

Annual Report 2009

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Company Profile



Our history

In 1943, banker Gastão Vidigal acquired the Fábrica Nacional de Tambores (National Drum Factory) at an auction, in partnership with Polish industrialist Isydor Kleinberger. The plant had been expropriated from the Germans because of World War II. And so, in the sheds of a production facility in the Pompéia region of São Paulo, amidst the manufacturing of steel drums, gas cylinders and refrigerators, the history of Confab began.

Gastão Vidigal placed his son, Antônio Carlos Bueno Vidigal, at the head of the company. It was he that established the seriousness, responsibility, transparency and emphasis on people that were so decisive in Confab’s consolidation. The company’s success also led it to constantly seek the improvement of its product and service quality, as well as investments in technology and human capital.

With the organization of Petrobras in 1953 and the development of Brazil's oil refining industry, an opportunity arose for Confab to expand its operations by branching out into equipment manufacturing for the primary industry.

Growing with Brazil

In 1961, Confab began producing welded steel pipes. In that period, the company signed its first major contract: it would supply tubular stakes for the construction of Usiminas.

In the 1970s, Confab organized itself into two units – pipes and equipment – and built two plants in Pindamonhangaba, 160 km from São Paulo. The company began to serve the oil, petrochemical and gas, mining, steel, cellulose, sanitation and nuclear power industries.

Still in that period, now with Roberto Caiuby Vidigal at the head of the company, Confab realized that it was time to conquer new markets. It played an intensive role in programs for the implementation of petrochemical hubs in Brazil – planned to enable the country's self-sufficiency – and in the expansion of Brazil's steelworking facilities.

Exports and IPO: new challenges

Confab's major stride toward global recognition came about in the early 80s. In partnership with Cosipa, it won a bidding process in the United States to build part of an oil pipeline for All American Pipeline, extending for 2000 km from Texas to California. At that time, the company expanded its trade network from Houston to Singapore and Tehran.

Also in the 80s, Confab's management decided that going public would be an important measure

to ensure the company's perpetuity. In its quest for growth, diversification and external funding, Confab issued 60% of its shares into the capital market.

With these newly raised funds – and the trust of its shareholders –, Confab gathered the energy to move on with its activities. And attracted many new shareholders.

Tenaris: global leader

In 1993, continuing its projects for growth and globalization, 30% of Confab's shares were swapped for shares in Siat, a welded steel pipe manufacturer owned by the Techint Group with similar values and principles. The company remained listed on the Bovespa. with 60% of its share capital held by Brazilian shareholders.

Aiming to add value and increase the range of products offered to its customers, Confab entered into a joint venture with the Argentinean company Soco-Ril, in 1998. The partnership was established with the construction of a center of excellence for pipe coatings –now known as Socotherm Brasil–, also in Pindamonhangaba. In 1999, the Techint Group acquired shareholder control of Confab and Roberto Vidigal was invited to remain as the company's CEO.

In 2001, the Tenaris brand was born, initially representing a strategic alliance of eight well-known producers of seamed and seamless steel pipes, strategically located around the world. In the following year, the company entered into some of the largest export agreements in its history, as pipe supplier to the Camisea Project, in Peru; OCP, in Ecuador; Gasyrg, in Bolivia; and Carina & Aries, in Argentina.

The company is currently the world's leading steel pipe producer and service provider for drilling, finishing and production related to oil and gas wells. It is also the leading supplier of tubular products and of services for processing plants and power plants targeting specialized and automotive industrial applications.

Through an integrated network of production, service, and research and development centers, the company works together with its customers to fulfill their needs regarding on-time availability of products that deliver high performance in increasingly complex operating environments.

TenarisConfab and Confab Equipamentos

In Brazil, due to the merger with Tenaris, Confab's plants were renamed TenarisConfab and Confab Equipamentos.

TenarisConfab is the leading manufacturer and supplier of welded steel pipes for Brazil's power industry, as well as the leading exporter of these products to Latin America. Confab Equipamentos produces medium- and large-sized metal equipment used by the chemical, petrochemical, steel, power and steam power, oil and gas, cellulose, infrastructure, engineering, and construction industries, in addition to storage tanks for fuel stations.

With the mission of adding increasingly more services to its products, TenarisConfab keeps a base at Rio das Ostras (RJ) to serve its customers in the Campos, Santos and Espírito Santos basins. In addition to just-in-time delivery of steel pipes to be used in oil and

gas wells, the Company also offers other services, such as inventory management.

For the past six years, Confab has also been producing pump rods and accessories for application in the onshore market. To fulfill its customers' demand for pipes with special coatings, Confab benefits from the global partnership between Tenaris and Socotherm.

On the Bovespa for 30 years

By joining the Bovespa Nível 1 [Level 1] corporate governance listing tier, Confab confirmed the commitment it has had with its investors since its very first day as a public company. This select group of companies of which Confab is a part applies additional governance criteria than those required by law, aiming solely and exclusively to convey greater confidence and safety to those who wish to invest in the Company.

With an equity split in 2004, the company sought greater liquidity for Confab's shares and, once more, the market responded positively by driving up the company's stock prices.

In 2005, the company celebrated its 25th anniversary as a public company on the São Paulo Stock Exchange and received the Seal of Assiduousness from APIMEC SP –Association of Capital Market Investment Analysts and Professionals– for its consecutive years of presentations at the institution.

Throughout these years and supported by permanently transparent and responsible operations, Confab has won the trust of the market and its shareholders.

Message to the Shareholders

Dear shareholders,

In 2009 our determination to overcome great challenges was extensively tested. However, the ramifications of the global financial crisis which took place by the end of 2008 have not prevented us from achieving good results; but they raise even greater challenges for 2010. In the Pipe Business, the company's main activity, the completion of extensive gas pipeline projects in the domestic market and a decrease in external demand due to a slower global economy forces us to start 2010 with a smaller order portfolio in comparison with last year.

The company has maintained an important level of activity throughout 2009, primarily focused in supplying projects to Brazil, in which most contracts were signed in 2008.

The level of consolidated invoicing was R\$ 2.1 billion (R\$ 2.3 billion in 2008), with highlight to the Equipment Business invoice, reaching R\$ 369 million, a 22.6% increase in comparison with last year.

The net income of the Pipe Business in 2009 was R\$ 1.8 billion, which represented a 10.7% decrease in comparison with the income in 2008 (R\$ 2.0 billion).

The highlight of tubular goods in the period was the 41.8% increase (31.9 thousand tons) in volume of the products with high added value for oil well prospecting (OCTG – Oil Country Tubular Goods).

In the Equipment Business, the domestic demand for industrial equipment in the oil and petrochemical sectors was stable due to Petrobras's plan to create new oil refineries, as well as advances in fuel quality to comply with environmental requirements and the capacity improvement of those already operating. This allowed us to close 2009 with a significant number of projects in our portfolio, adding up to R\$ 478 million.

We have began 2010 with a low portfolio level of R\$ 249 million (R\$1.3 billion in the previous year) and facing a restrained demand scenario in the domestic market, especially in the first quarter. In the external market, the unfavorable progression of the exchange rate, along with decreases in natural gas prices in the international market – affecting the demand for new projects – , continues to compromise business opportunities.

In this scenario, the OCTG segment should stand out in Brazil due to the investment plans announced by Petrobras and other private companies.

In the second quarter, we expect a slight improvement in the pipeline project demand in Brazil (alcohol pipelines and new offshore lines) and abroad. Despite the adverse exchange rate, with the enhancements of plant efficiency and the support of our suppliers, we expect that the company will be able to be more competitive especially in the closest markets such as South America and the Caribbean.

For the Equipment Business, aside from 2009's relevant invoicing, we have closed the year with a significant level of orders in our portfolio, of R\$ 478 million. We estimate the maintenance of activity level throughout 2010 due to modernization projects and Petrobras's new refineries, and the progress of Angra 3 nuclear power plant's project. This portfolio scenario coupled with investments in refineries allows us to foresee this business's performance maintenance.

Based on this positive scenario for the Equipment Business, we will finish this year with the construction of a new 7.000 m2 hall, directed to increase our current production capacity by 25%, focused on manufacturing equipment such as process reactors and vessels, petrochemical furnace burners, gas and fuel storage equipment (spheres and tanks, respectively), evaporation systems for cellulose plants, precipitation systems for alumina plants, etc.

We are able to verify that, despite the great challenges in 2009, the company was able to maintain an appropriate activity level, exploring current business opportunities and laying ground for future opportunities, through investments.

These positive results motivate us to stay focused and committed, since this year's challenges are already established. In this journey, we will continue to protect our clients, suppliers, collaborators and shareholders' best interests.

Once again, we thank everyone for the support.



Roberto Caiuby Vidigal
Presidente do Conselho de Administração

Management Report

Dear shareholders,
Confab Industrial S.A.'s management submits the Management Report and Financial Statements of the Company and its subsidiaries to your appreciation, with the independent auditors' reports regarding the fiscal year ended in December 31st 2009.

1. Comments regarding performance

Introduction

The company has maintained an important level of activity throughout 2009, primarily focused in supplying projects to Brazil, in which most contracts were signed in the previous year.

The level of consolidated invoicing was R\$ 2.1 billion (R\$ 2.3 billion in 2008), with highlight to the Equipment Business invoice, reaching R\$ 369 million, a 22.6% increase in comparison with last year.

The Pipe Business order portfolio, which started the year at R\$ 1.3 billion, suffered a considerable volume decrease, ending the fiscal year at R\$ 249 million, derived from a lack of demand from the internal market due to the conclusion of extensive gas pipeline projects, which allowed us to maintain a high level of operation in our plants over the last few years. In the export market, we have also experienced a significant decrease in demand, in comparison to 2008, resulting from the global economic crisis.

In the Equipment Business, the demand for industrial equipment in Brazil, especially in the oil and petrochemical sectors, was stable due to Petrobras's plan to create new oil refineries, as well as advances and improvements in the capacity of refineries already operating.

This allowed us to close 2009 with a significant number of projects in our portfolio, adding up to R\$ 478 million.

Throughout the year several different investments were performed, with highlight to the adaptation of our main production line to manufacture thicker steel pipes, in order to meet offshore supplying (Tupi project), whose deliveries were finalized in December 2009.

Revenues

Confab Industrial S.A. and its subsidiaries recorded net operational revenue of R\$ 2.1 billion in 2009, a 6.3% decrease from 2008. In the Pipe Business, the reduction in sales volumes, in both the domestic and foreign markets, contributed to this revenue decrease. The Equipment Business registered a 22.6% increase over the previous year, with greater activity in the oil and petrochemical segments.

Consolidated Results

In 2009 the net profit registered was R\$ 205.5 million, against R\$ 508.1 million in 2008. The profit per share was R\$ 0.5143 in 2009, against R\$ 1.4066 in 2008.

This result is composed of:

- Net earnings reached R\$ 2.1 billion in 2009. The gross consolidated margin was approximately 30.0%, less than the 2008 result of 34.0%.
- The general, management and sales expenses presented a 29.5% reduction in comparison with 2008 (8.1% over sales in 2009 and 10.7% over sales in 2008), mainly due to less expenses with the invoiced works' freight.

- Fees, including the administrators' social charges, totaled R\$ 7.0 million (R\$ 7.5 million in 2008).
- Other net operational expenses were calculated at R\$ 3.8 million in 2009. This amount is compared to a net operational expense of R\$35.9 million in 2008, in which provisions were created for process contingencies in different legal courts.
- The equity accounting result showed a R\$ 3.5 million profit, compared to R\$ 14.1 million gained in 2008. Confab Industrial S.A. holds shares from SIAT S.A. (30%); a welded steel pipe manufacturer in Argentina and Tenaris Confab Hastes de Bombeio S.A. (49%), company specialized in manufacturing and selling of sucker rods and other materials to be used in the oil and petrochemical segment.

SIAT's participation in the Company's results represented a R\$ 1.6 million gain in 2009, against a R\$ 12.5 million gain in 2008. The activity level recorded in 2009 was 53.7% smaller than in the previous year.

Tenaris Confab Hastes de Bombeio S.A.'s participation represented a R\$ 1.9 million gain in 2009, against a R\$ 1.6 million gain in 2008, with the supply of sucker rods in the internal (specially to Petrobras) and external markets.

- The 2009 net financial result registered R\$ 177.5 million in expenses (revenue of R\$ 265.2 million

in 2008), encompassing: i) net interests of credit and debit operations registered a revenue of R\$ 17.5 million in 2009 and R\$ 24.9 million in 2008; ii) exchange variations and forwards results registered a net expense of R\$ 191.1 million in 2009 against a net revenue of R\$ 244.8 million in 2008; iii) banking expenses and other taxes over financial revenues of R\$ 3.9 million in 2009 and R\$ 4.5 million in 2008.

EBITDA

The EBITDA is not a measure used in the Brazilian accounting practices; however it is used by the Company as a gross cash generation indicator. Since it does not have a standardized meaning, our definition may not be comparable to the ones adopted by other companies.

The result measured by the EBITDA (Earnings Before Interest, Taxes, Depreciation and Amortization) in 2009 was R\$ 480.7 million (R\$ 498.8 million in 2008), as described below:

	R\$ million	
	2009	2008
Operational Profit	279.0	763.7
Capital Equity	(3.5)	(14.1)
Financial Revenues	(19.3)	(277.0)
Financial Expenses	196.8	11.8
Depreciation and Amortization	34.6	34.7
Profit share employees	(6.9)	(20.3)
EBITDA	480.7	498.8

Debt / Net Cash Flow

The total financial debt in December 31st 2009 was R\$ 92.2 million, 0.5% of short term and 99.5% of long term.

At the end of the period, net cash flow (quick assets minus loans and short term bank financing) totaled R\$ 546.2 million. Out of the total resources (R\$ 546.7 million), 79.3% were invested in US\$.

Investments

In this fiscal year R\$ 50.3 million were invested (R\$ 25.3 million in 2008), mainly to develop and modernize factories, reinforcing the technology update process, which is directed to improve quality, automation, productivity and competitiveness.

One of the highlights is the R\$ 28 million investment, destined to broaden the product range which enabled the offshore gas pipeline manufacturing for the Tupi site.

2. Corporate Governance

Since 2003 the Company complies with Bovespa's Level 1 of Corporate Governance.

Market value

The Company ended 2009 with its preferred shares (CNFB4) at R\$ 5.13 per share; with an appreciation of 48% (Ibovespa appreciated 83% in the period). In 2008, the CNFB4 had depreciated 36% against 48% from Ibovespa. The Company's market value, calculated based on the 2009 preferred share closing price, was R\$ 2.1 billion.

Dividends and interest on proprietary capital

During the year the payment of interest on proprietary capital was deliberated (to anticipate 2009's dividends), totaling R\$ 73.6 million, amount that exceeds the minimum required. Out of that amount, R\$ 51.1 million has been paid until December 31st 2009.

Share Repurchase Program

During the term of the buyback program approved by the Board of Directors in a meeting performed on February 18th 2009, which ended in February 18th 2010, 2,889,480 preferred shares were acquired. In a meeting on February 23rd 2010, the Board decided to submit the proposition of canceling the acquired shares with no reduction in the Share Capital to the Special Shareholders' Meeting, to be performed on April 14th 2010.

New Share Repurchase Program

In a meeting performed on February 23rd 2010, the Board of Directors approved a new preferred share buyback program issued by the Company with treasury permanence purposes, for future transfers or termination, with no reduction in Share Capital. The program is limited to acquiring up to 11,839,000 preferred shares (5% of the class's shares) and shall be in effect for one year starting from March 1st 2010 until February 28th 2011.

3. Risk management and internal controls

The Company presents a risk management system to ensure an appropriate level of security over its operations. The internal controls are tested and analyzed by internal and external audits, in order to ensure its reliability.

4. External audits

The policy adopted by the Company to hire services that are not related to the external audit, along with our independent auditors, is based on the preservation of the external auditor's independence, complying with Brazilian and international standards.

During 2009 we have hired our external auditors for tax consultancy services in the direct taxes area, for less than a year, with a total of R\$ 79,520.68, corresponding to 14% of the annual amount hired for independent auditing services.

5. Social responsibility and personnel management

Support for social projects

The Company performs corporate social practices through actions that consider the needs of the public with whom it interacts. Within this proposition, the Company is committed to identify the needs of the communities in which it operates, apart from enforcing respect for the environment.

In 2009 the Company's investment regarding its corporate social development policy was R\$ 2.1 million. Out of this amount, R\$ 1.2 million was used based on the Culture Incentive Law (Rouanet Law).

Among the projects supported by the Company, the following are highlighted: *Pinda Florida* Project in the *Parque Municipal do Trabiju*, based on the knowledge, education and cultural property preservation tripod; the *Corrida Pinda*, which has become one of the greatest events ever performed in the area; and the *Prêmio por Excelência no Estudo*, aimed to inspire and reward students with great academic performance.

Confab has continued to support the *Saindo das Ruas* project, which benefits over 2,000 children and teenagers by keeping them in school, improving their academic performance, discipline and attendance. The *Espaço Criança Anália Franco* relies on the company's support in the scholarship program for high-school students, besides the pre-entry exam course.

Institutional

In 2009, using the benefit of the cultural incentive law (Rouanet Law), R\$ 1.2 million was invested in the following projects:

- *Conclusão da Segunda Fase da Restauração do Palacete*, in Pindamonhangaba on July 10th – R\$ 656 thousand;
- *Saindo das Ruas* Project – R\$ 239 thousand;
- *Guri* Project – R\$ 300 thousand.

Human Capital

In 2009, with a total of 2,784 employees, the Company invested (through its corporate university – TenarisUniversity) over R\$ 2.6 million in technical, management, computer, language and post-graduate courses. Over 132 thousand hours of training were performed, totaling 48 hours of training per employee.

Occupational safety, health and environment

In 2009, Confab invested R\$2.4 million in the occupational safety, health and environment areas. We have continued with the SGMASS (*Sistema de Gestão de Meio Ambiente, Saúde e Segurança* [Environment, Health and Safety Management System]) and completed the improvement activities in matters such as treating lack of compliance identified by the TSE (Tenaris Safety and Environment) employees, which required investments.

In the Pipe Business the most important environmental projects were the ETE (*Estação de Tratamento de Efluentes* [Effluent Treatment Station]) adaptation project to reuse water, the PH adjustment system and chlorine for potable water, the construction of a warehouse for the waste center and adaptation of the flammable product storehouse to prevent leaks and work accidents. In safety, the emphasis was on the fire-proof system in Factory 6's varnish booth and the exhaustion system in Coating 4's collar brushes.

In the Equipment Business, new exhausts were acquired and the mess hall's floor was replaced in order to improve safety.

Quality of life

Confab develops several actions to contribute to improving its employees' quality of life. In 2009, R\$ 10.8 million were invested in health and dental care. Feeding the employees required a R\$ 4.7 million investment, and transport required R\$ 2.9 million. Over R\$ 0.9 million was invested in other benefits such as pharmaceutical subsidies, school materials, toys, Christmas baskets and layettes.

Outlook for 2010

Pipe Business

The Company starts 2010 with a low portfolio level of R\$ 249 million (R\$ 1.3 billion in the previous year) and a suppressed demand scenario in the domestic market, especially in the first quarter, caused by the completion of great onshore gas transportation projects from Petrobras (Gasene, Plangas, Gasduc, etc).

In the export market, high costs resulted from the current exchange rates coupled with low natural gas prices in the international market, continue to impair business opportunities abroad.

In Brazil, within this scenario, the OCTG (Oil Country Tubular Goods) segment – products used in oil well coating – stands out and should remain stable due to investment plans announced by Petrobras and other private companies.

A slight improvement in the demand of duct projects in Brazil (alcohol pipeline and new offshore lines) and abroad is expected in the second quarter. Despite the unfavorable exchange rate, the company is expected to be more competitive, with plant efficiency improvements and support from our suppliers in nearby markets such as South America and the Caribbean.

Equipment Business

Still considered to be the important invoicing in 2009, we ended the year with a significant portfolio orders totaling R\$ 478 million, comprised mainly of oil and petrochemical segment projects.

We estimate the maintenance of activity level throughout 2010, supported by modernization projects and new Petrobras refineries, and progression of the Angra 3 nuclear power plant project.

This portfolio scenario along with investments in refineries enables the forecast of this business's maintenance.

Based on this scenario and with the objective to increase production capacity by 25%, there is the construction of a new 7,000 m² hall, aimed at manufacturing equipment such as process vessels, petrochemical furnaces and coke drums for refineries.

Pipes

Welded tubular goods sales in 2009 totaled 293.3 thousand tons, registering a 38.7% decrease compared to the 478.4 thousand tons from 2008. The internal market was responsible for most of the volume invoiced in 2009, related to 72.4% of the total.

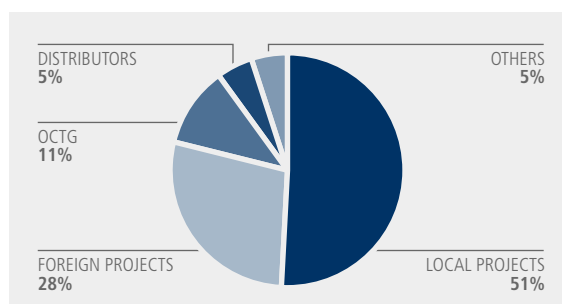
The internal market invoicing decrease was a result from the lack of demand for pipe projects after the construction of the great trunk gas pipelines in Plangas. However, 31.9 thousand tons were invoiced in products with high added value for use in oil well prospecting (OCTG – Oil Country Tubular Goods), registering a 41.8% increase compared to 2008.

In the export market we also had a decrease in demand due to the global economic crisis, increased costs resulted from Real's appreciation in relation

to the American Dollar and decrease in natural gas prices, which suppressed the demand for new gas pipelines even further.

The Pipe Business's net revenue in 2009 was 1.8 billion, which represented a 10.7% decrease in comparison with 2008 (R\$ 2.0 billion).

During 2009, the main segments invoiced were:

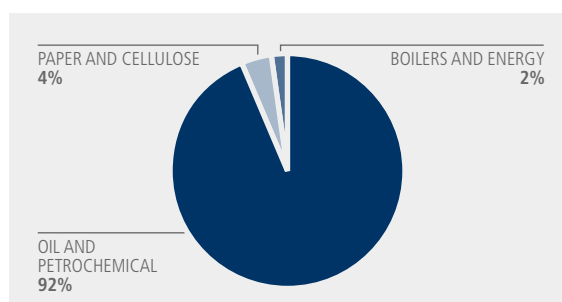


Equipment

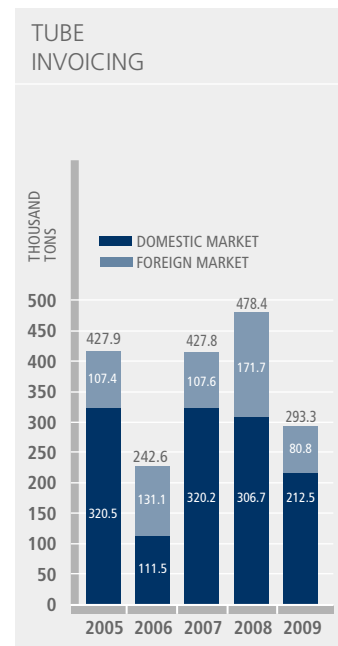
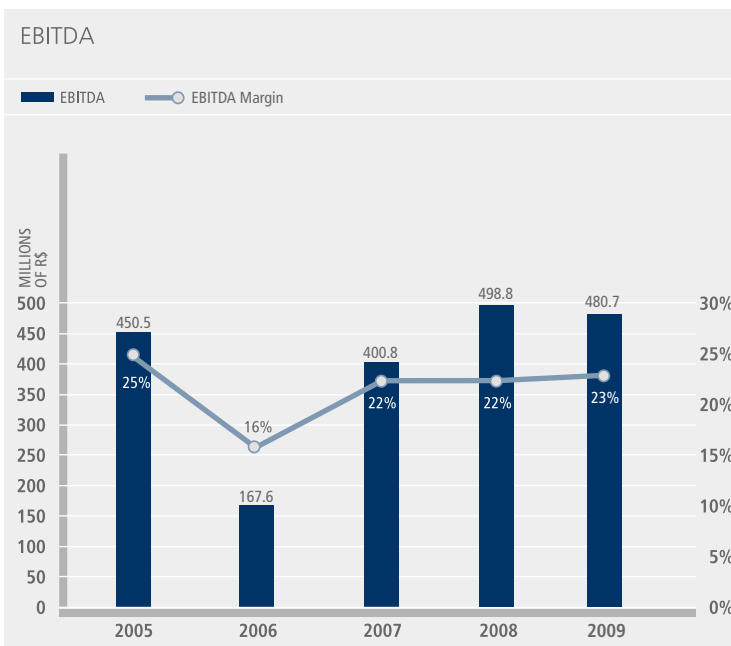
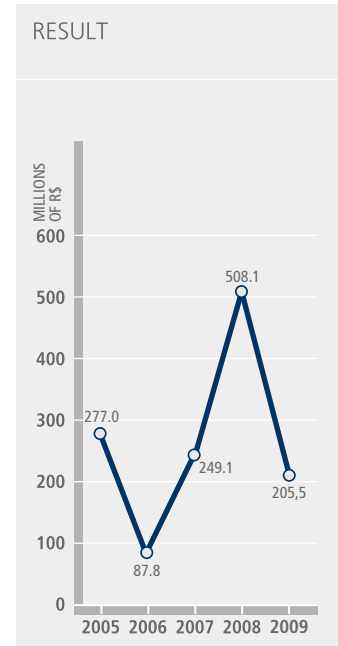
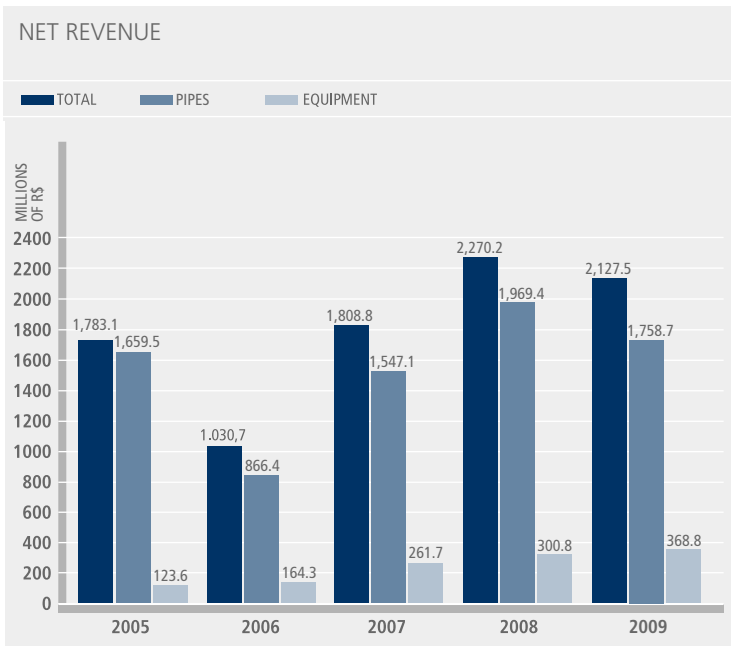
Operations with industrial equipment, which include manufacturing and assembly, presented an increase in nominal manufacturing level, reaching 751 thousand man-hours in 2008, resulting from a greater demand in the oil and petrochemical sector.

The Equipment Business's net revenue in 2009 was R\$ 368.8 million, presenting a 22.6% increase compared to the previous year (R\$ 300.8 million).

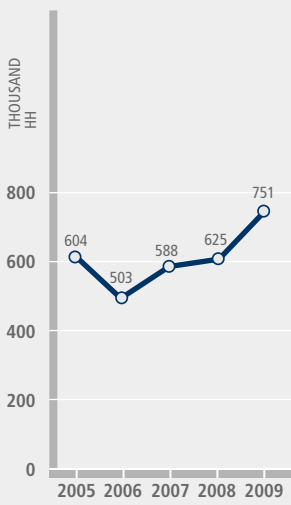
The main segments that contributed to the revenue in 2009 were:



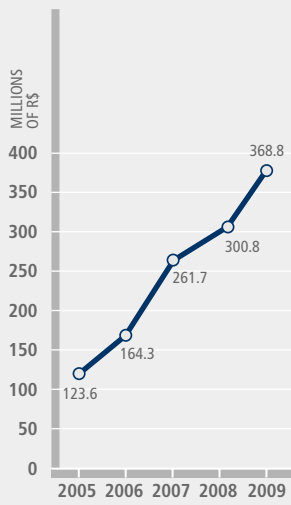
TenarisConfab in numbers



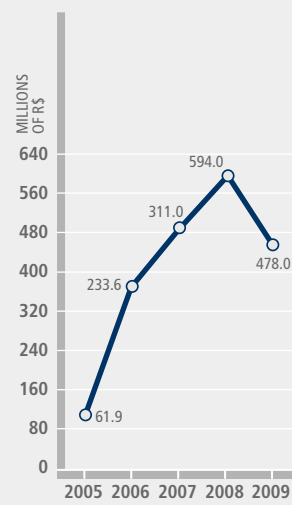
EQUIPMENT
LEVEL OF ACTIVITY



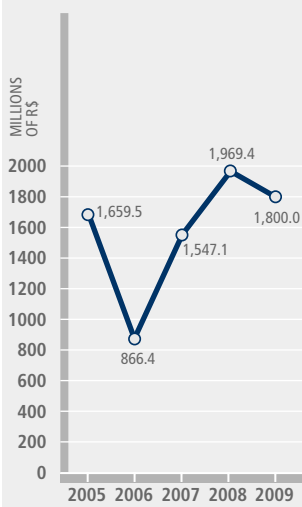
EQUIPMENT
NET REVENUE



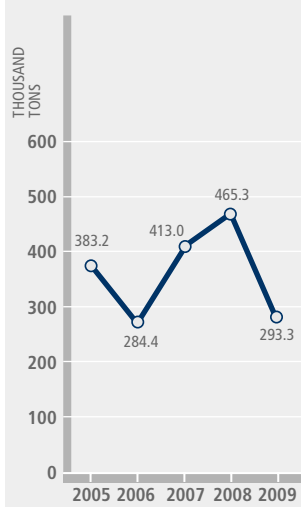
EQUIPMENT
PORTFOLIO



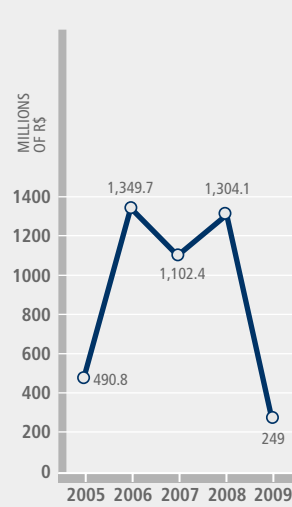
PIPE NET
REVENUE



PIPE
PRODUCTION



PIPE
PORTFOLIO



Board of Directors

CEO

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 Berbare

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 2009 and 2008

Amounts stated in thousands of reais, unless otherwise stated

Balance sheet

ASSET	Parent company		Consolidated	
	2009	2008	2009	2008
CURRENT ASSETS				
Cash and banks (Note 3)	506,179	432,318	546,696	466,715
Financial Investments (Note 3)	78,062	–	78,062	–
Accounts receivable (Note 4)	391,161	372,546	414,437	387,144
Inventories (Note 5)	193,269	605,086	194,545	605,211
Receivables from associated parties (Note 11)	–	5,350	–	2,675
Taxes recoverable (Note 6)	52,037	143,834	54,153	147,444
Deferred income tax and social contribution (Note 17a)	32,489	36,619	33,614	37,917
Prepaid expenses and others	2,040	43,355	2,336	43,746
Total current assets	1,255,237	1,639,108	1,323,843	1,690,852
NON-CURRENT ASSETS				
Long term receivables:				
Subsidiaries and associated parties (Note 11)	16,451	12,320	16,451	12,320
Deferred income tax and social contribution (Note 17a)	22,094	18,149	23,803	19,712
Legal Deposits (Note 6)	7,617	5,447	19,262	14,658
Deposits in court	36,549	34,294	39,222	36,966
Other credits	82	708	82	708
Investments:				
Associates (Note 7)	171,821	187,743	72,687	90,345
Other investments	–	–	65	84
Property, plants and equipment (Note 8)	230,470	212,482	243,078	226,154
Intangible (Note 9)	1,875	3,051	1,875	3,088
Total non-current assets	486,959	474,194	416,525	404,035
Total assets	1,742,196	2,113,302	1,740,368	2,094,887

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

LIABILITY AND SHAREHOLDERS' EQUITY	Parent company		Consolidated	
	2009	2008	2009	2008
CURRENT LIABILITIES				
Suppliers (Note 10)	104,254	219,375	81,198	173,489
Borrowings (Note 12)	506	12,550	506	12,550
Customer advances (Note 13)	72,880	367,679	76,910	372,771
Taxes and contributions payable	15,243	26,281	20,491	36,091
PAES - Special Installment Plan (Note 14)	3,396	2,975	3,396	3,490
Salaries and related costs	20,468	19,643	26,082	22,256
Employee profit share provision	5,988	16,489	6,431	17,526
Dividend and interest on own capital payable	19,012	90,012	19,012	92,687
Other accounts payable	13,041	5,861	13,364	6,819
Total current liabilities	254,788	760,865	247,390	737,679
NON-CURRENT LIABILITIES				
Long term liabilities				
Deferred income tax and social contribution (Note 17a)	–	12,463	–	12,549
Borrowings (Note 12)	91,740	14,086	91,740	14,086
Special installment plan (Note 14)	5,851	11,697	5,851	11,786
Provision for contingencies (Note 15)	74,550	71,268	80,120	75,864
Total non-current liabilities	172,141	109,514	177,711	114,285
NET EQUITY				
Share Capital (Note 16a)	602,419	431,419	602,419	431,419
Capital reserve	309	309	309	309
Retained earnings	724,219	807,179	724,219	807,179
Treasury shares (Note 16f)	(11,837)	(34,628)	(11,837)	(34,628)
Adjustments to equity valuation	157	38,644	157	38,644
Total net equity	1,315,267	1,242,923	1,315,267	1,242,923
Total net equity and liability	1,742,196	2,113,302	1,740,368	2,094,887

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

Income Statement

	Parent company		Consolidated	
	2009	2008	2009	2008
GROSS OPERATING REVENUE	2,503,337	2,535,096	2,629,313	2,674,302
Sales taxes	(476,720)	(372,943)	(501,840)	(404,084)
NET SALES	2,026,617	2,162,153	2,127,473	2,270,218
Costs of goods and services sold	(1,447,071)	(1,448,535)	(1,492,779)	(1,498,587)
Gross profit	579,546	713,618	634,694	771,631
OPERATING EXPENSES				
Sales	(91,315)	(166,716)	(93,150)	(168,736)
General and administrative	(74,781)	(72,701)	(77,744)	(75,196)
Management fees (Note 11)	(7,043)	(6,933)	(7,043)	(7,458)
Other net operating expenses (Note 18)	(1,869)	(33,693)	(3,753)	(35,866)
	(175,008)	(280,043)	(181,690)	(287,256)
OPERATIONAL RESULTS BEFORE EQUITY EQUIVALENCE AND FINANCIAL RESULTS	404,538	433,575	453,004	484,375
Capital equity results (Note 7)	25,377	54,439	3,541	14,064
OPERATING PROFIT BEFORE THE FINANCIAL RESULTS	429,915	488,014	456,545	498,439
Net exchange variation (Note 19)	(111,899)	181,935	(125,115)	187,616
Financial expenses	(71,350)	(11,725)	(71,715)	(11,763)
Financial income	18,260	85,588	19,316	89,382
	(164,989)	255,798	(177,514)	265,235
PROFIT BEFORE INCOME TAX, SOCIAL CONTRIBUTION AND EMPLOYEES' STATUTORY PARTICIPATION	264,926	743,812	279,031	763,674
Income tax and social contribution (Note 17b)	(53,454)	(217,083)	(66,559)	(235,335)
Employees' statutory participation (Note 20)	(5,929)	(18,639)	(6,929)	(20,249)
Net earnings on fiscal year	205,543	508,090	205,543	508,090
Net earnings per stock – R\$	0,51429	1,40664		

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

Statement of changes in equity

	Capital reserve						Revenue reserve			Total
	Share Capital	Incentive investments	Revaluation reserve	Legal reserve	For capital increase	Profit retention	Treasury shares	Equity revaluation adjustment	Accumulated profits	
Balances on December 31st 2007	347,419	309	4,843	60,982	84,000	369,697	–	–	–	867,250
Capital increase with retained earnings (Note 16a)	84,000	–	–	–	(84,000)	–	–	–	–	–
Reserve for capital increase (Note 16c)	–	–	–	–	171,000	(171,000)	–	–	–	–
Revaluation reserve reversion (Note 8)	–	–	(4,843)	–	–	–	–	–	302	(4,541)
Hedge accounting	–	–	–	–	–	–	–	17,288	–	17,288
Exchange rate variation from foreign subsidiaries	–	–	–	–	–	–	–	21,356	–	21,356
Net income for year	–	–	–	–	–	–	–	–	508,090	508,090
Constitution of reserves (Note 16d)	–	–	–	25,302	–	483,090	–	–	(508,392)	–
Treasury shares (Note 16f)	–	–	–	–	–	–	(34,628)	–	–	(34,628)
Interest on share capital (Note 16e) (R\$ 0.211105 per share)	–	–	–	–	–	(53,892)	–	–	–	(53,892)
Proposed complementary dividends (R\$ 0.211105 per share) (Note 16e)	–	–	–	–	–	(78,000)	–	–	–	(78,000)
Balances on December 31st 2008	431,419	309	–	86,284	171,000	549,895	(34,628)	38,644	–	1,242,923
Treasury share acquisition (Note 16f)	171,000	–	–	–	(171,000)	–	–	–	–	–
Reserve formation for capital increase (Note 16c)	–	–	–	–	56,000	(56,000)	–	–	–	–
Hedge accounting	–	–	–	–	–	–	–	(17,288)	–	(17,288)
Exchange rate variation from foreign subsidiaries	–	–	–	–	–	–	–	(21,199)	–	(21,199)
Net income for year	–	–	–	–	–	–	–	–	205,543	205,543
Constitution of reserves (Note 16d)	–	–	–	10,277	–	195,266	–	–	(205,543)	–
Treasury shares (Note 16f)	–	–	–	–	–	–	(21,104)	–	–	(21,104)
Treasury share cancellation (Note 16f)	–	–	–	–	–	(43,895)	43,895	–	–	–
Interest on share capital (Note 16e) (R\$ 0.211105 per share)	–	–	–	–	–	(73,608)	–	–	–	(73,608)
Balances on December 31st 2009	602,419	309	–	96,561	56,000	571,658	(11,837)	157	–	1,315,267

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

Added-value statement

	Parent company		Consolidated	
	2009	2008	2009	2008
REVENUES				
Merchandises, products and services provided	2,507,586	2,548,477	2,635,245	2,687,683
Other revenues	6,617	7,313	7,445	7,675
Provision for doubtful accounts – reversion (formation)	750	(2,312)	472	(1,774)
	2,514,953	2,553,478	2,643,162	2,693,584
INPUTS ACQUIRED FROM THIRD PARTIES (including the ICMS, IPI, PIS and COFINS taxes)				
Costs of merchandises, products and services provided	1,743,218	1,639,132	1,805,395	1,705,340
Materials, energy, third-party services and others	162,948	271,631	137,358	252,106
	1,906,166	1,910,763	1,942,753	1,957,446
GROSS ADDED VALUE	608,787	642,715	700,409	736,138
DEPRECIATION AND AMORTIZATION	32,366	32,428	34,577	34,669
NET ADDED VALUE PRODUCED BY THE COMPANY	576,421	610,287	665,832	701,469
ADDED VALUE RECEIVED IN TRANSFERS				
Capital equity result	25,377	54,439	3,541	14,064
Financial revenues	56,980	336,282	58,134	346,645
	82,357	390,721	61,675	360,709
TOTAL ADDED VALUE TO DISTRIBUTE	658,778	1,001,008	727,507	1,062,178
ADDED VALUE DISTRIBUTION	658,778	1,001,008	727,507	1,062,178
Personnel:	140,569	141,546	176,700	177,309
Direct remuneration	112,814	115,029	146,102	147,732
Benefits	16,966	14,870	18,960	16,913
FGTS (SEVERANCE IDEMNITY FUND)	7,598	7,478	8,121	8,043
Others	3,191	4,169	3,517	4,621
Taxes, fees and contributions:	90,688	268,643	107,859	289,113
Federal	89,997	267,549	107,165	288,020
State	413	823	416	822
City	278	271	278	271
Third-party capital remuneration:	221,978	82,729	237,405	87,666
Interests	218,180	76,116	231,766	76,857
Leases	1,564	4,127	2,675	6,720
Others	2,234	2,486	2,964	4,089
Own capital remuneration:	205,543	508,090	205,543	508,090
Interests on own capital	73,608	53,892	73,608	53,892
Dividends	–	78,000	–	78,000
Earnings retained in the fiscal year	131,935	376,198	131,935	376,198

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

Explanatory notes

1. Operational Context

Confab Industrial S.A. (herein referred as “Company”) is a public corporation with headquarters in São Caetano do Sul and manufacturing units in Pindamonhangaba, State of São Paulo. Its controlling shareholder is Siderca S.A., a Tenaris Group subsidiary.

The operational activities of the Company, its subsidiaries and associates consist mainly in manufacturing seem steel pipes for the oil, petrochemical, gas, mining and sanitation industries, and industrial equipment for the oil, petrochemical, cellulose, metallurgy, steel and other industries.

2. Presentation of the financial statements and main accounting practices

The financial statements were developed and are presented complying with the accounting practices used in Brazil and regulations enforced by the Comissão de Valores Mobiliários – CVM [Brazilian Securities and Exchange Commission], including the effects resulting from Law n. 11,638/07.

During the fiscal year ended in December 31st 2009, the Comitê de Pronunciamentos Contábeis – CPC [Accounting Pronouncements Committee] issued

new pronouncements and technical interpretations, all approved by the CVM. The Company’s Board evaluated the effects of these new pronouncements and interpretations in their financial statements and the results obtained from such evaluations are summarized below:

Review of the accounting regulations that affect the financial statements in the fiscal year:

Review 01 regarding the Technical Pronouncements and Technical Orientation, issued by the CPC and approved by the CVM Deliberation No 624/09. This review modifies CPC No 02 – Effects of the Change on Exchange Rates and Conversion of Accounting Statements, among others. Under this change, financial statements of the foreign subsidiaries Confab Trading LLC and Confab Trading N.V., previously included in the Company’s individual financial statement, started to be recorded through equity equivalence, in accordance with the accounting method used for the other subsidiaries. These reclassifications affect only the individual financial statements and do not change the Company’s individual and consolidated net earnings and net equity. For purposes of comparability with the previous year, the individual financial statements regarding the fiscal year ended in December 31st 2008 are being restated.

HEADING	Parent company	RUBRICA	Parent company
	Debit (Credit)		Debit (Credit)
ASSET		LIABILITY	
Cash and cash equivalents	(1,532)	Suppliers	(24,837)
Accounts receivable	1,726	Client advances	3,751
Investments	20,886	Taxes and contributions collectible	6
Total assets	21,080	Total liabilities	(21,080)

Pronouncements and Technical Interpretations mandatory as of 2010 that were not adopted in advance and that may affect the Company financial statements' presentation and disclosing:

PRONOUNCEMENT	CVM Deliberation No.	Impact
CPC 22 – Information per Segment	582/09	(a)
CPC 24 – Subsequent Events	593/09	(b)
CPC 26 – Accounting Statements Presentation	595/09	(c)
CPC 25 – Provisions, Contingent Liabilities and Contingent Assets	594/09	(d)
CPC 30 – Revenues	597/09	(d)
CPC 37 – Initial Adoption of the International Accounting Standards	609/09	(d)
CPC 38 – Financial Instruments: Acknowledgement and Measurement	604/09	(d)
CPC 39 – Financial Instruments: Presentation	604/09	(d)
CPC 40 – Financial Instruments: Disclosure	604/09	(d)
CPC 43 – Initial Adoption of the Technical Pronouncements 15 to 40	610/09	(d)
ICPC 08 – Accounting of the Dividend Payment Proposal	601/09	(d)

(a) The company will be obligated to present information per operational segment, based on the information regularly reviewed by its operations' main manager, to decide which resources will be allocated in the segment and to evaluate its performance. The company is evaluating its internal reporting structure and hasn't decided which segments would be reportable, in accordance with this standard..

(b) This pronouncement refers to ICPC 08 – Accounting of the dividend payment proposal, whose technical interpretation deliberates that the Company shall not record as liability the amount of dividends proposed by the Board that are still subject to approval by the Ordinary Shareholder Meeting, that exceed the amount of minimum mandatory dividends provided in its by-laws. The destination proposal will be disclosed in an explanatory note as a subsequent event or registered in a net equity account under the "additional proposed dividend" heading, being stated before the balance date.

(c) Full disclosure of the deferred taxes of the non-current assets. Effects resulting from the reclassification of the amounts recorded in December 31st 2009 and 2008 are R\$ 32,489 and R\$ 36,619 in the Parent Company and R\$ 33,614 and R\$37,917 in the consolidated. Additionally, the broad results must be presented in a specific broad results statement.

(d) The Board expects these pronouncements to enhance the disclosure of financial statements ending in December 31st 2010, impacting the December 31st 2009 and January 1st 2009 balances, which will be stated for comparison purposes.

Issued pronouncements and interpretations that do not Diverge from the accounting practice currently adopted by the Company:

PRONOUNCEMENT	CVM Deliberation No.
CPC 16 – Inventory	575/09
CPC 17 – Construction Contracts	576/09
CPC 18 – Investments in Associates and Subsidiaries	605/09
CPC 19 – Investments in Joint Venture	606/09
CPC 20 – Cost of Loans	577/09
CPC 23 – Accounting Policies, Estimate Change and Error Correction	592/09
CPC 27 – Fixed Asset	583/09
CPC 31 – Non-Current Asset Maintained for Discontinued Operation and Selling	598/09
CPC 32 – Earnings Taxes	599/09
CPC 33 – Employee Benefits	600/09
CPC 36 – Consolidated Statements	608/09
ICPC 09 – Individual Accounting Statements, Separated Statements, Consolidated Statements and Application of the Equity Equivalence Method	618/09
ICPC 10 – Interpretation regarding the Initial Application of the Fixed Asset and the Property for Technical Pronouncements CPCs 27, 28, 37 and 43	619/09

Issued pronouncements and interpretations that do not impact the Company's financial statements:

PRONOUNCEMENT	CVM Deliberation No.
CPC 15 – Business Mix	580/09
CPC 21 – Intermediate Statement	581/09
CPC 28 – Property for Investment	584/09
CPC 29 – Biological Asset and Agricultural Product	596/09
CPC 35 – Separated Statements	607/09
ICPC 01 – Concession Contracts	611/09
ICPC 02 – Construction Contracts in the Realty Segment	612/09
ICPC 03 – Complementary Aspects of Financial Leasing Operations	613/09
ICPC 04 – Range of the Technical Pronouncement CPC 10 – Payment Based on Shares	614/09
ICPC 05 – Technical Pronouncement CPC 10 – Payment Based on Shares – Treasury Transaction of the Group Shares	615/09
ICPC 06 – Net Investment Hedge in Foreign Operations	616/09
ICPC 07 – “in Natura” Profit Distribution	617/09
ICPC 11 – Receiving in Client Assets' Transfers	620/09
ICPC 12 – Changes in Liabilities through Deactivation, Restoration and Other Similar Liabilities	621/09

The main accounting practices adopted when devising these financial statements were the following:

2.1. Result evaluation

The result is evaluated in an accrual basis, combining the following aspects:

- The steel pipe sales revenue is acknowledged only when the respective risks and rewards are transferred to the client.
- The gross profit of equipment sales contracts is acknowledged in the balance dates, considering the proportion of each contract's execution. Expected costs, calculated based on the actual cost incurred and to be incurred, that exceed the total readjusted price, are provisioned.
- The provisions for income tax and social contribution are calculated and recorded based on rates and taxable profits adjusted by a specific regulation.

2.2. Current Assets

These are presented using the historic cost, including (when applicable) the currency or exchange rate variations and the corresponding earnings accrued, without exceeding its operation values.

The financial instruments classified as cash equivalents are represented by highly liquid temporary investments with an immediate convertibility in a known amount of cash, subjects to an insignificant amount change risk, with a redemption period of up to 90 days until the application date, and are recorded by their fair values in the balance dates.

The bonds and securities are represented by export notes and bonds with a redemption period of over 90 days from the application date, classified as measured by fair value in the result.

The accounts receivable are recorded and maintained in the financial statements using the nominal value of bonds representing these credits and adjusted to the present value if this adjustment is relevant. The provision for doubtful accounts is constituted based on an individual analysis and in an amount considered to be sufficient by the Company's Board to cover any possible loss while performing these credits, whose balance is presented based on this provision.

The inventory is evaluated at the average acquisition or production cost, which does not exceed the market value, including the provisions to cover possible losses. The ongoing imports and advances to suppliers are stated in the accumulated cost of each import/advance.

The income tax and social contribution over temporary differences of the accounting profit and accrued profit for taxation purposes are acknowledged as deferred tax credits or debits, to the extension in which its execution is probable.

2.3. Non-current asset (investments in subsidiaries, associates and joined subsidiaries, fixed and intangible)

These are stated at a cost that combines the following aspects:

- Investments in subsidiaries, associates and joined subsidiaries evaluated by the equity equivalence method.
- Fixed assets' depreciation, through the linear method, to the annual taxes mentioned in the explanatory note No 8, which consider the asset's economic useful life.
- Amortization of intangible assets, through the linear method, to the annual tax mentioned in the explanatory note No 9.

2.4. Current and non-current assets

These are stated in known or calculable values, added with the currency or exchange rate variations and the corresponding incurred charges, when applicable.

2.5. Provision for contingencies

This is recorded based on an evaluation performed by the Company's legal advisors, for the judicial and administrative processes whose losses are classified as probable, as per the Norma e Procedimento de Contabilidade – NPC No 22 [Accounting Standard and Proceeding] from the Instituto de Auditores Independentes do Brasil – IBRACON (Brazilian Institute of Independent Auditors).

2.6. Derivative financial instruments

The operations with derivative financial instruments are acknowledged by the fair value in the result, for which the Company uses specific tools to calculate each financial instrument. This fair value's consistency is reviewed by the Board.

Additionally, the Company has derivative financial instruments for protection against the exchange rate fluctuation when acquiring raw materials in foreign currencies for certain sales contracts whose prices are established in reais. These instruments, designed as firm commitment hedges for purchasing raw materials, are classified as cash flow hedges, as per the regulations in CPC No 14.

The variations in the derivative financial instruments' fair values classified as cash flow hedges for purchasing the raw materials mentioned above, are registered as follows: (i) the effective part, liquid from the effect of tax income and social contribution, under the "adjustments to equity valuation" heading in the net

equity; and (ii) the ineffective part as a result from the fiscal year. The values registered in the "adjustments to equity valuation" heading are transferred for the raw materials costs in the inventory when received by the Company and at a later time, when the products in which the protected raw material is applied are sold, under the "cost of sold assets" heading.

The derivative financial instruments that, even though were contracted with the purpose of economic protection according to the Company's risk management policies, do not comply with the CPC No 14, regarding firm commitment hedge accounting when purchasing raw materials, or not designed for such, are measured by the fair value and the respective variations are recorded in the fiscal year's result, according to the movement described in the explanatory note 21 e) item (iii).

2.7. Foreign currency values

The monetary assets and liabilities established in foreign currencies are converted to reais using the exchange rate at the balance completion dates. The gains and losses resulting from the currency exchange are acknowledged in the result statements.

2.8. Adjustment at present value

The monetary assets and liabilities are analyzed and adjusted when the effect is considered to be relevant in relation to the financial statements as a whole.

2.9. Asset recovery evaluation

The Board annually reviews the assets' net accounting value with the purpose to evaluate events or changes in economic, operational or technological circumstances which may indicate deterioration or loss of its recoverable value. When such evidences are identified and the net

accounting value exceeds the recoverable value, a provision for deterioration is devised, adjusting the net accounting value to the recoverable value. If these losses come to be, they are classified as other operating expenses.

2.10. Cash flow statements

These were developed and are presented in accordance with the CVM Deliberation No 547, from August 13th 2008, which approved the CPC No 03 – Cash Flow Statement.

2.11. Profit per share

This is calculated based on the amount of shares in the fiscal year's closing dates.

2.12. Use of estimates

When devising financial statements it is necessary to use estimates to account for certain assets, liabilities and other operations. Therefore, the financial statements include several estimates regarding selection of the fixed assets' useful life, the performance of deferred taxable credits, the provisions necessary for doubtful accounts, inventory and contingency losses; the actual results may present variations regarding the estimates.

2.13. Consolidation Criteria

The consolidated financial statements were prepared according to the consolidation criteria described in the CVM's Instruction No 247/96. When devising these financial statements, the Parent Company's accounting practices were consistently monitored by the subsidiaries.

When preparing the consolidated financial statements, the investments, profits not performed between companies, results of equity equivalences, revenues and expenses from businesses performed between the companies, balances between the companies and in current and non-current assets and liabilities are eliminated.

The consolidated financial statements encompass the following subsidiary and joint subsidiary companies:

- Confab Montagens Ltda.
- Confab Revestimentos Ltda.
- Socotherm Brasil S.A. (joint subsidiary – 50%)
- Confab Trading LLC and its subsidiary Confab Trading N.V.

3. Cash, cash equivalents and bonds and securities

Modality	AVERAGE ANNUAL INTEREST RATE	Parent company		Consolidated	
		2009	2008	2009	2008
CASH AND BANKS					
National currency		11,015	4,889	19,143	7,027
Foreign currency		1,648	1,514	2,741	3,154
		12,663	6,403	21,884	10,181
CASH EQUIVALENTS					
National currency					
Bank Deposit Certificates – CDB ^(e)	100.5% of the CDI	62,288	–	62,997	2,827
Committed/debentures ^(e)	100.26% of the CDI	31,148	–	31,148	–
		93,436	–	94,145	2,827
FOREIGN CURRENCY					
Time deposits ^(c)	0,73% + US\$	35,007	–	35,007	–
Export notes ^(b)	0,52% + US\$	56,206	–	80,430	–
Funds (DDE/Export) ^(a)	0,17% + US\$	308,867	425,915	315,230	453,707
		400,080	425,915	430,667	453,707
Total		506,179	432,318	546,696	466,715
BONDS AND SECURITIES					
Expiration of over 90 days from the application date-					
Foreign currency	1,34% + US\$				
Bonds ^(d)	0,90% + US\$	60,571	–	60,571	–
Export notes ^(b)		17,491	–	17,491	–
		78,062	–	78,062	–

(a) Open investment fund in the money market modality established in American dollars with immediate liquidity. According to the fund's prospectus, a substantial part of the resources is applied in U.S. Treasury Bonds with a purchase obligation by the American Treasury in under 90 days of its issuing.

(b) Bonds issued by companies with S&P rating A 1+, in U.S. dollars.

(c) Fixed U.S. dollars installment deposits.

(d) Bonds issued by the Brazilian Treasury and by international companies ratings S&P between BBB and A+, in U.S. dollars.

(e) Operations with repurchase commitment by the respective financial institutions that assure immediate liquidity.

4. Clients

	Parent company		Consolidated	
	2009	2008	2009	2008
DOMESTIC MARKET				
Third parties	307,947	120,110	333,995	139,427
Related parties (Note 11)	3,423	6,247	1,807	3,225
Subtotal	311,370	126,357	335,802	142,652
FOREIGN MARKET				
Third parties	77,313	243,651	77,324	243,672
Related parties (Note 11)	1,940	1,855	758	125
Subtotal	79,253	245,506	78,082	243,797
Other credits	538	683	553	695
Total	391,161	372,546	414,437	387,144

In December 31st 2009, the clients' accounts receivable values are stated liquid from the provision for doubtful accounts, in the amounts of R\$ 5,384

(R\$ 11,390 in December 31st 2008) in the Parent Company and R\$ 8,137 (R\$ 14,698 in December 31st 2008) in the consolidated.

5. Inventories

	Parent company		Consolidated	
	2009	2008	2009	2008
Finished products	76,463	126,695	76,203	127,876
Products in program	12,721	61,603	12,788	62,001
Raw materials	92,717	255,701	94,928	262,001
Sundry materials	29,856	27,552	31,415	28,854
Suppliers advances	14,652	51,664	12,572	42,510
Ongoing imports	6,221	94,930	6,227	95,189
Provision for adjustment through obsolescence/market	(39,361)	(13,059)	(39,588)	(13,220)
Total	193,269	605,086	194,545	605,211

The level of products in stock is directly related to the order portfolio.

6. Taxes recoverable

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

	Parent company		Consolidated	
	2009	2008	2009	2008
CURRENT				
Value-Added Tax on goods and services – ICMS	14,492	62,891	14,992	63,342
Tax on Industrialized Products – IPI	8,624	1,001	8,884	1,648
Company Income Tax – IRPJ and Social Contribution on Net Earnings – CSLL	19,248	6,140	19,692	8,205
Social Integration Program – PIS and Contribution for the Funding of Social Security – COFINS – recoverable – non cumulative	3,866	36,302	3,866	36,302
PIS and COFINS recoverable – others	4,268	13,600	5,161	13,997
Others	1,539	23,900	1,558	23,950
Total	52,037	143,834	54,153	147,444
EXECUTABLE IN THE LONG TERM				
Social Investment Fund – FINSOCIAL recoverable	3,980	2,368	3,980	2,368
National Institute of Social Security – INSS recoverable	–	–	10,766	7,996
ICMS recoverable on fixed asset acquisitions	3,637	3,079	4,516	4,294
Total	7,617	5,447	19,262	14,658

The Company periodically monitors the accumulated taxes' credits progression, using them in the short term, adopting the following key actions:

a) Federal taxes (IPI, PIS and COFINS) – used to compensate for the federal taxes over sales and income tax and social contribution over the taxable profit, when applicable.

b) State tax (ICMS) – used to compensate for the ICMS over several sales and imports. Additionally, using a special provision granted by the Autoridade Fazendária Estadual [State Financing Authority], it is used for suppliers' payments.

The Company expects that these credits will be fully used in its operations for the next 12 months.

7. Investments in associated companies

	Confab Montagens Ltda.	Confab Revestimentos Ltda.	Socotherm Brasil S.A.	TenarisConfab Hastes de Bombeio S.A.	Confab Trading LLC	Siat S.A.	Total
MOVEMENT							
Balances in December 31st 2007 (Parent Company)	28,543	(5)	21,705	5,404	15,690	49,521	120,858
Capital equity	21,926	–	13,178	1,625	5,271	12,439	54,439
Dividends	–	–	(8,910)	–	–	–	(8,910)
Effect of the exchange to reais in foreign investments	–	–	–	–	–	21,356	21,356
Balances in December 31st 2008 (Parent Company)	50,469	(5)	25,973	7,029	20,961	83,316	187,743
Eliminations	(50,469)	5	(25,973)	–	(20,961)	–	(97,398)
Balances in December 31st 2008 (consolidated)	–	–	–	7,029	–	83,316	90,345
Balances in December 31st 2008 (Parent Company)	50,469	(5)	25,973	7,029	20,961	83,316	187,743
Capital equity	16,780	–	9,802	1,948	(4,746)	1,593	25,377
Dividends	–	–	(20,100)	–	–	–	(20,100)
Effect of the exchange to reais in foreign investments	–	–	–	–	–	(21,199)	(21,199)
Balances in December 31st 2009	67,249	(5)	15,675	8,977	16,215	63,710	171,821
Eliminations	(67,249)	5	(15,675)	–	(16,215)	–	(99,134)
Balances in December 31st 2009 (consolidated)	–	–	–	8,977	–	63,710	72,687

	Thousands of shares or stocks possessed		Company share in paid in capital – %	Net equity (unsecured liabilities)	Balance of the profit not performed	Net profit	Effect in the exchange / Profit not performed
	Ordinary shares	Quotas					
In December 31st 2008							
Confab Montagens Ltda. ^(a)	–	10,419	100	50,469	–	21,926	–
Confab Revestimentos Ltda. ^(b)	–	7,103	100	(5)	–	–	–
Socotherm Brasil S.A. ^(d)	932	–	50	53,814	(934)	26,759	(201)
Tenaris Confab Hastes de Bombeio S.A. ^(c)	1,505	–	49	14,343	–	3,316	–
Confab Trading LLC ^(e)	–	–	100	20,961	–	170	5,101
Siat S.A. ^(f)	12,000	–	30	277,720	–	41,463	21,356
In December 31st 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)

(a) Its activities consist mainly of performing studies and executing the assembly, installation and maintenance of devices, machinery and/or industrial subgroups, manufactured by third parties. Purchase obligation by the American Treasury in under 90 days of its issuing.

(b) Non-operational company.

(c) Its main activities are the manufacturing and trading of Pump shafts and other materials, equipment, components and metallic accessories for use in the oil and petrochemical segment.

(d) Its activities consist mainly in industrialization, commercialization and providing services in the internal and external steel tube coating and metallic parts in general segment, and the acquisition and transfer of technology in the anticorrosive thermal coating for metallic parts segment.

(e) With headquarters in Delaware, USA, it was established in November 9th 2001, through capital inflow represented by the total Confab Trading N.V. shares. It was created with the purpose to participate as a shareholder in foreign companies.

(f) Located in Argentina, its activities consist mainly in manufacturing seam steel pipes for the oil, petrochemical, gas and sanitation industries.

8. Fixed

					Parent company	
					2009	2008
	Annual depreciation rate %	Corrected cost	Accumulated depreciation	Net	Net	
Lands	–	7,680	–	7,680	7,680	
Buildings	4	74,583	(28,692)	45,891	46,537	
Machinery and equipment	10	271,461	(159,462)	111,999	109,763	
Facilities	10	29,898	(12,917)	16,981	17,658	
IT equipment	20	11,366	(10,158)	1,208	2,831	
Furniture and fixtures	10	4,601	(3,244)	1,357	1,474	
Vehicles	20	18,157	(14,778)	3,379	4,110	
Construction in Progress	–	41,975	–	41,975	22,429	
Total		459,721	(229,251)	230,470	212,482	

					Consolidated	
					2009	2008
	Annual depreciation rate %	Corrected and revaluated cost	Accumulated depreciation	Net	Net	
Lands	–	7,680	–	7,680	7,680	
Buildings	4	79,337	(30,587)	48,750	49,306	
Machinery and equipment	10	287,564	(168,513)	119,051	117,925	
Facilities	10	32,770	(14,240)	18,530	19,304	
IT equipment	20	11,606	(10,377)	1,229	2,859	
Furniture and fixtures	10	4,683	(3,299)	1,384	1,507	
Vehicles	20	20,556	(16,277)	4,279	4,807	
Construction in Progress	–	42,175	–	42,175	22,766	
Total		486,371	(243,293)	243,078	226,154	

Movement of the fixed in the fiscal year is stated below:

	Parent company		Consolidated	
	2009	2008	2009	2008
Balances at the beginning of the fiscal year	212,482	224,445	226,154	240,178
ADDITIONS				
Buildings	1,894	3,587	2,243	3,774
Machinery and equipment	24,144	11,311	24,482	12,580
Facilities	1,571	4,751	1,686	5,962
IT equipment	192	1,725	196	1,736
Furniture and fixtures	268	328	270	339
Vehicles	584	1,932	1,061	2,056
Constructions in progress (Net transfers of finished projects)	19,547	258	19,409	(2,376)
Total additions	48,200	23,892	49,347	24,071
Low liquidity and revaluation reserve reversion	(48)	(6,418)	(48)	(6,418)
Depreciations	(30,164)	(29,437)	(32,375)	(31,677)
Balances at the end of the fiscal year	230,470	212,482	243,078	226,154

The ongoing fixed balances refer to expenses with expansion and modernization being performed at the Pindamonhangaba – SP – Pipe Business industrial unit.

As mentioned in the explanatory note No 15, in December 31st 2009, there are assets granted as guarantee for some open legal proceedings.

9. Intangible

					Parent company				
					2009	2008			
					Annual amortization rate	Corrected cost	Accumulated amortization	Net	Net
Software use licenses				20	29,179	(27,304)	1,875	3,051	
Others				–	20	(20)	–	–	
Total					29,199	(27,324)	1,875	3,051	

					Consolidated				
					2009	2008			
					Annual amortization rate	Corrected cost	Accumulated amortization	Net	Net
Software use licenses				20	29,300	(27,425)	1,875	3,088	
Others				–	29	(29)	–	–	
Total					29,329	(27,454)	1,875	3,088	

Changes in intangibles:

		Parent company		Consolidated	
		2009	2008	2009	2008
Balance at the beginning of the fiscal year					
ADDITIONS		3,051	5,133	3,088	5,134
Software use licenses					
Depreciation		1,026	909	989	946
Balance at the end of the fiscal year		(2,202)	(2,991)	(2,202)	(2,992)
		1,875	3,051	1,875	3,088

10. Suppliers

	Parent company		Consolidated	
	2009	2008	2009	2008
DOMESTIC MARKET				
Third parties	51,645	107,919	53,640	112,879
Related parties (Note 11)	12,058	52,123	6,058	26,286
Subtotal	63,703	160,042	59,698	139,165
FOREIGN MARKET				
Third parties	838	6,087	907	6,741
Related parties (Note 11)	39,713	53,246	20,593	27,583
Subtotal	40,551	59,333	21,500	34,324
Total	104,254	219,375	81,198	173,489

11. Transactions with related parties

EQUITY ACCOUNTS	Parent company		Consolidated	
	2009	2008	2009	2008
CURRENT ASSET				
CLIENTS (BILLED – DOMESTIC MARKET)				
Exiros BR Ltda.	4	3	4	3
Socotherm Brasil S.A. (a)	2,628	2,871	1,314	1,435
Tenaris Confab Hastes de Bombeio S.A.	105	179	105	179
	2,737	3,053	1,423	1,617
CLIENTS (CREDITS BILLABLE – DOMESTIC MARKET)				
Exiros BR Ltda.	9	27	9	27
Confab Revestimentos Ltda.	16	16	–	–
Socotherm Brasil S.A.	569	3,140	283	1,570
Tenaris Confab Hastes de Bombeio S.A.	92	11	92	11
	686	3,194	384	1,608
Domestic market total	3,423	6,247	1,807	3,225
CLIENTS (BILLED – FOREIGN MARKET)				
Confab Trading N.V.	1,182	1,730	–	–
Information System & Technology S.A.	2	2	2	2
Siat S.A.	315	70	315	70
Siderca S.A.I.C.	75	–	75	–
Socominter S.A.	–	3	–	3
Techint Compagnia Tecnica Internazionale S.p.A.	–	50	–	50
Tenaris Global Services Peru S.A.C.	351	–	351	–
Transportadora de Gás del Peru S.A.	(42)	–	(42)	–
Tubos del Caribe Ltda.	57	–	57	–
	1,940	1,855	758	125
Foreign market total	1,940	1,855	758	125
Total clients	5,363	8,102	2,565	3,350
INVENTORY (SUPPLIERS ADVANCES)				
Siat S.A.	–	19,157	–	19,157
Socotherm Brasil S.A. (b)	4,260	19,049	2,130	9,524
	4,260	38,206	2,130	28,681
DIVIDENDS RECEIVABLE				
Socotherm Brasil S.A.	–	5,350	–	2,675
NON-CURRENT ASSET				
EXECUTABLE IN THE LONG TERM (LOANS)				
Tenaris Confab Hastes de Bombeio S.A. (c)	16,451	12,320	16,451	12,320
Total	26,074	63,978	21,146	47,026

EQUITY ACCOUNTS	Parent company		Consolidated	
	2009	2008	2009	2008
CURRENT LIABILITY				
SUPPLIERS (BILLED – DOMESTIC MARKET)				
Confab Montagens Ltda.	16	27	–	–
Socotherm Brasil S.A. (d)	11,968	51,620	5,984	25,810
Tenaris Confab Hastes de Bombeio S.A.	7	–	7	–
	11,991	51,647	5,991	25,810
SUPPLIERS (DEBITS BILLABLE – DOMESTIC MARKET)				
Exiros.BR Ltda.	9	450	9	450
Techint S.A.	56	26	56	26
Tenaris Confab Hastes de Bombeio S.A.	2	–	2	–
	67	476	67	476
Domestic market total	12,058	52,123	6,058	26,286
SUPPLIERS (BILLED – FOREIGN MARKET)				
Confab Trading N.V.	19,155	24,461	–	–
Dalmine S.p.A.	310	400	310	400
Siat S.A.	7	353	42	399
Siderar S.A.I.C.	1	1	1	1
Siderca S.A.I.C.	27	28	27	28
Techint Eng. Company Inc. Suc. B. Aires	–	19	–	19
Techint Engineering Holding S.A.	5	6	5	6
Tenaris Global Services LLC	727	1,766	727	1,766
Tenaris Global Services S.A. (e)	8,150	3,931	8,150	3,931
	28,382	30,965	9,262	6,550
SUPPLIERS (DEBITS BILLABLE – FOREIGN MARKET)				
Confab Trading N.V.	–	1,248	–	–
Dalmine S.p.A.	95	124	95	124
Exiros S.A.	143	140	143	140
Hydril Company	533	–	533	–
Maverick Tube LLC	19	–	19	–
Siat S.A.	5	550	5	550
Siderca S.A.I.C.	3,119	6,972	3,119	6,972
Techint Eng. Company Inc. Suc. B. Aires	16	29	16	29
Techint Eng. Tech. Commercial Serv. LLC	1	1	1	1
Tenaris Connection BV	1,232	–	1,232	–
Tubos de Acero de México S.A.	128	29	128	29
Tenaris Global Services S.A.	6,040	13,188	6,040	13,188
	11,331	22,281	11,331	21,033
Foreign market total	39,713	53,246	20,593	27,583
Total suppliers	51,771	105,369	26,651	53,869
ADVANCES TO CUSTOMERS				
Tenaris Global Services (USA) Corporation	–	–	358	481
DIVIDENDS PAYABLE				
Siderca S.A.I.C.	8,264	35,821	8,264	35,821
Total	60,035	141,190	35,273	90,171

The main credit values and obligations of the operations with related parties are the following:

a) Balance receivable of R\$ 2,628 refers to commercial operations, without warranty, with the following expirations: R\$ 402 in January/2010 and R\$ 2,226 in June/2010.

b) Advance of R\$ 4,260 granted the services account of pipe coatings produced by the Company and that will be coated by Socotherm.

c) Balance receivable of R\$ 16,451 refers to a loan

granted, remunerated by the variation of the SELIC rate, which expires in March/2010.

d) Balance payable of R\$ 11,968 refers to commercial operations, without warranty, with the following expirations: R\$ 2,564 in January/2010, R\$ 7,085 in February/2010, R\$ 1,154 in March/2010 and R\$ 1,165 in April/2010.

e) Balance payable of R\$ 8,150 with the following payment schedule: R\$ 4,680 in January/2010 and R\$ 3,470 in February/2010.

END ACCOUNTS	Parent company		Consolidated	
	2009	2008	2009	2008
SALES OF PRODUCTS AND SERVICES				
Confab Montagens Ltda.	89	–	–	–
Exiros, BR Ltda.	152	–	152	–
Dalmine S.p.A.	(2)	–	(2)	–
Hydril Company	–	462	–	462
Socotherm Brasil S.A.	5,863	3,767	2,931	1,883
Siat S.A.	1,293	2,347	1,293	2,347
Siderca S.A.I.C.	1,561	–	1,561	–
Techint Engenharia e Construção S.A.	39	–	39	–
Techint Eng. Tech. Commercial Serv. LLC	–	4	–	4
Techint S.A.	–	36	–	36
Tenaris Confab Hastes de Bombeio S.A.	863	1,062	863	1,062
Tenaris Global Services (USA) Corporation	–	15,931	–	15,931
Tenaris Global Services S.A.	20,551	34,028	20,551	34,028
Tenaris Global Services Peru S.A.C.	360	–	360	–
Tenaris Global Services Nigéria Ltd.	1,364	–	1,364	–
Transportadora de Gás del Peru S.A.	91,138	–	91,138	–
Tubos del Caribe Ltda.	57	–	57	–
	123,328	57,637	120,307	55,753
INTEREST ON LOANS (ASSET)				
Socotherm Brasil S.A.	–	950	–	475
Tenaris Confab Hastes de Bombeio S.A.	1,362	1,370	1,362	1,370
	1,362	2,320	1,362	1,845
RENTAL INCOME				
Socotherm Brasil S.A.	714	671	357	336
Tenaris Confab Hastes de Bombeio S.A.	425	397	425	397
	1,139	1,068	782	733
Total	125,829	61,025	122,451	58,331

END ACCOUNTS	Parent company		Consolidated	
	2009	2008	2009	2008
COSTS AND/OR EXPENSES:				
Confab Montagens Ltda.	(3,532)	–	–	–
Dalmine S.p.A.	(2,159)	(1,231)	(2,159)	(1,231)
Exiros.BR Ltda.	(7,508)	(7,565)	(7,508)	(7,565)
Exiros S.A.	(1,237)	–	(1,237)	–
Finma S.A.I.F.	–	(7)	–	(7)
Hydril Company	(431)	–	(431)	–
Information Systems & Technology S.A.	–	(352)	–	(352)
Maverick Tube LLC	(1,451)	–	(1,451)	–
Santa Maria S.A.I.y F	–	(8)	–	(8)
Siat S.A.	(40,819)	(1,837)	(40,819)	(1,837)
Siderca S.A.I.C.	(6,484)	(6,381)	(6,484)	(6,381)
Socotherm Brasil S.A.	(95,504)	(153,017)	(47,752)	(76,509)
Tubos de Acero de México S.A.	(2,543)	(492)	(2,543)	(492)
Techint Eng. Tech. Commercial Serv. LLC	–	(52)	–	(52)
Techint S.A.	–	(108)	–	(108)
Techint Compagnia Técnica Internazionale S.p.A.	(7)	–	(7)	–
Techint Engenharia e Construção S.A.	(166)	–	(166)	–
Techint Eng. Company Inc. Suc. B. Aires	(101)	(28)	(101)	(28)
Tenaris Confab Hastes de Bombeio S.A.	(76)	(35)	(76)	(35)
Tenaris Global Services LLC	–	(2,783)	–	(2,783)
Tenaris Global Services (USA) Corporation	(44)	–	(44)	–
Tenaris Global Services (UK) Ltd.	(107)	–	(107)	–
Tenaris Global Services S.A.	(21,949)	(15,462)	(21,949)	(15,462)
	(184,118)	(189,358)	(132,834)	(112,850)
INTEREST ON LOANS (LIABILITIES)				
Confab Montagens Ltda.	–	(464)	–	–
MANAGEMENT FEES AND CHARGES (*)				
Statutory directors	(5,040)	(4,609)	(5,040)	(5,023)
Social charges	(1,301)	(1,664)	(1,301)	(1,775)
Board of Directors and Fiscal Council	(702)	(660)	(702)	(660)
	(7,043)	(6,933)	(7,043)	(7,458)
Total	(191,161)	(196,755)	(139,877)	(120,308)

(*) The directors' remuneration is limited to short term, fixed and variable benefits such as salaries, contributions for social security and bonuses. The net remuneration was approved by AGO/E which took place on April 15th 2009.

12. Borrowings

a. BREAKDOWN OF AMOUNTS PAYABLE

Modality	Indexer / currency	Annual interest rates – %	Parent company / Consolidated	
			2009	2008
NATIONAL CURRENCY:				
Brazilian Development Bank – BNDES Investments	TJLP	+ 4,25	–	19,485
BNDES Investments	UMBND	+ 4,25	–	7,151
BNDES pre-export	R\$	4,5	92,246	–
Total			92,246	26,636
CURRENT			(506)	(12,550)
DEMANDABLE IN THE LONG TERM			91,740	14,086

TJLP – Long Term Interest Rate

UMBND – BNDES Monetary unit (currency basket)

b. LONG TERM DUE DATE

YEAR		
2010	–	9,277
2011	–	4,809
2012	91,740	–
Total	91,740	14,086

c. GUARANTEES

The financing (recorded in December 31st 2008) destined for investments were guaranteed by the mortgage of the Company's property assets.

The financing destined for exports , obtained in 2009, does not present guarantee or a financial covenants clause.

13. Customers advances

The balances of R\$ 72,880 (R\$ 367,679 in December 31st 2008) in the Parent Company and R\$ 76,910 (R\$ 372,771 in December 31st 2008) in the consolidated refer to clients advances for goods produced or services provided. This liability is represented by the contractual obligation to produce such goods or provide such services and, in case this does not happen, by returning the amount received.

14. Special installment plan – Law 11,941/09

In November 26th 2009, the Company complied with the Special Installment Plan prescribed by Law 11,941/09, benefiting from new installments for taxes and contributions with reduced interests and fines, and an update calculated based on the SELIC rate, which considered the former Parcelamento Especial – PAES [Special Installment Plan], established in July 31st 2003.

This new installment plan is substantially composed of fiscal debts related to the income tax, social

contribution and COFINS, and it foresees the payment of 34 monthly installments, calculated based on the minimum installment equal to 85% of the last installment paid in the previous plan. The benefit evaluated by the Company with interest (30%) and fine (70%) reduction was R\$ 2,686, recorded under the “other operating revenues” heading. For maintenance of the payment conditions prescribed in the installment plan, there is an obligation to effect regular installment payment. The annual expiration periods of the long term installments are the following:

Parent company / Consolidated	
YEAR	2009
2011	3,521
2012	2,330
Total	5,851

15. Provision for contingencies

The Company and its subsidiaries are involved in labor, tax and civil legal actions, which entail contingent responsibilities. The actions are in the administrative defense stage and being processed by the legal field.

Based on the opinion of its legal advisors, the Company and its subsidiaries' Board maintains a provision for contingencies in amounts considered to be enough to compensate any eventual losses that may arise from unfavorable rulings, as stated below:

	Parent company		Consolidated	
	2009	2008	2009	2008
Labor	52,170	46,087	57,676	50,619
Labor – Rio de Janeiro Refrescos S.A.	2,840	4,257	2,840	4,257
Tax	9,184	9,526	9,248	9,590
Tax – Rio de Janeiro Refrescos S.A.	2,851	2,754	2,851	2,754
Civil	7,505	8,644	7,505	8,644
Total, after legal deposits	74,550	71,268	80,120	75,864

The main contingencies are described below:

Labor

These refer to several complaints against the Company and its ex-subsidiary Rio de Janeiro Refrescos S.A., to which provisions were created based on a loss estimate classified as probable by the legal advisors.

Tax

These refer to tax assessment notices issued against the Company and its ex-subsidiary Rio de Janeiro Refrescos S.A., mainly in the indirect tax area.

Civil

These substantially refer to indemnifying actions moved against the Company, classified as a risk of probable loss.

The movement of the provision is stated below:

	Parent company	Consolidated
Balance in December 31st 2007	41,710	45,810
Constituent provisions, net from reversions	34,184	35,532
Compensation with amounts receivable – Rio de Janeiro Refrescos S.A.	(59)	(59)
Payments	(4,567)	(5,419)
Balance in December 31st 2008	71,268	75,864
Constituent provisions, net from reversions	7,800	9,315
Compensation with amounts receivable – Rio de Janeiro Refrescos S.A.	(1,900)	(1,900)
Compensation with amounts receivable – Belmeq	(123)	(123)
Payments	(2,495)	(3,036)
Balance in December 31st 2009	74,550	80,120

The Company kept the contingencies from the administration period of its ex-subsiary Rio de Janeiro Refrescos S.A., sold in 1994, under its responsibility. Additionally, complying with the referred sale contract, the manufacturing unit's equipment assets were bonded with a net accounting value of R\$ 11,696.

In December 31st 2009, the Company still faces legal actions, evaluated by the legal advisors as potential losses, adding up to R\$ 182,200 (R\$ 166,610 in December 31st 2008) in the Parent Company and R\$ 186,900 (R\$ 170,858 in December 31st 2008) in the consolidated. Out of these actions, the amount of R\$ 13,228 (R\$ 11,015 in December 31st 2008) refers to the Rio de Janeiro Refrescos S.A. company. Based on the legal advisors' assessment and the analysis made by the Board, a provision was not devised for these contingencies.

On the other hand, in December 31st 2009, there are ongoing actions with potential successful outcomes, in the consolidated amount of R\$ 83,888 (R\$ 80,939 in December 31st 2008), after legal fees, which will be acknowledged as the sentences are performed.

The income statements of the past 5 fiscal years and the taxes and contributions with varied prescription periods are subject to a review from the appropriate authorities. However, the Company's Board states that all taxes have been paid or provisioned appropriately and, in December 31st 2009, there were no significant contingencies against the company.

16. Shareholders Equity

a) Share Capital

The Company's by-laws authorizes the increase of Share Capital until the total limit of 523,322,961 shares, considering the proportions between the existing classes, and the Board of Directors is the entity qualified to determine the applicable conditions to

issue shares, based on the authorized capital, as well as the applicability or lack of it regarding the preference right from the current shareholders, as per the terms in Article 172 of Law 10,303/01.

The capital subscribed and integrated in December 31st 2009 presents the following shareholding structures:

Shareholders	Amount of Ordinary Shares	%	Amount 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
Autid Council	–	–	674,119	0,28	674,119	0,17
Other 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

Shareholding structure in December 31st 2008:

Shareholders	Amount of Ordinary Shares	%	Amount 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
Other 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

The increase of Share Capital from R\$ 431,419 to R\$ 602,419 was approved by the Ordinary and Extraordinary Shareholder Meeting performed in April 15th 2009, upon the use of R\$ 171,000 of the balance under the “reserve for capital increase” heading, issuing 43,771,700 new shares of which 17,711,379 were ordinary shares and 26,060,321 were preferred shares, granted as bonuses to the shareholders.

b) Legal reserve

Established at 5% of the net profit recorded in each fiscal year, as per the terms in Article 193 of Law 6,404/76.

c) Reserve for capital increase

As previously mentioned, R\$ 171,000 of this reserve was used to increase the Share Capital. Additionally, the change of Share Capital from R\$ 602,419 to R\$ 658,419 will be proposed to the Ordinary and Extraordinary Shareholder Meeting to be performed in April 14th 2010, upon the use of R\$ 56,000 of the balance under the “reserve for capital increase” heading, which must be fully used for a new capital increase.

d) Profit retention reserve

Considering that the self resource generation is its main financing source and in light of the Company’s business perspectives and investment plan, The retention of remaining balance of accumulated interests will be proposed to the Ordinary and Extraordinary Shareholder Meeting to be performed on April 14th 2010, in accordance with the capital budget proposed by the directors.

e) Policy for distributing dividend and interest on own capital

The preferred shares, which do not have the right to vote, have priority in capital refunding in case of liquidation of the Company, as well as in the right to receive fixed and non-cumulative dividends of 8% per year, over the capital part related to the preferred shares and payable with priority over all other Company shares. Upon payment of 8% of the preferred shares, the ordinary shares are guaranteed to have equal participation in the results, which is, at least, 25% of the adjusted net profit, whichever is higher.

Based on this legal provision, the Company has declared interests on own capital in the total gross amount of R\$ 73,608, to anticipate the minimum mandatory dividend of the 2009 fiscal year. These interests were approved in meetings of the Board of Directors performed in April 27th, August 4th and November 3rd 2009.

The interests on own capital of the fiscal years ended in December 31st 2008 and 2009 were initially recorded in the statement as financial expenses, and were later reversed when recording the net profit of the fiscal years, and stated as destinations of the accumulated profits in the statement of changes in net equity.

The calculation of dividends/interests on own capital related to the net profits of the fiscal years ended in December 31st 2009 and 2008, is presented below:

	Net Profit		Capital	
	2009	2008	2009	2008
Percentage	25%	25%	8%	8%
Fiscal year's net profit	205,543	508,090	–	–
Share capital	–	–	602,419	431,419
Legal reserve (5%)	(10,277)	(25,302)	–	–
Calculation basis	195,266	482,788	602,419	431,419
Minimum dividend	48,816	120,697	48,194	34,514
Interests on share capital anticipated during the fiscal year	73,608	53,892	–	–
Proposed dividends	–	78,000	–	–
Total interests on own capital and dividends stated	73,608	131,892	–	–
Withholding Tax – IRRF	(11,041)	(8,084)	–	–
Total net interests on share capital and dividends stated	62,567	123,808	–	–

f) Share buyback program

The cancelation of 10,700,000 preferred shares acquired with an average price of R\$ 4.10 and maintained in treasury was approved in the Ordinary and Extraordinary Shareholder Meeting performed in April 15th 2009, in compliance with the buyback plan initiated in February 2008 and concluded in February 2009.

Additionally, the Board of Directors approved, in a meeting on February 19th 2009, a new buyback program for preferred shares issued by the Company for treasury permanence purposes, for future transfer or cancelation, without Share Capital reduction. The

program is limited to the acquisition of up to 10,680,000 preferred shares and shall take effect for 1 year starting from February 20th 2009.

Ever since the beginning of this program, 2,889,480 preferred shares were acquired in the market at the average price of R\$ 4.10 per share, the minimum value paid was R\$ 4.07 and maximum value paid was R\$ 4.50. This share's market value in December 31st 2009 was R\$ 5.13.

In December 31st 2009, the total amount of acquisitions from this new program was R\$ 11,387, and was registered under the "profit retention reserve" heading in the net equity.

17. Income tax and social contribution

a) Deferred

The deferred fiscal credits resulting from temporary differences, related to the Company and its

subsidiaries, are recorded. These credits are recorded in the current asset and executable in the long term.

The composition of deferred taxes is stated below:

	2009				2008	
	Current	Executable/ Demandable in the long term	Movement in the Debit (Credit) net equity	Movement in the Debit (Credit) fiscal year earnings	Current	Executable/ in the long term
DEFERRED TAX ASSET						
Tax challenged in court	–	675	–	–	–	675
Provision for doubtful receivable and other bonds receivable	1,580	–	–	(2,020)	3,600	–
Provision for contingencies	1,382	21,419	–	1,095	6,147	15,559
Provision for adjustment to market value/ inventory obsolescence	14,208	–	–	8,942	4,806	460
Provision for statutory employee participation	2,259	–	–	(2,420)	4,679	–
Provision for commissions (export)	2,789	–	–	(3,292)	6,081	–
Derivatives	442	–	4,408	(6,569)	2,603	–
Provisions of costs and other credits	9,829	–	–	(329)	8,703	1,455
Total Parent Company	32,489	22,094	4,408	(4,593)	36,619	18,149
Subsidiary companies	1,125	1,709	–	(27)	1,298	1,563
Total consolidated	33,614	23,803	4,408	(4,620)	37,917	19,712

The credit stated has the following performance expectation:

	1 year	2 years	3 years	Over 4 years	Total
DEFERED TAX ASSET					
Tax challenged in court	–	319	–	356	675
Provision for doubtful receivable and other receivables	1,580	–	–	–	1,580
Provision for contingencies	1,382	1,229	922	19,268	22,801
Provision for adjustment to market value/obsolescence	14,208	–	–	–	14,208
Provision for statutory employee participation	2,259	–	–	–	2,259
Provision for commission (export)	2,789	–	–	–	2,789
Derivatives	442	–	–	–	442
Provisions of costs and other credits	9,829	–	–	–	9,829
Total Parent Company	32,489	1,548	922	19,624	54,583
Subsidiary companies	1,125	184	184	1,341	2,834
Total consolidated	33,614	1,732	1,106	20,965	57,417

b) Conciliation of income tax and social contribution expenses with results from direct application of the referred tax rates on profit before taxes

	Parent company		Consolidated	
	2009	2008	2009	2008
Profit before tax income and social contribution and after statutory employee profit share	258,997	725,173	272,102	743,425
Nominal agreed rate – %	34	34	34	34
Nominal tax income and social contribution expense	(88,059)	(246,559)	(92,515)	(252,765)
Effect of taxes over the permanent differences				
Equity equivalence result	8,628	18,509	1,204	4,782
Interests on share capital	25,027	18,324	25,027	18,324
Other net permanent additions / exclusions	950	(7,357)	(275)	(5,676)
Result of the tax income and social contribution	(53,454)	(217,083)	(66,559)	(235,335)
Tax income and social contribution – current	(54,044)	(247,222)	(67,209)	(264,677)
Tax income and social contribution – deferred	590	30,139	650	29,342
Result of the tax income and social contribution	(53,454)	(217,083)	(66,559)	(235,335)

18. Other operating income (expenses)

	Parent company		Consolidated	
	2009	2008	2009	2008
Provision for contingencies (Note 15)	(7,800)	(34,184)	(9,315)	(35,532)
Gains with new debt installments (Note 14)	2,686	–	2,686	–
Gains with judgments in legal actions	232	591	232	591
PIS and COFINS recoverable, acknowledged as expenses	2,735	–	2,735	–
Other net operational revenues (expenses)	278	(100)	(91)	(925)
Total	(1,869)	(33,693)	(3,753)	(35,866)

19. Net exchange variation

The composition of the net exchange variation is as follows:

	Parent company		Consolidated	
	2009	2008	2009	2008
Positive exchange variations on financial assets	–	201,753	–	207,991
Positive exchange variations on financial liabilities	25,619	166	25,781	228
Negative exchange variations on financial assets	(137,371)	–	(150,685)	–
Negative exchange variations on financial liabilities	(147)	(19,984)	(211)	(20,603)
Total	(111,899)	181,935	(125,115)	187,616

20. Net exchange variation

The Company and its subsidiaries grant participation in earnings to its employees, depending on whether the operational profit goals were reached, which are established and approved every fiscal year.

During the fiscal year ended in December 31st 2009, the amounts of R\$ 5,929 and R\$ 6,939 in the Parent Company and in the consolidated, respectively (R\$ 18,639 and R\$ 20,249 in the Parent Company and in the consolidated, respectively, during the fiscal year ended in December 31st 2008) were recorded in the earnings, with participation purposes. These amounts are stated before income tax and social contribution.

21. Financial instruments

a) General considerations

The Company has a formal policy for risk management, periodically analyzing and determining the contingency strategy for each type of risk to which it is exposed.

b) Financial instruments' appreciation

The Company and its subsidiaries' main asset and liability financial instruments in December 31st 2009 are described below:

(I) Cash and cash equivalents and bonds and securities

These are recorded by their fair values in the financial statement dates.

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

The recorded values are near the fair values in the fiscal year's ending date, considering its nature and expiration periods.

(III) Investments

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

c) Risk management

(I) Exchange rate risk

The Company and its subsidiaries participate in operations involving financial instruments directed to reduce exposure to exchange risks, maintaining its financial position in American dollars and the profitability of its main portfolio operations, as strategies.

For such, the Board monitors market fluctuations in exchange rate over the equity position and over the commercial flow of the main contracts in portfolio per currency, contracting operations involving exchange derivative financial instruments with the objective to comply with the strategy previously mentioned. The Company does not maintain or contract operations with financial derivatives different than what is determined in its policy.

The Company maintains internal controls regarding its derivative instruments that, in the Board's opinion, are appropriate to control the related risks, as well as ensuring the correct records in its financial statements. The results obtained from the protection strategy used by the Company have served the purpose to maintain the net monetary assets in American dollars and the profitability of its main portfolio operations.

Due to its policy of preserving its financial position in American dollars, the Company presented the following equity position in foreign currency, in December 31st 2009:

	Parent company	Consolidated
CURRENT ASSET		
Cash and banks (Note 3)	1,648	2,741
Financial investments (Note 3)	478,142	508,729
Suppliers advances	6,162	6,195
Accounts receivable (Note 4)	79,253	78,082
Total current assets	565,205	595,747
CURRENT LIABILITY		
Customer Advances	(10,751)	(13,546)
Suppliers (Note 10)	(40,551)	(21,500)
Total current liabilities	(51,302)	(35,046)
Net position in R\$	513,903	560,701
Net position in US\$	295,143	322,020

(II) Raw materials cost increase risk

The main raw material used by the Company is steel. In order to protect itself against the variations of this main component, the Company contracts its purchases, fixing the prices and sells its products simultaneously. With the use of this strategy coupled with the strategy for exchange rate risks, the Board believes that it can mitigate risks that arise from raw material price fluctuation, which could affect its industrial costs and gross margin.

(III) Credit risk

These risks are managed and minimized through a specific policy of credit granting, with the purpose

of selecting clients and, to cover eventual defaults, provisions are described, as mentioned in the explanatory note No4.

Additionally, due to its activity, the Company usually performs a large part of its sales inside a period for the same client or for clients from a same group. To minimize this risk, the Company tries to sell its projects receiving advances to produce goods or provide services.

(IV) Operational-strategic risks

The operational-strategic risks, such as demand behavior, competition and technology innovation, are monitored through the Company's management model.

The company's economic performance is tied to the supply of steel pipes to infrastructure projects in the oil, petrochemical, gas, mining and sanitation industries, and it may vary significantly between periods, depending on volumes and supply deadlines of the order portfolio.

In the fiscal year ended in December 31st 2009, the amount equal to 61% of the pipe selling revenues was represented by several projects to meet the Company's main client.

d) Determination of fair value

The Company and its subsidiaries evaluate its accounting assets and liabilities regarding the

information available and appropriate methodologies, requiring extensive judgment and reasonable estimates to produce the most adequate value.

The derivative financial instruments' fair value was calculated based on the present value of the respective contracts, using indexers and interest rates applicable to instruments similar in nature, deadlines and risks, obtained mainly in BM&FBovespa.

e) Derivatives

(l) Composition

These instruments' fair values in December 31st 2009 are stated below:

MODALITY	Theoretical Value (US\$ thousands)	Currency/ position (asset/liability)	Counterpart	Contracted exchange rate (average)	Expiration	2009	Gains (losses) in the fiscal year
<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 and May/10	(196)	(196)
<i>NDF/Swap</i> (*)	24,700	USD/BRL	Itaú/Itaú BBA	1,7575	Jan and 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)
Expenses paid in advance and others						568	
Other accounts payable						(1.538)	

(*) Recorded in the statement under the "revenues and expenses" heading.

Position in December 31st 2008:

MODALITY	Theoretical Value (US\$ thousands)	Currency/ position (asset/ liability)	Counterpart	Contracted exchange rate (average)	Expiration	2008	Gains (losses) in the fiscal year
<i>NDF/Swap</i> (Hedge accounting)	22,140	EUR/BRL	HSBC	3,0283	Jan e Fev/09	5.354	–
<i>NDF/Swap</i> (Hedge accounting)	13,345	EUR/BRL	Santander	2,8684	Mar e Mai/09	6.099	–
Exposição <i>EUR/BRL</i> (Hedge accounting)	35,485	USD/BRL				11.453	–
<i>NDF/Swap</i> (*)	18,300	USD/BRL	HSBC	2,0640	Jan e Fev/09	5.810	2.579
<i>NDF/Swap</i> (*)	19,360	USD/EUR	Itaú BBA	2,2378	Fev/09	2.671	1.828
<i>NDF/Swap</i> (*)	62,400		Santander	2,1187	Jan a Ago/09	16.723	10.840
USD/BRL exposure	100,060					25.204	15.247
Parent Company total						36.657	15.247
<i>Swap</i> (*)	675	EUR/BRL	HSBC	2,8521	Jan e Fev/09	252	252
Consolidated total						36.909	15.499
Expenses paid in advance and others						39.925	
Other accounts payable						(3.016)	

(*) Recorded in the statement under the "revenues and expenses" heading.

(II) Non deliverable forward/swap currency term contract
 In December 31st 2009, the Company has contracts that totaled an active position (acquired) in US\$, with expirations until May 2010. These contracts were performed according to the risk management policy previously mentioned and were recorded in the Câmara de Liquidação e Custódia – CETIP (Custody and Settlement Chamber). The contracts' liquidation will take place in reais, therefore, with non deliverable forward/swap, in the expiration date, by the difference between the future exchange rate and the PTAX rate of the day before the expiration of the contracts, with no margin granted as a guarantee.

The Company has the right to liquidate these contracts before the expiration date, and the value of the premature liquidation will be calculated based on pre-established formulas in the respective contracts, that take into consideration the market rates at the time of the premature liquidation.

(III) Hedge accounting

As a general rule, the Company acknowledges the gain (loss) related to its derivative financial instruments as a financial result.

Certain derivative financial instruments are hired as hedge for a particular risk associated with an acknowledged asset or liability in a transaction represented by a firm purchase commitment. These transactions are classified as cash flow hedge (mainly derivative contracts of the non-deliverable forward – NDF type).

The effective portion of the derivative financial instruments' fair value variation that are assigned and qualify as cash flow hedge is acknowledged in the net equity. The values accumulated in the net equity are transferred to the raw material cost in the inventory when received by the Company and, later, registered in the result only in the period in which the item affects revenues or expenses. The result regarding the ineffective portion is acknowledged immediately in the result.

For the transactions assigned and qualified as hedge accounting, the Company records, at the time of assignment, the relation between the coverage instrument and the covered items, as well as the objective of risk management and the coverage transactions operation strategy.

The movement of adjustments resulting from hedge accounting, recorded in the “equity valuation adjustments” heading, is presented below:

	Parent Company and consolidated Gain (loss)
Balance in December 31st 2008	17,288
Variation of the hedge instruments' fair value	(10,945)
Reclassification for inventory	(17,309)
Ineffective portion reclassified for the result	(722)
Deferred tax credit - reversion	11,688
Balance in December 31st 2009 – gain (loss)	–

(IV) Sensitivity analysis statement – effect in the fair value variation
 Considering the Company's current exposure to risks in exchange rate variations, an eventual appreciation of the real against the American dollar will have an unfavorable effect for the Company.

In compliance to the provisions in CVM's Instruction No 475/08 to determine the effects on the financial instruments' fair value and equity position resulting from the unfavorable variation in the exchange rates, the Company has adopted minimum negative variation scenarios as defined by the Instruction and equal to 25% (scenario II) and 50% (scenario III) over the respective exchange rates used when determining the probable scenario.

The values are stated before tax income and social contribution:

		Scenario I	Scenario II	Scenario III
SITUATION				
Real appreciation on the current scenario		–	-25%	-50%
BRL appreciation	BRL/USD	1.74	1.31	0.87

OPERATION	Risk	Exposure (US\$ thousands)	Unfavorable variation – Parent Company		
			Scenario I (*) (current) (Loss) R\$	Scenario II (Loss) R\$	Scenario III (Loss) R\$
Net equity position	USD drop	295,143	–	(128,476)	(256,952)
NDF/Swaps (USD/BRL)	USD drop	108,850	–	(47,382)	(94,765)

OPERATION	Risk	Exposure (US\$ thousands)	Variação desfavorável – consolidado		
			Scenario I (*) (current) (Loss) R\$	Scenario II (Loss) R\$	Scenario III (Loss) R\$
Net equity position	USD drop	322,020	–	(140,175)	(280,350)
NDF/Swaps (USD/BRL)	USD drop	108,850	–	(47,382)	(94,765)

In conclusion, based on the equity position and the theoretical value of the open derivative instruments in December 31st 2009, the effects of a 1% increase or reduction over the real exchange rate against foreign currencies is expected to result in a Parent Company gain or loss of approximately R\$ 7,034 (R\$ 7,502 in the consolidated), before income tax and social contribution.

22. Insurance coverage (non audited)

It is the Company and its subsidiaries' policy to maintain insurance coverage against fire for the inventory and fixed products subject to risks and by amounts considered to be enough to cover eventual incidents, considering the nature of its activity and the orientation from insurance advisors.

23. Commitments

In December 31st 2009, the main commitments accepted, substantially referring to the purchase of raw material (steel), totaled R\$ 54.861.

Cash flow statement

	Parent company		Consolidated	
	2009	2008	2009	2008
OPERATIONAL ACTIVITIES				
Fiscal year's net profit	205,543	508,090	205,543	508,090
EXPENSES (REVENUES) THAT DO NOT AFFECT THE CASH AND EQUIVALENTS				
Depreciations and amortizations	32,366	32,428	34,577	34,669
Exchange rate and monetary variations	112,514	(89,485)	120,281	(96,657)
Residual value written of permanent assets	48	197	48	197
Equity equivalence result	(25,377)	(54,439)	(3,541)	(14,064)
Deferred tax income and social contribution	(590)	(30,139)	(650)	(29,342)
Obsolescence and adjustment to inventory market value	26,302	2,667	26,367	2,677
Doubtful debt provision	(750)	2,321	(472)	1,784
Exchange variation in investment abroad	–	–	19	(18)
Contingency provision	7,800	34,184	9,315	35,532
Derivatives	(12,965)	–	(12,965)	–
	344,891	405,824	378,522	442,868
ASSET INCREASE (DECREASE)				
Accounts receivable	(17,865)	(75,750)	(26,820)	(86,221)
Receivable from associated parties	(4,131)	(1,277)	(14,180)	(5,749)
Inventories	385,515	(111,112)	384,298	(117,083)
Prepaid expenses	2,210	2,383	2,052	2,729
Taxes recoverable	48,078	(162,053)	44,338	(167,792)
Others	17,994	(18,657)	15,810	(25,594)
	431,801	(366,466)	405,498	(399,710)
LIABILITY INCREASE (DECREASE)				
Suppliers	(115,121)	85,472	(92,291)	62,887
Customers advances	(294,799)	(181,126)	(295,861)	(179,914)
Taxes payable	60,710	252,010	72,254	272,019
Salaries and related costs	825	2,998	3,826	4,228
Special Installment Plan	(5,426)	(2,552)	(6,030)	(3,908)
Disbursements linked to the provision for contingencies	(2,495)	(4,567)	(3,036)	(5,419)
Disbursement of tax income and social contribution	(28,028)	(118,089)	(38,900)	(124,409)
Others	(4,044)	13,298	(5,271)	16,868
	(388,378)	47,444	(365,309)	42,352
Liquidated derivative financial instruments	–	12,965	–	12,965
Cash generated by the operational activities	388,314	99,767	418,711	98,475

	Parent company		Consolidated	
	2009	2008	2009	2008
INVESTMENT ACTIVITIES				
Bonds and securities – investments	(108,613)	(187,448)	(112,197)	(187,448)
Bonds and securities – redemptions	28,559	178,024	32,143	178,024
Bonds and securities – interests	(1,558)	(957)	(1,558)	(957)
Treasury shares	(21,104)	(34,628)	(21,104)	(34,628)
Dividends received from subsidiary and associate	25,450	4,583	12,725	2,292
Acquisition of property, plants and equipment	(49,226)	(24,801)	(50,336)	(25,017)
Cash used in investment activities	(126,492)	(65,227)	(140,327)	(67,734)
FINANCING ACTIVITIES				
Payment of interests and dividends on own capital	(144,608)	(89,250)	(147,283)	(90,651)
Borrowings	91,740	6,295	91,740	6,255
Amortization of borrowings – principal	(25,168)	(35,812)	(25,168)	(18,022)
Amortization of borrowings – interest	(2,065)	(3,087)	(2,065)	(3,087)
Cash used in financing activities	(80,101)	(121,854)	(82,776)	(105,505)
EFFECT OF THE EXCHANGE RATE VARIATIONS ON CASH THE EQUIVALENTS				
	(107,860)	105,263	(115,627)	112,045
Increase in cash and equivalents	73,861	17,949	79,981	37,281
Initial balance in cash and equivalents	432,318	414,369	466,715	429,434
Final balance in cash and equivalents	506,179	432,318	546,696	466,715
Increase in cash and cash equivalents	73,861	17,949	79,981	37,281

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

Sérgio Ricardo Putini
Accountant CRC 1SP221919/O-2

Independent auditors' technical report

To the Shareholders and Directors from
Confab Industrial S.A.

1. We have audited the balance sheets of Confab Industrial S.A. and its associates (parent company and consolidated) as of December 31, 2009 and 2008, and the respective statements of income, of changes in shareholders equity (parent company) and of origins and uses of resources corresponding to the periods ending on those dates, prepared under the responsibility of the management. It is our responsibility to express an opinion about these financial statements. The financial statements of the associated company SIAT S.A. and the joint subsidiary Socotherm Brasil S.A., for the period ending on December 31, 2009 and 2008 were examined by other independent auditors, and our opinion with respect to the value of this investment, totalling R\$ 63.710 thousand and R\$ 15,675 thousand (R\$ 83,316 thousand and R\$ 25,973 thousand in 2008), respectively, and the equity equivalence earnings regarding the period ending on that date, in the amounts of R\$ 1,593 thousand and R\$ 9,803 thousand (R\$ 12, 439 thousand and R\$ 13,178 thousand in 2008), respectively, is based in these independent auditors' technical reports.

2. Our evaluations were conducted according to the Brazilian auditing standards and encompassed: (a) the planning of works, taking into account the relevance of balances, the volume of transactions and the Company's accounting and internal control systems; (b) the verification, based on tests, of evidences and records that support the accounting values and information disclosed; and (c) the evaluation of the most significant accounting practices and estimates adopted by the Company and its subsidiaries' Management, as well as the presentation of the financial statements as a whole.

3. In our opinion, based on our evaluations and reports from other independent auditors, the financial statements mentioned in paragraph 1 properly represent, in all relevant aspects, the equity and financial position of Confab Industrial S.A. and its subsidiaries (parent company and consolidated) in December 31st 2009 and 2008, the result of its operations, the changes in its shareholders' equity, and its cash flows referring to the year ended that date, pursuant to the accounting practices adopted in Brazil.

São Paulo, February 22nd 2010

Deloitte Touche Tohmatsu Auditores Independentes
CRC No 2 SP 011609/O-8

Paulo Manuchakian – Accountant
CRC No 1 SP 108972/O-1

