value of BRL 11,170.

On 31 December 2010, the Company also had judicial proceedings to the amount of BRL 230,908 (BRL 182,200 on 31 December 2009) evaluated by the legal advisors as possible losses, with subsidiaries, and BRL 231,523 (BRL 186,900 on 31 December 2009) with the consolidated company, mainly pertaining to tax-related issues. Of these proceedings, the amount of BRL 14,436 (BRL 13,228 on 31 December 2009) pertains to the company Rio de Janeiro Refrescos S.A. Based on the evaluations of the legal advisors

and an analysis made by the Board, no provision was constituted for these contingencies.

On the other hand, on 31 December 2010, there were proceedings underway with probable perspectives for success, worth the consolidated amount of BRL 80,139 (BRL 83,888 on 31 December 2009), net of legal fees, which are acknowledged as the respective judicial rulings are handed down.

Declarations of income for the last five fiscal years and the taxes and contributions for variable prescription periods are subject to review by the proper authorities. However, the Company Board is of the opinion that all taxes have been paid or suitably provisioned and, on 31 December 2010, no significant contingencies against the Company were known.

XVII. Shareholders' equity

A. Share capital

The corporate by-laws authorize the increase of capital up to the total limit of 534,114,503 shares, considering the proportionality between the existing classes of shares, and the Board of Directors is the proper entity to determine the applicable conditions for the issue of shares, based on amortized capital, and also the applicability or otherwise of the right of preference of the current shareholders, under the terms of article 172 of Law N^o. 10,303/01.

The subscribed and paid-in capital on 31 December 2010 presents the following share structure:

SHAREHOLDERS	Quantity of Ordinary Shares	%	Quantity of Preferred Shares	%	Total Amount	%
Parent Companies (foreign capital)	166,145,620	99.22	–	–	166,145,620	40.44
Management						
Board of Directors	146,965	0.09	23,070,000	9.48	23,216,965	5.65
Executive Officers	786,172	0.47	7,409,689	3.04	8,195,861	1.99
Audit Council	–	–	696,853	0.29	696,853	0.17
Others shareholders	368,682	0.22	210,516,029	86.48	210,884,711	51.33
Treasury shares	–	–	1,717,300	0.71	1,717,300	0.42
Total	167,447,439	100.00	243,409,871	100.00	410,857,310	100.00

At the Ordinary and Extraordinary Shareholder Meeting held in April 2010, an increase in the share capital from BRL 602,419 to BRL 658,419 was approved, upon the use of BRL 56,000 of the balance of the item “reserve for increase of capital”, with the issue of 11,190,666 new shares, including 4,560,825 common shares and 6,629,841 preferred shares, given as a bonus to shareholders.

Share composition on 31 December 2009:

SHAREHOLDERS	Quantity of Ordinary Shares	%	Quantity of Preferred Shares	%	Total Amount	%
Parent Companys (foreign capital)	161,620,253	99.22	–	–	161,620,253	40.15
Management						
Board of directors	142,963	0.09	22,440,000	9.36	22,582,963	5.61
Executive Officers	764,759	0.47	7,207,869	3.01	7,972,628	1.98
Audit Council	–	–	674,119	0.28	674,119	0.17
Others shareholders	358,639	0.22	206,458,042	86.14	206,816,681	51.37
Treasury shares	–	–	2,889,480	1.21	2,889,480	0.72
Total	162,886,614	100.00	239,669,510	100.00	402,556,124	100.00

At the Ordinary and Extraordinary Shareholder Meeting held in April 2009, an increase in the share capital from BRL 431,419 to BRL 602,419 was approved, upon the use of BRL 171,000 of the balance of the item “reserve for increase

of capital”, with the issue of 43,771,700 new shares, including 17,711,379 common shares and 26,060,321 preferred shares, given as a bonus to shareholders.

Share composition on 1 January 2009:

SHAREHOLDERS	Quantity of Ordinary Shares	%	Quantity of Preferred Shares	%	Total Amount	%
Parent Companys (foreign capital)	144,046,572	99.22	–	–	144,046,572	38.99
Management						
Board of directors	127,420	0.09	20,375,000	9.08	20,502,420	5.55
Executive Officers	681,604	0.47	6,424,126	2.86	7,105,730	1.92
Audit Council	–	–	600,820	0.27	600,820	0.16
Others shareholders	319,639	0.22	188,631,843	84.10	188,951,482	51.14
Treasury shares	–	–	8,277,400	3.69	8,277,400	2.24
Total	145,175,235	100.00	224,309,189	100.00	369,484,424	100.00

B. Legal reserve

Constituted as 5% of net profit ascertained in each financial year under the terms of article 193 of Law N°. 6,404/76.

C. Reserve for capital increase

As mentioned previously, BRL 56,000 of this reserve was used for an increase in the share capital. Additionally, at the Ordinary and Extraordinary Shareholder Meeting to be held on 26 April 2011, the increase in share capital from BRL 658,419 to BRL 673,819, upon the use of BRL 15,400 of the balance of the item “reserve for capital increase”, which must be fully used for the new capital increase.

D. Reserve for profit retention

Considering that the generation of own resources constitutes its main source of financing and faced with the business perspectives and the Company's investment plan, the retention of the remaining balance of accumulated profits was approved at the Ordinary and Extraordinary Shareholder Meeting held on 26 April 2010, according to a capital budget proposal from the board members.

E. Policy for the distribution of dividends and Interest on Own Capital

The preferred shares, which do not have voting rights, have priority of capital reimbursement in the event the Company goes into receivership, as well as the right to receive non-accumulative minimum dividends of 8% per year on the installment of capital corresponding to their class, or, also observing the proportionality of their participation in the capital, 25% of the net adjusted profit, whichever of the two is greater, and payable with priority over other types of Company shares. After payment of dividends

on preferred shares, equal participation in the distribution is guaranteed to common shares.

Based on this legal provision, the Company has declared interest on own equity to the total gross amount of BRL 62,799, pertaining to the fiscal year of 2010. The calculation of these dividends/ interest on own equity for the fiscal years ending 31 December 2010 and 2009 is presented as follows:

	Net profit		Capital	
	2010	2009	2010	2009
Percentage	25%	25%	8%	8%
Net profit for the fiscal year	95,582	205,543	–	–
Share capital	–	–	658,419	602,419
Legal reserve (5%)	(4,779)	(10,277)	–	–
Calculation base	90,803	195,266	658,419	602,419
Minimum declarable dividend	22,701	48,816	52,674	48,194
Advanced interest on share capital anticipated during the fiscal year	–	73,608	62,799	–
Proposed dividends	–	–	–	–
Gross total of the interest on own equity and declared dividends	–	73,608	62,799	–
Withholding Tax – IRRF	–	(11,041)	(9,419)	–
Net total of the interest on own equity and declared dividends	–	62,567	53,380	–

F. Share buy-back program

At the Ordinary and Extraordinary Shareholder Meeting, held on 26 April 2010, the cancellation of preferred shares held by the treasury, and acquired for the average price of BRL 4.10, was approved, following the buy-back plan begun in February 2009 and ending February 2010.

Additionally, the Board of Directors approved a new buy-back program for preferred shares issued by the Company at a meeting held on 23 February 2010, for the purposes of keeping them in the treasury, for later divestment or cancellation, without any reduction in the share capital. The program is limited to the acquisition of up to 11,839,000 preferred shares (5% of the shares of the class) and will be valid for the timeframe of 1 year, counting from 1 March 2010. Since the beginning of this new program, 1,717,300 preferred shares were acquired for the average

price of BRL 4.24 per share, with the minimum and maximum values paid at BRL 3.98 and BRL 4.50, respectively. The market value per share on 31 December 2010 was BRL 6.10.

The total value of acquisitions under this new program up to 31 December 2010 was BRL 7,290, with the debit being registered in the profit retention reserve account in the stockholders' equity.

G. Adjustments in equity evaluation

The components of this group include:

- earnings and losses derived from the conversion of the accounting statements abroad of the associated company Siat S.A. and the subsidiary Confab Trading N.V, whose functional currency is the North American dollar;
- whenever applicable, the adjustment pertaining to the effective installment of earnings or losses of *hedge* instruments into cash flow *hedge*.

XVIII. Income tax and social contribution

A. Deferred

The registered deferred fiscal credits resulting from temporary differences, pertaining to Company and its subsidiaries, whose composition is detailed as follows:

	12/31/2010		12/31/2009		1/1/2009
	Non-Current	Transactions in the income of the period debit (credit)	Non-Current	Transactions in the income of the period debit (credit)	Non-Current
DEFERRED FISCAL ASSET					
Judicially disputed taxes	675	–	675	–	675
Provision for doubtful credits and other receivable bonds	779	(801)	1,580	(2,020)	3,600
Provision for contingencies	27,815	5,014	22,801	1,095	21,706
Provision for the adjustment to market value / inventory obsolescence	14,148	(60)	14,208	8,942	5,266
Provision for statutory participation of employees	829	(1,433)	2,259	(2,420)	4,679
Provision for commissions (export)	2,262	(527)	2,789	(3,292)	6,081
Derivatives (*)	1,262	354	442	(6,569)	2,603
Provisions for costs and other credits	13,393	3,567	9,829	(329)	10,158
Parent company total	61,163	6,114	54,583	(4,593)	54,768
Subsidiaries	3,760	926	2,834	(27)	2,861
Consolidated total	64,923	7,040	57,417	(4,620)	57,629
DEFERRED FISCAL LIABILITY					
Derivatives (*)	–	–	–	5,184	(12,463)
Parent company total	–	–	–	5,184	(12,463)
Subsidiaries	–	–	–	86	(86)
Parent and Consolidated company total	–	–	–	5,270	(12,549)

(*) During the fiscal year ending 31 December 2010, BRL 466 pertaining to income tax and social security contributions deferred on hedge accounting (Note 25) was registered directly in the stockholders' equity (BRL 11,688 during the fiscal year ending 31 December 2009).

Deferred income tax and social security contributions the demonstrated asset has the following expectation of realization:

	2 years	3 years	4 years	From 5 years	Total
DEFERRED FISCAL ASSET					
Judicially disputed taxes	–	319	–	356	675
Provision for doubtful credits and other receivable bonds	779	–	–	–	779
Provision for contingencies	1,319	1,055	792	24,649	27,815
Provision for adjustment to market value/obsolescence	14,148	–	–	–	14,148
Provision for statutory participation of employees	829	–	–	–	829
Provision for commission (export)	2,262	–	–	–	2,262
Derivatives	1,262	–	–	–	1,262
Provisions for costs and other credits	13,393	–	–	–	13,393
Parent company total	33,992	1,374	792	25,005	61,163
Subsidiaries	1,757	79	79	1,845	3,760
Consolidated total	35,749	1,453	871	26,850	64,923

B. Conciliation of the income tax and social contribution expenses with results of the direct application of the referred tax rates on profit before taxes

	Parent Company		Consolidated	
	2010	2009	2010	2009
Profit before income tax and social security contributions and after statutory participation of employees	114,624	258,997	125,581	272,102
Nominal combine rate – %	34	34	34	34
Nominal income tax and social security contribution expenses	(38,972)	(88,059)	(42,698)	(92,515)
TAX EFFECT ON PERMANENT DIFFERENCES				
Income of equity accounting	7,664	8,628	1,013	1,204
Interest on Own Equity	21,352	25,027	21,352	25,027
Other permanent additions / exclusions, net	(9,086)	950	(9,666)	(275)
Result of income tax and social security contributions	(19,042)	(53,454)	(29,999)	(66,559)
Income tax and social contributions – current	(25,156)	(54,044)	(37,039)	(67,209)
Income tax and social contributions – deferred	6,114	590	7,040	650
Result of income tax and social security contributions	(19,042)	(53,454)	(29,999)	(66,559)

C. Transitional tax regime

The Transitional Tax Regime (RTT) will be effective until the new law comes into effect that disciplines the fiscal effects of the new accounting methods, with the aim of tax neutrality. The regime is optional in calendar years 2008 and 2009, under the following conditions:

- (i) application in the two-year period 2008-2009, not in a single calendar year;
- and
- (ii) the manifestation of the option in the Declaration of Economic and Financial Information for Corporate Entities (DIPJ).

The Company opted for the adoption of the RTT in 2008. Consequently, for the purposes of ascertaining income tax and social security contributions on net profit, the Company has been using the prerogatives defined in the RTT.

XIX. Revenue

A. Reconciliation of the Company's net operational revenue and the gross taxable revenue

	Parent Company		Consolidated	
	2010	2009	2010	2009
Gross operational revenue	1,065,018	2,503,337	1,214,896	2,629,313
Taxes on sales	(182,213)	(476,720)	(203,182)	(501,840)
Net operational revenue	882,805	2,026,617	1,011,714	2,127,473

B. Net operational revenue per type of product or service

	Parent Company		Consolidated	
	2010	2009	2010	2009
Revenue from the sale of pipes	646,681	1,748,703	646,590	1,758,700
Revenue from the manufacture of equipment	236,124	277,914	236,124	277,914
Revenue from assembly services	—	—	129,000	90,859
Net operational revenue	882,805	2,026,617	1,011,714	2,127,473

XX. Other operational revenue (expenses), net

	Parent Company		Consolidated	
	2010	2009	2010	2009
Earnings on logistics services (MMX project)	2,067	–	2,067	–
Earnings with <i>res judicata</i> in judicial proceedings	604	232	604	232
Revenue from rent	1,143	1,140	840	783
Reversion of the provision for success fees	1,023	–	1,023	–
Earnings with renegotiation of recoverable debts (PAES)	–	2,686	–	2,686
PIS/COFINS acknowledged in expenses	–	2,735	–	2,735
Other revenue (expenses), net	96	(666)	(873)	(684)
Total	4,933	6,127	3,661	5,752

XXI. Financial Revenue (expenses)

	Parent Company		Consolidated	
	2010	2009	2010	2009
FINANCIAL EXPENSES				
Interest on financing	(4,099)	(959)	(4,101)	(897)
Interest on social debts	(1,690)	(622)	(1,786)	(750)
IOF	(832)	(1,594)	(873)	(1,624)
Agreement with future exchange (derivatives)	(5,545)	(65,839)	(5,553)	(66,030)
Commissions and bank expenses	(606)	(2,194)	(676)	(2,257)
Others	(16)	(142)	(29)	(157)
	(12,788)	(71,350)	(13,018)	(71,715)
FINANCIAL REVENUE				
Financial investments	14,509	5,380	15,929	6,097
Interest on loans	1,273	1,362	1,273	1,362
Others	775	11,518	990	11,857
	16,557	18,260	18,192	19,316
Total	3,769	(53,090)	5,174	(52,399)

XXII. Foreign exchange rate variation, net

	Parent Company		Consolidated	
	2010	2009	2010	2009
FOREIGN EXCHANGE RATE VARIATION WITHOUT EQUITY ACCOUNTS				
Active on financial assets	4	–	1	–
Active on financial liabilities	6,876	25,619	6,879	25,781
Liability on financial assets	(32,860)	(137,371)	(32,592)	(150,685)
Liability on financial liabilities	(106)	(147)	(106)	(211)
Total	(26,086)	(111,899)	(25,818)	(125,115)

XXIII. Expenses per type

	Parent Company		Consolidated	
	2010	2009	2010	2009
COST OF SALES				
Variations in stock	138,433	(373,118)	137,949	(379,406)
Raw material, energy and consumables	(545,900)	(914,470)	(560,733)	(904,684)
Expenses of benefits to employees	(115,790)	(89,265)	(172,027)	(124,017)
Depreciation and amortization charges	(26,125)	(27,616)	(27,328)	(29,826)
Outsourced services	(26,720)	(27,490)	(45,203)	(37,984)
Provisions of costs to be incurred and others	(17,584)	(7,561)	(19,475)	(8,887)
Maintenance expenses	(6,791)	(9,642)	(7,104)	(10,211)
Taxes	(2,826)	(1,608)	(2,827)	(1,609)
Total	(603,303)	(1,450,770)	(696,748)	(1,496,624)
EXPENSES WITH SALES, GENERAL AND ADMINISTRATIVE				
Outsourced services	(31,276)	(30,809)	(32,627)	(32,245)
Expenses with benefits to employees	(38,848)	(39,254)	(39,758)	(41,049)
Commissions, freight and other sales expenses	(60,204)	(84,200)	(62,045)	(85,766)
Communication, transportation, training and others	(10,653)	(10,258)	(11,172)	(10,829)
Depreciation and amortization charges	(4,330)	(4,751)	(4,330)	(4,751)
Provision for contingencies	(18,627)	(7,800)	(19,791)	(9,315)
Provision for doubtful debts	1,961	750	2,400	472
Total	(161,977)	(176,322)	(167,323)	(183,483)

XXIV. Income per share

A. Basic and diluted income per share

The basic and diluted income per share is calculated upon the division of the income attributable to Company shareholders by the weighted average quantity of shares in circulation during the fiscal year, excluding the shares purchased by the corporation as treasury shares.

	Consolidated	
	2010	2009
Profit attributable to Company shareholders	95,582	205,543
Profit available to preferred shareholder	56,519	121,945
Profit available to common shareholder	39,063	83,598
Weighted average quantity of preferred shares in circulation (thousands)	240,195	230,244
Weighted average quantity of common shares in circulation (thousands)	166,010	157,840
Basic and diluted profit per preferred share	0.23530	0.52963
Basic and diluted profit per common share	0.23530	0.52963

B. Income per share in accordance with corporate legislation

	Parent Company	
	2010	2009
Profit attributable to Company shareholders	95,582	205,543
Quantity of shares in circulation at the end of the fiscal year (thousands)	409,140	399,667
Profit per share	0.23362	0.51429

XXV. Derivatives

(i) Composition

The fair value of these instruments on 31 December 2010 is detailed as follows:

TYPE	Notional value (\$ thousand)	Currency / Position (asset/liability)	Counterparty	Contracted exchange rate (average)	Maturity date	12/31/2010	Earning (loss) in the period
<i>NDF/Swap</i>	7,360	EUR/BRL	Itaú BBA	2.3365	Jan/11	(682)	–
<i>NDF/Swap</i>	6,900	EUR/BRL	Banco do Brasil	2.3630	Feb/11	(690)	–
<i>Hedge Accounting</i>	14,260					(1,372)	–
<i>NDF/Swap (*)</i>	24,600	USD/BRL	Itaú BBA	1.8143	Jan/11	(3,225)	(3,225)
USD/BRL Exposure	24,600					(3,225)	(3,225)
Parent Company and Consolidated total						(4,597)	(3,225)
Asset – expenses paid in advance and others						–	
Liability – other accounts payable						(4,597)	

Position on 31 December 2009:

TYPE	Notional value (\$ thousand)	Currency / Position (asset/liability)	Counterparty	Contracted exchange rate (average)	Maturity date	12/31/2009	Earning (loss) in the period
<i>NDF/Swap (*)</i>	13,500	USD/BRL	Citibank	1.7980	Jan and Feb/10	(666)	(666)
<i>NDF/Swap (*)</i>	64,650	USD/BRL	HSBC	1.7673	Jan to May/10	(196)	(196)
<i>NDF/Swap (*)</i>	24,700	USD/BRL	Itaú/Itaú BBA	1.7575	Jan to Mar/10	(48)	(48)
<i>NDF/Swap (*)</i>	6,000	USD/BRL	Santander	1.7804	Mar/10	(60)	(60)
USD/BRL Exposure	108,850					(970)	(970)
Parent Company and Consolidated total						(970)	(970)
Asset – expenses paid in advance and others						568	
Liability – other accounts payable						(1,538)	

Position on 1 January 2009:

TYPE	Notional value (\$ thousand)	Currency / Counterparty Position (asset/liability)	Contracted exchange rate (average)	Maturity date	1/1/2009
<i>NDF/Swap</i>	22,140	EUR/BRL HSBC	3.0283	Jan and Feb/09	5,354
<i>NDF/Swap</i>	13,345	EUR/BRL Santander	2.8684	Mar and May/09	6,099
<i>Hedge Accounting</i>	35,485				11,453
<i>NDF/Swap (*)</i>	18,300	USD/BRL HSBC	2.0640	Jan and Feb/09	5,810
<i>NDF/Swap (*)</i>	19,360	USD/BRL Itaú BBA	2.2378	Feb/09	2,671
<i>NDF/Swap (*)</i>	62,400	USD/BRL Santander	2.1187	Jan to Aug/09	16,723
USD/BRL Exposure	100,060				25,204
Parent Company total					36,657
<i>Swap (*)</i>	675	EUR/BRL HSBC	2.8521	Jan and Feb/09	252
Consolidated total					36,909
Asset – expenses paid in advance and others					39,925
Liability – other accounts payable					(3,016)

(*) Accounted for in the income statement under the item "financial revenue and expenses".

(ii) Term currency agreement without physical liquidation (*NDF/Swap*)

On 31 December 2010, the Company has agreements that amount to an active (purchased) position in USD, with maturity dates until February 2011. The agreements were executed according to the policy of risk coverage mentioned previously and are registered in the Settlement and Custodian Chamber (CETIP). The settlement will be in Reais, therefore without physically receiving the currency, on the maturity date, by the difference between and the future contracted exchange rate and the cash rate (PTAX) of the previous day to the maturity date of the agreements, without margins by way of guarantee.

The Company has the right to settle these agreements before their maturity dates, and the value of any advance settlement, if applicable, will be calculated based on pre-established formulas in the respective agreements that take into account the market rates on the date of advanced settlement.

(iii) *Hedge Accounting*

As a general rule, the Company acknowledges the earnings (loss) listed in its derivative financial instruments as financial income.

Certain derivative financial instruments are contracted with the purpose of protection

against a specific risk, normally an exchange risk, associated to an acknowledged asset or liability or to a transaction represented by a firm purchase commitment. These transactions are designated as cash flow hedges (especially derivative agreement of the non-deliverable forward – NDF – type).

The effective portion of the variation of the fair value of the derivative instruments that are designated and qualified as cash flow hedges is acknowledged in the stockholders' equity. The accumulated values in the stockholders' equity are transferred to the cost of raw material in stock when they are received by the Company and, later, registered as income only in the period in which the covered item affects the revenue or expenses. The income pertaining to the ineffective portion is immediately acknowledged in the income.

For the transactions designated and qualified for

hedge accounting, the Company documents, at the moment of designation, the relationship between the coverage instrument and the items covered, as well as the objective of the administration of risks and the operational strategy of the coverage transactions.

The transactions qualified as hedge accounting during the 2010 fiscal year pertain to purchase orders for imported steel, priced in Euros, and the corresponding cash flows are totally covered by derivatives, from their date of order until the moment of financial settlement. It is expected that these values will be acknowledged in the income during the 2011 fiscal year, according to the delivery forecast of the projects as the steel that is the object of the coverage is used. The transaction of the adjustments resulting from the hedge accounting registered in the adjustment account of the equity evaluation is presented below:

	Parent Company and Consolidated Earnings (loss)
Balance on 01 January 2009	17,288
Variation in the fair value of the hedge instruments	(10,945)
Reclassification for stock	(17,309)
Installment not effectively reclassified for the income	(722)
Tax credit deferred	11,688
Balance on 31 December 2009	–
Variation in the fair value of the hedge instruments	(1,283)
Reclassification for stock	(88)
Installment not effectively reclassified for the income	–
Tax credit deferred	466
Balance on 31 December 2009	(905)

XXVI. Financial instruments

A. Financial instruments per category

	Parent Company				Consolidated			
	Loans and receivables	Fair value by means of income (*)	Derivatives (*) – hedge accounting	Total	Loans and receivables	Fair value by means of income (*)	Derivatives (*) – hedge accounting	Total
ASSET								
31 December 2010								
Cash and cash equivalents	17,595	265,191	–	282,786	19,385	312,272	–	331,657
Bonds and securities	–	272,988	–	272,988	–	272,988	–	272,988
Receivables	162,439	–	–	162,439	193,368	–	–	193,368
Business partners	11,871	–	–	11,871	10,079	–	–	10,079
31 December 2009								
Cash and cash equivalents	12,663	493,516	–	506,179	21,884	524,812	–	546,696
Bonds and securities	–	78,062	–	78,062	–	78,062	–	78,062
Receivables	391,161	–	–	391,161	414,437	–	–	414,437
Business partners	16,451	–	–	16,451	16,451	–	–	16,451
Derivatives	–	567	–	567	–	567	–	567
1 January 2009								
Cash and cash equivalents	6,403	425,915	–	432,318	10,182	456,533	–	466,715
Receivables	372,546	–	–	372,546	387,144	–	–	387,144
Business partners	17,670	–	–	17,670	14,995	–	–	14,995
Derivatives	–	28,219	11,453	39,672	–	28,472	11,453	39,925

	Parent Company				Consolidated			
	Others financial liabilities	Fair value by means of income (*)	Derivatives (*) – hedge accounting	Total	Others financial liabilities	Fair value by means of income (*)	Derivatives (*) – hedge accounting	Total
PASSIVO								
31 December 2010								
Loans	92,246	–	–	92,246	92,246	–	–	92,246
Suppliers	126,475	–	–	126,475	109,483	–	–	109,483
Payable dividends	16,542	–	–	16,542	16,542	–	–	16,542
Derivatives	–	3,225	1,372	4,597	–	3,225	1,372	4,597
31 December 2009								
Loans	92,246	–	–	92,246	92,246	–	–	92,246
Suppliers	104,254	–	–	104,254	81,198	–	–	81,198
Payable dividends	19,012	–	–	19,012	19,012	–	–	19,012
Derivatives	–	1,538	–	1,538	–	1,538	–	1,538
1 January 2009								
Loans	26,636	–	–	26,636	26,636	–	–	26,636
Suppliers	219,375	–	–	219,375	173,489	–	–	173,489
Payable dividends	90,012	–	–	90,012	92,687	–	–	92,687
Derivatives	–	3,016	–	3,016	–	3,016	–	3,016

(*) See item B) below pertaining to the methodology to determine the fair value of these financial instruments: Cash and cash equivalents and bonds and securities – Level 1/ Derivatives – Level 2

B. Estimate of fair value of financial instruments

It is supposed that the balances of the receivables from clients and accounts payable to suppliers by their book value, minus the loss (impairment), are close to their fair values. For the other financial instruments involving assets and liabilities, the Company and its subsidiaries proceed with an evaluation with regards to the fair values, using the appropriate information and methods available, a procedure that requires considerable judgment and reasonable estimates to come up with the most adequate value.

The Company determines the fair value of its financial assets and liabilities taking into consideration the following level of hierarchy:

- Level 1 – Prices quoted (not adjusted) in active markets for identical assets and liabilities.
- Level 2 – Information, besides quoted prices, included in level 1, which are adopted by the market for the asset or liability, whether directly (in other words, as prices) or indirectly (in other words, derivatives of prices).
- Level 3 – Insertions for assets or liabilities that are not based on data adopted by the market (in other words, unobservable insertions).

The fair value of the negotiated financial instruments in active markets (such as bonds kept for negotiation and available for sale) is based on market prices, quoted on the date of the financial statements. A market is regarded as active if the prices quoted are readily and regularly available on a Stock Exchange, distributor, broker, group of industries, pricing service, or regulating entity, and those prices represent actual market transactions that occur regularly on purely commercial bases. The quoted market price used for the financial assets maintained by the Company is the current competitive price. These instruments are included in Level 1 and pertain to all financial investments (including cash and cash equivalents and bonds and securities) owned by the Company, evaluated at the fair value by means of the income shown in the table of item A) above.

The fair value of the financial instruments that are not negotiated in active markets (for example, over-the-counter derivatives) is determined by the use of evaluation techniques. The evaluation techniques maximize the use of data adopted by the market where they are available and they rely as little as possible on specific estimates of the entity. If all the relevant information required for the fair value of an instrument is adopted by the market, the instrument will be included in Level 2. All derivatives owned by the Company are included in this category, as shown in the table in item A) above, and their fair value is calculated based on the present value of the respective agreements, using indexers and interest rates applicable to instruments of similar types, timeframes and risks, obtained mainly on the BM&F Bovespa.

If one or more item of relevant information is not based on data adopted by the market, the instrument will be included in Level 3. The Company does not have any financial instruments classified in this category.

Specific evaluation techniques are used to ascertain the value of financial instruments, including:

- quoted market prices or quotations from financial institutions or brokers for similar instruments;
- the fair value of interest rate swaps is calculated by means of the present value of future estimated cash flows based on income curves adopted by the market;
- the fair value of future exchange agreements is determined based on future exchange rates on the date of the statement, with the resulting value discounted from the present value;
- other techniques, such as discounted cash flow analyses, are used to determine the fair value for the remaining financial instruments.

C. Maturity dates of the financial liability instruments

The table analyzes the financial liabilities owned by the Company by maturity date, corresponding to the remaining period in the balance sheet up to the contractual date of the maturity. The values published in the table are the contracted non-discounted cash flows:

	Consolidated			Total
	Less than one year	Between one and two years	Between two and five years	
LIABILITY				
31 December 2010				
Loans	4,634	94,319	–	98,953
Suppliers	109,483	–	–	109,483
Payable dividends	16,542	–	–	16,542
Derivatives	4,597	–	–	4,597
31 December 2009				
Loans	4,634	4,128	94,319	103,081
Suppliers	81,198	–	–	81,198
Payable dividends	19,012	–	–	19,012
Derivatives	1,538	–	–	1,538
01 de janeiro de 2009				
Loans (*)	13,187	10,703	6,041	29,931
Suppliers	173,489	–	–	173,489
Payable dividends	92,687	–	–	92,687
Derivatives	3,016	–	–	3,016

(*) Loan settled in advance during 2009.

D. Financial risk management

(i) Financial management policy and associated risks

The Company has a formal risk management policy, whereby it periodically analyzes and defines the coverage strategy for each type of risk to which it is exposed, including market risk (interest rate risk and fair value risk), credit risk and liquidity risk, in order to evaluate the results and financial impact on cash flow. The credit limits and risk quality of counterparts are also periodically revised.

Risk management is carried out by the Company treasury, according to policies approved by its end parent company, Tenaris S.A., which are revised

by the Board of Directors. The Company treasury identifies, evaluates and protects the Company from any financial risks in cooperation with its operational units. The Company establishes written principles for global risk management, as well as for specific areas, such as exchange risk, interest rate risk, credit risk, use of derivative and non-derivative financial instruments and investments of cash overages.

Information pertaining to the economic scenario and its possible impacts on Company operations are examined and revised, including significant policies, procedures and practices applied in risk management.

Under the conditions of financial management policy, the Company administers some of the risks by means of the use of derivatives, with the intention of offsetting its operations against exchange rate fluctuation risks, and the use of this type of instrument for speculative purposes is prohibited.

With the objective of managing risk in financial investments, the risk management policy determines that the assets that go to make up the investment portfolios, both in Brazil and abroad, have minimum risk classifications, and that they are readily convertible into a known amount of cash.

The main financial instruments involving assets and liabilities of the Company and its subsidiaries on 31 December 2011 are cash and cash equivalents, bonds and securities, receivables, accounts payable, loans and derivatives.

(ii) Exchange rate risk

The Company is exposed to exchange risk resulting from future commercial operations and acknowledged assets and liabilities.

In order to reduce this exposure, it participates in operations involving financial instruments, and strategically preserves its financial position and the profitability of its main portfolio operations in United States dollars.

Accordingly, the Board monitors exchange rate market oscillations on its equity position and on the commercial flow of its main portfolio agreements by currency, contracting operations involving exchange derivatives with the purpose of fulfilling the previously mentioned strategy.

The Company neither maintains nor contracts operations involving derivatives outside the definitions of this policy.

The Company maintains internal controls with regards to its derivatives in order to manage the associated risks, as well as to insure the correct registration in its financial information. The results of the protection strategy adopted by the Company fulfill the objective of preserving, in United States dollars, the net monetary assets and the profitability of the main projects in its portfolio.

Because of the preservation policy involving its financial position in United States dollars, the Company presented the following equity position in foreign currency on 31 December 2010:

	Parent Company	Consolidated
CURRENT ASSET		
Cash and banks (Note 3)	54	706
Financial investments (Note 3)	200,787	217,113
Bonds and securities (Note 4)	272,988	272,988
Advances to suppliers	36,993	36,993
Receivables (Note 5)	39,398	38,280
Total current assets	550,220	566,080
CURRENT LIABILITIES		
Advances from clients	(3,248)	(5,579)
Suppliers (Note 11)	(49,980)	(31,877)
Total current liabilities	(53,228)	(37,456)
Net position in BRL	496,992	528,624
Net position in USD	298,279	317,263

The sensitivity analysis of the income of the fiscal year and the stockholders' equity of the Company with regards to the risk of the exchange rate is presented in Note N°. 27 (vii).

(iii) Cash flow risk associated with the interest rate

Considering that the Company does not have significant assets which are subject to variable interest rates, the income and the operational cash flows of the Company are invariably independent of the changes in the market interest rates.

(iv) Risk regarding increases in the cost of raw material

The main form of raw material used by the Company is steel. In order to protect itself from oscillations in this main component of its industrial costs, the Company contracts its purchases by fixing its prices at the same time

as it sells its products. With the adoption of this strategy, in conjunction with the one adopted with regards to exchange rate fluctuation risk, the Board understands that it manages to offset the risks inherent to price oscillations in raw material that could affect its industrial cost and its gross margin.

(v) Credit risk

Financial investments and derivatives

The instruments, according to Company policy, are negotiated in institutions classified as low risk by the main credit rating agencies.

Receivables

The quality of the credit of its financial assets that are not matured or impaired, may be evaluated with reference to historical information about the rates of default on the part of counterparts, which are analyzed individually and formalized by the Financial Department.

These risks are administered and minimized by means of a specific policy of credit concession with the aim of selecting clients and counterparts, not having gone beyond any credit limit during the fiscal year. Furthermore, the Company aims to commercialize its projects by receiving advances for the production of goods or the execution of services, and most credits are outstanding, either expired or otherwise, which support these advances or by means of bank guarantees, which enables us to concede credit without risk.

The maximum exposure to credit risks on the date of the financial statements is the book value of the outstanding receivables mentioned in Note 5.

For the coverage of any defaults, provisions are constituted based on the expectation of losses related to these financial assets, as mentioned in Note 5.

(vi) Strategic and operational risks

The strategic and operational risks, such as demand behavior, competition and technological innovation, are monitored by means of the Company management model.

The Company's economic performance is linked to the supply of steel pipes and industrial equipment for infrastructure projects in the oil, petrochemical, gas, mining and sanitation industries, and it may vary significantly depending on the period, as volumes and deadlines for the supply of orders in the Company portfolio.

In the period ending 31 December 2010, the equivalent of 56% of sales revenue was represented by several projects in service of the Company's main client.

(vii) Liquidity risk

This is the risk that the Company will not have sufficient net resources to honor its financial commitments, as a result of a discrepancy between the delivery deadline or volume between receivables and forecast payments. The maturity date of financial liabilities is detailed in item C) above.

The administration of cash liquidity in Brazilian and foreign currency, premises of future payments and receivables established are monitored daily by the Treasury. By means of cash flow forecasts, this sector monitors the continuous forecasts of the Company's liquidity demands in order to ensure that it has sufficient cash to fulfill its operational necessities, taking into consideration the plans for financing Company debt, abiding by clauses, fulfilling internal targets of the ratio of the balance sheet and, if applicable, external or legal regulatory demands – for example, currency restrictions.

The Company invests in its excess cash in current accounts with interest, term deposits, short-term deposits and bonds and securities, by choosing instruments with appropriate maturity dates or sufficient liquidity in order to supply a margin as determined by Company policies. On the date of the financial statements, the Company kept cash in conditions and amounts detailed in Note 3, which are expected to readily generate cash inputs in order to administer any liquidity risk.

Furthermore, the Company has access to lines of credit in the event that resources are required in the short term for working capital.

**(viii) Sensitivity analysis statement –
effect on the variation of the fair value**

Considering the current exposure of the Company to the risk of changes in exchange rates, a possible valuation of the Real with regards to the United States dollar would cause an unfavorable effect on the Company.

In compliance with the provision of CVM Instruction n° 475/08 for determining the effect of

the fair value of financial instruments and the equity position resulting from unfavorable variation in exchange rates, the Company has adopted scenarios of minimum negative variations defined by the Instruction and equivalent to 25% (scenario II) and 50% (scenario III) on the respective exchange rates used to determine the probable scenario.

The values are shown as gross of income tax and social security contributions:

SITUATION	Scenario I	Scenario II	Scenario III
VALUATION OF THE REAL IN THE CURRENT SCENARIO			
Appreciation of the BRL against the USD	1.67	1.25	0.83
Appreciation of the BRL against the EUR	2.23	1.67	1.11

OPERATION	Risk	Exposure \$ thousand	Unfavorable variation – Parent Company		
			Scenario I (*) current (loss) R\$ thousand	Scenario II (loss) R\$ thousand	Scenario III (loss) R\$ thousand
Net equity position	Fall of the USD	298,279	–	(124,248)	(248,496)
NDF/Swaps (USD/BRL)	Fall of the USD	24,600	–	(10,247)	(20,494)
Hedge accounting (derivative)	Fall of the EUR	14,260	–	(7,943)	(15,886)
Hedge accounting (commitment)	Fall of the EUR	(14,260)	–	7,943	15,886

OPERATION	Risk	Exposure \$ thousand	Unfavorable variation – Consolidated		
			Scenario I (*) current (loss) R\$ thousand	Scenario II (loss) R\$ thousand	Scenario III (loss) R\$ thousand
Net equity position	Fall of the USD	317,263	–	(132,156)	(264,312)
NDF/Swaps (USD/BRL)	Fall of the USD	24,600	–	(10,247)	(20,494)
Hedge accounting (derivative)	Fall of the EUR	14,260	–	(7,943)	(15,886)
Hedge accounting (commitment)	Fall of the EUR	(14,260)	–	7,943	15,886

(*) For the purposes of measuring risks of loss, in scenario I the exchange rate negotiated in the market in cash on the date of the statement was considered.

Based on the equity position and the notional value of the outstanding derivatives on 31 December 2010, it is estimated that the effects of an increase or reduction of 1% in the exchange rate of the Real against foreign currencies would result in a gain or loss to the parent company of approximately BRL 5,379 (BRL 5,695 in the consolidated company), gross of income tax and social security contributions.

E. Capital management

The Company uses its own resources as its primary source of financing for its investments and working capital. Furthermore, it attempts to negotiate advances with its clients in the main projects it sells, as well as to obtain bank financing for specific projects, if convenient.

In line with market practice, the Company hereby informs its rate of consolidated financial leveraging on 31 December 2010 and 2009, which corresponds to the total financial debt (short and long-term loans) divided by the stockholders' equity:

	Consolidated	
	2010	2009
Total of loans (Note 13)	92,246	92,246
Total stockholders' equity	1,336,639	1,315,267
Index of financial leveraging	7%	7%

XXVII. Insurance coverage

It is the policy of the Company and its subsidiaries to maintain insurance coverage against fire for goods in stock and fixed assets subject to risks and for amounts considered sufficient to cover any accidents, considering its type of activity and advice from insurance consultants.

XXVIII. Commitments

On 31 December 2010, the main commitments assumed, mostly pertained to the purchase of raw material (steel), amount to BRL 97,269.

XXIX. Information per segment

The information per operational segment is 95 being presented in accordance with IFRS 8 and CPC 22 – Information per Segment, according to the organizational and management model of the Company detailed below, and an Executive Vice-President is responsible for each one of the segments:

a) **Pipe Business:** produces welded steel pipes for the energy industry, in order to serve the needs of the oil, gas and sanitation industries - in oil pipelines, gas pipelines, oil-well coating, mineral pipelines, alcohol pipelines, multiple-use pipelines, water mains and civil and industrial construction. It has an annual production capacity of 550,000 tons of welded steel pipes;

b) **Equipment Business:** manufacture and assembly of medium and large-scale metallic equipment used in the chemical, petrochemical, ironworks, energy and steam generation, oil and gas, pulp and paper, infrastructure, engineering and construction industries. The equipment business has its labor and service structure adapted to an operational level of around 1 million annual man-hours.

Income per business segment (consolidated):

	Consolidated 1/1/2010 a 12/31/2010				Consolidated 1/1/2009 a 12/31/2009			
	Pipes	Equipment	Non-segmented	Total	Pipes	Equipment	Non-segmented	Total
Net revenue	646,590	365,124	–	1,011,714	1,758,700	368,773	–	2,127,473
Cost of products sold	(431,499)	(265,249)	–	(696,748)	(1,218,486)	(278,138)	–	(1,496,624)
Gross profit	215,091	99,875	–	314,966	540,214	90,635	–	630,849
Gross margin	33%	27%	–	31%	31%	25%	–	30%
Operational expenses	(139,595)	(32,125)	–	(171,720)	(150,945)	(33,829)	–	(184,774)
Operational profit	75,496	67,750	–	143,246	389,269	56,806	–	446,075
Equity accounting			2,979	2,979			3,541	3,541
Financial income			(20,644)	(20,644)			(177,514)	(177,514)
Profit before tax				125,581				272,102
Income tax and social security contributions			(29,999)	(29,999)			(66,559)	(66,559)
Net profit for the fiscal year				95,582				205,543
Additional information								
Fixed assets	238,495	49,302	–	287,797	220,266	25,375	–	245,641
Intangible	2,367	46	–	2,413	1,811	64	–	1,875
Depreciation and amortization								
Cost of sales	25,136	2,192	–	27,328	27,780	2,046	–	29,826
Administrative expenses	4,023	307	–	4,330	4,478	273	–	4,751
Total	29,159	2,499	–	31,658	32,258	2,319	–	34,577

Net sales per region (consolidated):

	Consolidated 1/1/2010 a 12/31/2010					Consolidated 1/1/2009 a 12/31/2009				
	Pipes (Tons)	Equipment (H/H)	Pipes (BRL thousand)	Equipment (BRL thousand)	Total (BRL thousand)	Pipes (Tons)	Equipment (H/H)	Pipes (BRL thousand)	Equipment (BRL thousand)	Total (BRL thousand)
Africa	357	–	1,645	–	1,645	–	–	–	–	–
Argentina	618	–	2,167	–	2,167	35,117	–	188,705	–	188,705
Brazil	85,952	609,537	475,811	359,584	835,395	212,507	750,932	1,362,085	368,773	1,730,858
Colombia	5,628	–	13,836	–	13,836	23,470	–	76,590	–	76,590
Europe	809	–	1,579	–	1,579	1,037	–	2,523	–	2,523
South America	51,569	–	142,603	–	142,603	21,207	–	128,797	–	128,797
North America	3,401	–	8,949	–	8,949	–	–	–	–	–
European Union	–	26,027	–	5,540	5,540	–	–	–	–	–
	148,334	635,564	646,590	365,124	1,011,714	293,338	750,932	1,758,700	368,773	2,127,473

XXX. Subsequent events

The following deliberations were taken at a meeting of the Board of Directors held on 18 February 2011:

- Examination and approval of the Board Report and the Financial Statements accompanied by a report from the Independent Auditors (PwC) pertaining to the 2010 fiscal year.
- Approval of the general budget of the Company for the 2011 fiscal year, including the capital budget;
- Approval of the buy-back program for preferred shares issued by the Company itself, for future divestment or cancellation, without reduction of share capital, up to the limit of 12,000,000 shares, equivalent to approximately 5% of the total shares of this class, discounting current treasury shares, to be valid for a timeframe of 1 year counting from 01 March 2011.
- Approval of the re-filing of ITR (Quarterly Company Information) with the CVM pertaining to the 1st, 2nd and 3rd quarters of the 2010 fiscal year, by the international accounting standards – IFRS.
- The order of the day for the Ordinary and Extraordinary Shareholder Meeting was established with the following proposals:
 - a) Increase of capital through the incorporation of reserves to the value of BRL 15,400 with bonus of shares;
 - b) Attribution to the obligatory dividends all the distributions that have already been approved by the Board of Directors based on the income for the 2010 fiscal year;
 - c) Establishment of total compensation for the Members of the Board of Directors and the Audit Committee, in the event it is established, to the forecast amount of BRL 8,200, to be paid retroactively from January 2011;
 - d) Cancellation of the 1,717,300 preferred treasury shares, originating from the buy-back program approved by the Board of Directors in a meeting on 23 February 2010, and finished on this date.



Independent auditors report on the financial statements

To the Board and Shareholders
Confab Industrial S.A.

We have examined the individual financial statements' of Confab Industrial S.A. ("Company" or "Parent company") that make up the balance sheet on 31 December 2010 and the respective income statements for the overall income, the changes in stockholders' equity and cash flows for the fiscal year ending on this date, as well as a summary of the main accounting policies and other explanatory notes.

We have also examined the consolidated financial statements for Confab Industrial S.A. and its subsidiaries ("Consolidated company") that make up the consolidated stockholders' equity on 31 December 2010 and the respective consolidated statements of income, overall income, changes in stockholders' equity and cash flows for the fiscal year ending on this date, as well as the summary of the main accounting policies and other explanatory notes.

Responsibility of the Board for financial statements

The Company Board is responsible for the elaboration and suitable presentation of the individual financial statements in accordance with the accounting standards adopted in Brazil and the consolidated financial statements in accordance with international norms for financial reporting (IFRS) issued by the International Accounting Standards Board (IASB) and the accounting standards adopted in Brazil, as well as for the internal controls that it regards as necessary for elaborating these financial statements, free of any relevant distortions, regardless of whether they may be caused by fraud or error.

Responsibility of the independent auditors

Our responsibility is to express an opinion regarding these financial statements based on our audit, conducted in accordance with Brazilian and international auditing standards. These standards require compliance to ethical demands on the part of the auditor, and that the audit be planned and executed with the purpose of obtaining a reasonable level of security that the financial statements are free of any relevant distortions.

An audit involves the execution of selected procedures to obtain evidence with regards to the values and publications presented in the financial statements. The selected procedures depend on the judgment of the auditors, including the evaluation of relevant risk distortion in the financial statements, regardless of whether it is caused by fraud or error. In this risk evaluation, the auditor considers the relevant internal controls for the elaboration and suitable presentation of the Company's financial statements in order to plan the auditing appropriate procedures under the circumstances, but not to express an opinion on the effectiveness of these internal controls of the Company. An audit also includes an evaluation of the suitability of the accounting policies adhered to and the reasonableness of the accounting estimates made by the Board, as well as an evaluation of the presentation of the financial statements taken as a whole.

We believe that the auditing evidence obtained is sufficient and appropriate to base our opinion.

Opinion on the financial statements

In our opinion, the aforementioned individual financial statements adequately present the equity and financial position of Confab Industrial S.A., in all relevant aspects, on 31 December 2010, the performance of its operations and its cash flows for the fiscal year ending on this date, in accordance with the accounting standards adopted in Brazil.

Opinion on the consolidated financial statements

In our opinion, the aforementioned consolidated financial statements adequately present, in all relevant aspects, the equity and financial position of Confab Industrial S.A. and its subsidiaries on 31 December 2010, the consolidated performance of its operations and its consolidated cash flows for the fiscal year ending on this date, in accordance with international financial reporting standards (IFRS) issued by the International Accounting Standards Board (IASB) and the accounting standards adopted in Brazil.

Emphasis

As detailed in Note 2.1, the individual financial statements have been elaborated in accordance with the accounting standards adopted in Brazil. In the case of Confab Industrial S.A., these practices differ from the IFRS, applicable to separate financial statements, only with regards to the evaluation of investments in subsidiaries, associated companies and subsidiaries together by the equity accounting method, since for the purposes of the IFRS, it would be by cost or fair value.

Other subjects

Value added statements

We have also examined the individual and consolidated statements regarding added value (DVA) pertaining to fiscal year ending 31 December 2010, whose presentation is required by Brazilian corporate law for publicly-traded companies, and as supplementary information by the IFRS, which does not require the presentation of the DVA. These statements were submitted to the same auditing procedures detailed previously and, in our opinion, they are adequately presented, in all relevant aspects, with regards to the financial statements taken together.

Audit of values corresponding to the previous fiscal year

Examination of the financial statements for the fiscal year ending 31 December 2009, presented for the purposes of comparison, was carried out under the responsibility of other independent auditors, who issued an audit report dated 22 February 2010, without reservations. Our opinion is in no way based on this subject.

As part of our examination of the accounting statements of 2010, we also examined the adjustments described in Note 2.4, which were executed in order to alter the accounting statements of 2009. In our opinion, these adjustments are appropriate and were executed correctly. We were not hired to audit, revise or apply any other procedures with regards to the Company's accounting statements, pertaining to the 2009 fiscal year and, therefore, we do not express an opinion or any other form of assurance with regards to the accounting statements of 2009, considered together.

São José dos Campos, 21 February 2011
PricewaterhouseCoopers Independent Auditors
CRC 25P000160/0-5

Maurício Colombari
Accountant CRC 1SP195838/O-3

Declaration from the management

By this instrument, the Members of the Management of CONFAB INDUSTRIAL S.A., a publicly-held company based at Rua Manoel Coelho nº 303, 7º Andar, Conjunto 72, centro, São Caetano do Sul, State of São Paulo, registered on the CNPJ [Brazilian Corporate Taxpayers' Register] under nº. 60.882.628/0001-90, for the purposes of the provision in paragraphs V and VI of article 25 of CVM Instruction nº. 480, of 07 December 2009, declare that:

- (i) they revised, discussed and agree on the opinions in the report by PricewaterhouseCoopers Independent Auditors, pertaining to the financial statements for the financial year ending 31 December 2010; and
- (ii) they reviewed, discussed and agreed with the financial statements pertaining to the financial year ending on 31 December 2010.

São Caetano do Sul, 18 February 2011

Roberto Caiuby Vidigal

Director-President

Túlio César do Couto Chipoletti

Director Executive Vice-President
Pipe Business

Emyr Elias Barbare

Director-Executive Vice-President
Equipment Business

Juan Carlos Satostegui

Director

Marcelo Héctor Barreiro

Director

Nicolau Marcelo Bernardo

Director

Ordinary General Meeting

Capital budget of Confab Industrial S.A. 2011 Fiscal Year

Dear shareholders,

The Company Board hereby informs the Capital Budget approved by the Board of Directors in a meeting held on last 18 February, which is part of the budget for the year 2011.

The capital budget of the 2011-2013 period covers total investments of BRL 220.5 million, considering that the value for 2011 reaches BRL 118.0 million, distributed according to the table below:

Investments (BRL million)	2011	2012-2013
Modernization of the UO line for offshore pipes	38.2	57.4
OCTO products (for application in oil wells)	33.9	–
Research and Development Center – RJ	10.2	30.7
Training Center	9.2	2.3
Improvements in productivity / quality	26.5	12.1
	118.0	102.5

These investments are carried out with resources owned by the Company, pertaining to the retention of profits for the year 2010 and previous years.

Furthermore, investments to the estimated value of BRL 160 million are currently in different phases of study.

São Caetano do Sul, 18 February 2011

Roberto Caiuby Vidigal
President of the Board of Directors

Audit Committee Report

Dear Confab Industrial S.A. shareholders,

The members of the Audit Committee, within its legal duties and responsibilities, have monitored the financial and economic management of Confab Industrial S.A. by means of periodic reports, and in a meeting held on this date, they proceeded to examine the financial statements pertaining to the financial year ending 31 December 2010, accompanied by the report from the independent auditors of PricewaterhouseCoopers.

Considering the clarifications provided by the Board and the aforementioned report, they have concluded that the financial statements for the 2010 period are adequately presented and they recommend their approval by all of you at the Ordinary General Meeting.

São Caetano do Sul, 18 February 2011

Paulo Sérgio Botino Dourado
Luiz Fernando Tavares Guerreiro
Pedro Paulo de Souza
Effective Committee Members

