

**TENARIS S.A.**

**CONSOLIDATED CONDENSED INTERIM FINANCIAL  
STATEMENTS**

**MARCH 31, 2007**

46a, Avenue John F. Kennedy - 2nd Floor.  
L - 1855 Luxembourg

**CONSOLIDATED CONDENSED INTERIM INCOME STATEMENT**

(all amounts in thousands of U.S. dollars, unless otherwise stated)

	Notes	Three-month period ended March 31,	
		2007	2006
<b>(Unaudited)</b>			
<b>Continuing operations</b>			
Net sales	2	2,425,299	1,621,891
Cost of sales	2 & 3	(1,291,498)	(816,327)
<b>Gross profit</b>		<b>1,133,801</b>	<b>805,564</b>
Selling, general and administrative expenses	2 & 4	(374,267)	(216,640)
Other operating income (expense), net	2	(1,937)	8,185
<b>Operating income</b>		<b>757,597</b>	<b>597,109</b>
Interest income	5	22,191	12,395
Interest expense	5	(57,727)	(11,639)
Other financial results	5	(13,043)	9,697
<b>Income before equity in earnings of associated companies and income tax</b>		<b>709,018</b>	<b>607,562</b>
Equity in earnings of associated companies		25,907	21,521
<b>Income before income tax</b>		<b>734,925</b>	<b>629,083</b>
Income tax		(225,531)	(190,026)
<b>Income for continuing operations</b>		<b>509,394</b>	<b>439,057</b>
<b>Discontinued operations</b>			
Income for discontinued operations		-	2,633
<b>Income for the period</b>		<b>509,394</b>	<b>441,690</b>
<b>Attributable to:</b>			
Equity holders of the Company		480,304	419,688
Minority interest		29,090	22,002
		<b>509,394</b>	<b>441,690</b>

**Earnings per share attributable to the equity holders of the Company during the period**

Weighted average number of ordinary shares (thousands)	1,180,537	1,180,537
Earnings per share (U.S. dollars per share)	0.41	0.36
Earnings per ADS (U.S. dollars per ADS)	0.81	0.71

The ratio of ordinary shares per American Depositary Shares (ADSs) was changed from a ratio of one ADS equal to ten ordinary shares to a new ratio of one ADS equal to two ordinary shares. The implementation date for this change was April 26, 2006, for shareholders of record at April 17, 2006. Earnings per ADS reflected above have been adjusted for this change in the conversion ratio.

The accompanying notes are an integral part of these consolidated condensed interim financial statements. The report of the Independent Registered Public Accounting Firm on these consolidated condensed interim financial statements is issued as a separate document. These consolidated condensed interim financial statements should be read in conjunction with our audited Consolidated Financial Statements and notes for the fiscal year ended December 31, 2006.

**CONSOLIDATED CONDENSED INTERIM BALANCE SHEET**

(all amounts in thousands of U.S. dollars)

	Notes	<u>At March 31, 2007</u> (Unaudited)		<u>At December 31, 2006</u>	
<b>ASSETS</b>					
<b>Non-current assets</b>					
Property, plant and equipment, net	6	2,978,406		2,939,241	
Intangible assets, net	6	2,826,641		2,844,498	
Investments in associated companies		453,483		422,958	
Other investments		26,807		26,834	
Deferred tax assets		293,353		291,641	
Receivables		<u>39,330</u>	6,618,020	<u>41,238</u>	6,566,410
<b>Current assets</b>					
Inventories		2,437,796		2,372,308	
Receivables and prepayments		268,845		272,632	
Current tax assets		160,676		202,718	
Trade receivables		1,642,841		1,625,241	
Other investments		188,688		183,604	
Cash and cash equivalents		<u>1,634,812</u>	6,333,658	<u>1,372,329</u>	6,028,832
<b>Total assets</b>			<b><u>12,951,678</u></b>		<b><u>12,595,242</u></b>
<b>EQUITY</b>					
<b>Capital and reserves attributable to the Company's equity holders</b>					
Share capital		1,180,537		1,180,537	
Legal reserves		118,054		118,054	
Share premium		609,733		609,733	
Currency translation adjustments		29,023		3,954	
Other reserves		28,143		28,757	
Retained earnings		<u>3,877,888</u>	5,843,378	<u>3,397,584</u>	5,338,619
<b>Minority interest</b>			<b><u>387,552</u></b>		<b><u>363,011</u></b>
<b>Total equity</b>			<b><u>6,230,930</u></b>		<b><u>5,701,630</u></b>
<b>LIABILITIES</b>					
<b>Non-current liabilities</b>					
Borrowings		2,765,327		2,857,046	
Deferred tax liabilities		978,204		991,945	
Other liabilities		193,339		186,724	
Provisions		84,405		92,027	
Trade payables		<u>354</u>	4,021,629	<u>366</u>	4,128,108
<b>Current liabilities</b>					
Borrowings		632,858		794,197	
Current tax liabilities		693,545		565,985	
Other liabilities		217,241		187,701	
Provisions		22,729		26,645	
Customer advances		365,861		352,717	
Trade payables		<u>766,885</u>	2,699,119	<u>838,259</u>	2,765,504
<b>Total liabilities</b>			<b><u>6,720,748</u></b>		<b><u>6,893,612</u></b>
<b>Total equity and liabilities</b>			<b><u>12,951,678</u></b>		<b><u>12,595,242</u></b>

Contingencies, commitments and restrictions to the distribution of profits are disclosed in Note 7.

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**CONSOLIDATED CONDENSED INTERIM STATEMENT OF CHANGES IN EQUITY**

(all amounts in thousands of U.S. dollars)

	Attributable to equity holders of the Company							Total
	Share Capital	Legal Reserves	Share Premium	Other Reserves (**)	Currency translation adjustment	Retained Earnings (*)	Minority Interest	
								(Unaudited)
Balance at January 1, 2007	1,180,537	118,054	609,733	28,757	3,954	3,397,584	363,011	5,701,630
Currency translation differences	-	-	-	-	25,069	-	9,389	34,458
Change in equity reserves	-	-	-	(614)	-	-	-	(614)
Acquisition and decrease of minority interest	-	-	-	-	-	-	(10,579)	(10,579)
Dividends paid in cash	-	-	-	-	-	-	(3,359)	(3,359)
Income for the period	-	-	-	-	-	480,304	29,090	509,394
<b>Balance at March 31, 2007</b>	<b>1,180,537</b>	<b>118,054</b>	<b>609,733</b>	<b>28,143</b>	<b>29,023</b>	<b>3,877,888</b>	<b>387,552</b>	<b>6,230,930</b>

	Attributable to equity holders of the Company							Total
	Share Capital	Legal Reserves	Share Premium	Other Reserves (**)	Currency translation adjustment	Retained Earnings	Minority Interest	
								(Unaudited)
Balance at January 1, 2006	1,180,537	118,054	609,733	2,718	(59,743)	1,656,503	268,071	3,775,873
Currency translation differences	-	-	-	-	4,925	-	13,699	18,624
Change in equity reserves	-	-	-	28,083	-	-	-	28,083
Acquisition and increase of minority interest	-	-	-	-	-	-	(721)	(721)
Dividends paid in cash	-	-	-	-	-	-	(7,581)	(7,581)
Income for the period	-	-	-	-	-	419,688	22,002	441,690
<b>Balance at March 31, 2006</b>	<b>1,180,537</b>	<b>118,054</b>	<b>609,733</b>	<b>30,801</b>	<b>(54,818)</b>	<b>2,076,191</b>	<b>295,470</b>	<b>4,255,968</b>

(\*) Retained Earnings calculated in accordance with Luxembourg Law are disclosed in Note 7.

(\*\*) See Note 1. See also Note 28 (c) of our audited Consolidated Financial Statements for the fiscal year ended December 31, 2006.

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**CONSOLIDATED CONDENSED INTERIM CASH FLOW STATEMENT**

	<b>Three-month period ended</b>	
	<b>March 31,</b>	
	<b>2007</b>	<b>2006</b>
(all amounts in thousands of U.S. dollars)	<b>(Unaudited)</b>	
<b>Cash flows from operating activities</b>		
Income for the period	509,394	441,690
Adjustments for:		
Depreciation and amortization	100,487	54,675
Income tax accruals less payments	125,377	83,458
Equity in earnings of associated companies	(25,907)	(21,521)
Interest accruals less payments, net	45,429	5,292
Income from disposal of investment	-	(6,933)
Changes in provisions	(7,230)	731
Changes in working capital	(90,519)	(24,257)
Other, including currency translation adjustment	31,243	10,947
<b>Net cash provided by operating activities</b>	<b>688,274</b>	<b>544,082</b>
<b>Cash flows from investing activities</b>		
Capital expenditures	(119,912)	(69,529)
Acquisitions of subsidiaries and minority interest (see Note 8)	(1,750)	(29,809)
Decrease in subsidiaries	(1,195)	-
Proceeds from disposal of property, plant and equipment and intangible assets	2,693	1,820
Changes in restricted bank deposits	-	648
Investments in short terms securities	(5,084)	(177,650)
<b>Net cash used in investing activities</b>	<b>(125,248)</b>	<b>(274,520)</b>
<b>Cash flows from financing activities</b>		
Dividends paid to minority interest in subsidiaries	(3,359)	(7,581)
Proceeds from borrowings	48,174	101,085
Repayments of borrowings	(360,899)	(154,601)
<b>Net cash used in financing activities</b>	<b>(316,084)</b>	<b>(61,097)</b>
<b>Increase in cash and cash equivalents</b>	<b>246,942</b>	<b>208,465</b>
<b>Movement in cash and cash equivalents</b>		
At beginning of the period	1,365,008	680,591
Effect of exchange rate changes	2,736	(1,834)
Increase in cash and cash equivalents	246,942	208,465
<b>At March 31,</b>	<b>1,614,686</b>	<b>887,222</b>
	<b>At March 31,</b>	
	<b>2007</b>	<b>2006</b>
<b>Cash and cash equivalents</b>		
Cash and bank deposits	1,634,812	910,991
Bank overdrafts	(20,105)	(22,369)
Restricted bank deposits	(21)	(1,400)
	<b>1,614,686</b>	<b>887,222</b>

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## NOTES TO THE CONSOLIDATED CONDENSED INTERIM FINANCIAL STATEMENTS

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## NOTES TO THE CONSOLIDATED CONDENSED INTERIM FINANCIAL STATEMENTS

(In the notes all amounts are shown in U.S. dollars, unless otherwise stated)

### 1 General information and basis of presentation

Tenaris S.A. (the “Company” or “Tenaris”), a Luxembourg corporation (société anonyme holding), was incorporated on December 17, 2001 as a holding company for investments in steel pipe manufacturing and distribution companies. The Company consolidates its subsidiary companies, as detailed in Note 32 to the audited Consolidated Financial Statements for the year ended December 31, 2006.

These consolidated condensed interim financial statements have been prepared in accordance with IAS 34, “Interim Financial Reporting”. The accounting policies used in the preparation of these consolidated condensed interim financial statements are consistent with those used in the audited consolidated financial statements for the year ended December 31, 2006. These consolidated condensed interim financial statements should be read in conjunction with the audited Consolidated Financial Statements for the year ended December 31, 2006, which have been prepared in accordance with International Financial Reporting Standards (“IFRS”).

Certain comparative amounts have been reclassified to conform to changes in presentation in the current year.

The preparation of consolidated condensed interim financial statements in conformity with IFRS requires management to make certain accounting estimates and assumptions that might affect the reported amounts of assets and liabilities and the disclosure of contingent assets and liabilities as of the balance sheet dates, and also the reported amounts of revenues and expenses for the reported periods. Actual results may differ from these estimates.

Material intercompany transactions and balances between Tenaris subsidiaries have been eliminated in consolidation. However, some financial gains and losses do arise from intercompany transactions because certain subsidiaries use their respective local currencies as their functional currency for accounting purposes. Such gains and losses are included in the consolidated income statement under Other financial results.

The Company applies hedge accounting treatment for certain qualifying financial instruments. These transactions are classified as cash flow hedges (mainly currency forward contracts on highly probable forecast transactions and interest rate swaps). The effective portion of the fair value of derivatives that are designated and qualify as cash flow hedges is recognized in equity. Amounts accumulated in equity are charged in the income statement in the periods when the hedged item affects profit or loss. The gain or loss relating to the ineffective portion is recognized in the income statement. The fair value of the Company’s derivative financial instruments (asset or liability) is reflected on the Balance Sheet.

For transactions designated and qualifying for hedge accounting, the Company documents at the time of designation of the transaction the relationship between hedging instruments and hedged items, as well as its risk management objectives. The Company also documents its assessment at hedge designation and at each period end of whether the derivatives that are used in hedging transactions are expected to be effective in offsetting changes in cash flows of hedged items. At March 31, 2007, the effective portion of designated cash flow hedges amounts to \$1.5 million and is included in Other reserves in equity.

These consolidated condensed interim financial statements were approved for issue by the Tenaris Board of Directors on May 4, 2007.

## 2 Segment information

### Reportable operating segments

(all amounts in thousands of U.S. dollars)

	<b>Tubes</b>	<b>Projects</b>	<b>Other</b>	<b>Total Continuing operations</b>	<b>Total Discontinued operations (*)</b>
<b>Three-month period ended March 31, 2007</b>					
(Unaudited)					
Net sales	2,144,728	124,410	156,161	2,425,299	-
Cost of sales	(1,081,759)	(82,216)	(127,523)	(1,291,498)	-
<b>Gross profit</b>	<b>1,062,969</b>	<b>42,194</b>	<b>28,638</b>	<b>1,133,801</b>	-
Selling, general and administrative expenses	(337,215)	(17,642)	(19,410)	(374,267)	-
Other operating income (expenses), net	(3,726)	1,758	31	(1,937)	-
<b>Operating income</b>	<b>722,028</b>	<b>26,310</b>	<b>9,259</b>	<b>757,597</b>	-
Depreciation and amortization	89,720	4,425	6,342	100,487	-
<b>Three-month period ended March 31, 2006</b>					
Net sales	1,448,044	96,225	77,622	1,621,891	161,261
Cost of sales	(693,903)	(63,025)	(59,399)	(816,327)	(156,165)
<b>Gross profit</b>	<b>754,141</b>	<b>33,200</b>	<b>18,223</b>	<b>805,564</b>	<b>5,096</b>
Selling, general and administrative expenses	(190,211)	(17,206)	(9,223)	(216,640)	(1,244)
Other operating income (expenses), net	8,302	316	(433)	8,185	(55)
<b>Operating income</b>	<b>572,232</b>	<b>16,310</b>	<b>8,567</b>	<b>597,109</b>	<b>3,797</b>
Depreciation and amortization	46,710	4,865	2,667	54,242	433

### Geographical information

(all amounts in thousands of U.S. dollars)

	<b>North America</b>	<b>South America</b>	<b>Europe</b>	<b>Middle East &amp; Africa</b>	<b>Far East &amp; Oceania</b>	<b>Total Continuing operations</b>	<b>Total Discontinued operations (*)</b>
<b>Three-month period ended March 31, 2007</b>							
(Unaudited)							
Net sales	802,140	428,775	426,615	601,250	166,519	2,425,299	-
Depreciation and amortization	59,319	24,439	14,848	197	1,684	100,487	-
<b>Three-month period ended March 31, 2006</b>							
Net sales	467,599	343,374	306,552	331,070	173,296	1,621,891	161,261
Depreciation and amortization	15,422	22,510	14,616	209	1,485	54,242	433

Allocation of net sales to geographical segments is based on customer location. Allocation of depreciation and amortization is based on the geographical location of the underlying assets.

There are no revenues from external customers attributable to the Company's country of incorporation (Luxembourg). The South American segment comprises principally Argentina, Brazil and Venezuela. The European segment comprises principally France, Germany, Italy, Norway, Romania and the United Kingdom. The North American segment comprises Canada, Mexico and the USA. The Middle East and Africa segment comprises principally Egypt, Nigeria, Saudi Arabia and the United Arab Emirates. The Far East and Oceania segment comprises principally China, Indonesia, Japan and South Korea.

(\*) Corresponds to Dalmine Energie operations.



**3 Cost of sales**

(all amounts in thousands of U.S. dollars)	<b>Three-month period ended</b>	
	<b>March 31,</b>	
	<b>2007</b>	<b>2006</b>
	<b>(Unaudited)</b>	
<b>Inventories at the beginning of the period</b>	<b>2,372,308</b>	<b>1,376,113</b>
<b>Plus: Charges of the period</b>		
Raw materials, energy, consumables and other	960,370	807,014
Services and fees	106,826	84,348
Labor cost	164,570	108,987
Depreciation of property, plant and equipment	56,798	47,740
Amortization of intangible assets	404	1,130
Maintenance expenses	47,194	25,080
Provisions for contingencies	4,735	-
Allowance for obsolescence	(2,768)	4,946
Taxes	988	1,013
Other	17,869	7,753
	<b>1,356,986</b>	<b>1,088,011</b>
<b>Less: Inventories at the end of the period</b>	<b>(2,437,796)</b>	<b>(1,491,632)</b>
	<b>1,291,498</b>	<b>972,492</b>
From Discontinued operations	-	(156,165)
	<b>1,291,498</b>	<b>816,327</b>

**4 Selling, general and administrative expenses**

(all amounts in thousands of U.S. dollars)	<b>Three-month period ended</b>	
	<b>March 31,</b>	
	<b>2007</b>	<b>2006</b>
	<b>(Unaudited)</b>	
Services and fees	43,348	25,438
Labor cost	92,333	58,650
Depreciation of property, plant and equipment	2,692	1,896
Amortization of intangible assets	40,593	3,909
Commissions, freight and other selling expenses	117,337	87,593
Provisions for contingencies	14,122	211
Allowances for doubtful accounts	3,705	1,901
Taxes	34,672	21,350
Other	25,465	16,936
	<b>374,267</b>	<b>217,884</b>
From Discontinued operations	-	(1,244)
	<b>374,267</b>	<b>216,640</b>

**5 Financial income (expenses), net**

(all amounts in thousands of U.S. dollars)	<b>Three-month period ended</b>	
	<b>March 31,</b>	
	<b>2007</b>	<b>2006</b>
	<b>(Unaudited)</b>	
Interest expense	(57,727)	(11,883)
Interest income	22,191	12,481
<b>Interest net</b>	<b>(35,536)</b>	<b>598</b>
Net foreign exchange transaction results and changes in fair value of derivative instruments	(11,122)	8,805
Other	(1,921)	1,193
<b>Other financial results</b>	<b>(13,043)</b>	<b>9,998</b>
<b>Net financial results</b>	<b>(48,579)</b>	<b>10,596</b>
From Discontinued operations	-	(143)
	<b>(48,579)</b>	<b>10,453</b>

Each comparative item included in this note differs from its corresponding line in the income statement because it includes discontinued operations' results.

**6 Property, plant and equipment and Intangible assets, net**

(all amounts in thousands of U.S. dollars)	<b>Net Property, Plant and Equipment</b>	<b>Net Intangible Assets</b>
	<b>(Unaudited)</b>	<b>(Unaudited)</b>
	<b>Three-month period ended March 31, 2007</b>	
Opening net book amount	2,939,241	2,844,498
Currency translation differences	6,191	10,626
Transfers	(94)	94
Additions	114,647	5,265
Disposals	(2,693)	-
Reclassifications	(19,396)	7,155
Depreciation / Amortization charge	(59,490)	(40,997)
<b>At March 31, 2007</b>	<b>2,978,406</b>	<b>2,826,641</b>

**7 Contingencies, commitments and restrictions to the distribution of profits**

This note should be read in conjunction with Note 26 to the Company's audited Consolidated Financial Statements for the year ended December 31, 2006. Significant changes or events since the date of such financial statements are the following:

*Asbestos-related Litigation*

In addition to the previously known 13 civil proceedings for work-related injuries arising from the use of asbestos in its manufacturing processes during the period from 1960 to 1980, 18 asbestos-related out-of-court claims and 1 civil party claim, 21 new asbestos-related out-of-court claims and 1 asbestos civil proceedings have been notified to Dalmine during 2007; no claims were dismissed or settled. Accordingly, as of March 31, 2007, the total asbestos-related claims pending against Dalmine are 54 (of which, 3 are covered by insurance). Aggregate settlement costs to date are Euro 3.8 million. Dalmine estimates that its potential liability in connection with the claims above that are not yet settled is approximately Euro 20.4 million (\$ 27.2 million) of which Euro 7.8 million (\$10.4 million) relate to the claims and proceedings notified to Dalmine during 2007.

## **7 Contingencies, commitments and restrictions to the distribution of profits (Cont'd)**

### *Asbestos-related Litigation (Cont'd)*

Accruals for Dalmine's potential liability are based on the average of the amounts paid by Dalmine for asbestos-related claims plus an additional amount related to some reimbursements requested by the social security authority. The maximum potential liability is not determinable as in some cases the requests for damages do not specify amounts, and instead is to be determined by the court. The timing of payment of the amounts claimed is not presently determinable.

### *Maverick litigation*

On December 11, 2006, The Bank of New York ("BNY"), as trustee for the holders of Maverick 2004 4% Convertible Senior Subordinated Notes due 2033 issued pursuant to an Indenture between Maverick and BNY ("Noteholders"), filed a complaint against Maverick and Tenaris in the United States District Court for the Southern District of New York. The complaint alleges that Tenaris's acquisition of Maverick triggered the "Public Acquirer Change of Control" provision of Indenture, asserting breach of contract claim against Maverick for refusing to deliver the consideration specified in the Public Acquirer Change of Control provision of the Indenture to Noteholders who entered their notes for such consideration. This complaint seeks a declaratory judgement that Tenaris's acquisition of Maverick was a Public Acquirer Change of Control under the Indenture, and asserts claims for tortious interference with contract and unjust enrichment against Tenaris. Defendants filed a motion to dismiss the complaint, or in the alternative, for summary judgment on March 13, 2007. Plaintiff filed a motion for partial summary judgment on the same date. Opposition papers to the motions were filed due April 20, 2007, and reply papers are due May 15, 2007.

Tenaris believes that these claims are without merit. Accordingly, no provision was recorded in these financial statements. Were plaintiff to prevail, Tenaris estimates that the recovery would be approximately \$50 million.

### *European Commission Fine*

On January 25, 2007, the Court of Justice of the European Commission confirmed the December 8, 1998 decision by the European Commission to fine eight international steel pipe manufacturers, including Dalmine, for violation of European competition laws. Pursuant to the Court's decision, Dalmine is required to pay a fine of Euro 10.1 million (\$13.3 million). Since the infringements for which the fine was imposed took place prior to the acquisition of Dalmine by Tenaris in 1996, Dalmine's former owner, who had instructed Dalmine to appeal, is required and has acknowledged its responsibility to pay 84.1% of the fine. The remaining 15.9% of the fine has been paid out in 2007 of the provision that Dalmine established in 1999 for such proceeding.

### *Employee retention and incentive program*

Tenaris has adopted an employee retention and long term incentive program effective from January 1, 2007. Pursuant to this program, certain senior executives will be granted a number of units equivalent in value to the equity book value per share (excluding minority interest). The units will be vested over a period of four years and the Company will redeem vested units following a period of ten years from the grant date, or when the employee leaves the Company, at the equity book value per share at the time of payment. Beneficiaries will also receive a cash amount per unit equivalent to the dividend paid per share whenever the Company pays a dividend to its shareholders.

Compensation under this program is not expected to exceed 35% in average of the total annual compensation of the beneficiaries.

The total value of the units granted to date under the program, considering the number of units and the book value per share as of March 31, 2007, is \$4.7 million. The Company has recorded a total liability of \$5.8 million taking into account expected industry growth and discount rate.

## 7 Contingencies, commitments and restrictions to the distribution of profits (Cont'd)

### *Transportation commitment*

Tenaris entered into transportation capacity agreements with Transportadora de Gas del Norte S.A. for capacity of 1,000,000 cubic meters per day until 2017. As of March 31, 2007, the outstanding value of this commitment was approximately \$61.0 million. Tenaris also expects to obtain additional gas transportation capacity of 315,000 cubic meters per day until 2027. This commitment is subject to the enlargement of certain pipelines in Argentina, which enlargement is expected to be completed by 2008.

### *Restrictions to the distribution of profits and payment of dividends*

As of March 31, 2007, shareholders' equity as defined under Luxembourg law and regulations consisted of the following:

(all amounts in thousands of U.S. dollars)	(unaudited)
Share capital	1,180,537
Legal reserve	118,054
Share premium	609,733
Retained earnings including net income for the three-month period ended March 31, 2007	<u>1,976,626</u>
<b>Total shareholders equity in accordance with Luxembourg law</b>	<b><u>3,884,950</u></b>

At least 5% of the Company's net income per year, as calculated in accordance with Luxembourg law and regulations, must be allocated to the creation of a legal reserve equivalent to 10% of the Company's share capital. As of March 31, 2007, this reserve is fully allocated and additional allocations to the reserve are not required under Luxembourg law. Dividends may not be paid out of the legal reserve.

Tenaris may pay dividends to the extent, among other conditions, that it has distributable retained earnings calculated in accordance with Luxembourg law and regulations.

At March 31, 2007, Tenaris' retained earnings under Luxembourg law totalled \$1,976.6 million, as detailed below.

(all amounts in thousands of U.S. dollars)	(unaudited)
Retained earnings at December 31, 2006 under Luxembourg law	1,527,096
Dividends received	458,698
Other income and expenses for the three-month period ended March 31, 2007	(9,168)
<b>Retained earnings at March 31, 2007 under Luxembourg law</b>	<b><u>1,976,626</u></b>

## 8 Business acquisitions, incorporation of subsidiaries and other significant events

### *(a) Acquisition of Hydril Company ("Hydril")*

On February 12, 2007, Tenaris announced that it has entered into a definitive merger agreement to acquire Hydril for \$97 per share of Hydril's common stock and \$97 per share of Hydril's Class B common stock, payable in cash.

On May 2, 2007, Hydril's shareholders meeting approved the merger agreement. Closing will occur in May 7, 2007. To finance the acquisition and the payment of related obligations and to refinance existing debt, Tenaris and the subsidiary that will merge with and into Hydril have entered into syndicated term loan facilities in an aggregate principal amount of \$2.0 billion.

Hydril is a North American manufacturer of premium connections and pressure control products for oil and gas drilling and production. For 2006, Hydril reported revenues of \$503 million, operating income of \$132.2 million and net income of \$91.3 million under US GAAP.

## 8 Business acquisitions, incorporation of subsidiaries and other significant events (Cont'd)

### (b) Acquisition of Maverick Tube Corporation ("Maverick")

On October 5, 2006, Tenaris completed its acquisition of Maverick, pursuant to which, Maverick merged with and into a wholly owned subsidiary of Tenaris. On that date, Tenaris paid \$65 per share in cash for each issued and outstanding share of Maverick's common stock. The value of the transaction at the acquisition date was \$3,160 million, including Maverick's financial debt. Tenaris began consolidating Maverick's balance sheet and results of operations in the fourth quarter of 2006.

Goodwill arising on the acquisition of Maverick, \$1,125 million is the difference between the acquisition price and the fair value on the acquisition date of the identifiable tangible and intangible assets and liabilities determined mainly by independent valuation. This goodwill reflects the opportunity for Tenaris to increase its presence in North America, primarily in the OCTG market.

### (c) Minority Interest

During the three-month period ended March 31, 2007, additional shares of Silcotub and Dalmine were acquired from minority shareholders for an aggregate purchase price of approximately \$1.8 million.

## 9 Discontinued operations

### Sale of a 75% interest in Dalmine Energie

On December 1, 2006, Tenaris completed for \$58.9 million the sale of a 75% participation of Dalmine Energie, its Italian supply business, to E.ON Sales and Trading GmbH, a wholly owned subsidiary of E.ON Energie AG ("E.ON") and an indirect subsidiary of E.O.N AG. Following consummation of the sale, Tenaris maintains a 25% interest in Dalmine Energie. As a result of this transaction, Tenaris has de-consolidated Dalmine Energie and recognized a \$40.0 million gain in the fourth quarter of 2006.

As per the sale agreement, Tenaris has an irrevocable option to sell to E.ON, at any time during the one year exercise period (in two years from the date of the sale agreement), its 25% remaining interest in Dalmine Energie for a purchase price in cash of EUR 13.0 million plus interests. Also, E.ON has an irrevocable option to purchase from Tenaris, at any time during the one year exercise period (in two years from the date of the sale agreement), Tenaris' 25% remaining interest in Dalmine Energie for a purchase price in cash of EUR 17.5 million plus interests and adjustments.

Analysis of the result of discontinued operations:

	<b><u>March 31, 2006</u></b>
Net sales	161,261
Cost of sales	<u>(156,165)</u>
<b>Gross profit</b>	<b>5,096</b>
Selling, general and administrative expenses	(1,244)
Other operating income (expense), net	<u>(55)</u>
<b>Operating income</b>	<b>3,797</b>
Interest income	86
Interest expense	(244)
Other financial results	<u>301</u>
<b>Income before equity in earnings of associated companies and income tax</b>	<b>3,940</b>
Equity in earnings of associated companies	<u>-</u>
<b>Income before income tax</b>	<b>3,940</b>
Income tax	<u>(1,307)</u>
<b>Income for the period from discontinued operations</b>	<b><u>2,633</u></b>

Cash from discontinued operations increased by \$2.5 million in the period ended March 31, 2006.

## 10 Related party disclosures

The Company is controlled by San Faustin N.V., a Netherlands Antilles corporation, which owns 60.45% of the Company's outstanding shares through its wholly-owned subsidiary I.I.I. Industrial Investments Inc., a Cayman Islands corporation. Tenaris' directors and executive officers as a group own 0.2% of the Company's outstanding shares, while the remaining 39.4% is publicly traded. The ultimate controlling entity of the Company is Rocca & Partners S.A., a British Virgin Islands corporation.

At March 31, 2007, the closing price of Ternium shares as quoted on the New York Stock Exchange was \$27.94 per ADS, giving Tenaris' ownership stake a market value of approximately \$642 million. At March 31, 2007, the carrying value of Tenaris' ownership stake in Ternium was approximately \$429 million.

Transactions and balances disclosed as with "Associated" companies are those companies over which Tenaris exerts significant influence in accordance with IFRS, but does not have control. All other transactions with related parties which are not Associated and which are not consolidated are disclosed as "Other".

The transactions and balances with related parties are shown below:

(all amounts in thousands of U.S. dollars)

### Three-month period ended March 31, 2007

	Associated (1)	Other	Total
<b>(i) Transactions</b>			
<b>(a) Sales of goods and services</b>			
Sales of goods	26,237	12,727	38,964
Sales of services	8,377	1,331	9,708
	<b>34,614</b>	<b>14,058</b>	<b>48,672</b>
<b>(b) Purchases of goods and services</b>			
Purchases of goods	66,521	6,459	72,980
Purchases of services	16,881	20,618	37,499
	<b>83,402</b>	<b>27,077</b>	<b>110,479</b>

### Three-month period ended March 31, 2006

	Associated (2)	Other	Total
<b>(i) Transactions</b>			
<b>(a) Sales of goods and services</b>			
Sales of goods	24,902	14,391	39,293
Sales of services	3,544	631	4,175
	<b>28,446</b>	<b>15,022</b>	<b>43,468</b>
<b>(b) Purchases of goods and services</b>			
Purchases of goods	19,441	5,510	24,951
Purchases of services	2,116	13,141	15,257
	<b>21,557</b>	<b>18,651</b>	<b>40,208</b>

**10 Related party disclosures (Cont'd)**

**At March 31, 2007**

	<b>Associated (1)</b>	<b>Other</b>	<b>Total</b>
<b>(ii) Period-end balances</b>			
<b>(a) Related to sales / purchases of goods / services</b>			
Receivables from related parties	54,205	13,162	67,367
Payables to related parties	(49,351)	(9,004)	(58,355)
	<b>4,854</b>	<b>4,158</b>	<b>9,012</b>
<b>(b) Other balances</b>			
Receivables	2,079	-	2,079
<b>(c) Financial debt</b>			
Borrowings (4)	(61,636)	-	(61,636)

**At December 31, 2006**

	<b>Associated (3)</b>	<b>Other</b>	<b>Total</b>
<b>(ii) Period-end balances</b>			
<b>(a) Related to sales / purchases of goods / services</b>			
Receivables from related parties	25,400	14,429	39,829
Payables to related parties	(37,920)	(13,388)	(51,308)
	<b>(12,520)</b>	<b>1,041</b>	<b>(11,479)</b>
<b>(b) Other balances</b>			
Receivables	2,079	-	2,079
<b>(c) Financial debt</b>			
Borrowings (5)	(60,101)	-	(60,101)

(1) Includes Ternium S.A. and its subsidiaries ("Ternium"), Condisid C.A. ("Condisid"), Finma S.A.I.F ("Finma"), Lomond Holdings B.V. group ("Lomond"), Dalmine Energie S.p.A. ("Dalmine Energie") and Socotherm Brasil S.A. ("Socotherm").

(2) Includes Ternium and Condisid.

(3) Includes Ternium, Condisid, Finma, Lomond and Dalmine Energie.

(4) Includes convertible loan from Sidor to Materiales Siderurgicos S.A. ("Matesi") of \$59.5 million at March 31, 2007.

(5) Includes convertible loan from Sidor to Matesi of \$58.4 million at December 31, 2006.

Carlos Condorelli  
Chief Financial Officer