Tenaris

Annual Report 2006

Cautionary statement

Some of the statements contained in this Annual Report are "forward-looking statements". Forward-looking statements are based on management's current (February 2007) assumptions and involve known and unknown risks that could cause actual results, performance or events to differ materially from those expressed or implied by those statements. These risks include, but are not limited to, risks arising from uncertainties as to future oil and gas prices and their impact on the investment programs by oil and gas companies.

Certain figures included in this Annual Report have been subject to rounding adjustments. Accordingly, figures shown as totals in tables may not be the sum of the figures that precede them, and percentages in the text may not total 100% or may not be the sum of the percentages that precede them.

Tenaris

Annual Report 2006

Company profile

Tenaris is the leading supplier of tubes and related services for the world's energy industry, as well as for other industrial applications. Our mission is to deliver value to our customers through product development, manufacturing excellence, and supply chain management. We minimize risk for our customers and help them reduce costs, increase flexibility and improve time-to-market. Our employees around the world are committed to continuous improvement by sharing knowledge across a single global company.

Hammerfest
Tananger
Stavanger
Aberdeen
Moscow
London
Coseley
Paris
Munich
Silcotub
Dalmine
Aktau
Baku
Alexandria
Cairo
Dubai
Port Harcourt
Luanda
Beijing
Tanggu
Qingdao
Seoul
NKKTubes
Singapore
Edmonton
Calgary
Prudential
AlgomaTubes
Toronto
Louisville
Hickman
Counce
Conroe
Houston
Cedar Springs
Reynosa
Poza Rica
Tamsa
Ciudad del Carmen
Villahermosa
Maracaibo
Caracas
Santa Marta
Barcelona
TuboCaribe
Tavsa
Bogotá
Esmeraldas
Quito
Coca
Sta. Cruz de la Sierra
Confab
Macaé
Siderca
Siat
Neuquén
Comodoro Rivadavia
Pipe Manufacturing Centers
Service and Finishing Centers
R&D Centers
Commercial Offices

Leading indicators

	2006	2005	2004
SALES VOLUMES (thousands of metric tons)			
Seamless pipes	2,919	2,870	2,646
Welded pipes	578	501	316
Total steel pipes	**3,497**	**3,371**	**2,963**
PRODUCTION VOLUMES (thousands of metric tons)			
Seamless pipes	3,013	2,842	2,631
Welded pipes	642	476	366
Total steel pipes	**3,655**	**3,318**	**2,997**
FINANCIAL INDICATORS (millions of USD)			
Net sales	7,728	6,210	3,718
Operating income	2,792	1,946	806
EBITDA (1)	3,047	2,160	891
Net income	2,059	1,387	805
Cash flow from operations	1,811	1,295	98
Capital expenditures	441	284	183
BALANCE SHEET (millions of USD)			
Total assets	12,595	6,706	5,662
Total financial debt	3,651	1,010	1,259
Net financial debt (2)	2,095	183	828
Total liabilities	6,894	2,930	3,001
Shareholders' equity including minority interest	5,702	3,776	2,661
PER SHARE / ADS DATA (USD per share / per ADS) (3)			
Number of shares outstanding (4) (thousands of shares)	**1,180,537**	**1,180,537**	**1,180,537**
Earnings per share	1.65	1.08	0.66
Earnings per ADS	3.30	2.16	1.33
Dividends per share (5)	0.30	0.30	0.17
Dividends per ADS (5)	0.60	0.60	0.34
ADS Stock price at year-end	49.89	22.90	9.78
Number of employees (4)	21,751	17,693	16,447

(1) Defined as operating income plus depreciation and amortization charges taken before non-recurring gains derived from the Fintecna arbitration award in 2004.

(2) Defined as borrowings less cash and cash equivalents and other current investments.

(3) As of April 26, 2006, the ratio of ADS to ordinary shares was changed from 1:10 to 1:2.

(4) As of December 31.

(5) Proposed or paid in respect of the year.

Chairman's letter

Dear Shareholders,

2006 was a momentous year for Tenaris. Earnings, cash flow from operations and investments in operations reached record levels. After many years of exclusion from the US market, we made a decisive move to establish ourselves as the leading player in North America through the acquisition of Maverick Tube Corporation, concluded in October, and the pending acquisition of Hydril Company, announced earlier this month. In China, we started up our first industrial operation in the country with a premium connection threading and coupling facility at Qingdao, with which we will consolidate our position as a supplier of products for complex drilling operations in this large and growing market.

In Romania, we completed the integration of the Donasid steel shop we acquired in 2005 into our European operations and bought out the remaining minority interests in Silcotub. In Italy, we began commissioning our new power generation facility at Dalmine and concluded the sale of a 75% participation in Dalmine Energie, our energy trading business, establishing a partnership with E.ON, one of Europe's leading energy companies. In Russia, we penetrated the market for pipes for complex drilling operations with sales of our TenarisBlue® premium connections for use in Gazprom's Astrakhan and Orenburg fields and for Lukoil's Narianmar operations. In the Middle East, we were able to draw on our long-standing experience in the region and comprehensive range of products to more than double sales as the market took off.

The acquisition of Maverick transforms our position in North America, the world's largest market for pipes used in the drilling, completion and production of oil and gas, accounting for over 40% of all OCTG products consumed worldwide. That of Hydril would accelerate the transformation by making us the leader in premium connection technology for complex applications. More than one-third of our sales will be in this region. We are building a solid regional platform to provide customers here the service, quality and technology that our global customers are used to receiving elsewhere in the world. In a market where demand for standard products for mature fields complements that for specialized products for some of the most innovative offshore and non-conventional drilling operations anywhere in the world, we will supply a full range of products to cover all the applications of our customers, all made to a single, exacting, quality standard.

Our capital investment program is advancing as planned. We are increasing the capacity of our globally integrated industrial system to deliver the specialized products used in the world's most demanding applications with new heat treatment, premium threading and R&D and inspection facilities. With Hydril, we would further enhance our capabilities in this area and would be able to offer an unparalleled range of premium connections to our customers worldwide. Our investments in R&D continue to increase as we develop and test new products and improve mill processes. In November, we opened a new R&D center in Veracruz, expanding our global network of research centers.

Global demand for oil and gas continues to grow. Decline rates at producing oil and gas fields are higher than in the past as the fields mature. To keep pace with global demand and offset decline rates, investment is increasing in the exploration and development of new fields in complex operating environments requiring the use of specialized products and services. The capacity of the offshore drilling fleet is set to see a strong increase to service new deepwater projects, as is the number of rigs drilling wells of depths greater than 15,000 feet.

As global capacity in the tubular sector increases to meet higher demand from the oil and gas industry and other sectors, Tenaris is consolidating its position as industry leader and laying solid foundations for further growth. Our unique global positioning, our focus on manufacturing high quality products for use in the most complex applications, our ability to deliver a full range of products with integrated supply chain services under long-term agreements, our decisive move to expand in North America, all serve to differentiate us from our competitors.

We will continue to work hard to reinforce our competitive position and to build on the expansion and transformation we have managed over the past 15 years. With 29 industrial centers in 12 countries and 21,800 employees, we are engaged in a project integrating industrial, R&D, systems and management operations to cement the common identity of a global enterprise, while at the same time contributing to the sustainable development of the local communities where we have our roots.

Our financial results reflect the benefits of a strong market and the positioning we have built over a long period. Net sales for the year rose to USD 7.7 billion and EBITDA to USD 3.0 billion. Earnings per share rose 52% to USD 1.65, or USD 3.30 per ADS, following on from last year's 63% growth. As we are investing to position the company for further growth, we propose to maintain the dividend at last year's level and pay USD 0.30 per share (USD 0.60 per ADS) in June.

We welcome all the new employees who have joined us this year. The expansion in North America and the new operation in China add further diversity to our workforce and will strengthen it. The integration process is under way and is adding to the high workload of a demanding market. I want to thank all of our employees for their commitment and unstinting efforts and also express my thanks to our customers, suppliers and shareholders for their continuous support and confidence in Tenaris.

February 28, 2007

Paolo Rocca

The Hickman, Arkansas plant produces OCTG and line pipe.

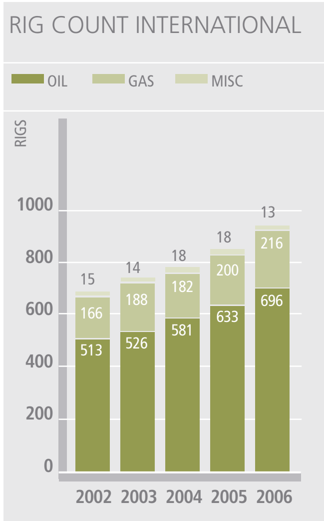
Business review

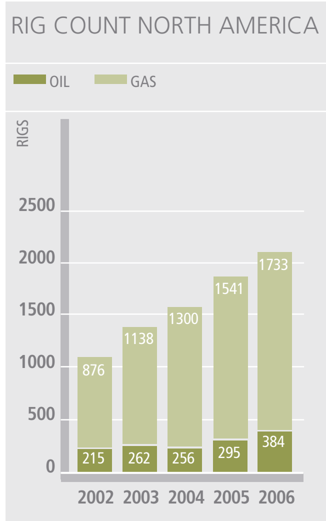
Market background and outlook

In 2006, global demand for oil and gas continued to rise reflecting economic growth and the importance of oil and gas in the energy matrix. Encouraged by continuing high levels of oil and gas prices, oil and gas companies throughout the world continued to increase their level of spending and drilling activity to offset declining rates of production from mature fields and to explore and develop new reserves. The international count of active drilling rigs, as published by Baker Hughes, rose steadily quarter on quarter throughout the year to average 952 during the fourth quarter, showing an increase of 9% compared to the same quarter of the previous year matching the average increase for the year overall compared to 2005.

The corresponding percentage annual rig count increases in the US and Canadian markets, which are more sensitive to North American natural gas prices, were 19% and 3% respectively. For the fourth quarter, however, the Canadian rig count registered a 23% decline compared to the fourth quarter of 2005. The US rig count, although up 16% over the fourth quarter of 2005, was flat compared to the third quarter of 2006.

We estimate that global apparent consumption of OCTG (oil country tubular goods) in 2006 grew approximately 14% compared to 2005, and will continue to grow in 2007.





Source: Baker Hughes.

However, the rate of growth is expected to slow from the high rates of the past three years and we are likely to see downwards inventory adjustments in North America. Demand from the energy sector for specialized pipe products, including premium connections, used in complex drilling and other high-performance applications, is expected to match the growth of the overall OCTG market.

Favorable market conditions and increased demand for our specialized pipe products, including premium connections, helped us to record sales growth and an increase in operating margin for our tubular products and services (Tubes) segment in the first nine months of the year. The consolidation of the energy products division of Maverick within this segment during the fourth quarter resulted in an increase in sales but a reduction in the operating margin from the previous quarter. For 2007, we expect to record further growth in sales in our Tubes segment due to the consolidation of Maverick for the full year and to maintain, or improve, the segment operating margin from that recorded in the fourth quarter of 2006 as we make progress in integrating welded OCTG and line pipe products under our sales strategy for North America.

Demand for our large diameter pipes for pipeline projects in South America in 2006 was affected by delays in the implementation of major gas pipeline infrastructure projects in Brazil and Argentina. This resulted in a substantial decline in sales and margins in our Projects segment from those recorded in 2005, notwithstanding an increase in sales for pipeline projects in North America and Africa. With orders in hand for the delayed projects in Brazil and Argentina and deliveries expected to begin at the end of the first quarter, we expect a significant increase in sales and improved margins in 2007 for our Projects segment, assuming there are no further delays to deliveries to these projects.

Summary of results

Our 2006 annual results reflect a further year of strong growth at Tenaris. They benefited from a strong market and the positioning we have built up over a number of years. Earnings per share grew 52% following growth of 63% in 2005. Demand for our high quality tubular products and services from the oil and gas industry remained firm throughout the year, particularly in the Middle East and Africa where sales more than doubled. Following the recent integration of Maverick, sales in 2007 are expected to grow strongly in North America.

Net sales rose by 24%. Sales of tubular products and services rose by 33%, accounting for 88% of total sales. Sales of pipes for pipeline projects declined by 43% pursuant to delays in the implementation of pipeline

Todd Lee, a production worker at the Conroe OCTG plant in Texas.

projects in Brazil and Argentina. Operating income rose by 44% to USD 2,792 million, or 36% of net sales, compared to USD 1,946 million, or 31% of net sales in 2005, with sales from our tubular products and services segment accounting for 96% of operating income.

Cash flow from operations rose 40% to USD 1,811 million in 2006 compared to USD 1,295 million in 2005. However, following the acquisition of Maverick in October, net debt rose to USD 2,095 million at December 31, 2006 compared to USD 183 million at December 31, 2005. Capital expenditures rose to USD 441 million in 2006 from USD 284 million in 2005 as we stepped up investments in finishing lines and heat treatment facilities for specialized products and advanced with the construction of a power generation facility in Italy.

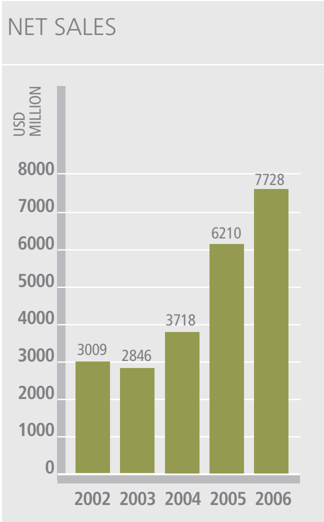
Oilfield services

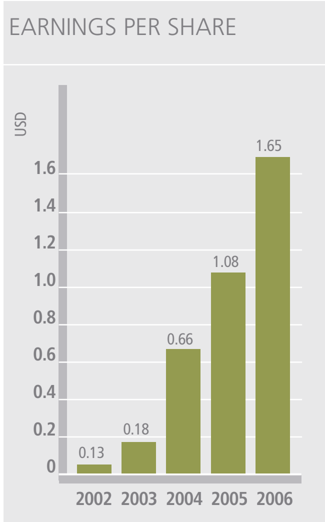
We supply a comprehensive range of high-quality seamless and welded casing and tubing, premium connections, coiled tubing and accessories for use in the most demanding oil and gas drilling and well completion activities. Using our unique network of manufacturing, service and distribution and R&D facilities, we focus on reducing costs for our customers through integrated supply chain management and developing industry-leading products.

Sales of our TenarisBlue® premium connections continued to grow strongly during 2006. Now accounting for as much as 30% of our premium connection sales, it is firmly established in the Middle East and North African markets and was a major factor in the growth of our sales of tubes in this region. We successfully introduced it in the USA where sales to Newfield for their operations in Oklahoma were followed by sales to Anadarko and Wagner and Brown. We also introduced it in Russia where the technology was instrumental in the selection by Gazprom of Tenaris to supply advanced tubular products to their Astrakhan, Orenburg and Kuban operations as well as by Lukoil to supply pipes for their Narianmar project.

Other customers using TenarisBlue® premium connections for the first time included the local operations of BP, Shell and Burlington in Algeria; Sonangol, the national oil company of Angola; ADCO, the national oil company in UAE; PDVSA in Venezuela; the local operations of ConocoPhillips in Nigeria; ChevronTexaco in Australia; Shell in Egypt; Talisman in Malaysia, and ENI in Norway.

To keep pace with this growing customer base, we expanded our global network of licensed repair shops for the TenarisBlue® thread. Meanwhile, the range of more





complex drilling operations where it is used is continuously being extended. For example, ConocoPhillips successfully used our TN 110 SS proprietary pipe grade with TenarisBlue® premium connections for an advanced drilling with casing drilling program offshore in the North Sea.

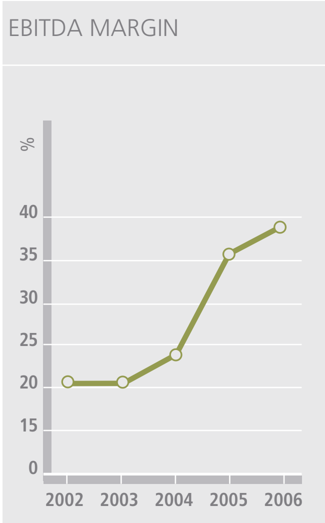
We also made progress with the introduction of our new connections, the TenarisBlue® Near Flush, an integral connection for use in slim wells, and the TenarisBlue® SAGD, a connection specially designed for use with slotted liners. Customers for the TenarisBlue® Near Flush connection include the Norwegian operations of ConocoPhillips and ENIRepsa, the Saudi joint venture drilling deep gas wells. The TenarisBlue® SAGD is used extensively in oil sands operations in Canada but we were successful in introducing it in Oman where Occidental is using it in the Mukhaizna heavy oil development. Our new R&D center in Veracruz will enable us to accelerate the customer testing and qualification process for these and other new products, particularly in larger diameter sizes.

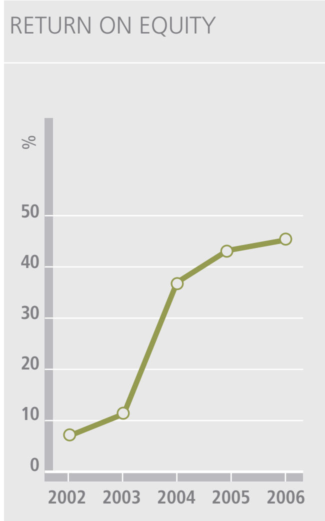
We work with many customers under long-term framework agreements. Although the terms of these agreements vary, our aim is to provide a secure source and comprehensive range of tubular products backed up by integrated logistical and technical assistance services. During the year we renewed our agreement with Pemex in Mexico, extended our agreement with Repsol to cover the whole of Latin America, and renewed our agreements with ENI (global), Shell (Europe), ExxonMobil (Nigeria), AgipKCO (Kazakhstan) and ChevronTexaco (global). In Egypt, we opened a new service base at Alexandria. From here, we are providing pipe management services to Petrobel, IEOC and other operators under framework agreements.

Pipeline services

We supply an extensive range of seamless and welded line pipe products, complete with coatings and accessories for use in onshore, offshore and deepwater pipelines, with on-site, ready-for-installation delivery. Our focus is on providing the risers, flowlines and subsea tubular components for the deepwater and ultra deepwater markets where we are a major player in the Gulf of Mexico, West Africa, Far East, United Kingdom and Scandinavia.

As the industry moves further into frontier deepwater exploration and production projects, increasingly stringent technical requirements are required for our products. We are promoting and participating in joint industry programs with customers to research and develop the new product capabilities for use in the critical environments envisaged for future projects. These programs include development of weldable seamless X100





steel pipe, research into fatigue corrosion in sour environments, and research into tensile strain limit design models for pipelines.

In a market where products have become more demanding and delivery schedules more complex, we have begun discussing long-term agreements with some customers. We concluded agreements with Aramco, the leading player in the Middle East, and ChevronTexaco, a leading global player in deepwater projects. Under our agreement with ChevronTexaco, we supplied risers and flowlines to the Blind Faith project in the Gulf of Mexico and we are working with them in West Africa for projects such as Tombua Landana.

One of the most important projects of the year for Tenaris in this segment was the supply of 40,000 tons to the Akpo deepwater project in West Africa. This involved a wide dimensional range and a full package of deepwater solutions, including steel catenary risers, flowlines, oil offloading lines, export lines and line pipe for the topsides of the field development project in a water depth of 1,300 to 1,400 meters. The project tested our industrial capabilities to the full.

Process & power plant services

We provide comprehensive material planning, supply chain management services and on-time delivery of quality products to enable customers in the process and power plant industry to meet the demanding needs of major refinery, petrochemical and power plant contracts.

Downstream project activity remained strong during the year but new projects are taking longer to move forward due to rising costs, geopolitical uncertainties and the backlog of work at the leading engineering companies. As in last year, the focus of activity was the Middle East with gas processing projects to the fore. In addition, investment in major refinery projects around the world is picking up.

Major projects during the year included the Khursaniyah and Hawiyah NGL recovery programs in Saudi Arabia. These oil and gas processing facilities will support the Abu Hadriya, Fadhili and Khursaniyah oil fields and will boost oil production capacity in the Kingdom by some 2.3 million barrels per day by 2009. We worked closely with Snamprogetti and Bechtel and supplied 50,000 tons of pipes during the year for these developments.

In November 2006, we inaugurated a new Research & Development Center at our plant in Veracruz, Mexico. Built at a cost of USD 14 million, the center is the latest addition to our global R&D network that also includes research centers in Argentina, Japan and Italy.

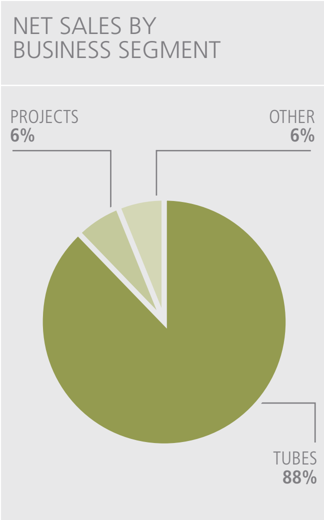
R&D: expanding the global network

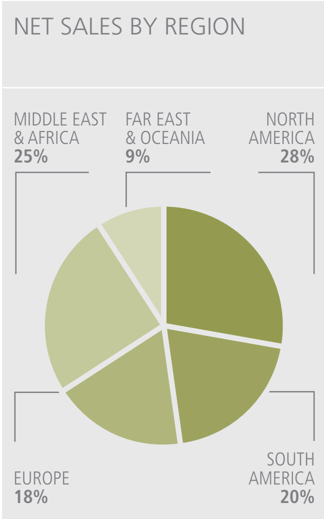
Strategically located near the Gulf of Mexico, the center conducts research in four main areas: welding technology, fracture mechanics, process engineering and metallurgy and materials. In this last area, research is focused on the development of value-added OCTG products, line pipe and risers for deep and ultra-deep water applications. The center's full scale testing laboratory possesses some of the most sophisticated equipment found in the world for testing tubes and threads.

Worldwide, more than 200 scientists and engineers, more than half of whom hold PhDs or Master's degrees, work in Tenaris R&D centers. At the largest of these centers, the *Centro de Investigación Industrial* (CINI), located at our mill in Campana, Argentina, research is conducted in a wide range of areas: steel metallurgy, computational mechanics, surfaces and coating chemistry, metal forming and furnace technology, among others. The center in Japan specializes in high alloy products and process technology.

In Italy, research is conducted primarily through the industry-supported *Centro Sviluppo Materiali*, in Rome. However, we are constructing a new research center at our mill in Dalmine which will be opened in mid-2007. This will focus on industrial and automotive applications.

Through our global network of R&D centers, we work with more than 60 universities and research institutions worldwide which conduct basic and applied research for us and for industry consortia in which we participate. This combination of internal and external expertise provides us with the means to develop the value-added products and improved production processes that are vital to our future growth.





In other projects in the Middle East, we are supplying pipes for the main projects to expand LNG processing capacity in Qatar. We are working closely with the Chiyoda-Technip joint venture on the RasGas 6 and 7, QatarGas II and QatarGas III and IV LNG trains. These projects will produce over 45 million tons per year of LNG, more than 25% of total global LNG capacity. In the UAE, we are working closely with Bechtel on the Offshore Gas Development III and the Asab Gas Development II projects that are part of a development to meet local gas demand in Abu Dhabi.

We are participating in two large refinery projects. In India, we are working with Bechtel to supply pipes for the expansion of Reliance's Jamnagar refinery. This expansion would add 580,000 barrels per day of heavier crude processing capacity to the 660,000 barrels per day existing capacity and make Jamnagar the world's largest single site refinery. In Vietnam we are working with the EPC consortium to supply pipes for PetroVietnam's Dung Quat refinery. This refinery will be the first in Vietnam and would meet 40% of local demand with an annual capacity of 6.5 million metric tons.

Industrial & automotive services

We provide a wide variety of seamless pipe products for industrial applications with a focus on segments such as automotive components, hydraulic cylinders, gas cylinders and architectural structures where we can add value with our specialist product development and supply chain management expertise. Sales are concentrated in Europe, particularly Italy where our mill has traditionally served this market, but we also have significant sales in North America, the Far East and Mercosur.

Overall, market conditions were good in 2006, particularly in the segment of gas cylinders and hollows for gas cylinders, in which Tenaris is the global market leader. We registered 15% growth in sales in this segment led by strong demand from China and India. We have been working on materials with ultra-high tensile strength (>1.100 Mega Pascal) and with excellent toughness properties at low temperatures (-50°C) in order to meet demand for lighter gas cylinders with improved safety protection.

In the automotive segment, demand for our high-end components such as tubular components for airbags continues to grow, as well as output at our facility in Veracruz which was up 57% year on year. We developed and introduced a new prototype component using an ultra-high strength steel grade in collaboration with the design teams of established airbag inflator manufacturers. Nevertheless, overall sales to the automotive sector declined due to a phase-out from certain under-performing product lines, where we are facing intense competition from producers of general purpose tubes and alternative technologies.

In the hydraulic cylinder segment, we concluded a five-year contract with Caterpillar in the USA to provide multi-customized tubular components for hydraulic cylinders used in the excavators manufactured at the Joliet facility in Illinois for the NAFTA market. We are building a dedicated component centre at our Romanian mill for this project.

Sales of tubes for general mechanical applications declined primarily due to mill capacity constraints reflecting a strong demand for other product categories and the repositioning of mill capacity in Japan and Europe to oil and gas product applications. Competition in this sector, particularly in our main market in Europe, remains fierce as low-priced products continue to enter the market from countries such as China.

The Tenaris Coiled Tubes Downhole Center in Houston, Texas
is one of only two such facilities in the world.

Communities and environment review

Tenaris's growth has been made possible by adhering to certain values that guide the Company's internal management and its relationships with customers, suppliers and the communities where the Company is present. These values are centered on a conviction that industry plays a key role in promoting lasting and equitable economic growth for societies and that Tenaris will add value to its operations as well as to the wider community by interacting with employees and others in accordance with that conviction.

Consistent with this vision, Tenaris strives to build partnerships, both internally and externally, that foster growth and opportunity for all involved. The importance we place on such relationships is manifested in our commitment to protecting the health and safety of our employees, maintaining transparent relations with customers and suppliers and collaborating with government and non-governmental organizations in the communities in which we operate.

Valuing education, we invest continuously in the development of our own workforce and support a wide variety of educational initiatives at primary, secondary and university level. Through a revitalized Global Trainee Program, where many in Tenaris's senior management began, Tenaris recruits recent university graduates and develops them to be tomorrow's senior management.

Much of the training that both Global Trainees (GTs), and other Tenaris employees receive, is focused on developing their engineering skills and knowledge of the company's core industrial processes, and is delivered through the TenarisUniversity Industrial School. At a time when demand for skilled engineers is high, especially in our own industry, we believe that this emphasis on attracting and developing people that have the requisite education and skills is critical to our future growth.

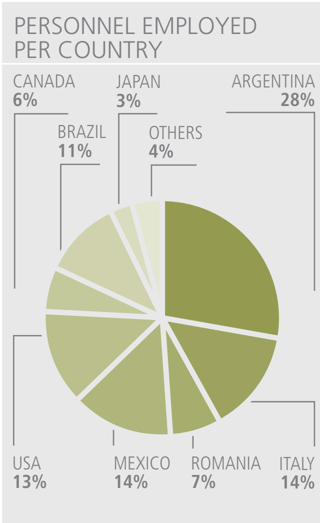
In our community relations we stress support for academic excellence. In Argentina and Mexico we are carrying out a series of projects aimed at improving the quality of primary and secondary education in schools close to our plants in Campana and Veracruz. Drawing on the expertise of UNESCO and international experts as well as local universities and the active participation of school officials, students and their families, we take an integrated approach including investment in infrastructure, the provision of school supplies and scholarships.

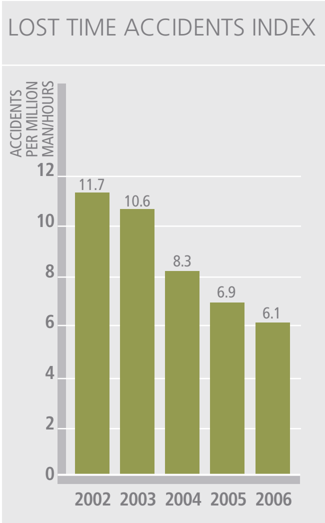
In the area of higher education we continue to support the Roberto Rocca Education Program, which Tenaris co-founded in 2005. Designed to encourage the study of engineering in selected countries, the program in 2006 awarded 400 Scholarships to undergraduate students, and seven Fellowships for doctoral studies at leading international universities. As is the case with all of our community projects, we seek to reward merit and initiative by granting Scholarships and Fellowships only to those students who combine academic excellence with outstanding personal qualities.

The prevention of illness and disease is another key area for community action for Tenaris. In Mexico we instituted a breast cancer screening program for our employees and family members. Once the preliminary round of screening is completed, the program will be extended to the rest of the community around our plant in Veracruz. In Canada we contributed one million Canadian dollars towards a community fund for the construction of a maternal and child health center in Sault Ste. Marie.

In all of our community programs we seek to promote social integration and leverage our own contribution by partnering with other governmental and non-governmental organizations in projects that involve the active participation of the project's beneficiaries. This was the approach we took in Mexico in the program "For a dignified home," which involves the construction of 280 homes and a community center for low-income families in Veracruz.

Jorge Cordero, a research technician in Veracruz, Mexico.





The program, which gives special consideration to families in which a family member is physically handicapped, is co-sponsored by the city of Veracruz and other organizations. The construction work is complemented by job training and other activities designed to facilitate the beneficiaries' integration in the broader Veracruz community and the development of micro-enterprises.

With more than 20,000 employees drawn from dozens of countries, we view the diversity of our workforce as one of our strengths. The combination of rational analysis and diversity of ideas and cultures will continue to play an instrumental role in the growth of Tenaris. Thus, we make a continuous effort to foster respect among employees for language, cultural and gender differences and are committed to broadening this diversity at all levels of the Company.

This belief in the benefits of diversity is also reflected in our support for cultural institutions. Working closely with the *Fundación Proa* in Buenos Aires and the *Associazione per la Galleria d'Arte Moderna e Contemporanea* in Bergamo and through agreements with the Museum of Fine Arts in Houston and cultural institutions in Brazil, Mexico and Japan, we promote cultural exchanges in our local communities through art exhibits, seminars and other initiatives. Among the highlights in 2006 was the first edition of the Latin Wave Film Festival we sponsored at the Museum of Fine Arts in Houston. The three-day event, co-organized by *Fundación Proa*, featured films from Argentina, Brazil, Colombia, Mexico and Venezuela.

This year in Italy, we celebrated the 100th anniversary of our Dalmine mill. The activities included an open day when more than 12,000 people from the surrounding community visited our industrial facilities and attended a concert.

Health, safety and the environment

Tenaris is committed to protecting the health and safety of its employees and the communities in which it operates, as well as to minimizing its own impact on the environment and supporting broader industry and public efforts to protect the environment. In accordance with the principle of sustainable development, our efforts in this area are focused on improving the efficiency of our operations, reducing energy consumption, minimizing waste, recycling and employee training.

We continue to work on the implementation and improvement of our integrated Health, Safety and Environment (HSE) management system. Based on international standards such as ISO 14000 and OHSA

As a company built on a strong engineering tradition, we are committed to developing the human resources with the technical skills and knowledge that are a key source of our competitive advantage. To reinforce this commitment and to develop a common industrial culture across the company, we founded in late 2005 the Industrial School within our corporate university, TenarisUniversity.

TenarisUniversity: the Industrial School

The Industrial School's curriculum consists of a graduated series of courses of increasing complexity that cover subjects such as Primary Steelmaking, Secondary Steelmaking, Continuous Casting, Hot Rolling, Finishing, Heat Treatments, Non Destructive Testing, Electric Resistance Welding, Health Safety and Environment, Industrial Management, Maintenance, Physical Metallurgy and Product Development. Introductory courses are directed towards employees who have successfully completed the Company's two-year Global Trainee Program, which is open to recent university graduates. Upon completing these courses employees will pass on to more advanced courses that will be held either at Tenaris or at leading international universities and research centers.

Training is delivered through a combination of e-learning modules and classroom activities at global events, where employees from multiple mills are brought together, and regional events. Instructors include Tenaris experts as well as professors from top universities around the world.

Tenaris personnel that serve as instructors receive training through Training the Trainers workshops. The Industrial School is also developing training initiatives to acquaint university engineering students with the steel industry.

The School held its first global and regional events in 2006 and will expand its offering in 2007. By 2008 the School's curriculum will be fully developed and classroom activities for global events will be conducted at the new TenarisUniversity campus, now under construction at our plant in Campana, Argentina. The campus will also serve as a venue for training activities for TenarisUniversity's other three schools –Administration & Finance, Commercial and Management– which were launched during 2006 and will begin offering courses in 2007.

18000, the system applies eco-efficiency and integral safety concepts to all of our operations. Following the introduction of an integrated IT safety and environmental tool, we are able to record, track and analyze safety and environment accidents and incidents at all of our plants.

We believe that accidents do not happen by chance. All injuries and work-related illnesses can and must be prevented. To achieve this objective, we have instituted innovative programs that reward safe behavior. Weekly meetings are held with managers, safety staff and workers at each of our plants to discuss accidents and share ideas for improving safety. These activities are complemented by extensive risk assessment analyses, internal inspections and audits, safety committees and global safety reports. Investments in training, processes and workplace behaviour are complemented by capital investments in the plants, while a significant proportion of our capital investment spending is allocated towards improving safety in our operations.

For the sixth consecutive year, our lost-time accident incident fell in 2006, declining by 12% in comparison to 2005. Since 2001 this indicator has fallen by 55%.

A significant portion of new investment at Tenaris contributes to the reduction of the environmental impact of the Company's operations, products and services.

We adopt the most appropriate and eco-efficient designs and technologies available and continuously review our environmental performance so as to improve it. We monitor the operations of our subcontractors in addition to our own, seeking to maximize efficiency in the use of energy and material resources and recycling of by-products –both at our own facilities and by third parties– as well as minimize the generation of waste, emissions and effluents in the supply chain.

But perhaps our most significant contribution to the environment comes from the delivery of products which can perform in the most demanding conditions and on whose quality our customers can rely. We work constantly to improve the quality and reliability of our products, developing new products which can help our customers reduce the impact of their operations on the environment. We aim to supply under an integrated supply chain concept which aims to reduce risk and waste as well as costs.

We actively participate in different governmental and non-governmental forums focused on the environment. These forums include the environmental commissions and working groups of organizations such as the International Iron & Steel Institute (IISI), the Latin American Iron & Steel Institute and various national chapters of the World Business Council for Sustainable Development.

Zhou Xiaomeng, a newly trained swaging machine operator at Qingdao, China.

Corporate governance

Tenaris has one class of shares, with each share having equal rights including the entitlement to one vote at our shareholders' meetings. Our articles of association provide that the annual ordinary shareholders' meeting, which approves our annual financial statements and appoints the board of directors, take place each year on the first Wednesday of June.

Board of directors

Management of Tenaris is vested in a board of directors. Our articles of association provide for a board of directors consisting of at least five and at most fifteen directors. The board of directors is required to meet as often as required by the interests of Tenaris and at least four times per year. A majority of the members of the directors present or represented at each board of directors' meeting constitutes a quorum, and resolutions may be adopted by the vote of a majority of the directors present or represented. In the case of a tie, the chairman is entitled to cast the deciding vote.

Directors are elected at the annual ordinary shareholders' meeting to serve one-year renewable terms, as decided by the shareholders. The shareholders may dismiss all or any one director at any time, with or without cause, by resolution passed by majority vote, irrespective of the number of shares present or represented at the annual ordinary shareholders' meeting. In 2006, the board of directors met nine times.

The annual shareholders' meeting held on June 7, 2006 approved the appointment of nine directors, three of whom are independent.

Audit committee

Tenaris has an audit committee consisting of three members, all of whom are independent directors. The members of the audit committee are not eligible to participate in any incentive compensation plan for employees of Tenaris or any of its subsidiaries. Under our articles of association, as supplemented by the audit committee charter, the audit committee:

- assists the board of directors in fulfilling its oversight responsibilities relating to the integrity of our financial statements and system of internal controls and the independence and performance of the independent auditors
- reviews material transactions between Tenaris and its subsidiaries with related parties to determine whether their terms are consistent with market conditions or are otherwise fair to Tenaris and its subsidiaries, and
- performs the other duties entrusted to it by the board of directors, particularly as regards relations with the independent auditors.

The audit committee has the authority to conduct any investigation appropriate to fulfilling its responsibilities, and has direct access to the independent auditors as well as anyone at Tenaris and, subject to applicable laws, its subsidiaries.

The audit committee is required to report to the board of directors on its activities and once a year on the adequacy of the internal control systems. In 2006, the audit committee met five times and on each occasion presented its report to the board of directors.

Auditors

The annual accounts are audited by independent auditors. Auditors are appointed by the shareholders through a resolution passed by a simple majority vote at the annual shareholders' meeting, irrespective of the number of shares present or represented, on the audit committee's recommendation. Shareholders may determine the number and the term of office of the auditors, which may not exceed one year. As part of their duties, the auditors report directly to the audit committee.

The new finishing facility in Qingdao produces premium connections in China.

PricewaterhouseCoopers (acting, in connection with our annual accounts, through PricewaterhouseCoopers S.àr.l., Réviseur d'entreprises, and, in connection with our consolidated financial statements, through Price Waterhouse & Co. S.R.L.), served as our independent auditors during the 2006 fiscal year and are proposed for reappointment.

Compensation

The compensation of the members of our board of directors is determined at the annual ordinary shareholders' meeting. The aggregate compensation earned by our directors and executive officers during 2006 amounted to USD 16.0 million.

Corporate governance standards

Our corporate governance practices are governed by Luxembourg Law (particularly the law of August 10, 1915 on commercial companies and the law of July 31, 1929, as amended) and our articles of association. As a Luxembourg company listed on the New York Stock Exchange (the NYSE), the Bolsa Mexicana de Valores, S.A. de C.V. (the Mexican Stock Exchange), the Bolsa de Comercio de Buenos Aires (the Buenos Aires Stock Exchange) and Borsa Italiana S.p.A. (the Italian Stock Exchange), we are not required to comply with all of the corporate governance listing standards of these exchanges. We, however, believe that our corporate governance practices meet, in all material respects, the corporate governance standards that are generally required for controlled companies by all of the exchanges on which our securities trade.

Code of Conduct

We have a Code of Conduct incorporating guidelines and standards on integrity and transparency applicable to all our employees and directors. This Code of Conduct establishes the ethical principles that form the basis for relations between the company, its employees and third parties and provides means and instruments to give transparency to issues and problems that may have a bearing on the management of the company. We also have a Code of Ethics for Financial Officers, which applies to our principal executive officer, principal financial officer, principal accounting officer or controller, or persons performing similar functions and is intended to supplement our Code of Conduct.

Information required under the Luxembourg Law on takeovers of May 19, 2006

We have an authorized share capital of a single class of 2,500,000,000 shares with a par value of USD 1.00 per share. Our authorized share capital is fixed by our articles of association as amended from time to time with the approval of our shareholders in an extraordinary shareholders' meeting. There were 1,180,536,830 shares issued as of December 31, 2006. All shares are fully paid.

Our board of directors is currently composed of nine directors. Directors are elected at the annual ordinary shareholders' meeting to serve one-year renewable terms. Under our articles of association, our board of directors is authorized until July 22, 2007, to increase from time to time our issued share capital in whole or in part within the limits of the authorized capital. A renewal of this authorization for an additional five-year period is being proposed to the annual general shareholders' meeting to be held on June 6, 2007.

Under our articles of association, any issuance of new shares of the Company pursuant to the authorization granted to its board of directors must grant our existing shareholders a preferential right to subscribe for such newly-issued shares, except:

- in circumstances in which the shares are issued for consideration other than money;
- with respect to shares issued as compensation to directors, officers, agents or employees, its subsidiaries or affiliates; and
- with respect to shares issued to satisfy conversion or option rights created to provide compensation to directors, officers, agents or employees, its subsidiaries or affiliates.

Any shares to be issued as compensation or to satisfy conversion or option rights may not exceed 1.5% of our issued capital stock.

Our articles of association do not contain any redemption or sinking fund provisions, nor do they impose any restrictions on the transfer of our shares. Amendment of our articles of association requires the approval of shareholders on an extraordinary shareholders' meeting.

The Company is controlled by San Faustín N.V., a Netherlands Antilles corporation, which owns 60.4% of the Company's outstanding shares, either directly or through its wholly owned subsidiary I.I.I. Industrial Investments Inc., a Cayman Islands corporation. Our directors and executive officers as a group own 0.2%

For the last five years, we have been working in close collaboration with Toni Ruttimann, a Swiss-born humanitarian worker who in the last 20 years has helped isolated communities in Latin America and Southeast Asia build more than 360 bridges.

Bridge building: tubes to integrate communities

Our collaboration with Toni *el Suizo*, as the peasants in Ecuador where he built his first bridge named him, began in 2001, when our mill in Mexico donated steel tubes to build 28 bridges throughout the state of Veracruz. The initiative, dubbed *Puentes de Esperanza* (Bridges of Hope), has benefited some 30,000 people.

Since then, we have provided Toni with steel tubes to build a further 70 bridges in Ecuador, Cambodia and Vietnam. We have also arranged shipping for the tubes and helped Toni and his team get materials through customs. Inspired by Toni's story, our employees have put in extra hours to seeing the materials he needs arrive.

Our on-going support for Toni's work around the world is based on more than just an inspiring story. We share his conviction that the key to successful community development is to focus on initiatives that have a meaningful impact and that are carried out with the active involvement of the beneficiaries.

A bridge may not be the answer to all an impoverished community's needs. But by making it easier for the community's residents to reach a doctor, a market or school, they are one step closer to a better quality of life.

of the Company's outstanding shares, while the remaining 39.4% are publicly traded. Our shares trade on the Italian Stock Exchange, the Buenos Aires Stock Exchange and the Mexican Stock Exchange; in addition, our American Depositary Securities trade on the New York Stock Exchange. The Company's ultimate controlling entity is Rocca & Partners S.A., a British Virgin Islands corporation.

None of our outstanding securities have any special control rights. There are no restrictions on voting rights, nor are there, to the knowledge of the Company, any agreements among shareholders of the Company that might result in restrictions on the transfer of securities or the exercise of voting rights.

There are no significant agreements to which the Company is party and which take effect, alter or terminate in the event of a change in control of the Company following a takeover bid, thereby materially and adversely affecting the Company, nor there are any agreements between the Company and members of its Board of Directors or employees that provide for compensation if they resign or are made redundant without reason or if their employment ceases pursuant to a takeover bid.

Albert Wassim, a supply chain technician
in Alexandria, Egypt.

Board of directors

Chairman and Chief Executive Officer	Paolo Rocca
Vice-President Finance	Guillermo Vogel
	Roberto Bonatti Carlos Franck Bruno Marchettini Roberto Monti (*) Gianfelice Mario Rocca Jaime Serra Puche (*) Amadeo Vázquez y Vázquez (*)
	(*) Members of the audit committee
Secretary	Cecilia Bilesio

Executive officers

Chief Executive Officer
Paolo Rocca

Chief Operating Officer
Alberto Valsecchi

Chief Financial Officer
Carlos Condorelli

Technology Director
Carlos San Martín

Supply Chain Director
Alejandro Lammertyn

Human Resources Director
Marco Radnic

Quality Director
Marcelo Ramos

Information Technology Director
Giancarlo Miglio

Industrial Coordination Director
Sergio Tosato

North American Area Manager
Germán Curá

Central American Area Manager
Sergio de la Maza

South American Area Manager
Guillermo Noriega

European Area Manager
Vincenzo Crapanzano

Planning Director
Carlos Pappier

Managing Director,
Japanese Operations
Claudio Leali

Area Manager, Brazil
Túlio Chipoletti

Director, Confab Equipamentos
Emyr Berbare

Tenaris provides pipe management services to its Egyptian customers from the new service center in Alexandria.

Consolidated financial statements

for the years ended December 31, 2006, 2005 and 2004

Operating and financial review

This review of Tenaris's results of operations and financial condition is based on, and should be read in conjunction with, the audited consolidated financial statements of Tenaris and the related notes included elsewhere in this annual report. It compares Tenaris's results on a consolidated basis for the fiscal year ended December 31, 2006 with its results for the fiscal year ended December 31, 2005. Tenaris prepares its consolidated financial statements in conformity with International Financial Reporting Standards (IFRS), which differ in certain significant respects from US GAAP and other national accounting standards

Results of operations

The following table sets forth, for the periods indicated, selected financial data from our consolidated income statement and expresses our operating and other costs and expenses as a percentage of net sales.

Selected financial data (all amounts in USD thousands, unless otherwise stated)

YEAR ENDED DECEMBER 31	2006		2005		2004	
CONTINUING OPERATIONS						
Net sales	7,727,745	100%	6,209,791	100.0%	3,718,193	100.0%
Cost of sales	(3,884,226)	(50.3%)	(3,429,365)	(55.2%)	(2,378,474)	(64.0%)
Gross profit	**3,843,519**	**49.7%**	**2,780,426**	**44.8%**	**1,339,719**	**36.0%**
Selling, general and administrative expenses	(1,054,806)	(13.6%)	(832,315)	(13.4%)	(661,226)	(17.8%)
Other operating income and expenses	3,773	0.0%	(2,199)	(0.0%)	127,165	3.4%
Operating income	**2,792,486**	**36.1%**	**1,945,912**	**31.3%**	**805,658**	**21.7%**
Interest income	60,798	0.8%	23,815	0.4%	14,236	0.4%
Interest expense	(92,576)	(1.2%)	(52,629)	(0.8%)	(46,161)	(1.2%)
Other financial results	26,826	0.3%	(79,772)	(1.3%)	38,304	1.0%
Income before equity in earnings of associated companies and income tax	**2,787,534**	**36.1%**	**1,837,326**	**29.6%**	**812,037**	**21.8%**
Equity in earnings of associated companies	94,667	1.2%	117,377	1.9%	206,141	5.5%
Income before income tax	**2,882,201**	**37.3%**	**1,954,703**	**31.5%**	**1,018,178**	**27.4%**
Income tax	(869,977)	(11.3%)	(567,368)	(9.1%)	(217,226)	(5.8%)
Income for continuing operations	**2,012,224**	**26.0%**	**1,387,335**	**22.3%**	**800,952**	**21.5%**
DISCONTINUED OPERATIONS						
Income (loss) for discontinued operations	47,180	0.6%	(3)	(0.0%)	4,029	0.1%
INCOME FOR THE YEAR	**2,059,404**	**26.6%**	**1,387,332**	**22.3%**	**804,981**	**21.6%**
ATTRIBUTABLE TO						
Equity holders of the Company	1,945,314	25.2%	1,277,547	20.6%	784,703	21.1%
Minority interest	114,090	1.5%	109,785	1.8%	20,278	0.5%
	2,059,404	**26.6%**	**1,387,332**	**22.3%**	**804,981**	**21.6%**

Segment reporting

Following the acquisition of Maverick Tube Corporation, a leading North American producer of welded pipe products for the energy industry, and the sale of a majority participation in Dalmine Energie, our Italian energy supply business, we reassessed the definition of our business segments. Starting with these financial statements for the year 2006, Tenaris changed its segment reporting into three business segments: Tubes, Projects, and Others.

Tubes, or tubular products and services, includes the operations that consist of the production, distribution and sale of seamless and welded tubular products mainly for energy and select industrial applications.

Projects, or pipes for pipeline projects, includes the operations that consist of the production, distribution and sale of welded pipes mainly used in the construction of major pipeline projects.

Others, or other products and services, includes the operations that consist mainly of the production, distribution and sale of sucker rods, hot briquetted iron, electrical conduit steel and metallic structures.

Corporate general and administrative expenses have been allocated to the Tubes segment.

Comparative amounts have been re-presented to conform to this new disclosure.

The following table indicates the distribution of our net sales by business segment for the periods indicated:

Millions of USD

	2006		2005		Increase/ (Decrease)
Tubes	6,824.3	88%	5,124.0	83%	33%
Projects	453.5	6%	790.0	13%	(43%)
Others	449.9	6%	295.8	5%	52%
Total	**7,727.7**	**100%**	**6,209.8**	**100%**	**24%**

The following table indicates our sales volume of seamless and welded pipes by business segment for the periods indicated:

Metric tons

	2006	2005	Increase/ (Decrease)
Tubes Seamless	2,919,000	2,870,000	2%
Tubes Welded	297,000	–	
Tubes Total	**3,216,000**	**2,870,000**	12%
Projects Welded	281,000	501,000	(44%)
Total Tubes + Projects	**3,497,000**	**3,371,000**	**4%**

Tubes

The following table indicates, for our Tubes business segment, net sales by geographic region, cost of sales as a percentage of net sales, operating income and operating income as a percentage of net sales:

NET SALES (USD million)	2006	2005	Increase/ (Decrease)
North America	1,992.4	1,663.5	20%
South America	960.0	838.8	14%
Europe	1,314.4	1,022.7	29%
Middle East & Africa	1,895.3	933.0	103%
Far East & Oceania	662.3	666.0	(1%)
Total net sales	**6,824.3**	**5,124.0**	33%
Cost of sales (% of sales)	47%	53%	
Operating income (USD million)	2,670.5	1,701.5	57%
Operating income (% of sales)	39%	33%	

Net sales of tubular products and services rose 33% to USD 6,824.3 million in 2006, compared to USD 5,124.0 million in 2005, due primarily to an increase in the average selling price of our tubular products and services and the incorporation of sales from the former Maverick operations in the fourth quarter. Sales rose particularly strongly in the Middle East and Africa as there was strong demand for our TenarisBlue® premium connection and other specialized OCTG products and services, particularly in Saudi Arabia but more generally throughout the region, where there has been a sustained increase in investment in oil and gas drilling activity. In North America, excluding sales from the former Maverick operations, sales declined primarily due to reduced demand for our OCTG products and services in Mexico, where drilling activity was impacted by oilfield cost inflation and Pemex budgetary constraints, as well as lower sales of line pipe products for process and power plant construction to engineering companies in the USA and Canada. In South America, an increase in average selling prices offset a decline in sales of OCTG products in Venezuela as PDVSA reduced its stock of tubular inventories during the year. In Europe, there was an increase in sales of line pipe products to European-based process and power plant contractors and of OCTG products and services for the North Sea and a reduction in sales of tubes to industrial and automotive customers. In the Far East and Oceania, although the average selling price of our products increased, sales volumes of line pipe products to process and power plant customers in China and throughout the region declined, as did sales of industrial products in Japan and OCTG products throughout the region.

Operating income from tubular products and services rose 57% to USD 2,670.5 million in 2006, from USD 1,701.5 million, reflecting the increase in sales and an increase in the gross margin.

Projects

The following table indicates, for our Projects business segment, net sales, cost of sales as a percentage of net sales, operating income and operating income as a percentage of net sales:

PROJECTS	2006	2005	Increase/ (Decrease)
Net sales (USD million)	453.5	790.0	(43%)
Cost of sales (% of sales)	72%	66%	
Operating income (USD million)	56.3	179.6	(69%)
Operating income (% of sales)	12%	23%	

Net sales of pipes for pipeline projects declined 43% to USD 453.5 million in 2006, compared to USD 790.0 million in 2005, due to lower sales volumes. Regional demand for pipes for pipeline projects in South America was strong in 2005 due to a significant number of projects in Brazil. In 2006, demand in the region was affected as large pipeline projects planned in Brazil and Argentina were delayed. Sales to projects outside South America increased with sales made to pipeline projects in North America and Africa.

Operating income from pipes for pipeline projects fell 69% to USD 56.3 million in 2006 from USD 179.6 million, due primarily to the decrease in shipments, higher logistics costs and higher administrative costs expressed as a percentage of net sales.

Others

The following table indicates, for our Others business segment, net sales, cost of sales as a percentage of net sales, operating income and operating income as a percentage of net sales:

OTHERS	2006	2005	Increase/ (Decrease)
Net sales (USD million)	449.9	295.8	52%
Cost of sales (% of sales)	73%	64%	
Operating income (USD million)	65.7	64.8	1%
Operating income (% of sales)	15%	22%	

Net sales of other products and services rose 52% to USD 449.9 million in 2006, compared to USD 295.8 million in 2005, as sales of the principal product categories (hot briquetted iron, sucker rods, metallic structures) included in this segment all increased and the sales of conduit pipes from the former Maverick electrical products division were included from the fourth quarter.

Operating income from other products and services rose 1% to USD 65.7 million in 2006 from USD 64.8 million in 2005, due to higher sales. The operating margin decreased due primarily to a reduction in margins on sales of hot briquetted iron. These sales represented around 40% of total sales in this segment in 2006.

Selling, general and administrative expenses, or SG&A, increased marginally as a percentage of net sales to 13.6% in 2006 compared to 13.4% in 2005. Total SG&A rose to USD 1,054.8 million in 2006 from USD 832.3 million in 2005, due to higher labor costs, higher commission, freight and other selling expenses (reflecting higher sales) and increased charges for amortization of intangible assets relating principally to assets acquired in connection with the Maverick acquisition.

Net interest expenses totalled USD 31.8 million in 2006, compared to net interest expenses of USD 28.8 million in 2005. Net interest expenses increased substantially in the fourth quarter of 2006 reflecting the change in net debt position following the acquisition of Maverick.

Other financial results contributed a gain of USD 26.8 million in 2006, compared to a loss of USD 79.8 million during 2005. These results largely reflect gains and losses on net foreign exchange transactions and the fair value of derivative instruments and are to a large extent offset by changes to our net equity position. They arise due to the fact that most of our subsidiaries prepare their financial statements in currencies other than the US dollar in accordance with IFRS.

Equity in earnings of associated companies generated a gain of USD 94.7 million in 2006 compared to a gain of USD 117.4 million in 2005. These gains were derived mainly from our equity investment in Ternium and our former indirect equity investment in Sidor, prior to its exchange for an investment in Ternium in September 2005.

Income tax charges of USD 870.0 million were recorded during 2006, equivalent to 31% of income before equity in earnings of associated companies and income tax, compared to income tax charges of USD 567.4 million, equivalent to 31% of income before equity in earnings of associated companies and income tax, during 2005.

Income from discontinued operations amounted to USD 47.2 million in 2006, compared to a break-even result in 2005.

Net income rose 48% to USD 2,059.4 million, or 27% of net sales, in 2006, compared to USD 1,387.3 million, or 22% of net sales, in 2005 reflecting an increase in operating income and an improvement in other financial results, which was partially offset by a proportionate increase in income tax charges.

Income attributable to equity holders in the Company was USD 1,945.3 million in 2006, compared to USD 1,277.5 million in 2005.

Income attributable to minority interest was USD 114.1 million in 2006, compared to USD 109.8 million in 2005. Higher income attributable to minority interest at our NKKTubes subsidiary more than offset a decline in income attributable to minority interest at our Confab subsidiary.

Liquidity and capital resources

The following table provides certain information related to our cash generation and changes in our cash and cash equivalents position for each of the last three years:

Thousands of USD

YEAR ENDED DECEMBER 31	2006	2005	2004
Net cash provided by operating activities	1,810,856	1,295,323	98,288
Net cash used in investing activities	(2,822,049)	(292,791)	(213,396)
Net cash (used in) provided by financing activities	1,700,705	(604,129)	170,558
Increase in cash and cash equivalents	689,512	398,403	55,450
Effect of exchange rate changes	(5,095)	(11,636)	344
Cash and cash equivalents at the beginning of period	680,591	293,824	238,030
Cash and cash equivalents at period end	**1,365,008**	**680,591**	**293,824**

Our financing strategy is to maintain adequate financial resources and access to additional liquidity. During 2006, we have counted on cash flows from operations as well as additional bank financing to fund our transactions including the acquisition of Maverick Tube Corporation. Short-term bank lines were used as needed throughout the year.

We believe that funds from operations, availability of liquid financial assets and our access to external borrowing through the financial markets will be sufficient to satisfy our working capital needs and to service our debt in the foreseeable future. We also believe that our liquidity and capital resources give us adequate flexibility to manage our planned capital spending programs, to service our debt and to address short-term changes in business conditions.

We have a conservative approach to the management of our liquidity, which consists of cash and cash equivalents, mainly short-term investments of high liquidity. We used these funds to finance our working capital and capital expenditure requirements, to make acquisitions and to distribute dividends to our shareholders.

We hold money market investments and variable-rate or fixed-rate securities from investment grade issuers. We concentrate our cash in major financial centers (mainly New York and London). We hold our cash and cash equivalents primarily in US dollars, and limit our holdings of other currencies to the minimum required to fund our cash operating needs. As of December 31, 2006 US dollar denominated liquid assets represented 80% of total liquid financial assets. Liquid financial assets as a whole (excluding current investments) were 10.9% of total assets compared to 10.5% at the end of 2005. For further information on our liquidity, please see Note 19 to the consolidated financial statements included elsewhere in this annual report.

Cash and cash equivalents increased by USD 689.5 million to USD 1,365.0 million at December 31, 2006, from USD 680.6 million at December 31, 2005. In addition, we had other current investments of USD 183.6 million. As of December 31, 2005, other current investments amounted to USD 119.9 million.

Operating activities

Net cash provided by operations during 2006 rose to USD 1,810.9 million compared to USD 1,295.3 million in 2005, primarily reflecting an increase in operating income to USD 2,792.5 million in 2006 from USD 1,945.9 million in 2005. Working capital increased by USD 469.5 million in 2006 compared to a USD 433.9 million increase in 2005. The working capital increase was comprised mainly of:

- an increase in inventories of USD 455.6 million, reflecting primarily an increase in business activity and an increase in the cost of goods in process, and
- an increase in trade receivables of USD 226.7 million, reflecting higher quarterly net sales, partially offset by
- an increase in trade payables of USD 150.6 million.

Investing activities

Net cash used in investing activities in 2006 was USD 2,822.0 million, compared to USD 292.8 million in 2005. The main differences were as follows:

- Capital expenditure increased to USD 441.5 million in 2006 compared to USD 284.5 million in 2005 as we advanced with our investment program to increase our capabilities to produce specialized products by expanding heat treatment capacity and premium threading and other finishing facilities, and we reached the final stage of the construction of a power generation plant in Italy.
- We spent USD 2,387.2 million in acquisitions in 2006. On October 5, 2006 we acquired Maverick Tube Corporation, which represented a cost to the company of USD 2,417.2 million for a total value of USD 3,160.4 million including Maverick's financial debt. We also acquired in January certain welded pipe assets and facilities belonging to Acindar, in Argentina, for USD 29.3 million. During the year, additional shares of Silcotub and Dalmine were acquired from minority shareholders for approximately USD 11.2 million. Total funds spent for acquisitions during 2005 amounted to USD 48.3 million.
- On December 1, 2006 we sold a 75% participation in Dalmine Energie for USD 58.9 million.
- On February 12, 2007, we announced that we have entered into a definitive merger agreement to acquire Hydril, a North American manufacturer of premium connections and pressure control products, for USD 97 per share of Hydril's common stock and USD 97 per share of Hydril's Class B common stock, payable in cash. The acquisition will be financed through a combination of cash and debt, for which bank commitments have been secured.

Financing activities

Net cash provided by financing activities, including dividends paid and proceeds and repayments of borrowings, was USD 1,700.7 million in 2006, compared to net cash used in financing activities in 2005 of USD 604.1 million. Net proceeds from borrowings increased by USD 1,928.1 million in 2006 compared to a decrease of USD 240.4 million in 2005. Dividends paid amounted to USD 227.4 million in 2006 compared to USD 363.7 million in 2005. The dividend proposed to be paid to Tenaris shareholders in respect of the 2006 fiscal year amounts to USD 354 million equal to the amount paid in respect of the 2005 fiscal year.

Our total liabilities to total assets ratio increased to 0.55 to 1 as of December 31, 2006, compared to 0.44 to 1 as of December 31, 2005.

Principal sources of funding

Financial liabilities

Total financial debt increased by USD 2,641.0 million to USD 3,651.2 million from USD 1,010.3 million at December 31, 2005.

Our financial liabilities consist of bank loans, overdrafts, and financial leases. As of December 31, 2006 US dollar-denominated financial liabilities and Euro-denominated financial liabilities represented 95.2% and 3.4%, respectively, of total financial liabilities.

The following table shows the composition of our financial liabilities at December 31, 2006 and 2005.

	2006	2005
Bank borrowings	3,503,573	872,790
Bank overdrafts	7,300	24,717
Other loans	134,421	105,858
Finance lease liabilities	5,949	6,927
Total borrowings	**3,651,243**	**1,010,292**

The nominal average interest rates shown below were calculated using rates set for each instrument in its corresponding currency and weighted using the dollar-equivalent outstanding principal amount of said instruments:

	2006	2005
Bank borrowings	6.12%	5.14%
Other loans	5.50%	4.51%
Finance lease liabilities	3.71%	3.14%

The maturity of our financial liabilities is as follows:

AT DECEMBER 31, 2006	1 year or less	1 - 2 years	2 - 3 years	3 - 4 years	4 - 5 years	Over 5 years	TOTAL
Financial leases	1,384	1,116	822	758	663	1,206	**5,949**
Other borrowings	792,813	803,381	924,647	568,965	507,030	48,458	**3,645,294**
Total borrowings	**794,197**	**804,497**	**925,469**	**569,723**	**507,693**	**49,664**	**3,651,243**

Our current debt to total debt ratio decreased from 0.33 as of December 31, 2005 to 0.22 as of December 31 2006 due to the impact of the new long-term syndicated loans granted in October 2006.

Relevant borrowings

Significant borrowings include:

Millions of USD

Date	Borrower	Type	Original principal amount	Outstanding principal amount	Maturity
March 2005	Tamsa	Syndicated loan	300.0	300.0	March 2010
April 2005	Siderca	Syndicated loan	125.0	93.8	April 2008
October 2006	Tenaris S.A.	Syndicated loan	500.0	500.0	October 2011
	Tamsa	Syndicated loan	700.0	700.0	October 2011
	Siderca	Syndicated loan	480.5	480.5	October 2009
	Dalmine	Syndicated loan	150.0	150.0	October 2011
	Algoma Tubes	Syndicated loan	100.0	100.0	October 2011
	Maverick	Syndicated loan	750.0	750.0	October 2011

The main covenants on these loan agreements are limitations on liens and encumbrances, restrictions on investments and capital expenditures, limitations on the sale of certain assets and compliance with financial ratios (e.g., leverage ratio and interest coverage ratio calculated on each subsidiary's financial statements). In addition, the loan agreement with Tenaris S.A. is secured with a pledge of a percentage of Maverick's shares, as explained in Note 28 to our consolidated financial statements. Tenaris S.A. is allowed to make payments such as dividends, repurchase or redemption of shares up to the greater of USD 475 million or 25% of consolidated net income for the previous fiscal year; once the outstanding amount of this facility is less than USD 425 million, no such restrictions will apply.

Additionally, our total borrowings include USD 153 million secured by certain properties of Dalmine and Confab.

As of December 31, 2006, we were in compliance with all of our financial covenants. We believe that current debt covenants allow us a high degree of operational and financial flexibility and do not impair our ability to obtain additional financing at competitive costs.

PRICEWATERHOUSECOOPERS

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Report of Independent Registered Public Accounting Firm

To the Board of Directors and Shareholders
of Tenaris S.A.

In our opinion, the accompanying consolidated balance sheets and the related consolidated statements of income, of cash flows and of changes in equity, present fairly, in all material respects, the financial position of Tenaris S.A. and its subsidiaries at December 31, 2006 and 2005, and the results of their operations and their cash flows for each of the three years in the period ended December 31, 2006 in conformity with International Financial Reporting Standards. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits of these statements in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, and evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

International Financial Reporting Standards vary in certain significant respects from accounting principles generally accepted in the United States of America. Information relating to the nature and effect of such differences is presented in Notes 33 and 34 to the consolidated financial statements.

Price Waterhouse & Co. S.R.L.
by

Daniel A. López Lado
(Partner)

Buenos Aires, Argentina
February 28, 2007 except as to Notes 33 and 34
which is April 16, 2007

Consolidated income statements

TENARIS S.A.
Consolidated financial statements
for the years ended December 31, 2006,
2005 and 2004.

All amounts in USD thousands, unless otherwise stated

YEAR ENDED DECEMBER 31	NOTES	2006	2005	2004
CONTINUING OPERATIONS				
Net sales	1	7,727,745	6,209,791	3,718,193
Cost of sales	2	(3,884,226)	(3,429,365)	(2,378,474)
Gross profit		**3,843,519**	**2,780,426**	**1,339,719**
Selling, general and administrative expenses	3	(1,054,806)	(832,315)	(661,226)
Other operating income	5 (I)	13,077	12,396	152,591
Other operating expenses	5 (II)	(9,304)	(14,595)	(25,426)
Operating income		**2,792,486**	**1,945,912**	**805,658**
Interest income	6	60,798	23,815	14,236
Interest expense	6	(92,576)	(52,629)	(46,161)
Other financial results	6	26,826	(79,772)	38,304
Income before equity in earnings of associated companies and income tax		**2,787,534**	**1,837,326**	**812,037**
Equity in earnings of associated companies	7	94,667	117,377	206,141
Income before income tax		**2,882,201**	**1,954,703**	**1,018,178**
Income tax	8	(869,977)	(567,368)	(217,226)
Income for continuing operations		**2,012,224**	**1,387,335**	**800,952**
DISCONTINUED OPERATIONS – NOTE 30				
Income (loss) for discontinued operations		47,180	(3)	4,029
INCOME FOR THE YEAR		2,059,404	1,387,332	804,981
ATTRIBUTABLE TO (1)				
Equity holders of the Company		1,945,314	1,277,547	784,703
Minority interest		114,090	109,785	20,278
		2,059,404	**1,387,332**	**804,981**
EARNINGS PER SHARE ATTRIBUTABLE TO THE EQUITY HOLDERS OF THE COMPANY DURING YEAR				
Weighted average number of ordinary shares (thousands)	9	**1,180,537**	**1,180,537**	**1,180,507**
Earnings per share (US dollars per share)	9	**1.65**	**1.08**	**0.66**
Earnings per ADS (US dollars per ADS)	9	**3.30**	**2.16**	**1.33**

(1) Prior to December 31, 2004 minority interest was shown in the income statement before net income, as required by International Financial Reporting Standards ("IFRS") in effect. For years beginning on or after January 1, 2005, International Accounting Standards ("IAS") 1 (revised) require that income for the year as shown on the income statement not exclude minority interest. Earnings per share, however, continue to be calculated on the basis of net income attributable solely to the equity holders of the Company.

The accompanying notes are an integral part of these consolidated financial statements.

Consolidated balance sheets

All amounts in USD thousands, unless otherwise stated

DECEMBER 31	NOTES	2006		2005	
ASSETS					
NON-CURRENT ASSETS					
Property, plant and equipment, net	10	2,939,241		2,230,038	
Intangible assets, net	11	2,844,498		159,099	
Investments in associated companies	12	422,958		257,234	
Other investments	13	26,834		25,647	
Deferred tax assets	21	291,641		194,874	
Receivables	14	41,238	**6,566,410**	65,852	**2,932,744**
CURRENT ASSETS					
Inventories	15	2,372,308		1,376,113	
Receivables and prepayments	16	272,632		143,282	
Current tax assets	17	202,718		102,455	
Trade receivables	18	1,625,241		1,324,171	
Other investments	19	183,604		119,907	
Cash and cash equivalents	19	1,372,329	**6,028,832**	707,356	**3,773,284**
Total assets			**12,595,242**		**6,706,028**
EQUITY					
CAPITAL AND RESERVES ATTRIBUTABLE TO THE COMPANY'S EQUITY HOLDERS					
Share capital		1,180,537		1,180,537	
Legal reserves		118,054		118,054	
Share premium		609,733		609,733	
Currency translation adjustments		3,954		(59,743)	
Other reserves		28,757		2,718	
Retained earnings		3,397,584	**5,338,619**	1,656,503	**3,507,802**
MINORITY INTEREST			**363,011**		**268,071**
Total equity			**5,701,630**		**3,775,873**
LIABILITIES					
NON-CURRENT LIABILITIES					
Borrowings	20	2,857,046		678,112	
Deferred tax liabilities	21	991,945		353,395	
Other liabilities	22 (I)	186,724		154,378	
Provisions	23 (II)	92,027		43,964	
Trade payables		366	**4,128,108**	1,205	**1,231,054**
CURRENT LIABILITIES					
Borrowings	20	794,197		332,180	
Current tax liabilities		565,985		452,534	
Other liabilities	22 (II)	187,701		138,875	
Provisions	24 (II)	26,645		36,945	
Customer advances		352,717		113,243	
Trade payables		838,259	**2,765,504**	625,324	**1,699,101**
Total liabilities			**6,893,612**		**2,930,155**
Total equity and liabilities			**12,595,242**		**6,706,028**

The accompanying notes are an integral part of these consolidated financial statements.

Consolidated statements of changes in equity

All amounts in USD thousands, unless otherwise stated

	ATTRIBUTABLE TO EQUITY HOLDERS OF THE COMPANY			
	Share capital	Legal reserves	Share premium	Currency translation adjustment
Balance at January 1, 2006	**1,180,537**	**118,054**	**609,733**	**(59,743)**
Currency translation differences	–	–	–	63,697
Change in equity reserves – see Section III C and Note 28 (c)	–	–	–	–
Acquisition of minority interest	–	–	–	–
Dividends paid in cash	–	–	–	–
Income for the period	–	–	–	–
Balance at December 31, 2006	**1,180,537**	**118,054**	**609,733**	**3,954**

(*) The Distributable Reserve and Retained Earnings calculated according to Luxembourg Law are disclosed in Note 26.
The accompanying notes are an integral part of these consolidated financial statements.

	ATTRIBUTABLE TO EQUITY HOLDERS OF THE COMPANY			
	Share capital	Legal reserves	Share premium	Other distributable reserve
Balance at January 1, 2005	**1,180,537**	**118,054**	**609,733**	**82**
Effect of adopting IFRS 3 – see Note 1	–	–	–	–
Adjusted balance at January 1, 2005	**1,180,537**	**118,054**	**609,733**	**82**
Currency translation differences	–	–	–	–
Increase in equity reserves in Ternium	–	–	–	–
Acquisition of minority interest	–	–	–	–
Dividends paid in cash	–	–	–	(82)
Income for the period	–	–	–	–
Balance at December 31, 2005	**1,180,537**	**118,054**	**609,733**	–

	ATTRIBUTABLE TO EQUITY HOLDERS OF THE COMPANY			
	Share capital	Legal reserves	Share premium	Other distributable reserve
Balance at January 1, 2004	**1,180,288**	**118,029**	**609,269**	**96,555**
Currency translation differences	–	–	–	–
Capital increase and acquisition of minority interest	249	25	464	82
Dividends paid in cash	–	–	–	(96,555)
Income for the period	–	–	–	–
Balance at December 31, 2004	**1,180,537**	**118,054**	**609,733**	**82**

The accompanying notes are an integral part of these consolidated financial statements.

Other reserves	Retained earnings(*)	Minority interest	TOTAL 2006
2,718	**1,656,503**	**268,071**	**3,775,873**
–	–	15,225	**78,922**
26,039	–	–	**26,039**
–	–	(11,181)	**(11,181)**
–	(204,233)	(23,194)	**(227,427)**
–	1,945,314	114,090	**2,059,404**
28,757	**3,397,584**	**363,011**	**5,701,630**

Currency translation adjustment	Other reserves	Retained earnings	Minority interest	TOTAL 2005
(30,020)	–	**617,538**	**165,271**	**2,661,195**
–	–	110,775	–	**110,775**
(30,020)	–	**728,313**	**165,271**	**2,771,970**
(29,723)	–	–	7,180	**(22,543)**
–	2,718	–	–	**2,718**
–	–	–	153	**153**
–	–	(349,357)	(14,318)	**(363,757)**
–	–	1,277,547	109,785	**1,387,332**
(59,743)	**2,718**	**1,656,503**	**268,071**	**3,775,873**

Currency translation adjustment	Other reserves	Retained earnings	Minority interest	TOTAL 2004
(34,194)	**–**	**(128,667)**	**119,984**	**1,961,264**
4,174	–	–	9,478	**13,652**
–	–	–	20,457	**21,277**
–	–	(38,498)	(4,926)	**(139,979)**
–	–	784,703	20,278	**804,981**
(30,020)	**–**	**617,538**	**165,271**	**2,661,195**

Consolidated cash flow statements

All amounts in USD thousands, unless otherwise stated

YEAR ENDED DECEMBER 31	NOTES	2006	2005	2004
CASH FLOWS FROM OPERATING ACTIVITIES				
Income for the year		2,059,404	1,387,332	804,981
ADJUSTMENTS FOR				
Depreciation and amortization	10 & 11	255,004	214,227	208,119
Income tax accruals less payments	29 (II)	56,836	149,487	44,659
Equity in earnings of associated companies		(94,667)	(117,377)	(206,037)
Interest accruals less payments, net	29 (III)	21,909	1,919	16,973
Income from disposal of investment and others		(46,481)	–	11,705
Changes in provisions		8,894	6,497	11,455
Proceeds from Fintecna arbitration award net of BHP settlement		–	66,594	(126,126)
Changes in working capital [(1)]	29 (I)	(469,517)	(433,939)	(621,187)
Other, including currency translation adjustment		19,474	20,583	(46,254)
Net cash provided by operating activities		**1,810,856**	**1,295,323**	**98,288**
CASH FLOWS FROM INVESTING ACTIVITIES				
Capital expenditures	10 & 11	(441,472)	(284,474)	(183,312)
Acquisitions of subsidiaries	28	(2,387,249)	(48,292)	(97,595)
Proceeds from disposal of subsidiary		52,995	–	–
Convertible loan to associated companies		–	(40,358)	–
Proceeds from disposal of property, plant and equipment and intangible assets		15,347	9,995	12,054
Dividends and distributions received from associated companies	12	–	59,127	48,598
Changes in restricted bank deposits		2,027	11,452	(13,500)
Reimbursement from trust funds		–	(119,907)	–
Changes in investments in short-terms securities		(63,697)	119,666	20,359
Net cash used in investing activities		**(2,822,049)**	**(292,791)**	**(213,396)**

(1) In 2004, this included USD 55.1 million corresponding to the first installment paid in connection with the final settlement of the BHP claim.

The accompanying notes are an integral part of these consolidated financial statements.

YEAR ENDED DECEMBER 31	NOTES	2006	2005	2004
CASH FLOWS FROM FINANCING ACTIVITIES				
Dividends paid		(204,233)	(349,439)	(135,053)
Dividends paid to minority interest in subsidiaries		(23,194)	(14,318)	(31)
Proceeds from borrowings		3,033,230	1,222,861	632,095
Repayments of borrowings		(1,105,098)	(1,463,233)	(326,453)
Net cash provided by (used in) financing activities		**1,700,705**	**(604,129)**	**170,558**
INCREASE IN CASH AND CASH EQUIVALENTS		689,512	398,403	55,450
MOVEMENT IN CASH AND CASH EQUIVALENTS				
At the beginning of the period		680,591	293,824	238,030
Effect of exchange rate changes		(5,095)	(11,636)	344
Increase in cash and cash equivalents		689,512	398,403	55,450
At December 31	29 (IV)	**1,365,008**	**680,591**	**293,824**

The accompanying notes are an integral part of these consolidated financial statements.

Index to the notes to the consolidated financial statements

I. General information

Tenaris S.A. (the "Company"), a Luxembourg corporation (*societé anonyme* holding), was incorporated on December 17, 2001, as a holding company in steel pipe manufacturing and distributing operations. The Company holds, either directly or indirectly, controlling interests in various subsidiaries. References in these financial statements to "Tenaris" refer to Tenaris S.A. and its consolidated subsidiaries. A list of the Company's subsidiaries is included in Note 32.

The Company's shares trade on the Italian Stock Exchange, the Buenos Aires Stock Exchange and the Mexican Stock Exchange; in addition, the Company's American Depositary Securities trade on the New York Stock Exchange.

These consolidated financial statements were approved for issue by the Company's Board of Directors on February 28, 2007.

II. Accounting policies

A. Basis of presentation

The Consolidated Financial Statements of Tenaris and its subsidiaries have been prepared in accordance with International Financial Reporting Standards (IFRS). The consolidated financial statements are presented in thousands of US dollars (USD).

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

The preparation of consolidated 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 at the balance sheet dates, and the reported amounts of revenues and expenses during the reporting years. Actual results may differ from these estimates.

B. Group accounting

1. Subsidiary companies

Subsidiary companies are entities which are controlled by Tenaris as a result of its ownership of more than 50% of the voting rights or its ability to otherwise govern an entity's financial and operating policies. Subsidiaries are consolidated from the date on which control is exercised by the Company and are no longer consolidated from the date that the Company ceases to have control.

The purchase method of accounting is used to account for the acquisition of subsidiaries by Tenaris. The cost of an acquisition is measured as the fair value of the assets given, equity instruments issued and liabilities incurred or assumed at the date of acquisition, plus costs directly attributable to the acquisition. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values at the acquisition date. The excess of the cost of acquisition over the fair value of Tenaris share of the identifiable net assets acquired is recorded as goodwill. If the cost of acquisition is less than the fair value of the net assets of the subsidiary acquired, the difference is recognized directly in the income statement.

Material intercompany transactions and balances between Tenaris subsidiaries have been eliminated in consolidation. However, since the functional currency of some subsidiaries is its respective local currency, some financial gains (losses) arising from intercompany transactions are generated. These are included in the consolidated income statement under *Financial results*.

See Note 32 for the list of the consolidated subsidiaries.

2. Associated companies

Investments in associated companies are accounted for by the equity method of accounting and initially recognized at cost. Associated companies are companies in which Tenaris owns between 20% and 50% of the voting rights or over which Tenaris has significant influence, but does not have control. Unrealized results on transactions between Tenaris and its associated companies are eliminated to the extent of Tenaris's interest in the associated companies. Unrealized losses are also eliminated but considered an impairment indicator of the asset transferred. Accounting policies of associated companies have been changed where necessary to ensure consistency with the policies adopted by the Company. The Company's pro-rata share of earnings in associated companies is recorded in *Equity in earnings of associated companies*. The Company's pro-rata share of changes in other reserves is recognized in reserves in the *Statement of Changes in Equity*.

The Company's investment in Ternium S.A. ("Ternium") has been accounted for under the equity method, as Tenaris has significant influence as defined by IAS 28, "Investments in Associates". At December 31, 2006, Tenaris held 11.46% of Ternium's common stock. The Company's investment in Ternium is carried at incorporation cost plus proportional ownership of Ternium's earnings and other shareholders' equity accounts. Because the exchange of its holdings in Amazonia and Ylopa for shares in Ternium was considered to be a transaction between companies under common control of San Faustin N.V., Tenaris recorded its initial ownership interest in Ternium at USD 229.7 million, the carrying value of the investments exchanged. This value was USD 22.6 million less than Tenaris's proportional ownership of Ternium's shareholders' equity at the transaction date. As a result of this treatment, Tenaris's investment in Ternium will not reflect its proportional ownership of Ternium's net equity position. Ternium carried out an initial public offering of its shares on February 1, 2006, listing its shares on the New York Stock Exchange.

See Note 12 for a list of principal associated companies.

C. Segment information

Until September 30, 2006 Tenaris reported under four business segments: Seamless, Welded and Other Metallic Products, Energy and Other. The acquisition of Maverick Tube Corporation and its subsidiaries ("Maverick") on October 5, 2006, and the sale of a significant ownership in Dalmine Energie on December 1, 2006 led to a reassessment in the definition of operating segments previously used by Tenaris. Together with the reassessment, Tenaris early adopted IFRS 8 "Operating Segments" as from the year ended December 31, 2006.

As from these Financial Statements, Tenaris changed its segment reporting into three major business segments: Tubes, Projects and Other.

The Tubes segment includes the operations that consist of the production and selling of both seamless and welded steel tubular products mainly for energy and industrial applications.

The Projects segment includes the operations that consist of the production and selling of welded steel pipe products mainly used in the construction of major pipeline projects.

The Other segment includes the operations that consist of the production and selling of sucker rods, hot briquetted iron, steel electrical conduit and other metallic products.

Corporate general and administrative expenses have been allocated to the Tubes segment.

Comparative amounts have been re-presented to conform to new disclosure.

Tenaris groups its geographical information in five areas: South America, Europe, North America, Middle East and Africa, and Far East and Oceania. For the purposes of reporting geographical information, net sales are attributable to geographical areas based on the customer's location; allocation of assets and capital expenditures and associated depreciation and amortization are based on the geographic location of the assets.

D. Foreign currency translation

1. Functional currency

IAS 21(revised) defines the functional currency as the currency of the primary economic environment in which an entity operates.

The functional currency of Tenaris S.A. is the US dollar. The US dollar is the currency that best reflects the economic substance of the underlying events and circumstances relevant to Tenaris global operations. Generally, the functional currency of Tenaris's subsidiaries is the respective local currency. Tenaris's Argentine operations, however, which consist of Siderca S.A.I.C. ("Siderca") and its Argentine subsidiaries, have determined their functional currency to be the US dollar, based on the following considerations:

- Sales are mainly negotiated, denominated and settled in US dollars. If priced in a currency other than the US dollar, the price considers exposure to fluctuation in the exchange rate versus the US dollar;
- Prices of critical raw materials and inputs are priced and settled in US dollars;
- The exchange rate of the currency of Argentina has long been affected by recurring and severe economic crises;
- Net financial assets and liabilities are mainly received and maintained in US dollars.

In addition to Siderca, the Company's distributing subsidiaries and intermediate holding subsidiaries also use the US dollar as their functional currency, reflecting the transaction environment and cash flow of these operations.

2. Translation of financial information in currencies other than the functional currency

Results of operations for subsidiaries whose functional currencies are not the US dollar are translated into US dollars at the average exchange rates for each quarter of the year. Balance sheet positions are translated at the end-of-year exchange rates. Translation differences are recognized in equity as currency translation adjustments. In the case of a sale or other disposal of any such subsidiary, any accumulated translation difference would be recognized in income as a gain or loss from the sale.

3. Transactions in currencies other than the functional currency

Transactions in currencies other than the functional currency are accounted for at the exchange rates prevailing at the date of the transactions. Gains and losses resulting from the settlement of such transactions, including intercompany transactions, and from the translation of monetary assets and liabilities denominated in currencies other than the functional currency, are recorded as gains and losses from foreign exchange and included in Financial results in the income statement.

E. Property, plant and equipment

Property, plant and equipment are recognized at historical acquisition or construction cost less accumulated depreciation and impairment losses. Property, plant and equipment acquired through acquisitions accounted for as business combinations have been valued initially at the fair market value of the assets acquired.

Major overhaul and rebuilding expenditures are capitalized as property, plant and equipment only when the investment enhances the condition of assets beyond its original condition. The carrying amount of the replaced part is derecognized.

Ordinary maintenance expenses on manufacturing properties are recorded as cost of products sold in the year in which they are incurred.

Borrowing costs that are attributable to the acquisition or construction of certain capital assets are capitalized as part of the cost of the asset, in accordance with IAS 23, "Borrowing Costs". Capital assets for which borrowing costs may be capitalized are those that require a substantial period of time to prepare for their intended use.

Depreciation is calculated using the straight-line method to depreciate the cost of each asset to its residual value over its estimated useful life, as follows:

Buildings and improvements	30-50 years
Plant and production equipment	10-20 years
Vehicles, furniture and fixtures, and other equipment	4-10 years

The residual values and useful lives of significant plant and equipment are reviewed, and adjusted if appropriate, at each year-end date. Any charges from such reviews are included in *Cost of sales* in the income statement.

Management's reestimation of assets' useful lives, performed in accordance with IAS 16, did not materially affect depreciation expenses for 2006.

Tenaris depreciates each significant part of an item of property, plant and equipment for its different production facilities that (I) can be properly identified as an independent component with a cost that is significant in relation to the total cost of the item, and (II) has a useful operating life that is different from another significant part of that same item of property, plant and equipment.

Gains and losses on disposals are determined by comparing net proceeds with the carrying amount of assets. These are included in *Other operating income* or *Other operating expenses* in the income statement.

F. Intangible assets

1.Goodwill

Goodwill represents the excess of the acquisition cost over the fair value of the Tenaris share of net assets acquired as part of business combinations. In accordance with IFRS 3, beginning January 1, 2005, goodwill is considered to have an indefinite life and is not amortized, but is subject to annual impairment testing. In the event of impairment, impairment losses on goodwill are not reversed. No impairment losses related to goodwill were recorded by Tenaris during the three years covered by these financial statements. Goodwill is included in *Intangible assets, net* on the balance sheet.

Goodwill is allocated to cash-generating units for the purpose of impairment testing. The allocation is made to those cash-generating units expected to benefit from the business combination which generated the goodwill being tested.

Negative goodwill represents an excess of the fair value of identifiable net assets acquired in a business combination over the cost of the acquisition. IFRS 3 requires negative goodwill to be recognized immediately as a gain in the income statement.

During 2004 International Financial Reporting Standard (IFRS) 3, "Business Combinations" was issued, which was applied by Tenaris for all business combinations that occurred after March 31, 2004.

As per this standard, prior to January 1, 2005, goodwill was amortized on a straight line basis over its estimated useful life, not to exceed 15 years, and tested for impairment at each balance sheet date in the event indicators of impairment were present. As required by IFRS 3, Tenaris ceased amortization of goodwill for periods beginning on or after January 1, 2005. In addition, accumulated amortization as of December 31, 2004, has been netted against the cost of the goodwill. For years ending on or after December 31, 2005, goodwill is required to be tested annually for impairment, as well as when there are indicators of impairment. Amortization of goodwill expense included in the year ended December 31, 2004 amounted to USD 9.4 million.

Upon the adoption of IFRS 3, which must be adopted together with the revised IAS 38 "Intangible Assets", and IAS 36 "Impairment of Assets", previously accumulated negative goodwill is required to be derecognized through an adjustment to retained earnings. The derecognition of negative goodwill in this manner resulted in an increase of USD 110.8 million in the opening balance of the Company's equity at January 1, 2005. Amortization of negative goodwill in income amounted to USD 9.0 million in the year ended December 31, 2004.

2. Information systems projects

Costs associated with developing or maintaining computer software programs are generally recognized as an expense as incurred. However, costs directly related to the development, acquisition and implementation of information systems are recognized as intangible assets if it is probable they have economic benefits exceeding one year.

Information systems projects recognized as assets are amortized using the straight-line method over their useful lives, not exceeding a period of 3 years. Amortization charges are classified as *Selling, general and administrative expenses* in the income statement.

3. Licenses, patent and trademarks

Expenditures on acquired patents, trademarks, technology transfer and licenses are capitalized and amortized using the straight-line method over their estimated useful lives, not exceeding a period of 3 years.

4. Research and development

Research expenditures as well as development costs that do not fulfill the criteria for capitalization are recorded as cost of sales in the income statement as incurred. Research and development expenditures included in cost of sales for the years 2006, 2005 and 2004 totaled USD 46.9 million, USD 34.7 million and USD 26.3 million, respectively.

5.Customer relationships intangible assets acquired in a business combination

In accordance with IFRS 3 and IAS 38, Tenaris has recognized the value of customer relationships separately from goodwill attributable to the acquisition of Maverick, as further disclosed in Note 28.

Customer relationships are amortized over a useful average life of approximately 14 years.

G. Impairment of non-financial assets

In accordance with IFRS 3 “Business Combinations” and the related revised versions of IAS 36 “Impairment of Assets” and IAS 38 “Intangible Assets”, long-lived assets, including identifiable intangible assets and goodwill, are regularly reviewed for impairment.

Intangible assets with indefinite life, including goodwill, are subject to at least an annual impairment test for possible impairment, whereas the remaining long-lived assets are tested whenever events or changes in circumstances indicate that the balance sheet carrying the amount of the asset may not be recoverable.

To carry out these tests, assets are grouped into cash generating units (CGUs). The value in use of these units is determined on the basis of the present value of net future cash flows which will be generated by the assets tested. Cash flows are discounted at discount rates that reflect specific country and currency risks.

H. Other investments

Other investments consist primarily of investments in financial debt instruments.

All Tenaris investments are classified as financial assets “at fair value through profit or loss”. As explained in section IV, Tenaris applied the transition provisions of IAS 39 and designated as “financial assets carried at fair value through profit or loss” the investments that were previously recognized as “available-for-sale”.

Purchases and sales of financial investments are recognized as of the trade date, which is the date that Tenaris commits to purchase or sell the investment and which is not significantly different from the actual settlement date. The change in fair value of financial investments designated as held at fair value through profit or loss is charged to *Financial results* in the income statement.

Income from financial investments is recognized in *Financial results* in the income statement. Interest receivable on investments in debt securities is calculated using the effective interest method.

The fair values of quoted investments are based on current mid prices. If the market for a financial investment is not active or the securities are not listed, Tenaris estimates fair value by using standard valuation techniques.

I. Inventories

Inventories are stated at the lower of cost (calculated principally on the first-in-first-out “FIFO” method) and net realizable value. The cost of finished goods and goods in process is comprised of raw materials, direct labor, other direct costs and related production overhead costs. Tenaris estimates net realizable value of inventories item by item or by grouping, where applicable, similar or related items. Net realizable value is the estimated selling price in the ordinary course of business, less any estimated costs of completion and selling expenses. Goods in transit at year end are valued at supplier invoice cost.

Tenaris establishes an allowance for obsolete or slow-moving inventory related to finished goods, supplies and spare parts. For slow-moving or obsolete finished products, an allowance is established based on management’s analysis of product aging. An allowance for slow-moving inventory of supplies and spare parts is established based on management’s analysis of such items to be used as intended and the consideration of potential obsolescence due to technological changes.

J. Trade receivables

Trade receivables are recognized initially at fair value, generally the original invoice amount. Tenaris analyzes its trade accounts receivable on a regular basis and, when aware of a specific client’s difficulty or inability to meet its obligations to Tenaris, impairs any amounts due by means of a charge to an allowance for doubtful accounts receivable. Additionally, this allowance is adjusted periodically based on the aging of receivables.

K. Cash and cash equivalents

Cash and cash equivalents are comprised of cash in banks, short-term money market funds and highly liquid short-term securities with a maturity of less than 90 days at the date of purchase. Assets recorded in cash and cash equivalents are carried at fair market value, or at historical cost which approximates fair market value.

For the purposes of the cash flow statement, cash and cash equivalents is comprised of cash, bank accounts and short-term highly liquid investments and overdrafts.

On the balance sheet, bank overdrafts are included in *Borrowings* in *Current liabilities*.

L. Shareholders' equity

1. Basis of presentation

The consolidated statement of changes in equity includes:

- The value of share capital, legal reserve, share premium and other distributable reserve calculated in accordance with Luxembourg Law;
- The currency translation adjustments, retained earnings, minority interest and other reserves calculated in accordance with IFRS.

2. Share capital

Ordinary shares are classified as equity.

3. Dividends paid by Tenaris to shareholders

Dividends payable are recorded in Tenaris's financial statements in the year in which they are approved by the Company's shareholders, or when interim dividends are approved by the Board of Directors in accordance with the by-laws of the Company.

Dividends may be paid by Tenaris to the extent that it has distributable retained earnings, calculated in accordance with Luxembourg Law. As a result, retained earnings included in the consolidated financial statements may not be wholly distributable. See Note 26.

M. Borrowings

Borrowings are recognized initially for an amount equal to the proceeds received net of transaction costs. In subsequent years, borrowings are stated at amortized cost.

N. Income taxes – current and deferred

Under present Luxembourg Law, the Company is not subject to income tax, withholding tax on dividends paid to shareholders or capital gains tax payable in Luxembourg as long as the Company maintains its status as a "1929 Holding Billionaire Company". Following a previously-announced decision by the European Commission, the Grand-Duchy of Luxembourg has terminated its 1929 holding company regime, effective January 1, 2007. However, under the implementing legislation, pre-existing publicly-listed companies -including Tenaris- will be entitled to continue benefiting from their current tax regime until December 31, 2010.

The current income tax charge is calculated on the basis of the tax laws in effect in the countries where the Company's subsidiaries operate and generate taxable income. Management periodically evaluates positions taken in tax returns with respect to situations in which applicable tax regulations are subject to interpretation and establishes provisions when appropriate.

Deferred income taxes are calculated applying the liability method on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the financial statements. The principal temporary differences arise from fair value adjustments of assets acquired in business combinations, the effect of currency translation on fixed assets, depreciation on property, plant and equipment, valuation of inventories and provisions for pensions. Deferred tax assets are also recognized for net operating loss carry-forwards. Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the time period when the asset is realized or the liability is expected to be settled, based on tax laws that have been enacted or substantively enacted by the balance sheet date.

Deferred tax assets are recognized to the extent that it is probable that future taxable income will be available to utilize those recognized deferred tax assets against such income.

O. Employee-related liabilities

a. Employee severance indemnity

Employee severance indemnity costs are assessed annually using the projected unit credit method. Employee severance indemnity obligations are measured at the present value of the estimated future cash outflows, based on actuarial calculations provided by independent advisors and in accordance with current legislation and labor contracts in effect in each respective country. The cost of this obligation is charged to the income statement over the expected service lives of employees.

This provision is primarily related to the liability accrued for employees at Tenaris's Italian and Mexican subsidiaries.

b. Defined benefit pension obligations

Certain officers of Tenaris are covered by defined benefit employee retirement plans designed to provide post-retirement, termination and other benefits.

Post-retirement costs are assessed using the projected unit credit method. Post-retirement obligations are measured at the present value of estimated future cash outflows, based on actuarial calculations provided by independent advisors.

Benefits provided under one of Tenaris's plans are provided in US dollars and are calculated based on seven-year salary averages. Tenaris accumulates assets for the payment of benefits expected to be disbursed by this plan in the form of investments that are subject to time limitations for redemption. These investments are neither part of a specific pension plan nor are they segregated from Tenaris's other assets. As a result, this plan is considered to be "unfunded" under IFRS definitions.

In its newly-acquired Canadian subsidiary (Prudential Steel Ltd.) Tenaris sponsors funded and unfunded non-contributory defined benefit pension plans that cover substantially all of the employees of its company. The plans provide defined benefits based on years of service and, in the case of salaried employees, final average salary. In addition, Tenaris provides an unfunded non-contributory post-employment benefits plan to retirees from salaried employment.

Certain other officers and former employees of one specific Tenaris subsidiary are covered by a separate plan defined as "funded" under IFRS definitions.

All of Tenaris's plans recognize actuarial gains and losses over the average remaining service lives of employees.

c. Other compensation obligations

Employee entitlements to annual leave and long-service leave are accrued as earned.

Other length of service-based compensation to employees in the event of dismissal or death is charged to income in the year in which it becomes payable.

P. Employee statutory profit sharing

Under Mexican law, the Company's Mexican subsidiaries are required to pay their employees an annual benefit calculated on a basis similar to that used for local income tax purposes. Employee statutory profit sharing is calculated using the liability method, and is recorded in *Current other liabilities* and *Non-current other liabilities* on the balance sheet. Because Mexican employee statutory profit sharing is determined on a basis similar to that used for determining local income taxes, Tenaris accounts for temporary differences arising between the statutory calculation and reported expense as determined under IFRS in a manner similar to the calculation of deferred income tax.

Q. Provisions and other liabilities

Tenaris is subject to various claims, lawsuits and other legal proceedings, including customer claims, in which a third party is seeking payment for alleged damages, reimbursement for losses or indemnity. Tenaris's potential liability with respect to such claims, lawsuits and other legal proceedings cannot be estimated with certainty. Management periodically reviews the status of each significant matter and assesses potential financial exposure. If a potential loss from a claim or proceeding is considered probable and the amount can be reasonably estimated, a liability is recorded. Accruals for loss contingencies reflect a reasonable estimate of the losses to be incurred based on information available to management as of the date of preparation of the financial statements, and take into consideration Tenaris's litigation and settlement strategies. These estimates are primarily constructed with the assistance of legal counsel. As the scope of liabilities become better defined, there may be changes in the estimates of future costs which could have a material adverse effect on its results of operations, financial condition and net worth.

If Tenaris expects to be reimbursed for an accrued expense, as would be the case for an expense or loss covered under an insurance contract, and reimbursement is considered virtually certain, the expected reimbursement is recognized as a receivable.

R. Revenue recognition

Tenaris's products and services are sold based upon purchase orders, contracts or upon other persuasive evidence of an arrangement with customers, including that the sales price is known or determinable. Sales are recognized as revenue upon delivery and when collection is reasonably assured. Delivery is defined by the transfer of risk provision of sales contracts and may include delivery to a storage facility located at one of the Company's subsidiaries.

Other revenues earned by Tenaris are recognized on the following bases:

- Interest income: on the effective yield basis;
- Dividend income from investments in other companies: when Tenaris's right to collect is established.

S. Cost of sales and sales expenses

Cost of sales and sales expenses are recognized in the income statement on the accrual basis of accounting.

Commissions, freight and other selling expenses, including shipping and handling costs, are recorded in *Selling, general and administrative expenses* in the income statement.

T. Earnings per share

Earnings per share are calculated by dividing the net income attributable to equity holders of the Company by the daily weighted average number of common shares outstanding during the year.

U. Derivative financial instruments

Accounting for derivative financial instruments and hedging activities is included within Section III *Financial Risk Management*.

III. Financial risk management

The multinational nature of Tenaris's operations and customer base expose the company to a variety of risks, including the effects of changes in foreign currency exchange rates and interest rates. To manage the volatility related to these exposures, management evaluates exposures on a consolidated basis to take advantage of logical exposure netting. For a portion of the remaining exposures, the Company or its subsidiaries may enter into various derivative transactions in order to manage potential adverse impacts on Tenaris's financial performance. Such derivative transactions are executed in accordance with internal policies in areas such as counterparty exposure and hedging practices.

A. Financial risk factors

I. Foreign exchange rate risk management

Tenaris manufactures and sells its products in a number of countries throughout the world and as a result is exposed to foreign exchange rate risk. The purpose of Tenaris's foreign currency hedging program is to reduce the risk caused by short-term changes in exchange rates.

Tenaris aims to neutralize the potential negative impact of currency fluctuations in the value of other currencies with respect to the dollar. Because a number of subsidiaries have functional currencies other than the US dollar, the results of hedging activities as reported in accordance with IFRS may not reflect management's assessment of its foreign exchange risk hedging program.

II. Interest rate risk management

Tenaris's financing strategy is to manage interest expense using a mixture of fixed-rate and variable-rate debt. To manage this risk in a cost-efficient manner, Tenaris enters into interest rate swaps in which it agrees to exchange with the counterparty, at specified intervals, the difference between fixed and variable interest amounts calculated by reference to an agreed-upon notional principal amount.

Tenaris has entered into interest rate swaps related to long-term debt to partially hedge future interest payments, as well as to convert borrowings from floating to fixed rates.

III. Concentration of credit risk

No single customer comprised more than 10% of net sales in 2006.

Tenaris's credit policies related to sales of products and services are designed to identify customers with acceptable credit history, and to allow Tenaris to require the use of credit insurance, letters of credit and other instruments designed to minimize credit risk whenever deemed necessary. Tenaris maintains allowances for impairment for potential credit losses.

Derivative counterparties and cash transactions are limited to high credit quality financial institutions. Tenaris has established strict counterparty credit guidelines and normally enters into transactions with investment grade financial institutions.

IV. Liquidity risk

Management maintains sufficient cash and marketable securities or credit facilities to finance normal operations. Tenaris also has committed credit facilities and has access to the market to adequately back up its short-term working capital needs.

B. Fair value estimation

For purposes of estimating the fair value of financial assets and liabilities with maturities of less than one year, the market value was considered.

Most borrowings are comprised of variable rate debt or fixed rate debt that in general terms are comparable to market rate. As a result, the fair value of Tenaris's borrowings approximates its current amounts and is not disclosed separately.

IV. Impact of new accounting pronouncements

C. Accounting for derivative financial instruments and hedging activities

Derivative financial instruments are initially recognized in the balance sheet at fair value on the date a derivative contract is entered into and are subsequently remeasured at fair value. As a general rule, Tenaris recognizes the full amount related to the change in fair value of derivative financial instruments in *Financial results* in the income for the year.

Beginning January 1, 2006, Tenaris has adopted hedge accounting treatment as established by IAS 39 for certain qualifying derivative financial instruments. These transactions are classified as cash flow hedges (mainly currency forward contracts on highly probable forecast transactions and interest rate swaps and collars). 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 recognized in the income statement in the same period as any offsetting losses and gains on the hedged item. The gain or loss relating to the ineffective portion is recognized immediately in the income statement. The fair value of Tenaris derivative financial instruments (asset or liability) continues to be reflected in the *Balance sheets*.

For transactions designated and qualifying for hedge accounting, Tenaris documents at the inception of the transaction the relationship between hedging instruments and hedged items, as well as its risk management objectives and strategy for undertaking various hedge transactions. At December 31, 2006, the effective portion of designated cash flow hedges amounts to USD 2.1 million and is included in *Other reserves in equity*.

Tenaris does not hold or issue derivative financial instruments for speculative trading purposes.

Standards early adopted by Tenaris

IFRS 8 "Operating Segments" replaces IAS 14 and requires an entity to report financial and descriptive information about its reportable segments (as aggregations of operating segments). Financial information is required to be reported on the same basis as used internally for evaluating operating segment performance and deciding how to allocate resources to operating segments also giving certain descriptive information. See Section II C.

Interpretations and amendments to published standards effective in 2006

a. IAS 19 "Employee Benefits: Actuarial Gains and Losses, Group Plans and Disclosures (Amendment)"

On December 16, 2004, the International Accounting Standards Board (IASB) issued International Accounting Standard No. 19, "Employee Benefits: Actuarial Gains and Losses, Group Plans and Disclosures (Amendment)" (IAS 19). IAS 19 gives entities the option to recognize actuarial gains and losses in full during the period in which they occur, outside of profit and loss, in the statement of recognized income and expense. Previously, entities were only permitted to recognize actuarial gains and losses in profit and loss either (1) in the period in which they occurred, or (2) spread over the service life of employees. As Tenaris does not intend to change the accounting policy adopted for recognition of actuarial gains and losses, this amendment did not impact on the Company Financial Statements.

b. IAS 21 "The Effects of Changes in Foreign Exchange Rates - Net Investment in Foreign Operations"

In December 2005, the IASB issued an amendment to IAS 21 "The Effects of Changes in Foreign Exchange Rates - Net Investment in Foreign Operations". The amendment clarifies the requirements of IAS 21 regarding an entity's investment in foreign operations. As per the amendment, the entity that has a monetary item that is, in substance, a part of the entity's net investment in that foreign operation may be any subsidiary of the group. Exchange differences on such monetary items are reclassified to the separate component of equity in the financial statements that include the foreign operation and the reporting entity. The application of this amendment from January 1, 2006 did not have a material impact on the Company's financial statements.

Management assessed the relevance of other new standards, amendments or interpretations and concluded that they are not relevant to Tenaris.

Interpretations and amendments to published standards that are not yet effective and have not been early adopted

a. IFRS 7 "Financial Instruments: Disclosure, and a Complementary Amendment to IAS 1, Presentation of Financial Statements – Capital Disclosure"

IFRS 7 introduces new disclosures about financial instruments such as qualitative and quantitative information about exposure to risks arising from financial instruments. Tenaris will apply IFRS 7 and the amendment to IAS 1 for annual periods beginning on January 1, 2007.

b. IFRIC 9 "Reassessment of Embedded Derivatives"

IFRIC 9 requires an entity to assess whether an embedded derivative is required to be separated from the host contract and accounted for as a derivative when the entity first becomes a party to the contract. Subsequent reassessment is prohibited unless there is a significant change in the terms of the contract.

c. IFRIC 10 "Interim Financial Reporting and Impairment"

Under this interpretation, no reversal to an impairment loss recognized in an interim period in respect of goodwill or an investment in either an equity instrument or a financial asset carried at cost is allowed.

Tenaris will apply IFRIC 10 from January 1, 2007, but this is not expected to have any impact on the Company's financial statements.

Management assessed the relevance of other new standards, amendments or interpretations not yet effective and concluded that they are not relevant to Tenaris.

V. Other notes to the consolidated financial statements

In the notes all amounts are shown in USD thousands, unless otherwise stated

1. Segment information

Reportable operating segments

	Tubes	Projects	Other	Unallocated	Total continuing operations	Total discontinued operations (*)
YEAR ENDED DECEMBER 31, 2006						
Net sales	6,824,338	453,536	449,871	–	**7,727,745**	**503,051**
Cost of sales	(3,231,568)	(326,402)	(326,256)	–	**(3,884,226)**	**(486,312)**
Gross profit	**3,592,770**	**127,134**	**123,615**	–	**3,843,519**	**16,739**
Selling, general and administrative expenses	(923,328)	(71,546)	(59,932)	–	**(1,054,806)**	**(8,025)**
Other operating income (expenses), net	1,022	749	2,002	–	**3,773**	**2,469**
Operating income	**2,670,464**	**56,337**	**65,685**	–	**2,792,486**	**11,183**
Segment assets	10,807,344	803,060	561,879	422,959	**12,595,242**	–
Segment liabilities	6,242,969	448,493	202,150	–	**6,893,612**	–
Capital expenditures	408,965	23,979	7,507	–	**440,451**	**1,021**
Acquisition of property, plant and equipment and intangible assets due to business combination	3,178,735	–	–	–	**3,178,735**	–
Depreciation and amortization	220,368	19,345	13,394	–	**253,107**	**1,897**
YEAR ENDED DECEMBER 31, 2005						
Net sales	5,123,975	789,989	295,827	–	**6,209,791**	**526,406**
Cost of sales	(2,720,719)	(520,404)	(188,242)	–	**(3,429,365)**	**(513,393)**
Gross profit	**2,403,256**	**269,585**	**107,585**	–	**2,780,426**	**13,013**
Selling, general and administrative expenses	(699,817)	(88,422)	(44,076)	–	**(832,315)**	**(10,259)**
Other operating income (expenses), net	(1,908)	(1,587)	1,296	–	**(2,199)**	**(220)**
Operating income	**1,701,531**	**179,576**	**64,805**	–	**1,945,912**	**2,534**
Segment assets	5,404,745	540,187	356,843	257,234	**6,559,009**	**147,019**
Segment liabilities	2,414,899	212,917	178,049	–	**2,805,865**	**124,290**
Capital expenditures	252,974	25,101	5,020	–	**283,095**	**1,379**
Acquisition of property, plant and equipment and intangible assets due to business combination	67,980	–	–	–	**67,980**	–
Depreciation and amortization	182,478	15,545	13,690	–	**211,713**	**2,514**
YEAR ENDED DECEMBER 31, 2004						
Net sales	3,273,267	280,082	164,844	–	**3,718,193**	**417,870**
Cost of sales	(2,075,151)	(184,767)	(118,556)	–	**(2,378,474)**	**(398,462)**
Gross profit	**1,198,116**	**95,315**	**46,288**	–	**1,339,719**	**19,408**
Selling, general and administrative expenses	(571,871)	(58,317)	(31,038)	–	**(661,226)**	**(11,223)**
Other operating income (expenses), net	124,764	(2)	2,403	–	**127,165**	**(325)**
Operating income	**751,009**	**36,996**	**17,653**	–	**805,658**	**7,860**
Segment assets	4,626,329	508,841	305,821	99,451	**5,540,442**	**121,846**
Segment liabilities	2,435,933	309,470	133,644	–	**2,879,047**	**122,046**
Capital expenditures	149,326	23,276	9,272	–	**181,874**	**1,438**
Acquisition of property, plant and equipment and intangible assets due to business combination	191,097	–	–	–	**191,097**	–
Depreciation and amortization	185,118	12,082	7,365	–	**204,565**	**3,554**

Transactions between segments, which were eliminated in consolidation, include sales of scrap and pipe protectors from the Other segment to tubes units for USD 88,118, USD 41,163 and USD 36,765 in 2006, 2005 and 2004, respectively.

Geographical information

	North America	South America	Europe	Middle East and Africa	Far East and Oceania	Unallocated	Total continuing operations	Total discontinued operations (*)
YEAR ENDED DECEMBER 31, 2006								
Net sales	2,182,936	1,520,210	1,398,458	1,957,707	668,434	–	**7,727,745**	**503,051**
Total assets	6,334,226	2,780,977	2,045,856	623,572	387,652	422,959	**12,595,242**	–
Trade receivables	425,734	189,779	392,060	519,022	98,646	–	**1,625,241**	–
Property, plant and equipment, net	1,209,277	864,425	787,058	2,813	75,668	–	**2,939,241**	–
Capital expenditures	121,976	145,956	137,608	367	34,544	–	**440,451**	**1,021**
Acquisition of property, plant and equipment and intangible assets due to business combination	3,096,445	73,426	8,864	–	–	–	**3,178,735**	–
Depreciation and amortization	98,967	90,224	57,037	780	6,099	–	**253,107**	**1,897**
YEAR ENDED DECEMBER 31, 2005								
Net sales	1,708,126	1,823,735	1,043,801	959,020	675,109	–	**6,209,791**	**526,406**
Total assets	2,213,075	2,089,419	1,355,615	289,363	354,303	257,234	**6,559,009**	**147,019**
Trade receivables	310,153	358,859	147,983	255,379	134,402	–	**1,206,776**	**117,395**
Property, plant and equipment, net	787,937	740,391	643,656	3,583	49,235	–	**2,224,802**	**5,236**
Capital expenditures	64,274	109,180	103,286	1,498	4,857	–	**283,095**	**1,379**
Acquisition of property, plant and equipment and intangible assets due to business combination	–	–	67,980	–	–	–	**67,980**	–
Depreciation and amortization	49,038	87,430	68,608	404	6,233	–	**211,713**	**2,514**
YEAR ENDED DECEMBER 31, 2004								
Net sales	1,140,326	824,800	818,925	524,874	409,268	–	**3,718,193**	**417,870**
Total assets	1,596,464	1,771,318	1,686,529	109,266	277,414	99,451	**5,540,442**	**121,846**
Trade receivables	295,896	143,731	254,642	81,369	69,307	–	**844,945**	**91,986**
Property, plant and equipment, net	737,507	728,468	629,759	4,645	58,042	–	**2,158,421**	**6,180**
Capital expenditures	64,845	83,003	28,256	2,257	3,513	–	**181,874**	**1,438**
Acquisition of property, plant and equipment and intangible assets due to business combination	–	121,145	69,952	–	–	–	**191,097**	–
Depreciation and amortization	41,986	89,934	64,878	35	7,732	–	**204,565**	**3,554**

(*) Corresponds to Dalmine Energie operations.

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.

2. Cost of sales

YEAR ENDED DECEMBER 31	2006	2005	2004
INVENTORIES AT THE BEGINNING OF THE YEAR	**1,376,113**	**1,269,470**	**831,879**
PLUS: CHARGES OF THE YEAR			
Raw materials, energy, consumables and other	3,514,396	2,954,580	2,244,073
Increase in inventory due to business combinations	592,341	5,500	25,278
Services and fees	384,223	324,799	259,025
Labor cost	512,854	420,714	369,681
Depreciation of property, plant and equipment	187,564	182,696	174,880
Amortization of intangible assets	2,738	5,025	12,748
Maintenance expenses	120,664	99,171	82,323
Provisions for contingencies	(87)	200	994
Allowance for obsolescence	(8,006)	20,303	23,167
Taxes	4,568	3,170	3,088
Other	55,478	33,243	19,270
	5,366,733	**4,049,401**	**3,214,527**
Less: Inventories at the end of the year	(2,372,308)	(1,376,113)	(1,269,470)
	4,370,538	**3,942,758**	**2,776,936**
From Discontinued operations	(486,312)	(513,393)	(398,462)
	3,884,226	**3,429,365**	**2,378,474**

3. Selling, general and administrative expenses

YEAR ENDED DECEMBER 31	2006	2005	2004
Services and fees	133,304	122,953	121,269
Labor cost	279,768	214,216	157,114
Depreciation of property, plant and equipment	9,926	10,319	10,218
Amortization of intangible assets	54,776	16,187	10,273
Commissions, freight and other selling expenses	361,655	298,101	250,085
Provisions for contingencies	13,881	14,855	12,142
Allowances for doubtful accounts	1,199	7,069	7,187
Taxes	122,789	93,782	59,256
Other	85,533	65,092	44,905
	1,062,831	**842,574**	**672,449**
From Discontinued operations	(8,025)	(10,259)	(11,223)
	1,054,806	**832,315**	**661,226**

4. Labor costs (included in Cost of sales and Selling, general and administrative expenses)

YEAR ENDED DECEMBER 31	2006	2005	2004
Wages, salaries and social security costs	778,573	622,523	509,572
Employees' severance indemnity	11,588	10,617	12,907
Pension benefits - defined benefit plans	2,461	1,790	4,316
	792,622	**634,930**	**526,795**
From Discontinued operations	(4,898)	(5,356)	(3,673)
	787,724	**629,574**	**523,122**

At year-end, the number of employees was 21,751 in 2006, 17,693 in 2005 and 16,447 in 2004.

5. Other operating items

YEAR ENDED DECEMBER 31	2006	2005	2004
(I) OTHER OPERATING INCOME			
Reimbursement from insurance companies and other third parties	1,611	1,966	3,165
Net income from other sales	4,512	5,767	16,063
Net income from sale of investments	6,933	–	–
Net rents	2,490	2,501	1,362
Fintecna arbitration award, net of legal expenses, related to BHP proceedings	–	1,752	123,000
Power plants - reimbursement from supplier	–	–	9,001
Other	–	410	–
	15,546	**12,396**	**152,591**
From Discontinued operations	(2,469)	–	–
	13,077	**12,396**	**152,591**
(II) OTHER OPERATING EXPENSES			
Contributions to welfare projects and non-profits organizations	4,463	2,532	2,290
Provisions for legal claims and contingencies	–	8,694	–
Loss on disposal of fixed assets and material supplies	1,424	2,146	–
Allowance for doubtful receivables	(375)	1,443	2,104
Power plants - impairment and associated charges	–	–	18,447
Other	3,792	–	2,910
	9,304	**14,815**	**25,751**
From Discontinued operations	–	(220)	(325)
	9,304	**14,595**	**25,426**

6. Financial results

YEAR ENDED DECEMBER 31	2006	2005	2004
Interest income	61,401	24,268	14,247
Interest expense	(93,638)	(53,504)	(46,930)
Interest net	**(32,237)**	**(29,236)**	**(32,683)**
Net foreign exchange transaction gains/(losses)	29,129	(86,618)	33,127
Other	(1,828)	6,116	5,358
Other financial results	**27,301**	**(80,502)**	**38,485**
Net financial results	**(4,936)**	**(109,738)**	**5,802**
From Discontinued operations	(16)	1,152	577
	(4,952)	**(108,586)**	**6,379**

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

7. Equity in earnings of associated companies

YEAR ENDED DECEMBER 31	2006	2005	2004
Equity in earnings of associated companies	95,260	117,003	123,015
Change in fair value of convertible debt option in Amazonia	–	–	83,126
Other	(593)	374	–
	94,667	**117,377**	**206,141**

8. Income tax

YEAR ENDED DECEMBER 31	2006	2005	2004
Current tax	897,427	637,623	277,219
Deferred tax	(17,386)	(61,837)	(44,731)
	880,041	**575,786**	**232,488**
Effect of currency translation on tax base [(a)]	(6,060)	(7,033)	(12,112)
	873,981	**568,753**	**220,376**
From Discontinued operations	(4,004)	(1,385)	(3,150)
	869,977	**567,368**	**217,226**

The tax on Tenaris's income before tax differs from the theoretical amount that would arise using the tax rate in each country as follows:

YEAR ENDED DECEMBER 31	2006	2005	2004
INCOME BEFORE INCOME TAX	**2,882,201**	**1,954,703**	**1,018,178**
Tax calculated at the tax rate in each country	901,580	591,167	265,837
Non-taxable income / Non-deductible expenses	(32,562)	(32,807)	(10,518)
Changes in the tax rates in Mexico	–	–	(25,886)
Effect of currency translation on tax base (a)	(6,060)	(7,033)	(12,112)
Effect of taxable exchange differences	10,069	17,087	10,742
Utilization of previously unrecognized tax losses	(3,050)	(1,046)	(10,837)
Tax charge	**869,977**	**567,368**	**217,226**

(a) Tenaris applies the liability method to recognize deferred income tax expense on temporary differences between the tax bases of assets and their carrying amounts in the financial statements. By the application of this method, Tenaris recognizes gains and losses on deferred income tax due to the effect of the change in the value of the Argentine peso on the tax bases of the fixed assets of its Argentine subsidiaries, which have the US dollar as their functional currency. These gains and losses are required by IFRS even though the devalued tax basis of the relevant assets will result in a reduced dollar value of amortization deductions for tax purposes in future periods throughout the useful life of those assets. As a result, the resulting deferred income tax charge does not represent a separate obligation of Tenaris that is due and payable in any of the relevant periods.

9. Earnings and dividends per share

Earnings per share are calculated by dividing the net income attributable to equity holders of the Company by the daily weighted average number of ordinary shares in issue during the year.

YEAR ENDED DECEMBER 31	2006	2005	2004
Net income attributable to equity holders	1,945,314	1,277,547	784,703
Weighted average number of ordinary shares in issue	1,180,537	1,180,537	1,180,507
Basic and diluted earnings per share	1.65	1.08	0.66
Basic and diluted earnings per ADS	3.30	2.16	1.33
Dividends paid	(204,233)	(349,439)	(135,053)
Dividends per share	0.17	0.30	0.11
Dividends per ADS	0.35	0.59	0.23
Net income from discontinued operations	47,180	(3)	4,029
Basic and diluted earnings per share	0.04	0.00	0.00
Basic and diluted earnings per ADS	0.08	0.00	0.01

The shareholders' meeting held on June 7, 2006 approved the payment of a dividend in the amount of USD 0.30 per share or approximately USD 354.1 million, corresponding to operating results for 2005. This amount included the interim dividend paid in November, 2005, in the amount of USD 0.127 per share or approximately USD 149.9 million. Tenaris paid the balance of the annual dividend amounting to approximately USD 204.2 million corresponding to USD 0.173 per share during 2006. During 2005 Tenaris paid USD 199.5 million corresponding to USD 0.169 per share.

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 on record at April 17, 2006. Earnings per ADS reflected above have been adjusted for this change in the conversion ratio.

10. Property, plant and equipment, net

YEAR ENDED DECEMBER 31, 2006	Land, building and improvements	Plant and production equipment	Vehicles, furniture and fixtures	Work in progress	Spare parts and equipment	TOTAL
COST						
Values at the beginning of the year	408,191	5,442,181	126,315	173,715	24,237	**6,174,639**
Translation differences	9,741	124,256	3,784	16,450	1,047	**155,278**
Additions	6,527	14,030	931	387,516	5,400	**414,404**
Disposals / Consumptions	(11,842)	(34,608)	(5,434)	(21)	(12,559)	**(64,464)**
Transfers / Reclassifications	12,633	171,274	19,505	(211,450)	7,731	**(307)**
Increase due to business combinations – see Note 28	126,003	277,066	26,581	27,557	3,730	**460,937**
Disposal due to sale of subsidiaries	(8,306)	(2,233)	(3,509)	(924)	(1,174)	**(16,146)**
Values at the end of the year	**542,947**	**5,991,966**	**168,173**	**392,843**	**28,412**	**7,124,341**
DEPRECIATION						
Accumulated at the beginning of the year	136,231	3,700,676	100,823	–	6,871	**3,944,601**
Translation differences	1,865	56,212	2,197	–	330	**60,604**
Depreciation charge	11,094	174,279	11,332	–	785	**197,490**
Disposal due to sale of subsidiaries	(1,478)	(1,562)	(2,057)	–	(651)	**(5,748)**
Disposals / Consumptions	(38)	(8,941)	(2,865)	–	(3)	**(11,847)**
Transfers / Reclassifications	(733)	(2,723)	3,470	–	(14)	**–**
Accumulated at the end of the year	**146,941**	**3,917,941**	**112,900**	**–**	**7,318**	**4,185,100**
At December 31, 2006	**396,006**	**2,074,025**	**55,273**	**392,843**	**21,094**	**2,939,241**

YEAR ENDED DECEMBER 31, 2005	Land, building and improvements	Plant and production equipment	Vehicles, furniture and fixtures	Work in progress	Spare parts and equipment	TOTAL
COST						
Values at the beginning of the year	353,416	5,386,286	118,193	84,942	19,263	**5,962,100**
Translation differences	5,566	(104,101)	(244)	388	(844)	**(99,235)**
Additions	2,722	10,159	2,494	238,314	10,706	**264,395**
Disposals / Consumptions	(2,043)	(9,344)	(3,322)	–	(5,119)	**(19,828)**
Transfers / Reclassifications	24,593	118,426	6,843	(150,097)	231	**(4)**
Increase due to business combinations – see Note 28	23,937	40,755	2,351	168	–	**67,211**
Values at the end of the year	**408,191**	**5,442,181**	**126,315**	**173,715**	**24,237**	**6,174,639**
DEPRECIATION						
Accumulated at the beginning of the year	128,148	3,568,058	94,577	–	6,716	**3,797,499**
Translation differences	1,778	(37,199)	(158)	–	(376)	**(35,955)**
Depreciation charge	13,177	170,491	8,649	–	698	**193,015**
Disposals / Consumptions	(515)	(7,047)	(2,229)	–	(167)	**(9,958)**
Transfers / Reclassifications	(6,357)	6,373	(16)	–	–	**–**
Accumulated at the end of the year	**136,231**	**3,700,676**	**100,823**	**–**	**6,871**	**3,944,601**
At December 31, 2005	**271,960**	**1,741,505**	**25,492**	**173,715**	**17,366**	**2,230,038**

Property, plant and equipment include capitalized interest of USD 19,686.
The net amount at December 31, 2006 is USD 2,854.

11. Intangible assets, net

YEAR ENDED DECEMBER 31, 2006	Information systems projects	Licenses, patents and trademarks	Goodwill [a]	Customer relationships [a]	TOTAL
COST					
Values at the beginning of the year	129,417	10,285	113,433	–	**253,135**
Translation differences	5,649	1,000	–	–	**6,649**
Additions	26,137	931	–	–	**27,068**
Increase due to business combinations – see Note 28	11,811	97,900	1,114,287	1,493,800	**2,717,798**
Transfers / Reclassifications	307	–	–	–	**307**
Disposals	(1,165)	(18)	–	–	**(1,183)**
Disposal due to sale of subsidiaries	(17,001)	(6,958)	–	–	**(23,959)**
Values at the end of the year	**155,155**	**103,140**	**1,227,720**	**1,493,800**	**2,979,815**
AMORTIZATION AND IMPAIRMENT					
Accumulated at the beginning of the year	85,164	8,872	–	–	**94,036**
Translation differences	4,175	1,131	–	–	**5,306**
Amortization charge	20,746	9,291	–	27,477	**57,514**
Transfers / Reclassifications	–	–	–	–	**–**
Disposals	(1,035)	(18)	–	–	**(1,053)**
Disposal due to sale of subsidiaries	(13,971)	(6,515)	–	–	**(20,486)**
Accumulated at the end of the year	**95,079**	**12,761**	**–**	**27,477**	**135,317**
At December 31, 2006	**60,076**	**90,379**	**1,227,720**	**1,466,323**	**2,844,498**

(a) Corresponds to the Tubes segment.

YEAR ENDED DECEMBER 31, 2005	Information systems projects	Licenses and patents	Goodwill [a]	Negative goodwill [a]	TOTAL
COST					
Values at the beginning of the year	114,584	11,028	112,664	(133,886)	**104,390**
Effect of adopting IFRS 3	–	–	–	133,886	**133,886**
Translation differences	(4,148)	(1,172)	–	–	**(5,320)**
Additions	19,278	801	–	–	**20,079**
Increase due to business combinations – see Note 28	–	–	769	–	**769**
Transfers / Reclassifications	4	–	–	–	**4**
Disposals	(301)	(372)	–	–	**(673)**
Values at the end of the year	**129,417**	**10,285**	**113,433**	**–**	253,135
AMORTIZATION AND IMPAIRMENT					
Accumulated at the beginning of the year	68,989	9,301	–	(23,111)	**55,179**
Effect of adopting IFRS 3	–	–	–	23,111	**23,111**
Translation differences	(3,852)	(1,066)	–	–	**(4,918)**
Amortization charge	20,231	981	–	–	**21,212**
Transfers / Reclassifications	–	–	–	–	–
Disposals	(204)	(344)	–	–	**(548)**
Accumulated at the end of the year	**85,164**	**8,872**	**–**	**–**	**94,036**
At December 31, 2005	**44,253**	**1,413**	**113,433**	**–**	**159,099**

(a) Corresponds to the Tubes segment.

The geographical allocation of goodwill is presented below.

YEAR ENDED DECEMBER 31	2006	2005
South America	94,641	93,239
Europe	769	769
North America	1,132,310	19,425
	1,227,720	**113,433**

Impairment tests for goodwill

Goodwill is tested at the level of the CGUs. Impairment testing of the CGU is carried out and the value in use determined in accordance with the discounted cash flow method. In order to perform the test, Tenaris uses projections for the next 5 years based on past performance and expectations of market development. After the fifth year, a perpetuity rate with no grow up increase was utilized. The discount rates used for these tests are based on Tenaris's weighted average cost of capital adjusted for specific country and currency risks associated with the cash flow projections. Discount rates used range from 9% to 12%.

No impairment charge resulted from the impairment tests performed.

As explained in Note 28 Tenaris acquired Maverick on October 5, 2006. Goodwill of USD 1,113 million arised from this acquisition as 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 an independent valuation. On account of the recent date of the transaction, the company's fair value is the same as its transaction value. Accordingly, no impairment needs to be recorded.

12. Investments in associated companies

YEAR ENDED DECEMBER 31	2006	2005
At the beginning of the year	257,234	99,451
Translation differences	(4,016)	(22,869)
Equity in earnings of associated companies	95,260	117,003
Dividends and distributions received	–	(59,127)
Reorganization of Dalmine Energie, Lomond and others	10,014	–
Capitalization of convertible loan in Amazonia	40,505	120,058
Increase in equity reserves in Ternium	23,961	2,718
At the end of the year	**422,958**	**257,234**

The principal associated companies are:

COMPANY	COUNTRY OF INCORPORATION	PERCENTAGE OF OWNERSHIP AND VOTING RIGHTS AT DECEMBER 31		VALUE AT DECEMBER 31	
		2006	2005	2006	2005
Ternium S.A.	Luxembourg	11.46%	15.00%	408,044	253,796
Dalmine Energie S.p.A.	Italy	25.00%	0.00%	8,402	–
Others	–	–	–	6,512	3,438
				422,958	**257,234**

Summarized financial information of each significant associated company, including the aggregated amounts of assets, liabilities, revenues and profit or loss is as follows:

	TERNIUM S.A.		DALMINE ENERGIE S.P.A. [a]	
	2006	2005	2006	2005
Non-current assets	6,124,326	6,116,423	9,174	–
Current assets	2,646,213	2,543,558	227,394	–
Total assets	**8,770,539**	**8,659,981**	**236,568**	–
Non-current liabilities	1,875,894	3,690,629	5,017	–
Current liabilities	1,407,504	1,393,433	197,944	–
Total liabilities	**3,283,398**	**5,084,062**	**202,961**	–
Minority interest	1,729,583	1,733,465	–	–
Revenues	6,568,975	4,447,680	77,847	–
Gross profit	2,267,591	1,976,836	4,271	–
Profit/Loss	795,424	704,406	7,785	–

(a) Corresponds to the result of the one-month period ended December 31, 2006.

13. Other investments – non-current

YEAR ENDED DECEMBER 31	2006	2005
Deposits with insurance companies	13,937	12,004
Investments in other companies	12,724	12,869
Others	173	774
	26,834	**25,647**

14. Receivables – non-current

YEAR ENDED DECEMBER 31	2006	2005
Government entities	5,798	5,918
Employee advances and loans	7,768	5,053
Tax credits	11,640	6,121
Trade receivables	1,144	1,108
Receivables from related parties	2,829	3,321
Convertible loans	–	40,358
Receivables on off-take contract	8,377	9,677
Other	17,802	9,746
	55,358	**81,302**
Allowances for doubtful accounts – see Note 23 (I)	(14,120)	(15,450)
	41,238	**65,852**

15. Inventories

YEAR ENDED DECEMBER 31	2006	2005
Finished goods	1,060,322	479,756
Goods in process	430,828	404,518
Raw materials	421,322	183,900
Supplies	328,324	241,974
Goods in transit	210,985	151,715
	2,451,781	**1,461,863**
Allowance for obsolescence – see Note 24 (I)	(79,473)	(85,750)
	2,372,308	**1,376,113**

16. Receivables and prepayments

YEAR ENDED DECEMBER 31	2006	2005
Reimbursements and other receivables	59,346	25,044
Government entities	1,951	19,044
Employee advances and loans	8,677	7,922
Advances to suppliers	123,369	49,219
Other advances	1,531	1,624
Government tax refunds on exports	33,387	16,410
Receivables from related parties	19,160	13,695
Miscellaneous	32,995	23,411
	280,416	**156,369**
Allowance for other doubtful accounts – see Note 24 (I)	(7,784)	(13,087)
	272,632	**143,282**

17. Current tax assets

YEAR ENDED DECEMBER 31	2006	2005
V.A.T. credits	123,366	90,000
Prepaid taxes	79,352	12,455
	202,718	**102,455**

18. Trade receivables

YEAR ENDED DECEMBER 31	2006	2005
Current accounts	1,544,202	1,256,882
Notes receivables	83,906	60,972
Receivables from related parties	19,919	31,279
	1,648,027	**1,349,133**
Allowance for doubtful accounts – see Note 24 (I)	(22,786)	(24,962)
	1,625,241	**1,324,171**

19. Cash and cash equivalents, and Other investments

YEAR ENDED DECEMBER 31	2006	2005
OTHER INVESTMENTS		
Financial assets	183,604	119,907
CASH AND CASH EQUIVALENTS		
Cash and short-term liquid investments	1,372,329	707,356

20. Borrowings

YEAR ENDED DECEMBER 31	2006	2005
NON-CURRENT		
Bank borrowings	2,823,052	635,896
Other loans	50,479	38,407
Finance lease liabilities	4,565	5,425
Costs of issue of debt	(21,050)	(1,616)
	2,857,046	**678,112**
CURRENT		
Bank borrowings	707,610	238,510
Other loans	83,942	67,451
Bank overdrafts	7,300	24,717
Finance lease liabilities	1,384	1,502
Costs of issue of debt	(6,039)	–
	794,197	**332,180**
Total borrowings	**3,651,243**	**1,010,292**

The maturity of borrowings is as follows:

AT DECEMBER 31, 2006	1 year or less	1 - 2 years	2 - 3 years	3 - 4 years	4 - 5 years	Over 5 years	TOTAL
Financial leases	1,384	1,116	822	758	663	1,206	**5,949**
Other borrowings	792,813	803,381	924,647	568,965	507,030	48,458	**3,645,294**
Total borrowings	**794,197**	**804,497**	**925,469**	**569,723**	**507,693**	**49,664**	**3,651,243**

Significant borrowings include:

Millions of USD

DATE	BORROWER	TYPE	ORIGINAL PRINCIPAL AMOUNT	OUTSTANDING PRINCIPAL AMOUNT	MATURITY
March 2005	Tamsa	Syndicated loan	300.0	300.0	March 2010
April 2005	Siderca	Syndicated loan	125.0	93.8	April 2008
October 2006	Tenaris S.A.	Syndicated loan	500.0	500.0	October 2011
October 2006	Tamsa	Syndicated loan	700.0	700.0	October 2011
October 2006	Siderca	Syndicated loan	480.5	480.5	October 2009
October 2006	Dalmine	Syndicated loan	150.0	150.0	October 2011
October 2006	Algoma Tubes	Syndicated loan	100.0	100.0	October 2011
October 2006	Maverick	Syndicated loan	750.0	750.0	October 2011

The main covenants on these loan agreements are limitations on liens and encumbrances, restrictions in investments and capital expenditures, limitations in the sale of certain assets and compliance with financial ratios (e.g., leverage ratio and interest coverage ratio calculated on each subsidiary's financial statements). In addition, Tenaris's loan agreement is secured with a pledge of a percentage of Maverick's shares, as explained in Note 28. Tenaris is allowed to make payments such as dividends, repurchase or redemption of shares up to the greater of USD 475 million or 25% of consolidated net income for the previous fiscal year; once the outstanding amount of Tenaris's facility is less than USD 425 million, no restrictions will apply.

Tenaris's consolidated debt includes USD 127 million of Dalmine and USD 26 million of Confab secured by certain properties of these subsidiaries.

As of December 31, 2006, Tenaris was in compliance with all of its covenants.

The weighted average interest rates before tax shown on the next page were calculated using the rates set for each instrument in its corresponding currency as of December 31, 2006 and 2005. These rates reflect the upward trend in the reference rates.

	2006	2005
Bank borrowings	6.12%	5.14%
Other loans	5.50%	4.51%
Finance lease liabilities	3.71%	3.14%

Breakdown of long-term borrowings by currency and rate is as follows:

Non-current bank borrowings

CURRENCY	INTEREST RATES	YEAR ENDED DECEMBER 31	
		2006	2005
USD	Variable	3,140,894	546,921
USD	Fixed	10,289	–
EUR	Variable	40,462	93,621
EUR	Fixed	6,246	30,709
JPY	Variable	–	23,310
JPY	Fixed	11,854	17,084
BRS	Variable	25,938	23,306
		3,235,683	**734,951**
Less: Current portion of medium and long-term loans		(412,631)	(99,055)
Total non-current bank borrowings		**2,823,052**	**635,896**

Non-current other loans

CURRENCY	INTEREST RATES	YEAR ENDED DECEMBER 31	
		2006	2005
COP	Variable	622	–
USD	Variable	52,853	49,332
		53,475	**49,332**
Less: Current portion of medium and long-term loans		(2,996)	(10,925)
Total non-current other loans		**50,479**	**38,407**

Non-current finance lease liabilities

CURRENCY	INTEREST RATES	YEAR ENDED DECEMBER 31 2006	2005
EUR	Fixed	79	29
COP	Variable	185	–
JPY	Fixed	5,685	6,898
		5,949	**6,927**
Less: Current portion of medium and long-term loans		(1,384)	(1,502)
Total non-current finance leases		**4,565**	**5,425**

The carrying amounts of Tenaris's assets pledged as collateral of liabilities are as follows:

YEAR ENDED DECEMBER 31	2006	2005
Property, plant and equipment mortages	**554,078**	**595,627**

Breakdown of short-term borrowings by currency and rate is as follows:

Current bank borrowings

CURRENCY	INTEREST RATES	YEAR ENDED DECEMBER 31 2006	2005
USD	Variable	456,954	50,597
USD	Fixed	202,620	55,946
EUR	Variable	23,365	64,810
EUR	Fixed	1,146	1,882
JPY	Variable	–	10,741
JPY	Fixed	11,854	5,226
BRS	Variable	8,255	5,197
ARS	Fixed	–	44,111
NGN	Fixed	3,403	–
VEB	Fixed	13	–
Total current bank borrowings		**707,610**	**238,510**

Bank overdrafts

CURRENCY	YEAR ENDED DECEMBER 31	
	2006	2005
USD	1,855	16,406
EUR	2,558	3,298
ARS	1,839	3,193
VEB	–	1,820
CAD	864	–
NOK	182	–
RON	2	–
Total current bank overdrafts	**7,300**	**24,717**

Current other loans

CURRENCY	INTEREST RATES	YEAR ENDED DECEMBER 31	
		2006	2005
EUR	Variable	73,183	51,333
USD	Variable	10,251	16,118
USD	Fixed	462	–
COP	Variable	46	–
Total current other loans		**83,942**	**67,451**

Current finance lease liabilities

CURRENCY	INTEREST RATES	YEAR ENDED DECEMBER 31	
		2006	2005
EUR	Fixed	21	29
COP	Variable	121	–
JPY	Fixed	1,242	1,473
Total current finance leases		**1,384**	**1,502**

21. Deferred income tax

Deferred income taxes are calculated in full on temporary differences under the liability method using the tax rate of each country.

The movement on the deferred income tax account is as follows:

YEAR ENDED DECEMBER 31	2006	2005
At the beginning of the year	158,521	210,802
Translation differences	2,570	8,605
Increase due to business combinations	560,450	–
Disposals	2,971	–
Income statement credit	(17,386)	(61,837)
Effect of currency translation on tax base	(6,060)	(7,033)
Deferred employees' statutory profit sharing charge	(762)	7,984
At the end of the year	**700,304**	**158,521**

The evolution of deferred tax assets and liabilities during the year are as follows:

Deferred tax liabilities

	Fixed assets	Inventories	Intangible and other (a)	TOTAL
At the beginning of the year	227,370	45,600	80,425	**353,395**
Translation differences	6,670	(308)	131	**6,493**
Increase due to business combinations	75,455	2,286	581,097	**658,838**
Disposals	–	(6)	(163)	**(169)**
Income statement charge / (credit)	7,653	3,795	(38,060)	**(26,612)**
At December 31,2006	**317,148**	**51,367**	**623,430**	**991,945**
At the beginning of the year	204,243	63,453	104,279	**371,975**
Translation differences	19,486	2,482	489	**22,457**
Income statement charge / (credit)	3,641	(20,335)	(24,343)	**(41,037)**
At December 31, 2005	**227,370**	**45,600**	**80,425**	**353,395**

(a) Includes the effect of currency translation on tax base explained in Note 8.

Deferred tax assets

	Provisions and allowances	Inventories	Tax losses	Other	TOTAL
At the beginning of the year	(32,631)	(74,214)	(11,993)	(76,036)	**(194,874)**
Translation differences	(2,342)	(179)	(577)	(825)	**(3,923)**
Increase due to business combinations	(7,005)	(3,137)	(1,112)	(87,134)	**(98,388)**
Disposal	975	–	–	2,165	**3,140**
Income statement charge / (credit)	(1,267)	(65,313)	10,048	58,936	**2,404**
At December 31, 2006	**(42,270)**	**(142,843)**	**(3,634)**	**(102,894)**	**(291,641)**

	Provisions and allowances	Inventories	Tax losses	Other	TOTAL
At the beginning of the year	(62,629)	(41,292)	(15,707)	(41,545)	**(161,173)**
Translation differences	(13,239)	(232)	792	(1,173)	**(13,852)**
Income statement charge / (credit)	43,237	(32,690)	2,922	(33,318)	**(19,849)**
At December 31, 2005	**(32,631)**	**(74,214)**	**(11,993)**	**(76,036)**	(194,874)

Deferred income tax assets and liabilities are offset when (1) there is a legally enforceable right to setoff current tax assets against current tax liabilities, and (2) the deferred income taxes relate to the same fiscal authority. The following amounts, determined after appropriate setoff, are shown in the consolidated balance sheet:

YEAR ENDED DECEMBER 31	2006	2005
Deferred tax assets	(291,641)	(194,874)
Deferred tax liabilities	991,945	353,395
	700,304	**158,521**

The amounts shown in the balance sheet include the following:

YEAR ENDED DECEMBER 31	2006	2005
Deferred tax assets to be recovered after more than 12 months	(79,811)	(49,662)
Deferred tax liabilities to be recovered after more than 12 months	849,730	225,486

22. Other liabilities

YEAR ENDED DECEMBER 31	2006	2005
(I) OTHER LIABILITIES – NON-CURRENT		
EMPLOYEE LIABILITIES		
Employee statutory profit sharing	64,196	64,010
Employee severance indemnity (a)	67,598	62,279
Pension benefits (b)	36,067	10,788
	167,861	**137,077**
Taxes payable	8,842	9,364
Miscellaneous	10,021	7,937
	18,863	**17,301**
	186,724	**154,378**

a. Employee severance indemnity

The amounts recognized in the balance sheet are as follows:

YEAR ENDED DECEMBER 31	2006	2005
Total included in non-current employee liabilities	**67,598**	**62,279**

The amounts recognized in the income statement are as follows:

YEAR ENDED DECEMBER 31	2006	2005	2004
Current service cost	8,737	7,846	9,999
Interest cost	2,851	2,771	2,908
Total included in Labor costs	**11,588**	**10,617**	**12,907**

The principal actuarial assumptions used were as follows:

YEAR ENDED DECEMBER 31	2006	2005	2004
Discount rate	4% - 5%	5%	4%
Rate of compensation increase	2% - 4%	4%	3%

b. Pension benefits

The amounts recognized in the balance sheet are determined as follows:

YEAR ENDED DECEMBER 31	2006	2005
Present value of unfunded obligations	41,156	15,707
Unrecognized actuarial losses	(5,089)	(4,919)
Liability in the balance sheet	**36,067**	**10,788**

The amounts recognized in the income statement are as follows:

YEAR ENDED DECEMBER 31	2006	2005	2004
Current service cost	1,400	544	571
Interest cost	2,185	917	875
Net actuarial losses in the income recognized in the year	(1,124)	329	2,870
Total included in Labor costs	**2,461**	**1,790**	**4,316**

Movement in the liability recognized in the balance sheet:

YEAR ENDED DECEMBER 31	2006	2005
At the beginning of the year	10,788	11,578
Transfers and new participants in the plan	992	–
Total expense	2,461	1,790
Translation differences	(654)	(272)
Contributions paid	(2,696)	(2,308)
Increase due to business combinations	25,307	–
Disposal	(131)	–
At the end of the year	**36,067**	**10,788**

The principal actuarial assumptions used were as follows:

YEAR ENDED DECEMBER 31	2006	2005	2004
Discount rate	5% - 7%	7%	7%
Rate of compensation increase	2% - 5%	2%	2%

YEAR ENDED DECEMBER 31	2006	2005
(II) OTHER LIABILITIES – CURRENT		
Payroll and social security payable	148,146	102,052
Liabilities with related parties	2,237	2,688
Miscellaneous	37,318	34,135
	187,701	**138,875**

23. Non-current allowances and provisions

(I) Deducted from non-current receivables

YEAR ENDED DECEMBER 31	2006	2005
Values at the beginning of the year	(15,450)	(13,172)
Translation differences	153	185
Reversals / Additional allowances (*)	(15)	(81)
Used (*)	1,192	(2,382)
At December 31	**(14,120)**	**(15,450)**

(*) Includes effect of allowances on off–take credits which are reflected in the Cost of sales.

(II) Liabilities

YEAR ENDED DECEMBER 31	2006	2005
Values at the beginning of the year	43,964	31,776
Translation differences	2,999	406
Increase due to business combinations	11,394	–
Reversals / Additional provisions	12,146	16,015
Reclassifications	31,910	–
Used	(10,386)	(4,233)
	92,027	**43,964**

24. Current allowances and provisions

(I) Deducted from assets

	Allowance for doubtful accounts – Trade receivables	Allowance for other doubtful accounts – Other receivables	Allowance for inventory obsolescence
YEAR ENDED DECEMBER 31, 2006			
Values at the beginning of the year	(24,962)	(13,087)	(85,750)
Translation differences	(1,274)	(575)	(4,151)
Increase due to business combinations	(1,673)	(188)	(253)
Disposal due to deconsolidation	3,222	–	–
Reversals / Additional allowances	(1,449)	640	8,006
Used	3,350	5,426	2,675
At December 31, 2006	**(22,786)**	**(7,784)**	**(79,473)**
YEAR ENDED DECEMBER 31, 2005			
Values at the beginning of the year	(24,164)	(8,346)	(67,122)
Translation differences	1,309	(174)	2,941
Increase due to business combinations	(843)	–	(11,931)
Reversals / Additional allowances	(4,722)	(3,709)	(20,303)
Used	3,458	(858)	10,665
At December 31, 2005	**(24,962)**	**(13,087)**	**(85,750)**

(II) Liabilities

	Sales risks	Other claims and contingencies	TOTAL
YEAR ENDED DECEMBER 31, 2006			
Values at the beginning of the year	3,489	33,456	**36,945**
Translation differences	112	2,690	**2,802**
Increase due to business combinations	16,700	781	**17,481**
Reversals / Additional allowances	840	808	**1,648**
Reclassifications	–	(27,977)	**(27,977)**
Used	(1,047)	(3,207)	**(4,254)**
At December 31, 2006	**20,094**	**6,551**	**26,645**
YEAR ENDED DECEMBER 31, 2005			
Values at the beginning of the year	5,509	37,127	**42,636**
Translation differences	(518)	(3,849)	**(4,367)**
Reversals / Additional allowances	(493)	8,227	**7,734**
Used	(1,009)	(8,049)	**(9,058)**
At December 31, 2005	**3,489**	**33,456**	**36,945**

25. Derivative financial instruments

Net fair values of derivative financial instruments

The net fair values of derivative financial instruments disclosed within *Other liabilities* and *Other receivables* at the balance sheet date, in accordance with IAS 39, were:

YEAR ENDED DECEMBER 31	2006	2005
CONTRACTS WITH POSITIVE FAIR VALUES		
Interest rate swap contracts	722	3,641
Forward foreign exchange contracts	1,188	441
CONTRACTS WITH NEGATIVE FAIR VALUES		
Interest rate swap contracts	(242)	(921)
Forward foreign exchange contracts	(1,958)	(7,818)

Derivative financial instruments breakdown is as follows:

Variable interest rate swaps

FAIR VALUE DECEMBER 31				2006	2005
NOTIONAL AMOUNT		SWAP	TERM		
EUR	9,097	Pay fixed / Receive variable	2007	(8)	(410)
EUR	1,176	Pay fixed / Receive variable	2009	(34)	(82)
EUR	5,830	Pay fixed / Receive variable	2010	(190)	(429)
USD	100,000	Pay fixed / Receive variable	2009	–	2,228
USD	200,000	Interest rate collar	2010	–	1,413
USD	1,500,000	Interest rate collar	2008	712	–
				480	**2,720**

To partially hedge future interest payments, as well as to minimize the effect of floating rates, Tenaris has entered into zero cost interest rate collars. In these contracts, effective as from April 2007, the Company has agreed to exchange with the counterparty, at specified intervals, the difference between interest amounts calculated by reference to an agreed-upon notional principal amount of USD 1,500.0 million, to the extent that it is lower than the floor or greater than the cap established in such contracts.

Exchange rate derivatives

FAIR VALUE DECEMBER 31			2006	2005
CURRENCIES	CONTRACT	TERM		
USD / EUR	Euro Forward purchases	2008/2007	870	(1,502)
JPY / USD	Japanese Yen Forward purchases	2007	(1,229)	(3,579)
CAD / USD	Canadian Dollar Forward sales	2007	318	–
BRL / USD	Brazilian Real Forward sales	2007	–	8
ARS / USD	Argentine Peso Forward purchases	2007	–	(2,186)
ARS / USD	Argentine Peso Forward sales	2007	(359)	–
KWD / USD	Kuwaiti Dinar Forward sales	2007	(370)	(118)
			(770)	**(7,377)**

26. Contingencies, commitments and restrictions on the distribution of profits

Tenaris is involved in litigation arising from time to time in the ordinary course of business. Based on management's assessment and the advice of legal counsel, it is not anticipated that the ultimate resolution of pending litigation will result in amounts in excess of recorded provisions (Notes 23 and 24) that would be material to Tenaris's consolidated financial position or results of operations.

Conversion of tax loss carry-forwards

On December 18, 2000, the Argentine tax authorities notified Siderca S.A.I.C. ("Siderca", a subsidiary of the Company organized in Argentina) of an income tax assessment related to the conversion of tax loss carry-forwards into Debt Consolidation Bonds under Argentine Law No. 24.073. The adjustments proposed by the tax authorities represent an estimated contingency of ARS 70.2 million (approximately USD 23.0 million) at December 31, 2006 in taxes and penalties. Based on the views of Siderca's tax advisors, Tenaris believes that the ultimate resolution of the matter will not result in a material obligation. Accordingly, no provision was recorded in these financial statements.

Asbestos-related Litigation

Dalmine S.p.A. ("Dalmine"), a subsidiary of the Company organized in Italy, is currently subject to thirteen civil proceedings for work-related injuries arising from the use of asbestos in its manufacturing processes during the period from 1960 to 1980. In addition, another eighteen asbestos related out-of-court claims and one civil party claim have been forwarded to Dalmine.

As of December 31, 2006, the total claims pending against Dalmine were thirty two (of which, three are covered by insurance): during 2006, two new claims were filed, four claims were dismissed and one was settled. Aggregate settlement costs to date for Tenaris are EUR 3.8 million. Dalmine estimates that its potential liability in connection with the claims not yet settled is approximately EUR 12.6 million (USD 16.6 million).

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 authorities.

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 the 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 the Indenture. The complaint asserts 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 tendered their notes for such consideration, seeks a declaratory judgment that Tenaris's acquisition of Maverick was a Public Acquirer Change of Control under the Indenture, and asserts claims for tortuous interference with contract and unjust enrichment against Tenaris.

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 USD 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 EUR 10.1 million (USD 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 will be paid out of the provision that Dalmine established in 1999 for such proceeding.

BHP litigation and arbitration proceeding against Fintecna

On December 30, 2003 Dalmine and a consortium led by BHP Billiton Petroleum Ltd. ("BHP") settled a litigation concerning the failure of an underwater pipeline. The pipe that was the subject of the litigation with BHP was manufactured and sold, and the tort alleged by BHP took place, prior to the privatization of Dalmine. According to the terms of the settlement, Dalmine paid BHP a total of GBP 108.0 million (USD 207.2 million), inclusive of expenses. Techint Investments Netherlands B.V. ("Tenet") – the subsidiary of the Company that was party to the Dalmine privatization contract – commenced arbitration proceedings against Fintecna S.p.A. ("Fintecna"), an Italian state-owned entity and successor to ILVA S.p.A., the former owner of Dalmine, seeking indemnification from Fintecna for any amounts paid or payable by Dalmine to BHP. On December 28, 2004, an arbitral tribunal rendered a final award in the arbitration proceeding against Fintecna, pursuant to which, Fintecna paid Tenaris a total amount of EUR 93.8 million (USD 127.2 million) on March 15, 2005. Neither party has any further oustanding obligations in respect of the BHP litigation.

Commitments

Set forth is a description of Tenaris's main outstanding commitments:

- Tenaris has transportation capacity agreements with Transportadora de Gas del Norte S.A. (TGN), corresponding to a capacity of 1,000,000 cubic meters per day until 2017; the outstanding value of this commitment is approximately USD 68.0 million. We also expect to obtain additional gas transportation capacity of 315,000 cubic meters per day until 2027. This commitment is subject to the enlargement of the trunk pipelines in Argentina that are expected to be ready by 2008.

- In July 2004, Tenaris's subsidiary Matesi Materiales Siderúrgicos S.A. ("Matesi") entered into a twenty-year agreement with C.V.G. Electrificación del Caroní, C.A. ("Edelca") for the purchase of electric power under certain take-or-pay conditions, with an option to terminate the contract at any time upon three years notice. The outstanding value of the contract at December 31, 2006 is approximately USD 65.9 million.
- In August 2004 Matesi entered into a ten-year off-take contract pursuant to which Matesi is required to sell to Sidor on a take-or-pay basis 29.9% of Matesi's HBI production. In addition, Sidor has the right to increase its proportion on Matesi's production by an extra 19.9% until reaching 49.8% of Matesi's HBI production. Under the contract, the sale price is determined on a cost-plus basis. The contract is renewable for additional three-year periods unless Matesi or Sidor objects to its renewal more than a year prior to its termination.
- Tenaris entered into a contract with Siderar for the supply of steam generated at the power generation facility owned by Tenaris in San Nicolas. Under this contract, Tenaris is required to provide 250 tn/hour of steam, and Siderar has the obligation to take or pay this volume. This outsourcing contract is due to terminate in 2018. In October 2004, Tenaris detected technical problems at its electric power generation facility located in San Nicolas, Argentina during the routine maintenance of the equipment. GE Energy, the generator's manufacturer, assumed the cost of the repairs of the generator, estimated at USD 9.0 million. Tenaris recognized a receivable with the manufacturer for the cost of the repairs. Tenaris impaired the value of these assets under *Property, plant and equipment* for USD 11.7 million. The reparation of the generation facility was completed by September 2005.
- Under a lease agreement entered into in 2000 between Gade Srl (Italy) and Dalmine relating to a building located in Sabbio Bergamasco and used by Dalmine's former subsidiary, Tad Commerciale, Dalmine is obligated to bid in the auction for the purchase of a building owned by Gade for a minimum amount of EUR 8.3 million (USD 10.0 million). As of the present, a date for the auction has not yet been announced.

Restrictions on the distribution of profits

As of December 31, 2006, shareholders' equity as defined under Luxembourg Law and regulations consisted of:

All amounts in USD thousands

DECEMBER 31	2006
Share capital	1,180,537
Legal reserve	118,054
Share premium	609,733
Retained earnings including net income for the year ended December 31, 2006	1,527,096
Total shareholders' equity in accordance with Luxembourg Law	**3,435,420**

At least 5% of the 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 share capital. As of December 31, 2006, this reserve is fully allocated and additional allocations to the reserve are not required under Luxembourg Law. Dividends can not be paid from this reserve.

Tenaris may pay dividends to the extent that it has distributable retained earnings and distributable reserve calculated in accordance with Luxembourg Law and regulations, and providing the compliance of the covenant related to restricted payments stated in Note 28.

At December 31, 2006, the distributable reserve, including retained earnings and profit for the financial year, of Tenaris under Luxembourg Law totalled USD 1,527.1 million, as detailed below.

All amounts in USD thousands

Retained earnings at December 31, 2005 under Luxembourg Law	1,171,738
Dividends received	566,831
Other income and expenses for the year ended December 31, 2006	(7,240)
Dividends paid	(204,233)
Retained earnings at December 31, 2006 under Luxembourg Law	**1,527,096**

27. Ordinary shares and share premium

NUMBER OF ORDINARY SHARES	2006	2005
At January 1 and December 31	**1,180,536,830**	**1,180,536,830**

The total of issued and outstanding ordinary shares as of December 31, 2006 is 1,180,536,830 with a par value of USD 1.00 per share with one vote each.

28. Business combinations and other acquisitions

a. Acquisition of Maverick Tube Corporation ("Maverick")

On October 5, 2006, Tenaris completed the acquisition of Maverick, pursuant to which Maverick was merged with and into a wholly-owned subsidiary of Tenaris. On that date, Tenaris paid USD 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 USD 3,160 million, including Maverick's financial debt.

With operations in the United States, Canada and Colombia, Maverick is a producer of oil country tubular goods (OCTG), line pipe and coiled tubing for use in oil and natural gas wells and other applications, also producing welded pipes for electrical conduits. Maverick has a combined annual capacity of two million short tons of steel pipes with a size range from one-quarter inch to 16 inches. In 2005, Maverick reported net revenues of approximately USD 1.8 billion, of which 82% was from its energy products division.

To finance the acquisition and the payment of related obligations, Tenaris S.A. and some of its subsidiaries entered into syndicated loan facilities in an aggregate of USD 2.7 billion; the balance was met with cash on hand. In connection with the financing of the Maverick acquisition, 75% of the issued and outstanding shares of Maverick was pledged. Immediately upon each payment or prepayment under the Tenaris loan agreement, the number of shares subject to the pledge shall be reduced by the percentage by which the aggregate outstanding principal amount of the loans under such agreement is reduced by operation of such payment or prepayment until the aggregate outstanding principal amount of such loans is less than or equal to USD 250 million. In addition, Tamsa and Siderca granted drag-along rights in favor of the lenders under the Tenaris loan agreement with respect to the remaining 25% of the issued and outstanding shares of capital stock of Maverick.

Goodwill arising on the acquisition of Maverick, USD 1,113 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.
Tenaris began consolidating Maverick's balance sheet and results of operations in the fourth quarter of 2006.

b. Acquisition of a steel pipe business in Argentina

On January 31, 2006, Siat S.A., a subsidiary of Tenaris, completed its acquisition of the welded pipe assets and facilities located in Villa Constitución, province of Santa Fe, Argentina, belonging to Industria Argentina de Acero, S.A. ("Acindar") for USD 29.3 million. The facilities acquired have an annual capacity of 80,000 tons of welded pipes.

c. Capitalization of convertible debt of Consorcio Siderurgia Amazonia, Ltd. ("Amazonia") and Exchange of interests in Amazonia and Ylopa Serviços de Consultadoria Lda. ("Ylopa") for shares of Ternium S.A. ("Ternium")

On February 3, 2005, Ylopa exercised its option to convert the convertible debt held in Amazonia into common stock. In connection with this conversion, Tenaris recognized a gain of USD 83.1 million in 2004. As a result, Tenaris's ownership stake in Amazonia increased from 14.5% to 21.2%, and its indirect ownership in Sidor C.A. ("Sidor") increased from 8.7% to 12.6%.

On September 9, 2005, the Company exchanged its interests in Amazonia and Ylopa for 209,460,856 shares in Ternium, a newly-formed subsidiary of San Faustin N.V. (a Netherlands Antilles corporation and the controlling shareholder of Tenaris) to consolidate its Latin American holdings in flat and long steel producers Siderar S.A.I.C., Sidor C.A. and Hylsamex, S.A de C.V. As a result of the exchange, which was carried out based on fair values as determined by an internationally-recognized investment bank engaged for this purpose, Tenaris obtained an ownership interest of approximately 17.9% in Ternium.

Subsequently, on October 27, 2005, Usinas Siderurgicas de Minas Gerais S.A. ("Usiminas") exchanged its interests in Amazonia, Ylopa and Siderar S.A.I.C., plus additional consideration of approximately USD 114.1 million provided as a convertible loan, for an equity stake in Ternium. As a result of this transaction, at December 31, 2005, Tenaris's ownership stake in Ternium was reduced to 15.0% of Ternium's outstanding common stock. As this was an equity transaction in Ternium, the effect of USD 2.7 million at Tenaris's percentage of ownership was recognized in *Other reserves in equity*.

Because the exchange of Tenaris's holdings in Amazonia and Ylopa for shares in Ternium was a transaction between companies under common control, Tenaris initially recorded its ownership interest in Ternium at the carrying value of the investments exchanged. At the transaction date, the carrying value of Amazonia and Ylopa was USD 229.7 million while Tenaris's proportional ownership in the equity of Ternium at September 30, 2005 amounted to USD 252.3 million. The difference of USD 22.6 million between the carrying value of Amazonia and Ylopa and Tenaris's proportional ownership in the equity of Ternium will remain in the future. As a result of this accounting treatment, Tenaris reported value of its investment in Ternium will not reflect its proportional ownership of Ternium's net equity position.

In addition, in August 2005, Tenaris extended to Ternium two subordinated convertible loans consisting of a principal amount of USD 39.7 million. The principal amount of these loans at the date issued corresponded to the amount of certain distributions received from Amazonia during the second and third quarters of 2005 in connection with Ternium's participation in Amazonia's financial debt restructuring in 2003. At the date of Ternium's Initial Public Offering (IPO), the loans totaled approximately USD 40.5 million, including accrued interest.

Until September 30, 2005, Tenaris recognized its proportional earnings in Amazonia and Ylopa, which amounted to USD 26.5 million. As from the quarter ended December 31, 2005, Tenaris recognized earnings from its investment in Ternium to the extent of its proportional ownership in Ternium.

On February 6, 2006, Ternium completed its IPO, issuing an additional 248,447,200 shares (equivalent to 24,844,720 ADSs) at a price of USD 2.00 per share, or USD 20.00 per ADS. Tenaris received an additional 20,252,338 shares upon the mandatory conversion of its loans to Ternium. In addition to the shares issued to Tenaris, Ternium issued shares to other shareholders corresponding to their mandatory convertible loans. On February 23, 2006, the underwriters of Ternium's IPO exercised an over allotment option under which Ternium issued an additional 37,267,080 shares (equivalent to 3,726,708 ADSs). As a result of the IPO and the conversion of loans, as of February 6, 2006, Tenaris's ownership stake in Ternium amounted to 11.46%. The effect of these transactions resulted in an additional increase of the Company's proportional ownership in Ternium's equity of approximately USD 26.7 million, which Tenaris recognized in *Other reserves* in *Equity*.

At December 31, 2006, the closing price of Ternium shares as quoted on the New York Stock Exchange was USD 29.54 per ADS, giving Tenaris's ownership stake a market value of approximately USD 679 million. At December 31, 2006, the carrying value of Tenaris's ownership stake in Ternium was approximately USD 408 million.

d. Acquisition of S.C. Donasid S.A. ("Donasid")

On May 4, 2005, Tenaris completed the acquisition of 97% of the equity in S.C. Donasid S.A., a Romanian steel producer, for approximately USD 47.9 million in cash and assumed liabilities. The shares of Siprofer A.G. and Donasid Service S.r.l. were also acquired as part of this transaction.

e. Minority interest

During the year ended December 31, 2006, additional shares of Silcotub and Dalmine were acquired from minority shareholders for approximately USD 11.2 million.

The assets and liabilities arising from the acquisitions are as follows:

All amounts in USD thousands

YEAR ENDED DECEMBER 31	Maverick (*)	Others	2006	2005
Other assets and liabilities (net)	(698,163)	5,207	(692,956)	(41,755)
Property, plant and equipment	438,046	22,891	460,937	67,211
Customer relationships	1,493,800	–	1,493,800	–
Goodwill	1,112,885	1,402	1,114,287	769
Net assets acquired	**2,346,568**	**29,500**	**2,376,068**	**26,225**
Minority interest	–	11,181	11,181	(527)
Sub-total	**2,346,568**	**40,681**	**2,387,249**	**25,698**
Cash-acquired	70,660	–	70,660	–
Purchase consideration	**2,417,228**	**40,681**	**2,457,909**	**25,698**
Liabilities paid as part of purchase agreement	743,219	–	743,219	22,594
Total disbursement	**3,160,447**	**40,681**	**3,201,128**	**48,292**

(*) Includes costs directly attributable to the acquisition.

Net cash consideration (total disbursement less cash acquired and common stock issued in acquisition of minority interest) amounted to USD 48,292 at December 31, 2005.

The businesses acquired in 2006 contributed revenues of USD 432.0 million and net income of USD 14.5 million to Tenaris (not including the financial cost related to the operation recorded in other subsidiaries different from Maverick). Businesses acquired in 2005 did not materially contribute to the Company's revenue and income.

Pro forma data including acquisitions for all of 2006

Had the Maverick transaction been consummated on January 1, 2006, then unaudited pro forma 2006 twelve-month Tenaris net sales and net income on continuing operations would have been approximately USD 9.3 billion and USD 2.0 billion, respectively. These pro forma results were prepared based on public information and unaudited accounting records maintained under US GAAP prior to acquisition and adjusted by the depreciation and amortization of tangible and intangible assets and interest expense of the borrowing incurred for the acquisition (USD 2.7 billion). Carrying amounts of assets, liabilities and contingent liabilities in Maverick's books, determined in accordance with IFRS, immediately before the combination are not disclosed separately, as Maverick did not report IFRS information.

Subsequent event: Hydril Company ("Hydril")

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

Tenaris will finance the acquisition through a combination of cash on hand and debt, for which bank commitments have been secured.

The agreement is subject to the receipt of clearance from US antitrust authorities, majority approval of Hydril's shareholders and other customary conditions and is expected to close in the second quarter of 2007.

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 USD 503 million, operating income of USD 132.2 million and net income of USD 91.3 million under US GAAP.

29. Cash flow disclosures

YEAR ENDED DECEMBER 31	2006	2005	2004
(I) CHANGES IN WORKING CAPITAL			
Inventories	(455,567)	(101,143)	(411,045)
Receivables and prepayments	(181,878)	1,513	(82,845)
Trade receivables	(226,678)	(387,240)	(271,225)
Other liabilities	7,605	34,526	(37,443)
Customer advances	236,446	(14,156)	72,678
Trade payables	150,555	32,561	108,693
	(469,517)	**(433,939)**	**(621,187)**
(II) INCOME TAX ACCRUALS LESS PAYMENTS			
Tax accrued	873,967	568,753	220,376
Taxes paid	(817,131)	(419,266)	(175,717)
	56,836	**149,487**	**44,659**
(III) INTEREST ACCRUALS LESS PAYMENTS, NET			
Interest accrued	32,237	29,236	32,683
Interest received	11,150	17,227	11,986
Interest paid	(21,478)	(44,544)	(27,696)
	21,909	**1,919**	**16,973**
(IV) CASH AND CASH EQUIVALENTS			
Cash and bank deposits	1,372,329	707,356	311,579
Bank overdrafts	(7,300)	(24,717)	(4,256)
Restricted bank deposits	(21)	(2,048)	(13,500)
	1,365,008	**680,591**	**293,823**

30. Discontinued operations

Sale of a 75% interest in Dalmine Energie

On December 1, 2006, Tenaris completed for USD 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.ON 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 USD 40.0 million gain.

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's 25% remaining interest in Dalmine Energie for a purchase price in cash of EUR 17.5 million plus interests and adjustments. The fair value of these options at December 31, 2006 is not material.

Analysis of the result of discontinued operations:

All amounts in USD thousands, unless otherwise stated

YEAR ENDED DECEMBER 31	2006 (a)	2005	2004
Net sales	503,051	526,406	417,870
Cost of sales	(486,312)	(513,393)	(398,462)
Gross profit	**16,739**	**13,013**	**19,408**
Selling, general and administrative expenses	(8,025)	(10,259)	(11,223)
Other operating income (expenses), net	2,469	(220)	(325)
Operating income	**11,183**	**2,534**	**7,860**
Financial income (expenses), net	16	(1,152)	(577)
Income before equity in earnings of associated companies and income tax	**11,199**	**1,382**	**7,283**
Equity in earnings of associated companies	–	–	(104)
Gain on disposal of subsidiary	39,985	–	–
Income before income tax	**51,184**	**1,382**	**7,179**
Income tax	(4,004)	(1,385)	(3,150)
Income for the year from discontinued operations	**47,180**	**(3)**	**4,029**

(a) Includes the results for the eleven-month period ended November 30, 2006. The result for the one-month period ended December 31, 2006 is included in Equity in earnings of associated companies in the Consolidated Income statement.

Cash of discontinued operations increased by USD 2.3 million and decreased by USD 1.0 million in 2006 and 2005 respectively, mainly from operating activities.

31. Related party transactions

The Company is controlled by San Faustin N.V., a Netherlands Antilles corporation, which owns 60.4% of the Company's outstanding shares, either directly or through its wholly-owned subsidiary I.I.I. Industrial Investments Inc., a Cayman Islands corporation. Tenaris's 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.

The following transactions were carried out with related parties:

AT DECEMBER 31, 2006	Associated [1]	Other	TOTAL
(I) TRANSACTIONS			
a. SALES OF GOODS AND SERVICES			
Sales of goods	120,890	56,524	**177,414**
Sales of services	18,852	3,664	**22,516**
	139,742	**60,188**	**199,930**
b. PURCHASES OF GOODS AND SERVICES			
Purchases of goods	103,003	33,930	**136,933**
Purchases of services	17,168	80,485	**97,653**
	120,171	**114,415**	**234,586**

AT DECEMBER 31, 2005	Associated [2]	Other	TOTAL
(I) TRANSACTIONS			
a. SALES OF GOODS AND SERVICES			
Sales of goods	104,054	75,948	**180,002**
Sales of services	7,499	7,830	**15,329**
	111,553	**83,778**	**195,331**
b. PURCHASES OF GOODS AND SERVICES			
Purchases of goods	67,814	33,949	**101,763**
Purchases of services	15,773	63,220	**78,993**
	83,587	**97,169**	**180,756**

AT DECEMBER 31, 2004	Associated [3]	Other	TOTAL
(I) TRANSACTIONS			
a. SALES OF GOODS AND SERVICES			
Sales of goods	26,088	46,844	**72,932**
Sales of services	15,365	9,618	**24,983**
	41,453	**56,462**	**97,915**
b. PURCHASES OF GOODS AND SERVICES			
Purchases of goods	30,648	32,484	**63,132**
Purchases of services	7,526	51,305	**58,831**
	38,174	**83,789**	**121,963**

AT DECEMBER 31, 2006	Associated (4)	Other	TOTAL
(II) YEAR-END BALANCES			
a. ARISING FROM SALES / PURCHASES OF GOODS / SERVICES			
Receivables from related parties	25,400	14,429	**39,829**
Payables to related parties	(37,920)	(13,388)	**(51,308)**
	(12,520)	**1,041**	**(11,479)**
b. OTHER BALANCES			
Receivables	2,079	–	**2,079**
c. FINANCIAL DEBT			
Borrowings (6)	(60,101)	–	**(60,101)**

AT DECEMBER 31, 2005	Associated (5)	Other	TOTAL
(II) YEAR-END BALANCES			
a. ARISING FROM SALES / PURCHASES OF GOODS / SERVICES			
Receivables from related parties	30,988	15,228	**46,216**
Payables to related parties	(21,034)	(8,413)	**(29,447)**
	9,954	**6,815**	**16,769**
b. OTHER BALANCES	42,437	–	**42,437**
c. FINANCIAL DEBT			
Borrowings (7)	(54,801)	–	**(54,801)**

AT DECEMBER 31, 2004	Associated (3)	Other	TOTAL
(II) YEAR-END BALANCES			
a. ARISING FROM SALES / PURCHASES OF GOODS / SERVICES			
Receivables from related parties	25,593	27,070	**52,663**
Payables to related parties	(4,914)	(12,487)	**(17,401)**
	20,679	**14,583**	**35,262**
b. CASH AND CASH EQUIVALENTS			
Time deposits	–	6	**6**
c. OTHER BALANCES			
Trust Fund	–	119,666	**119,666**
Convertible debt instruments - Ylopa	121,955	–	**121,955**
	121,955	**119,666**	**241,621**

(1) Includes Ternium S.A. and its subsidiaries ("Ternium"), Condusid C.A. ("Condusid"), Finma S.A.I.F ("Finma")(as from September 2006), Lomond Holdings B.V. group ("Lomond") (as from October 2006) and Dalmine Energie S.p.A. ("Dalmine Energie") (as from December 2006).
(2) Includes: Condusid, Ylopa, Amazonia and Sidor up to September 30, 2005. As from October 1, 2005 it includes Ternium and Condusid.
(3) Includes: Condusid, Ylopa, Amazonia and Sidor.
(4) Includes: Condusid, Ternium, Finma, Lomond and Dalmine Energie.
(5) Includes Ternium and Condusid.
(6) Includes convertible loan from Sidor to Materiales Siderurgicos S.A. ("Matesi") of USD 58.4 million at December 31, 2006.
(7) Includes convertible loan from Sidor C.A. to Matesi at December 31, 2005.

(I) OFFICERS AND DIRECTORS' COMPENSATION

The aggregate compensation of the directors and executive officers earned during 2006 and 2005 amounts to USD 16.0 million and USD 14.3 million respectively.

32. Principal subsidiaries

The following is a list of Tenaris subsidiaries and its direct and indirect percentage of ownership of each controlled company at December 31, 2006, 2005 and 2004.

COMPANY	COUNTRY OF ORGANIZATION	MAIN ACTIVITY	PERCENTAGE OF OWNERSHIP AT DECEMBER 31		
			2006	2005	2004
Algoma Tubes Inc.	Canada	Manufacturing of seamless steel pipes	100%	100%	100%
Autoabastecedora de Gas Natural Bruno Pagliai S.A. de C.V. (b)	Mexico	Trading of energy	100%	–	–
Colmena Conduit Ltda (b) (l)	Colombia	Manufacturing of welded steel pipes	100%	–	–
Confab Industrial S.A. and subsidiaries (c)	Brazil	Manufacturing of welded steel pipes and capital goods	39%	39%	39%
Dalmine Energie S.p.A. (h) (j)	Italy	Trading of energy	–	100%	100%
Dalmine Holding B.V. and subsidiaries	Netherlands	Holding company	99%	99%	99%
Dalmine S.p.A.	Italy	Manufacturing of seamless steel pipes	99%	99%	99%
Energy Network S.R.L. (a)	Romania	Trading of energy	95%	100%	–
Exiros S.A.	Uruguay	Procurement services for industrial companies	100%	100%	100%
Information Systems and Technologies N.V.	Netherlands	Software development and maintenance	75%	75%	75%
Information Systems and Technologies S.A. (d)	Argentina	Software development and maintenance	100%	100%	100%
Inmobiliaria Tamsa S.A. de C.V.	Mexico	Leasing of real estate	100%	100%	100%
Insirger S.A. and subsidiaries (g)	Argentina	Electric power generation	–	–	100%
Intermetal Com SRL	Romania	Marketing of scrap and other raw materials	100%	100%	100%
Inversiones Berna S.A. (a)	Chile	Financial company	100%	100%	–
Inversiones Lucerna S.A. (a)	Chile	Financial company	82%	82%	–
Invertub S.A. and subsidiaries (g)	Argentina	Holding company	–	–	100%
Lomond Holdings B.V. and subsidiaries (k)	Netherlands	Procurement services for industrial companies	–	100%	100%
Matesi, Materiales Siderurgicos S.A. (a)	Venezuela	Production of hot briquetted iron (HBI)	50%	50%	50%
Maverick Tube Corporation and subsidiaries (b)	US	Manufacturing of welded steel pipes	100%	–	–
Maverick Tube, L.P. (b) (l)	US	Manufacturing of welded steel pipes	100%	–	–
Metalcentro S.A. (i)	Argentina	Manufacturing of pipe-end protectors and lateral impact tubes	–	100%	100%
Metalmecánica S.A.	Argentina	Manufacturing of steel products for oil extraction	100%	100%	100%
NKKTubes K.K.	Japan	Manufacturing of seamless steel pipes	51%	51%	51%
Operadora Eléctrica S.A. (e)	Argentina	Electric power generation	100%	100%	100%
Quality Tubes (UK) Ltd. (h)	United Kingdom	Marketing of steel products	100%	100%	100%
Precision Tube Technology, L.P. (b) (l)	US	Manufacturing of welded steel pipes	100%	–	–
Prudential Steel Ltd. (b) (l)	Canada	Manufacturing of welded steel pipes	100%	–	–
S.C. Donasid (a)	Romania	Manufacturing of steel products	99%	99%	–
S.C. Silcotub S.A.	Romania	Manufacturing of seamless steel pipes	97%	85%	85%
Seacat, L.P. (b) (l)	US	Manufacturing of welded steel pipes	100%	–	–
Scrapservice S.A.	Argentina	Processing of scrap	75%	75%	75%
Servicios Generales TenarisTamsa S.A. de C.V. (f)	Mexico	Handling and maintenance of steel pipes	100%	100%	100%
Siat S.A.	Argentina	Manufacturing of welded steel pipes	82%	82%	82%
Siderca International A.p.S.	Denmark	Holding company	100%	100%	100%

COMPANY	COUNTRY OF ORGANIZATION	MAIN ACTIVITY	PERCENTAGE OF OWNERSHIP AT DECEMBER 31		
			2006	2005	2004
Siderca S.A.I.C.	Argentina	Manufacturing of seamless steel pipes	100%	100%	100%
Siderestiba S.A. (m)	Argentina	Logistics	–	99%	99%
Sidtam Limited	B.V.I.	Holding company	100%	100%	100%
Siprofer A.G. (a)	Switzerland	Holding company	100%	100%	–
SO.PAR.FI Dalmine Holding S.A.	Luxembourg	Holding company	99%	99%	99%
Sociedad Industrial Puntana S.A.	Argentina	Manufacturing of steel products	100%	100%	100%
Socominter S.A.	Venezuela	Marketing of steel products	100%	100%	100%
Socominter Ltda.	Chile	Marketing of steel products	100%	100%	100%
Talta – Trading e Marketing Lda.	Madeira	Holding company	100%	100%	100%
Tamdel LLC and subsidiaries (f)	Mexico	Holding company	100%	100%	100%
Tamser S.A. de C.V. (f)	Mexico	Marketing of scrap	100%	100%	100%
Tamsider LLC	US	Holding company	100%	100%	100%
Tamsider S.A. de C.V. and subsidiaries (g)	Mexico	Promotion and organization of steel-related companies and marketing of steel products	–	–	100%
Tamtrade S.A.de C.V. (g)	Mexico	Marketing of steel products	–	–	100%
Techint Investment Netherlands B.V.	Netherlands	Holding company	100%	100%	100%
Tenaris Autopartes S.A. de C.V.	México	Manufacturing of supplies for the automotive industry	100%	100%	100%
Tenaris Confab Hastes de Bombeio S.A.	Brazil	Manufacturing of steel products for oil extraction	70%	70%	70%
Tenaris Connections A.G. and subsidiaries	Liechtenstein	Ownership and licensing of steel technology	100%	100%	100%
Tenaris Financial Services S.A.	Uruguay	Financial services	100%	100%	100%
Tenaris Fittings S.A. de C.V. (previously Empresas Riga S.A. de C.V.)	Mexico	Manufacturing of welded fittings for seamless steel pipes	100%	100%	100%
Tenaris Global Services B.V.	Netherlands	Sales agent of steel products	100%	100%	100%
Tenaris Global Services (B.V.I.) Ltd.	B.V.I.	Holding company	100%	100%	100%
Tenaris Global Services (Canada) Inc.	Canada	Marketing of steel products	100%	100%	100%
Tenaris Global Services de Bolivia S.R.L.	Bolivia	Marketing of steel products	100%	100%	100%
Tenaris Global Services Ecuador S.A.	Ecuador	Marketing of steel products	100%	100%	100%
Tenaris Global Services (Egypt) Ltd. (a)	Egypt	Marketing of steel products	100%	100%	–
Tenaris Global Services Far East Pte. Ltd.	Singapore	Marketing of steel products	100%	100%	100%
Tenaris Global Services (Japan) K.K.	Japan	Marketing of steel products	100%	100%	100%
Tenaris Global Services (Kazakhstan) LLP	Kazakhstan	Marketing of steel products	100%	100%	100%
Tenaris Global Services Korea	Korea	Marketing of steel products	100%	100%	100%
Tenaris Global Services LLC	US	Sales agent of steel products	100%	100%	100%

COMPANY	COUNTRY OF ORGANIZATION	MAIN ACTIVITY	PERCENTAGE OF OWNERSHIP AT DECEMBER 31		
			2006	2005	2004
Tenaris Global Services Nigeria Ltd.	Nigeria	Marketing of steel products	100%	100%	100%
Tenaris Global Services Norway AS	Norway	Marketing of steel products	100%	100%	100%
Tenaris Global Services (Panama) S.A.	Panama	Marketing of steel products	100%	100%	100%
Tenaris Global Services S.A.	Uruguay	Holding company and marketing of steel products	100%	100%	100%
Tenaris Global Services (UK) Ltd.	United Kingdom	Marketing of steel products	100%	100%	100%
Tenaris Global Services (US) Corporation	US	Marketing of steel products	100%	100%	100%
Tenaris Investments Ltd.	Ireland	Holding company	100%	100%	100%
Tenaris Qingdao Steel Pipes Ltd. (a)	China	Manufacturing of steel pipes and connections	100%	100%	–
Tenaris Supply Chain Services S.A. (b)	Argentina	Data administration services	98%	–	–
Tenaris West Africa Ltd.	United Kingdom	Finishing of steel pipes	100%	100%	100%
Texas Pipe Threaders Co.	US	Finishing and marketing of steel pipes	100%	100%	100%
Tubman Holdings (Gibraltar) LLP	Gibraltar	Holding company	100%	100%	100%
Tubman International Ltd.	Gibraltar	Holding company	100%	100%	100%
Tubos de Acero de México S.A.	Mexico	Manufacturing of seamless steel pipes	100%	100%	100%
Tubos de Acero de Venezuela S.A.	Venezuela	Manufacturing of seamless steel pipes	70%	70%	70%
Tubos del Caribe Ltda. (b) (l)	Colombia	Manufacturing of welded steel pipes	100%	–	–

(a) Incorporated or acquired during 2005.
(b) Incorporated or acquired during 2006.
(c) Tenaris holds 99% of the voting shares of Confab Industrial S.A. and has, directly or indirectly, the majority of voting rights in all of its subsidiaries.
(d) Included in December 2004 as "Invertub S.A. and subsidiaries".
(e) Included in December 2004 as "Insirger S.A. and subsidiaries".
(f) Included in December 2004 as "Tamsider S.A. de C.V. and subsidiaries".
(g) Merged during 2005.
(h) Included in December 2004 as "Dalmine Holding B.V. and subsidiaries".
(i) Merged during 2006.
(j) Tenaris sold 75% of Dalmine Energie S.p.A. during 2006.
(k) Tenaris sold 50% of Lomond Holdings B.V. during 2006 to a subsidiary of Ternium.
(l) Subsidiary of Maverick Tube Corporation.
(m) Sold during 2006.

33. Reconciliation of net income and shareholders' equity to US GAAP

The principal differences between IFRS and US GAAP as they relate to the Company are described below, together with an explanation, where appropriate, of the method used in the determination of the necessary adjustments.

YEAR ENDED DECEMBER 31	2006	2005	2004
NET INCOME ATTRIBUTABLE TO EQUITY HOLDERS OF THE COMPANY IN ACCORDANCE WITH IFRS	1,945,314	1,277,547	784,703
US GAAP ADJUSTMENTS - INCOME (EXPENSE)			
Deferred income tax (1)	(4,486)	(5,115)	(8,682)
Equity in investments in associated companies (2)	5,858	10,531	(55,026)
Pension benefits – Unrecognized prior service costs (4)	277	(415)	(74)
Changes in fair value of financial assets (5)	–	4,023	(885)
Goodwill amortization (7)	–	–	9,023
Effect of adopting IFRS 3 – Negative goodwill (8)	10,184	8,687	–
Cost of exchange offer – Amortization (9)	–	–	1,060
Minority interest in above reconciling items	169	207	220
Net income in accordance with US GAAP	**1,957,316**	**1,295,465**	**730,339**
Weighted average number of shares outstanding – see Note 9 (thousands)	1,180,537	1,180,537	1,180,507
Consolidated earnings per share in accordance with US GAAP	1.66	1.10	0.62

DECEMBER 31	2006	2005
SHAREHOLDERS' EQUITY IN ACCORDANCE WITH IFRS	5,338,619	3,507,802
US GAAP ADJUSTMENTS – INCREASE (DECREASE):		
Deferred income tax (1)	49,452	52,994
Equity in investments in associated companies (2)	(27,530)	(34,362)
Exchange of shares and conversion of debt in investments in associated companies (3)	13,196	(3,938)
Pension benefits – Unrecognized prior service costs (4)	–	2,420
Pension benefits – Effect of adopting SFAS 158 (4)	(3,113)	–
Goodwill impairment (6)	(21,628)	(21,628)
Goodwill amortization (7)	23,545	23,545
Effect of adopting IFRS 3 – Negative goodwill (8)	(91,728)	(98,060)
Cost of the exchange offer – Original value (9)	(15,900)	(15,900)
Cost of the exchange offer – Accumulated amortization (9)	2,066	2,066
Minority interest in above reconciling items	(1,177)	(1,346)
Shareholders' equity in accordance with US GAAP	**5,265,802**	**3,413,593**

Changes in shareholders' equity under US GAAP are as follows:

YEAR ENDED DECEMBER 31	2006	2005
SHAREHOLDERS' EQUITY AT THE BEGINNING OF THE YEAR IN ACCORDANCE WITH US GAAP	3,413,593	2,488,372
Net income for the year in accordance with US GAAP	1,957,316	1,295,465
Foreign currency translation adjustment	60,819	(15,562)
Exchange of shares and conversion of debt in investments in associated companies	–	(57,918)
Dilution of investments in Ternium	41,095	56,698
Changes in fair value of financial assets	–	(4,023)
Dividends paid	(204,233)	(349,439)
Cumulative effect adjustment due to the adoption of SFAS 158, net of tax	(4,866)	–
Changes in fair value of derivative instruments – hedging activities	2,078	–
Shareholders' equity at the end of the year in accordance with US GAAP	**5,265,802**	**3,413,593**

1. Deferred income tax

Under IFRS, a temporary difference is originated by the excess of the accounting value of net assets, translated at historical exchange rates, over the taxable base translated using year-end exchange rates. Under US GAAP, no deferred tax is recognized for differences related to assets and liabilities that are remeasured from local currency into the functional currency resulting from changes in exchange rates or indexing for tax purposes.

Also, under US GAAP the Company calculated the effect of the other US GAAP adjustments on deferred income taxes.

2. Equity in investments in associated companies

Under both IFRS and US GAAP, investments in companies in which the Company exercises significant influence, but not control, are accounted for under the equity method. For purposes of this reconciliation, the Company has assessed the impact of US GAAP adjustments on the IFRS financial statements of its equity investees.

3. Accounting for exchange of shares and conversion of debt in investments in associated companies

Under IFRS, the Company accounted for Ternium's shares received in exchange of the Company's holdings in Amazonia and Ylopa at the carrying value of the investments exchanged, considering that both the Company and Ternium are companies under the common control of San Faustin N.V. Under US GAAP, pursuant to SFAS No. 141 "Business Combinations" (SFAS No. 141), the Company accounted for the equity interest received at the carrying amount of Ternium at San Faustín N.V. at the day of transfer. The difference between the carrying value of the investments in Amazonia and Ylopa and the value assigned to Ternium's investment at the date of transfer was recognized directly in equity.

Under both IFRS and US GAAP, the Company accounted for the change in interest in Ternium's ownership that resulted from Usiminas' exchange and for the change in interest in Ternium's ownership that resulted from the mandatory conversion of its loans in Ternium mentioned in Note 28 (d), directly in equity. Additionally, for purposes of this reconciliation, the Company has assessed the impact of US GAAP adjustments on the IFRS financial statements of Ternium.

4. Pension benefits

Accounting for unrecognized prior service costs in pension plans

Under IFRS, past service costs are recognized immediately in income, unless the changes to the pension plan are conditional on the employees remaining in service for a specified period of time (the vesting period). In this case, the past service costs are amortized on a straight-line basis over the vesting period. Under US GAAP, until the effective date of Statement of Financial Accounting Standards No. 158, "Employers' Accounting for Defined Benefit Pension and Other Postretirement Plans, an amendment of FASB Statements No. 87, 88, 106 and 132(R)" (SFAS 158), past service costs were recognized over the remaining service periods of active employees.

Effect of adopting SFAS 158

Under US GAAP, the Company adopted SFAS 158 effective December 31, 2006. SFAS 158 requires a company that sponsors a postretirement benefit plan to fully recognize, as an asset or liability, the overfunded or underfunded status of its benefit plans in its year-end balance sheet. The funded status is measured as the difference between the fair value of the plan's assets and its benefit obligation. The company actuarial gains or losses and prior service costs that have not yet been included in net periodic cost as of the end of the year in which the statement is initially applied are recognized as components of the ending balance of accumulated other comprehensive income, net of tax. The provisions of SFAS 158 are to be applied on a prospective basis; therefore, prior periods presented are not restated. Additionally, SFAS 158 requires an employer to measure the funded status of each of its plans as of the date of its year-end balance sheet. This provision becomes effective for Tenaris for its December 31, 2008 year end. The funded status of Tenaris's pension plans is currently measured as of December 31.

Consequently at December 31, 2006, the Company recognized a liability for the underfunded status of its defined benefit pension plans and adjusted ending accumulated other comprehensive income, net of tax, for prior service cost and net actuarial loss that have not been recognized as a component of the net periodic pension cost. The incremental effect of applying SFAS 158 on individual line items in the statements of financial position as of December 31, 2006, resulted in an increase in liabilities for pension benefits of USD 7.8 million, an increase in deferred income tax assets of USD 2.9 million and a net increase in accumulated other comprehensive income of approximately USD 4.9 million.

The amounts in accumulated other comprehensive income (loss) that have not yet been recognized as components of net periodic pension cost as of December 31, 2006 are the following:

	Amount
Unrecognized prior service cost	(2,697)
Unrecognized net actuarial losses	(5,089)
	(7,786)
Deferred taxes	2,920
	(4,866)

5. Changes in fair value of financial assets

Until December 31, 2004, the Company had certain investments in trust funds. Under IFRS, the Company carried these investments at fair value through profit or loss with unrealized gains and losses, if any, included in the statement of income.

Under US GAAP, the Company carried these investments at market value with material unrealized gains and losses, if any, included in *Other comprehensive income* in accordance with SFAS No. 115 "Accounting for Certain Investments in Debt and Equity Securities" (SFAS No. 115). At December 31, 2005, the Company settled its available-for-sale investments and the unrealized gains recorded within *Other comprehensive income* were reclassified into the statement of income.

6. Goodwill impairment

Under both IFRS and US GAAP, the excess of the purchase price over the fair value of net assets acquired in a business combination is recognized as goodwill and capitalized as an intangible asset. Upon the adoption of SFAS No. 142 "Goodwill and Other Intangible Assets" (SFAS No. 142) the Company recognized an impairment of USD 17.4 million (net of an accumulated amortization of USD 4.2 million) associated with its seamless tubes segment in Mexico. No impairment has been recognized under IFRS.

The difference in the recognition of an impairment loss over goodwill between IFRS and US GAAP raises a difference in amortization expense for the periods in which amortization of goodwill was required.

7. Goodwill amortization

Under IFRS, upon the adoption of IFRS 3 as from January 1, 2005, goodwill and intangible assets deemed to have an indefinite useful life are no longer amortized but reviewed for impairment annually. As a result, no amortization expense was recognized under IFRS during 2005.

Under US GAAP, effective January 1, 2002, and in accordance with SFAS No. 142, the Company ceased goodwill amortization. The balance sheet difference on account of the timing difference between the adoption of SFAS 142 and IFRS 3 is included as a reconciling item.

This adjustment also includes the difference in amortization that derives from goodwill impairment differences described in Note 33 (6).

8. Effect of adopting IFRS 3 - negative goodwill

Upon the adoption of IFRS 3 and following its transition provisions, accumulated negative goodwill representing the excess of fair value over the purchase price paid in business combinations was derecognized through an adjustment to retained earnings. The derecognition of negative goodwill in this manner resulted in an increase of USD 110.8 million in the beginning balance of the Company's equity under IFRS at January 1, 2005.

Under US GAAP, the excess of fair value over the purchase price paid in business combinations was used to reduce proportionately the fair values assigned to *Property, plant and equipment*.

The difference in the accounting for negative goodwill between IFRS and US GAAP raises a difference in depreciation expense.

9. Cost of the 2002 Exchange Offer

Under IFRS, direct costs relating to the costs of registering and issuing equity securities as part of a business combination were considered part of the cost of the business acquired, resulting in the recognition of additional goodwill.

Under US GAAP, in accordance with SFAS No. 141, costs of registering and issuing equity securities are recognized as a reduction of the fair value of the securities issued.

The difference in the accounting treatment of these costs raises differences in amortization expense. As further explained in Note 33 (7), amortization of goodwill is no longer required under IFRS. Thus, no difference in amortization exists for the year ended December 31, 2006 and 2005.

10. Minority interest

This adjustment represents the effect on minority interest of all the foregoing differences between IFRS and US GAAP.

11. Net income

Under IFRS, net income represents total gain (loss) obtained by the Company in a given period before offsetting the portion attributable to minority shareholders.

Under US GAAP, net income is shown net of the portion of the Company's gain (loss) for the year attributable to minority shareholders. Accordingly, for US GAAP purposes, net income represents the gain (loss) attributable only to majority equity holders.

34. Other significant US GAAP disclosure requirements

The following is a summary of additional financial statement disclosures required under US GAAP:

a. Income taxes

The tax loss carry-forwards at December 31, 2006, expire as follows:

EXPIRATION DATE	Amount
December 31, 2007	105
December 31, 2009	599
December 31, 2010	7
December 31, 2011	1,188
Not subject to expiration	1,735
Total	**3,634**

b. Statement of consolidated comprehensive income under US GAAP

Tenaris uses SFAS No. 130, "Reporting Comprehensive Income", which requires that an enterprise (I) classify items of other comprehensive income (loss) by their nature in a financial statement and, (II) display the accumulated balance of other comprehensive income (loss) separately from retained earnings and additional paid-in capital in the equity section of a statement of financial position.

YEAR ENDED DECEMBER 31	2006	2005	2004
NET INCOME	1,957,316	1,295,465	730,339
OTHER COMPREHENSIVE INCOME (LOSS)			
Foreign currency translation adjustment	60,819	(15,562)	4,174
Financial assets' changes in fair value (1)	–	–	1,143
Reclassification adjustment for available for sale assets for gains realized in net income (1)	–	(4,023)	(258)
Changes in fair value of derivative instruments – hedging activities	2,078	–	–
Total other comprehensive income (loss)	**62,897**	**(19,585)**	**5,059**
Comprehensive income	**2,020,213**	**1,275,880**	**735,398**

(1) Net of income tax amounting to (USD 2,305) and USD 616 for the years ended December 31, 2005 and 2004, respectively.

The accumulated balances related to each component of *Other comprehensive income* were as follows:

FOREIGN CURRENCIES TRANSLATION ADJUSTMENT FOR THE YEAR ENDED DECEMBER 31	2006	2005	2004
Balance at the beginning of the period	77,188	92,750	88,576
Adjustment of the period	60,819	(15,562)	4,174
Balance at the end of the period	**138,007**	**77,188**	**92,750**

CHANGES IN FUNDED STATUS OF DEFINED BENEFIT PLANS FOR THE YEAR ENDED DECEMBER 31	2006	2005	2004
Balance at the beginning of the period	–	–	–
Cumulative effect adjustment due to the adoption of SFAS 158, net of tax	(4,866)	–	–
Balance at the end of the period	**(4,866)**	**–**	**–**

FINANCIAL ASSETS' CHANGES IN FAIR VALUE FOR THE YEAR ENDED DECEMBER 31	2006	2005	2004
Balance at the beginning of the period	–	4,023	3,138
Adjustment of the period	–	-	1,143
Realized gains or losses transferred to the income statement	–	(4,023)	(258)
Balance at the end of the period	**–**	**–**	**4,023**

CHANGES IN FAIR VALUE OF DERIVATIVE INSTRUMENTS – HEDGING ACTIVITIES FOR THE YEAR ENDED DECEMBER 31	2006	2005	2004
Balance at the beginning of the period	–	–	–
Adjustment of the period	2,380	–	–
Realized gains or losses transferred to the income statement	(302)	–	–
Balance at the end of the period	**2,078**	**–**	**–**

c. Discontinued operations

On December 1, 2006, Tenaris completed the sale of a 75% participation of Dalmine Energie, its Italian supply business. As a result of this transaction, under IFRS, Tenaris has de-consolidated Dalmine Energie results of operations for current and prior years presented.

Under US GAAP, such a transaction does not meet the necessary conditions for discontinued operation reporting and consequently, the transaction should be reported within continuing operations. Dalmine Energie results of operations for current and previous years presented are disclosed in Note 30.

d. Acquisition of Maverick

Pro forma results

The following unaudited US GAAP pro forma financial information presents the combined results of operations of the Company and Maverick as if the Acquisition had occurred on January 1, 2006 and 2005. The historical results of the Company for the year ended December 31, 2006 include the results of Maverick from the Acquisition Date. The pro forma results presented below for the year ended December 31, 2006, combine the results of the Company for the year ended December 31, 2006 and the historical results of Maverick from January 1, 2006 through the Acquisition date. The pro forma results for the year ended December 31, 2005 combine the historical results of the Company for the year ended December 31, 2005 with the historical results of Maverick for the same period. The historical results of Maverick included in the pro forma results were prepared under the responsibility of previous management and not audited. The unaudited pro forma financial information is not intended to represent, or be indicative of, the Company's consolidated results of operations or financial condition that would have been reported had the Acquisition been completed as of the beginning of the periods presented. It should not be taken as indicative of the Company's future consolidated results of operations or financial condition.

The pro forma results include Maverick results for the indicative period with increased depreciation and amortization for fixed assets and intangible assets to reflect purchase price allocation, assuming the Acquisition occurred on January 1, 2006 and 2005. Interest expense on the acquisition borrowings has also been included. Pro forma adjustments are tax-effected at the applicable tax rate.

YEAR ENDED DECEMBER 31,	2006	2005
Net sales	9,773,565	8,521,430
Net income before income tax and minority interest	2,942,070	1,919,907
Net income	1,929,876	1,262,097
Net earnings per share	1.63	1.07

e. Amortization of intangible assets – licenses and patents and customer relationships

ESTIMATED AMORTIZATION EXPENSE FOR THE NEXT FIVE YEARS	
For the year ending December 31, 2007	136,594
For the year ending December 31, 2008	136,362
For the year ending December 31, 2009	136,354
For the year ending December 31, 2010	106,310
For the year ending December 31, 2011	106,310

f. Recent US GAAP accounting pronouncement not yet adopted

In February 2006, the Financial Accounting Standards Board (FASB) issued Statement of Financial Accounting Standards (SFAS) No. 155, which amends Statements No. 133 and 140. Statement 155 provides entities with relief from having to separately determine the fair value of an embedded derivative that would otherwise be required to be bifurcated from its host contract in accordance with Statement 133. Statement 155 allows an entity to make an irrevocable election to measure such a hybrid financial instrument at fair value in its entirety, with changes in fair value recognized in earnings. This Statement is effective for all financial instruments acquired or issued after the beginning of an entity's first fiscal year that begins after September 15, 2006. The Company is currently evaluating the impact of SFAS 155 on the consolidated financial statements.

In March 2006, the FASB issued SFAS No. 156 "Accounting for Servicing of Financial Assets – an Amendment of FASB Statement No. 140" (SFAS 156). SFAS 156 requires recognition of a servicing asset or liability at fair value each time an obligation is undertaken to service a financial asset by entering into a servicing contract. SFAS 156 also provides guidance on subsequent measurement methods for each class of servicing assets and liabilities and specifies financial statement presentation and disclosure requirements.
This statement is effective for fiscal years beginning after September 15, 2006. The company is currently evaluating the impact of SFAS 156 on the consolidated financial statements.

In September 2006, the FASB issued SFAS No. 157 "Fair Value Measurements" (SFAS 157). SFAS 157 defines fair value, establishes a framework for measuring fair value in generally accepted accounting principles, and expands disclosures about fair value measurements. The provisions of this standard apply to other accounting pronouncements that require or permit fair value measurements. This statement is effective for financial statements issued for fiscal years beginning after November 15, 2007. The Company is currently evaluating the impact of SFAS 157 on the consolidated financial statements.

In February 2007, the FASB issued SFAS No. 159 "The Fair Value Option for Financial Assets and Financial Liabilities – including an Amendment of FASB Statement No. 115". SFAS No. 159 permits entities to choose to measure many financial instruments and certain other items at fair value. Unrealized gains and losses on items for which the fair value option has been elected will be recognized in earnings at each subsequent reporting date. SFAS No. 159 is effective for the Company as from January 1, 2008. The Company is currently evaluating the impact that the adoption of SFAS No. 159 will have on the consolidated financial statements.

In June 2006, the FASB issued FASB Interpretation No. 48 "Accounting for Uncertainty in Income Taxes – an Interpretation of FASB Statement No. 109" (FIN 48), which clarifies the accounting for uncertainty in tax positions. FIN 48 requires financial statement recognition of the impact of a tax position, if that position is more likely than not to be sustained on examination, based on the technical merits of the position. The provisions of FIN 48 will be effective for financial statements issued for fiscal years beginning after December 15, 2006, with the cumulative effect of the change in accounting principle recorded as an adjustment to opening retained earnings. The company is currently evaluating the impact of FIN 48 on the consolidated financial statements.

Carlos Condorelli
Chief Financial Officer

Report and audited annual accounts of Tenaris S.A.

Luxembourg GAAP
as at December 31, 2006

The Board of Directors of Tenaris S.A. (the "Company" or "Tenaris") submits its annual accounts in accordance with Luxembourg legal and regulatory requirements for the financial year 2006.

Results for the financial year

Profit for the financial year ended December 31, 2006 totalled USD 559.6 million, compared to USD 984.6 million for the financial year ended December 31, 2005.

During the financial year, the Company received the following dividends from its subsidiaries and associated companies:

	USD
Sidtam Ltd.	7,504,764
Tenaris Connections A.G.	19,500,000
Tenaris Global Services S.A.	280,000,000
Tubos de Acero de México S.A.	259,826,520
Total	**566,831,284**

Our 2006 annual results reflect a further year of strong growth at Tenaris and benefited from good market conditions and the positioning we have built up over a number of years. Earnings per share grew 52% following growth of 65% in 2004. Demand for our high quality tubular products and services from the oil and gas industry remained firm throughout the year, particularly in the Middle East and Africa. Following the recent integration of Maverick, sales in 2007 are expected to grow strongly in North America.

Corporate reorganization

Tenaris reorganized its investments in its subsidiaries and associated companies as follows:

During the first quarter of 2006, the Company continued purchasing Dalmine S.p.A. ("Dalmine") remaining shares from third parties according to Italian regulations at EUR 0.10 per share, the total acquisition being of 210,943 shares.

On April 12, 2006 Tenaris entered into a "Purchase and Sale Agreement" with its subsidiary Talta - Trading e Marketing Lda. ("Talta"). Pursuant to this agreement, the Company transferred its equity stake in Dalmine to Talta for an amount of USD 166.8 million. As a result, Tenaris recognized a loss of USD 0.5 million under the caption *Loss on sale of shares in affiliated companies* in the *Profit and loss account*. Also on April 12, 2006, Tenaris made an irrevocable and non-refundable contribution to Talta for an amount of USD 82.6 million.

Investment activities

On February 6, 2006, Ternium S.A. ("Ternium") completed its Initial Public Offering (IPO) of shares, issuing an additional 248,447,200 shares (equivalent to 24,844,720 ADSs) at a price of USD 2.00 per share, or USD 20.00 per ADS. Tenaris received an additional 20,252,338 shares upon the mandatory conversion of its two loans granted to Ternium in July and August 2005. In addition to the shares issued to Tenaris, Ternium issued shares to other shareholders corresponding to their mandatory convertible loans. On February 23, 2006, the underwriters of Ternium's IPO exercised an overallotment option under which Ternium issued an additional 37,267,080 shares (equivalent to 3,726,708 ADSs). As a result of the IPO and the conversion of loans, as from February 6, 2006 onwards, Tenaris's ownership stake in Ternium amounted to 11.5%.

On October 5, 2006, Tenaris and its subsidiaries Tubos de Acero de Mexico S.A. ("Tamsa") and Siderca S.A.I.C. ("Siderca") completed the acquisition of Maverick Tube Corporation ("Maverick"), pursuant to which Maverick merged with and into O.S. Acquisition Corporation

("O.S. Acquisition"), a wholly-owned subsidiary of Tenaris, incorporated in June 2006. On that date, the Company and its subsidiaries transferred to a paying agent for the transaction USD 65.0 per share in cash for each issued and outstanding share of Maverick's common stock. The aggregate amount of the transaction was valued at USD 3,185 million, including Maverick's net debt.

To finance the acquisition and the payment of related obligations, Tenaris and some of its subsidiaries entered into syndicated loan facilities in an aggregate of up to USD 2.7 billion. The balance was met from cash on hand.

With operations in the United States, Canada and Colombia, Maverick is a producer of welded oil country tubular goods (OCTG), line pipe and coiled tubing for use in oil and natural gas wells, also producing welded pipes for electrical conduits. Maverick has a combined annual capacity of two million short tons of steel pipes with a size range from one-quarter inch to 16 inches, and approximately 4,650 employees. In 2005, Maverick reported net revenues of approximately USD 1.8 billion, of which 82% were from its energy products division.

Shares in subsidiaries and associated companies

After completing the reorganization and investment activities, Tenaris's shares in subsidiaries and associated companies at December 31, 2006 were as follows:

All amounts in USD, unless otherwise stated

COMPANY	COUNTRY	% of ownership (*)	Book value at 31.12.2005	Additions	Decreases	Book value at 31.12.2006
Siderca S.A.I.C.	Argentina	100.0%	1,604,950,726	–	–	**1,604,950,726**
Dalmine S.p.A.	Italy	99.3%	167,286,699	25,292	(167,311,991)	**–**
Tubos de Acero de México S.A.	Mexico	100.0%	303,244,203	–	–	**303,244,203**
Tenaris Global Services S.A.	Uruguay	100.0%	63,047,650	–	–	**63,047,650**
Talta - Trading e Marketing Lda.	Madeira	100.0%	6,817	82,570,000	–	**82,576,817**
Tenaris Investments Limited	Ireland	100.0%	100,010,000	–	–	**100,010,000**
Tenaris Connections A.G.	Liechtenstein	100.0%	11,567,000	–	–	**11,567,000**
Tamsider LLC	United States of America	100.0%	87,752,000	–	–	**87,752,000**
Ternium S.A.	Luxembourg	11.5%	419,466,310	40,504,676	–	**459,970,986**
Sidtam Ltd.	B.V.I.	100.0%	7,702,000	–	–	**7,702,000**
O.S. Acquisition Corporation	United States of America	0.0%	–	1	(1)	**–**
Maverick Tube Corporation	United States of America	100.0%	–	1,380,421,829	–	**1,380,421,829**
Shares in subsidiaries and associated companies			**2,765,033,405**	**1,503,521,798**	**(167,311,992)**	**4,101,243,211**

(*) It represents the equity interest held directly by Tenaris and through any of its subsidiaries.

Dividends

The Annual Ordinary Shareholders' Meeting held on June 7, 2006 approved a dividend payment of USD 354.1 million. Consequently, on June 16, 2006, the Company paid a cash dividend in the amount of USD 204.2 million to complement the interim dividend paid on November 16, 2005, for a amount of USD 149.9 million.

Tenaris's shareholders' equity, reflecting the results for the financial year and dividend payments mentioned above, is as follows:

All amounts in USD, unless otherwise stated

ITEM	Share capital	Legal reserve	Share premium	Retained earnings	Shareholders' equity
Balance at the beginning of the financial year	**1,180,536,830**	**118,053,683**	**609,732,757**	**1,171,738,288**	**3,080,061,558**
Dividends paid (1)	–	–	–	(204,232,872)	**(204,232,872)**
Profit for the financial year	–	–	–	559,591,293	**559,591,293**
Balance at the end of the financial year	**1,180,536,830**	**118,053,683**	**609,732,757**	**1,527,096,709**	**3,435,419,979**

(1) As approved by the Ordinary Shareholders' Meeting held on June 7, 2006.

Subsequent events

During January 2007, Tenaris received dividend payments from its subsidiaries Tamsa, Sidtam Ltd. ("Sidtam") and Siderca for USD 43.2 million, USD 1.2 million and USD 314.3 million respectively.

On February 12, 2007, Tenaris announced it has entered into a definitive merger agreement pursuant to which Tenaris will acquire Hydril Company ("Hydril") for USD 97 per share of Hydril's common stock and USD 97 per share of Hydril's Class B common stock, payable in cash. Hydril is a leading North American manufacturer of premium connections and pressure control products for oil and gas drilling and production. For 2006, Hydril reported revenues of USD 503 million, operating income of USD 132.2 million and net income of USD 91.3 million under US GAAP. The transaction remains subject to the receipt of clearance from US antitrust authorities, majority approval of Hydril´s shareholders and other customary conditions. Tenaris will finance the Hydril acquisition through a combination of cash on hand and debt, for which bank commitments have been secured.

Outlook

We expect to sustain profitability given the positive outlook of the oil and gas industry and therefore demand for our products and services.

Carlos Condorelli
Chief Financial Officer

PricewaterhouseCoopers
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Independent Auditor's report

To the Shareholder(s) of
Tenaris S.A.

Report on the annual accounts

Following our appointment by the General Meeting of the Shareholders dated June 7, 2006, we have audited the accompanying annual accounts of Tenaris S.A., which comprise the balance sheet as at December 31, 2006, and the profit and loss account for the year then ended and a summary of significant accounting policies and other explanatory notes.

Board of Directors' responsibility for the annual accounts

The Board of Directors is responsible for the preparation and fair presentation of these annual accounts in accordance with Luxembourg legal and regulatory requirements relating to the preparation of the annual accounts. This responsibility includes: designing, implementing and maintaining internal control relevant to the preparation and fair presentation of annual accounts that are free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

Auditor's responsibility

Our responsibility is to express an opinion on these annual accounts based on our audit. We conducted our audit in accordance with International Standards on Auditing as adopted by the "Institut des Réviseurs d'Entreprises". Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance whether the annual accounts are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the annual accounts. The procedures selected depend on the Auditor's judgment, including the assessment of the risks of material misstatement of the annual accounts, whether due to fraud or error. In making those risk assessments, the Auditor considers internal control relevant to the entity's preparation and fair presentation of the annual accounts in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the Board of Directors, as well as evaluating the overall presentation of the annual accounts.

R.C.S. Luxembourg B 65 477 - TVA LU17564447

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, these annual accounts give a true and fair view of the financial position of Tenaris S.A. as of December 31, 2006, and of the results of its operations for the year then ended in accordance with Luxembourg legal and regulatory requirements relating to the preparation of the annual accounts.

Report on other legal and regulatory requirements

The annual report, which is the responsibility of the Board of Directors, is in accordance with the annual accounts.

PricewaterhouseCoopers S.à r.l.
Réviseur d'entreprises
Represented by

Luxembourg, February 28, 2007

Mervyn R. Martins

Balance sheet
as at December 31, 2006

All amounts in USD, unless otherwise stated

AT DECEMBER 31	NOTES	2006	2005
ASSETS			
FORMATION EXPENSES	3.1	–	2,384
FIXED ASSETS			
Intangible assets – Reorganization cost	3.2	3,430,004	6,590,124
FINANCIAL ASSETS			
Shares in subsidiaries and associated companies	4.1	4,101,243,211	2,765,033,405
Loans to subsidiaries and associated companies	4.2	64,759,095	93,731,189
Other receivables		2,125,190	–
		4,171,557,500	**2,865,357,102**
CURRENT ASSETS			
Intercompany loans and receivables	5	92,487,571	11,360,543
Other receivables		598,510	100,630
Short term investments	6	187,166,867	569,836,138
Cash at banks		957,038	267,883
		281,209,986	**581,565,194**
Total assets		**4,452,767,486**	**3,446, 922,296**
LIABILITIES			
SHAREHOLDERS' EQUITY	7		
Share capital		1,180,536,830	1,180,536,830
Share premium		609,732,757	609,732,757
RESERVES			
Legal reserve	8	118,053,683	118,053,683
Retained earnings	9	967,505,416	187,102,195
Profit for the financial year		559,591,293	984,636,093
		3,435,419,979	**3,080,061,558**
PROVISIONS			
Tax provision	10	257,427	251,878
Other provisions		35,000	53,298
		292,427	**305,176**
DEBTS			
INTERCOMPANY	11		
Due within a year		391,516,070	134,210,490
Due within more than a year		115,122,871	229,989,952
BORROWINGS	12		
due within a year		63,243,577	–
due within more than a year		444,444,444	–
ACCOUNTS PAYABLE		2,728,118	2,355,120
		1,017,055,080	**366,555,562**
Total liabilities		**4,452,767,486**	**3,446,922,296**

The accompanying notes are an integral part of these annual accounts.

Profit and loss account

for the financial year ended December 31, 2006

All amounts in USD, unless otherwise stated

YEAR ENDED DECEMBER 31	NOTES	2006	2005
CHARGES			
Amortization of formation expenses	3.1	2,384	2,388
Amortization of reorganization cost	3.2	3,160,120	3,160,116
Administrative and general expenses	13	9,681,199	6,279,039
Loss on sale of shares in affiliated companies	4.1	511,991	–
Interest expense – intercompany	11	14,525,218	7,921,801
Interest expense – syndicated loan	12	7,688,021	–
Cost for issue of debt		209,877	–
Realized loss on exchange		28,372	3,331,102
Taxes	10	1,278,441	297,660
Profit for the financial year		**559,591,293**	**984,636,093**
Total charges		**596,676,916**	**1,005,628,199**
INCOME			
Dividend income	14	566,831,284	449,269,790
Gain for sale of shares in affiliated companies	15	–	282,510,593
Other gain from transactions with affiliated companies	15	–	262,112,472
Interest income – intercompany	16	12,745,140	6,291,060
Interest income – third parties	17	14,263,531	3,606,964
Result on holding of short-term investments		2,791,071	193,884
Realized gain on exchange		45,890	674,856
Other Income		–	968,580
Total income		**596,676,916**	**1,005,628,199**

The accompanying notes are an integral part of these annual accounts.

Notes to the audited annual accounts
as at December 31, 2006

1. Background and description of the business

Tenaris S.A. (the "Company" or "Tenaris") was incorporated on December 17, 2001 under the name of Tenaris Holding S.A. as a limited liability company (taking advantage of the law of July 31, 1929, on holding companies) under the laws of Luxembourg. Then, on June 26, 2002, it changed its name to Tenaris S.A.

Tenaris's objective is to invest mainly in companies that manufacture and market steel tubes and other businesses. Tenaris and its subsidiaries are leading manufacturers and suppliers of steel pipe products and services to the oil and gas and other industries, with production, distribution and service capabilities in key markets worldwide.

Tenaris prepares and publishes consolidated financial statements which include further information on Tenaris and its subsidiaries. They are available at the registered office of the Company, 46a avenue John F. Kennedy, L-1855, Luxembourg.

2. Summary of significant accounting policies

2.1 Accounts

The accounts have been prepared in accordance with Luxembourg legal requirements and accounting standards, on a basis consistent to that used in the annual accounts for the financial year ended December 31, 2005.

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

2.2 Foreign currency translation

Loans to subsidiaries, current assets and liabilities denominated in currencies other than the United States dollar (USD) are translated into USD at the rate of exchange at the balance sheet date. The resulting gains or losses are reflected in the *Profit and loss account* for the financial year. Income and expenses in currencies other than the USD are translated into USD at the exchange rate prevailing at the date of each transaction.

2.3 Formation expenses

Formation expenses were amortized over a period of five years.

2.4 Reorganization cost

Reorganization cost comprises mainly fees for professional services that were incurred in the reorganization process. These costs are amortized over a period of five years.

2.5 Financial assets

Financial assets are stated at cost, adding to the price paid the expenses incidental thereto. In case of other than a temporary decline in the value of an investment, its carrying value will be reduced to recognize this decline. Reductions in the carrying value will be reversed in case of a rise in the value of the investment or when the reasons for the reduction no longer exist.

2.6 Short-term investments

Short-term investments are valued at market value, expressed in USD, at the balance sheet date.

2.7 Financial debts

Borrowings are stated at amortized cost. The related transaction costs are initially recognized as an asset, and subsequently written off over the period of the debt.

2.8 Interest rate swaps

Interest rate swaps are stated at cost. Considering the Company has entered into zero cost interest rate swaps, as mentioned in Note 12, no value has been assigned to them at the balance sheet date.

3. Formation expenses and fixed assets

3.1 Formation expenses

All amounts in USD, unless otherwise stated

	2006	2005
COST	12,467	12,467
ADJUSTMENT	(532)	(532)
	11,935	**11,935**
AMORTIZATION		
At the beginning of the financial year	9,551	7,163
Charge for the financial year	2,384	2,388
At the end of the financial year	**11,935**	**9,551**
Net book value at the end of the financial year	**–**	**2,384**

3.2 Fixed assets – Intangible assets – Reorganization cost

All amounts in USD, unless otherwise stated

	2006	2005
VALUE AT THE BEGINNING OF THE FINANCIAL YEAR	15,800,610	15,800,610
NET DISPOSALS	–	–
	15,800,610	**15,800,610**
AMORTIZATION		
At the beginning of the financial year	9,210,486	6,050,370
Charge for the financial year	3,160,120	3,160,116
At the end of the financial year	**12,370,606**	**9,210,486**
Net book value at the end of the financial year	**3,430,004**	**6,590,124**

4. Financial assets

4.1 Shares in subsidiaries and associated companies

Investments in subsidiaries and associated companies at December 31, 2006 (expressed in USD) comprise:

All amounts in USD, unless otherwise stated

COMPANY	COUNTRY	% of ownership (*)	Book value at 31.12.2005	Additions	Decreases	Book value at 31.12.2006
Siderca S.A.I.C.	Argentina	100.0%	1,604,950,726	–	–	**1,604,950,726**
Dalmine S.p.A.	Italy	99.3%	167,286,699	25,292	(167,311,991)	**–**
Tubos de Acero de México S.A.	Mexico	100.0%	303,244,203	–	–	**303,244,203**
Tenaris Global Services S.A.	Uruguay	100.0%	63,047,650	–	–	**63,047,650**
Talta - Trading e Marketing Lda.	Madeira	100.0%	6,817	82,570,000	–	**82,576,817**
Tenaris Investments Limited	Ireland	100.0%	100,010,000	–	–	**100,010,000**
Tenaris Connections A.G.	Liechtenstein	100.0%	11,567,000	–	–	**11,567,000**
Tamsider LLC	United States of America	100.0%	87,752,000	–	–	**87,752,000**
Ternium S.A.	Luxembourg	11.5%	419,466,310	40,504,676	–	**459,970,986**
Sidtam Ltd.	B.V.I.	100.0%	7,702,000	–	–	**7,702,000**
O.S. Acquisition Corporation	United States of America	0.0%	–	1	(1)	**–**
Maverick Tube Corporation	United States of America	100.0%	–	1,380,421,829	–	**1,380,421,829**
Shares in subsidiaries and associated companies			**2,765,033,405**	**1,503,521,798**	**(167,311,992)**	**4,101,243,211**

(*) This represents the equity interest held directly by Tenaris and through any of its subsidiaries.

Ternium

On February 6, 2006, Ternium S.A. ("Ternium") completed its Initial Public Offering (IPO) of shares, issuing an additional 248,447,200 shares (equivalent to 24,844,720 ADSs) at a price of USD 2.0 per share, or USD 20.0 per ADS. Tenaris received an additional 20,252,338 shares upon the mandatory conversion of its two loans granted to Ternium in July and August 2005. In addition to the shares issued to Tenaris, Ternium issued shares to other shareholders corresponding to their mandatory convertible loans. On February 23, 2006, the underwriters of Ternium's IPO exercised an overallotment option under which Ternium issued an additional 37,267,080 shares (equivalent to 3,726,708 ADSs). As a result of the IPO and the conversion of loans, as from February 6, 2006 onwards, Tenaris's ownership stake in Ternium amounted to 11.5%.

Dalmine

During the first quarter of 2006, the Company continued purchasing Dalmine S.p.A. ("Dalmine") remaining shares from third parties according to Italian regulations at EUR 0.10 per share, being the total acquisition of 210,943 shares.

On April 12, 2006 Tenaris entered into a "Purchase and Sale Agreement" with its subsidiary Talta - Trading e Marketing Lda. ("Talta"). Pursuant to this agreement, the Company transferred its equity stake in Dalmine to Talta for an amount of USD 166.8 million. As a result, Tenaris recognized a loss of USD 0.5 million under the caption *Loss on sale of shares in affiliated companies* in the *Profit and loss account*.

Talta

Also on April 12, 2006, Tenaris made an irrevocable and non-refundable contribution to Talta for an amount of USD 82.6 million.

Maverick

On October 5, 2006, Tenaris and its subsidiaries Tubos de Acero de Mexico S.A. ("Tamsa") and Siderca S.A.I.C. ("Siderca") completed the acquisition of Maverick Tube Corporation ("Maverick"), pursuant to which Maverick merged with and into O.S. Acquisition Corporation ("O.S. Acquisition"), a wholly-owned subsidiary of Tenaris, incorporated in June 2006. On that date, the Company and its subsidiaries transferred to a paying agent for the transaction USD 65.0 per share in cash for each issued and outstanding share of Maverick's common stock. The aggregate amount of the transaction was valued at USD 3,185 million, including Maverick's net debt.

To finance the acquisition and the payment of related obligations, Tenaris and some of its subsidiaries entered into syndicated loan facilities in an aggregate of up to USD 2.7 billion (see Note 12). The balance was met from cash on hand.

With operations in the United States, Canada and Colombia, Maverick is a producer of welded oil country tubular goods (OCTG), line pipe and coiled tubing for use in oil and natural gas wells, also producing welded pipes for electrical conduits. Maverick has a combined annual capacity of two million short tons of steel pipes with a size range from one-quarter inch to 16 inches and approximately 4,650 employees. In 2005, Maverick reported net revenues of approximately USD 1.8 billion, of which 82% was from its energy products division.

In connection with the financing of the Maverick acquisition, the Company and Tamsa pledged to the lenders under the Tenaris syndicated term loan agreement described in Note 12, 75% of the issued and outstanding shares of capital stock of Maverick. Immediately upon each payment or prepayment under the Tenaris loan agreement, the number of shares subject to the pledge shall be reduced by the percentage by which the aggregate outstanding principal amount of the loans under such agreement is reduced by operation of such payment or prepayment until the aggregate outstanding principal amount of such loans is less than or equal to USD 250.0 million. In addition, Tamsa and Siderca granted drag-along rights in favor of the lenders under the Tenaris loan agreement with respect to the remaining 25.0% of the issued and outstanding shares of capital stock of Maverick.

4.2 Loans to subsidiaries and associated companie

All amounts in USD, unless otherwise stated

	2006	2005
Talta - Trading e Marketing Lda.	62,679,990	51,294,279
Ternium S.A.	–	40,357,805
Consorcio Siderurgia Amazonia Ltd.	2,079,105	2,079,105
	64,759,095	**93,731,189**

In July 2004, Tenaris granted a loan to Talta for a nominal value of USD 60.3 million for the indirect acquisition of an industrial facility in Venezuela. In December 2006, Tenaris and Talta renegotiated the terms and conditions, capitalizing USD 5.6 million of interest and recalculating the short and long-term portions. The non current portion at December 31, 2006 amounts to USD 62.7 million.

On July 28, 2005 and August 16, 2005, Tenaris and Ternium entered into two convertible loan agreements, pursuant to which Tenaris made two loans to Ternium for USD 21.7 million and USD 18.0 million, respectively; corresponding to "Excess Cash" received from Consorcio Siderurgia Amazonia Ltd. ("Amazonia") and Ylopa Serviços de Consultadoria Lda. ("Ylopa") during the second and third quarter of 2005. On February 6, 2006 the two loans were converted into shares in Ternium, as explained in Note 4.1.

5. Intercompany loans and receivables

All amounts in USD, unless otherwise stated

	2006	2005
Talta – Trading e Marketing Lda. (1)	91,760,762	11,294,079
Tenaris Financial Services S.A.	293	34
Tenaris Investments Limited	2,051	66,430
Siderca S.A.I.C.	724,465	–
	92,487,571	**11,360,543**

(1) This includes the short term portion of the loan mentioned in Note 4.2 and another loan of USD 84.2 million plus interest for the transfer of Dalmine shares mentioned in Note 4.1.

6. Short term investments

All amounts in USD, unless otherwise stated

	2006	2005
Time deposits with subsidiaries	278,274	183,286,698
Liquidity funds	172,149,107	351,745,016
Agency bonds	14,739,486	34,804,424
	187,166,867	**569,836,138**

7. Shareholders' equity

All amounts in USD, unless otherwise stated

ITEM	Share capital	Legal reserve	Share premium	Retained earnings	Shareholders' equity
Balance at the beginning of the financial year	**1,180,536,830**	**118,053,683**	**609,732,757**	**1,171,738,288**	**3,080,061,558**
Dividends paid (1)	–	–	–	(204,232,872)	**(204,232,872)**
Profit for the financial year	–	–	–	559,591,293	**559,591,293**
Balance at the end of the financial year	**1,180,536,830**	**118,053,683**	**609,732,757**	**1,527,096,709**	**3,435,419,979**

(1) As approved by the Ordinary Shareholders' Meeting held on June 7, 2006.

The authorized capital of the Company amounts to USD 2,500 million. The total authorized share capital of the Company is represented by 2,500,000,000 shares with a par value of USD 1 per share. The total capital issued and fully paid-up at December 31, 2006 was 1,180,536,830 shares with a par value of USD 1 per share.

The Board of Directors is authorized to increase the issued share capital, through issues of shares within the limits of the authorized capital for a period of 5 years starting June 26, 2002.

8. Legal reserve

In accordance with Luxembourg Law, the Company is required to set aside a minimum of 5% of its annual net profit for each financial period to a legal reserve. This requirement ceases to be necessary once the balance on the legal reserve has reached 10% of the issued subscribed capital. The Company's reserve has already reached this 10%. The legal reserve is not available for distribution to the shareholders.

9. Retained earnings

Dividends may be paid by Tenaris upon the Ordinary Shareholders' Meeting's approval, to the extent distributable reserve and distributable retained earnings exist, and providing the compliance of the covenant related to restricted payments stated in Note 12.

At December 31, 2006, the distributable reserve, distributable retained earnings and profit for the financial year of Tenaris under Luxembourg Law totalled USD 1,527.1 million.

10. Taxes

The Company is subject to the tax regime applicable to billionaire holdings as defined by the law dated July 31, 1929. Following a previously-announced decision by the European Commission, the Grand-Duchy of Luxembourg has terminated its 1929 holding company regime, effective January 1, 2007. However, under the implementing legislation, pre-existing publicly-listed companies –including Tenaris– will be entitled to continue benefiting from their current tax regime until December 31, 2010.

Withholding taxes on dividends received, amounting to USD 780 thousands, are also included under this caption.

11. Debts – intercompany

All amounts in USD, unless otherwise stated

	2006	2005
DUE WITHIN A YEAR		
Accounts payable (1)	3,187,980	195,054
Loans for acquisition of shares in subsidiaries and associated companies (2)	289,719,090	35,406,436
Debts for acquisition of shares in subsidiaries and associated companies (1)	98,609,000	98,609,000
	391,516,070	**134,210,490**
DUE WITHIN MORE THAN A YEAR		
Loans for acquisition of shares in subsidiaries and associated companies (2)	115,122,871	229,989,952
	115,122,871	**229,989,952**

(1) Are interest free and have no fixed terms of repayment.
(2) Terms and conditions:

All amounts in USD, unless otherwise stated

	2006					2005	
LENDER	Due	Interest rate	Principal	Current	Non-current	Current	Non-current
Siderca International ApS	2007	L + 0.5%	226,602,000	240,650,317	–	–	229,989,952
Tamsider LLC	2007	L + 0.5%	36,529,295	37,425,860	–	35,406,436	–
Tenaris Investments Limited	2007	L + 0.5%	9,800,000	9,940,440	–	–	–
Tenaris Financial Services S.A.	2011	L + 0.5%	65,756,213	942,323	65,756,213	–	–
Dalmine S.p.A.	2011	L + 1.0%	43,116,658	670,584	43,116,658	–	–
Techint Investments Netherlands B.V.	2011	L + 0.5%	6,250,000	89,566	6,250,000	–	–
				289,719,090	**115,122,871**	**35,406,436**	**229,989,952**

12. Borrowings

All amounts in USD, unless otherwise stated

	2006	2005
DUE WITHIN A YEAR		
Principal – short-term portion	55,555,556	–
Interest accrued	7,688,021	–
	63,243,577	**–**
DUE WITHIN MORE THAN A YEAR		
Principal – long-term portion	444,444,444	–
	444,444,444	**–**

This represents a syndicated term loan agreement for an amount of USD 500 million, entered for the acquisition of Maverick explained in Note 4.1, which accrues interest at Libor plus 1% and is payable in 9 equal installments, the first one due in October 2007 and each of the following eight, every six months.

The main covenants on this loan agreement are limitations on liens and encumbrances, restrictions on investments, limitations on the sale of certain assets and compliance with certain ratios (such as the leverage ratio or the debt service ratio as calculated on the Company's consolidated and unconsolidated financial statements, respectively). In addition, Tenaris is subject to pledges of certain assets and limitations on restricted payments (such as dividends, repurchase or redemption of shares) to the extent that an event of default has occurred or, for so long as the outstanding principal amount under the syndicated loan facility to Tenaris equals to or exceeds USD 425.0 million, if those payments exceed the greater of USD 475.0 million or 25.0% of consolidated net income.

To partially hedge future interest payments, as well as to minimize the effect of floating rates, Tenaris has entered into zero cost interest rate swaps. In these contracts, effective as from April 2007, the Company has agreed to exchange with the counterparty, at specified intervals, the difference between interest amounts calculated by reference to an agreed-upon notional principal amount of USD 300.0 million, to the extent that it is lower than the floor or greater than the cap established in such contracts.

13. Administrative and general expenses

All amounts in USD, unless otherwise stated

	2006	2005
Services and fees	7,133,128	4,012,580
Labor cost	104,306	105,714
Board of Directors' accrued fees	2,173,500	1,838,002
Others	270,265	322,743
	9,681,199	**6,279,039**

14. Dividend income

During the financial year, the Company received the following dividends from its subsidiaries and associated companies:

All amounts in USD, unless otherwise stated

	2006	2005
Sidtam Ltd.	7,504,764	1,519,991
Tenaris Connections A.G.	19,500,000	–
Tenaris Global Services S.A.	280,000,000	–
Tubos de Acero de México S.A.	259,826,520	101,229,261
Siderca S.A.I.C.	–	270,311,745
Ylopa – Serviços de Consultadoria Lda.	–	50,312,872
Invertub S.A.	–	25,895,921
	566,831,284	**449,269,790**

15. Gain for sale of shares in affiliated companies and Other gain from transactions with affiliated companies

Gain for sale of shares in affiliated companies

Tenaris was the beneficiary of a 24.4% share of a convertible loan payable by Amazonia to Ylopa. In February 2005, Tenaris elected to convert its outstanding subordinated loan with Amazonia into equity. The conversion was contemplated under the agreements governing Siderúrgica del Orinoco C.A. (“Sidor”) and Amazonia’s debt restructuring in June 2003, and consequently Tenaris increased its direct and indirect participation. This transaction resulted in a gain of USD 72.9 million included under the caption *Gain for sale of shares in affiliated companies* in the *Profit and loss account* for the financial year ended on December 31, 2005.

On September 9, 2005, Tenaris exchanged its equity interest in Amazonia and Ylopa for 209,460,856 shares in Ternium. The Company accounted for this transaction on the basis of the equity value informed by Ternium as arising from the initial consolidated financial statements. As a result, Tenaris recognized a gain of USD 209.6 million under the caption *Gain for sale of shares in affiliated companies* in the *Profit and loss account* for the financial year ended on December 31, 2005.

Other gain from transactions with affiliated companies

Also during 2005, Tenaris received USD 39.6 million as “Excess Cash” from Amazonia and Ylopa, which were recorded under the caption *Other gain from transactions with affiliated companies* of the *Profit and loss account* for the financial year ended on December 31, 2005. This amount was lent to Ternium in the form of two convertible loans (see Note 4.2).

On November 28, 2005, the Tamsa Shareholders’ Meeting decided to reduce the 46.7% of its share capital. As a result of this transaction, the Company recognized a gain under the caption *Other gain from transactions with affiliated companies* of USD 222.5 million in the *Profit and loss account*.

For the financial year ended December 31, 2006 no gain were incurred due to affiliated companies’ transactions.

16. Interest income – intercompany

During the financial year, the Company accrued the following interest from its loans to and times deposits with subsidiaries and associated companies:

All amounts in USD, unless otherwise stated

	2006	2005
Talta – Trading e Marketing Lda.	7,883,175	3,590,093
Tenaris Invetsments Limited	4,634,988	1,793,497
Ternium S.A.	146,871	629,030
Tenaris Financial Services S.A.	80,106	59,427
Ylopa – Serviços de Consultadoria Lda.	–	219,013
	12,745,140	**6,291,060**

17. Interest income – third parties

During the financial year, the Company accrued the following interest mainly from its short-term investments:

All amounts in USD, unless otherwise stated

	2006	2005
Liquidity funds	11,867,442	2,452,332
Agency bonds	2,396,089	–
Others	–	1,154,632
	14,263,531	**3,606,964**

18. Off balance sheet commitments

In addition to the covenants of the syndicated term loan agreement mentioned in Note 12, and as result of the Maverick acquisition, the Company has fully and unconditionally guaranteed to each holder of 1.875% Convertible Senior Subordinated Notes (the "Notes") issued by Maverick in November 15, 2005 and due in 2025, the due and punctual payment of the principal of and any premium and interest on such Notes.

19. Parent Company

The Company is controlled by San Faustin N.V., a Netherlands Antilles corporation, which owns 60.4% of the Company's outstanding shares, either directly or through its wholly-owned subsidiary I.I.I. Industrial Investments Inc., a Cayman Islands corporation. San Faustin N.V. is controlled by Rocca & Partners, a British Virgin Islands corporation.

20. Subsequent events

During January 2007 Tenaris received dividend payments from its subsidiaries Tamsa, Sidtam Ltd. ("Sidtam") and Siderca for USD 43.2 million, USD 1.2 million and USD 314.3 million respectively.

On February 12, 2007, Tenaris announced it has entered into a definitive merger agreement pursuant to which Tenaris will acquire Hydril Company ("Hydril") for USD 97 per share of Hydril's common stock and USD 97 per share of Hydril's Class B common stock, payable in cash. Hydril is a leading North American manufacturer of premium connections and pressure control products for oil and gas drilling and production. For 2006, Hydril reported revenues of USD 503 million, operating income of USD 132.2 million and net income of USD 91.3 million under US GAAP. The transaction remains subject to the receipt of clearance from US antitrust authorities, majority approval of Hydril´s shareholders and other customary conditions. Tenaris will finance the Hydril acquisition through a combination of cash on hand and debt, for which bank commitments have been secured.

Carlos Condorelli
Chief Financial Officer

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