



ANNUAL REPORT 2002

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COMPANY PROFILE

Tenaris S.A. (TS: NYSE, Buenos Aires, Mexico, and TEN: MTA Italy) is a leading global manufacturer of seamless steel pipe products and provider of pipe handling, stocking and distribution services to the oil and gas, energy and mechanical industries. Our customers include most of the world's leading oil and gas companies as well as a large number of leading engineering and industrial companies. We are also a leading regional supplier of welded steel pipes for gas pipelines in South America.

Organized in Luxembourg, we have manufacturing facilities in Argentina, Brazil, Canada, Italy, Japan, Mexico and Venezuela and a network of customer service centers present in over 20 countries worldwide. Our annual manufacturing capacity is three million tons of seamless and 850 thousand tons of welded pipes. With this infrastructure, we offer customers a service that integrates manufacturing, procurement, distribution and on-time delivery of high quality products throughout the world.

Manufacturing Centers

(1) AlgomaTubes, (2) Confab,
(3) Dalmine, (4) NKKTubes, (5) Siat,
(6) Siderca, (7) Tamsa, (8) Tavsa.

Customer Service Centers

(1) Aberdeen, (2) Atyrau, (3) Baku,
(4) Beijing, (5) Bogota, (6) Cairo,
(7) Calgary, (8) Caracas, (9) Dubai,
(10) Houston, (11) Jakarta,
(12) Kuala Lumpur, (13) London,
(14) Moscow, (15) Paris,
(16) Port Harcourt, (17) Quito,
(18) Rugby, (19) Sta. Cruz de la Sierra,
(20) Seoul, (21) Singapore,
(22) Stavanger.



	2002	2001
SALES VOLUMES (THOUSANDS OF METRIC TONS)		
Seamless tubes	2,283	2,673
Welded tubes	585	432
Total steel pipes	2,868	3,105
PRODUCTION VOLUMES (THOUSANDS OF METRIC TONS)		
Seamless tubes	2,245	2,470
Welded tubes	561	475
Total steel tubes	2,806	2,945
FINANCIAL INDICATORS (MILLIONS OF USD) (see page 56)		
Net sales	3,219	3,174
Operating income	472	442
Net income before income tax and minority interest	444	375
Net income before minority interest attributable to participations acquired in the exchange offer (1)	194	136
Net income	94	81
Free cash flow (2) (see pages 59-60)	328	361
BALANCE SHEET (MILLIONS OF USD)		
Total assets	4,017	3,838
Total financial debt	716	765
Net financial debt (3)	411	552
Total liabilities	2,137	2,044
Shareholders' equity including minority interest	1,881	1,794
Number of shares outstanding (4)	1,160,700,794	
Comparable earnings per share (5) (USD per share)	0.17	0.12
(USD per ADS)	1.67	1.17
Number of employees	13,841	14,127

(1) Net income before minority interest attributable to participations in consolidated subsidiaries acquired in the exchange offer. This is net income as if the exchange offer had taken place on January 1, 2001. See Note 8 (II) of the Consolidated Combined Financial Statements.

(2) Defined as net cash from operations (USD 461 million) less net capital expenditure and investment in intangible assets (USD 133 million).

(3) In addition, Tenaris had investments (USD 136 million in 2002 and

USD 103 million in 2001) in trust funds to support its Argentine and Brazilian operations.

(4) As a result of the exchange offer, the number of shares outstanding increased from 710,747,187 to 1,160,700,794.

(5) Defined as net income before minority interest in subsidiaries acquired in the exchange offer divided by 1,160,700,794 shares. See Note 8 (II) of the Consolidated Combined Financial Statements.



LETTER TO SHAREHOLDERS

Dear Shareholders,

Tenaris became a public company on December 16, 2002, when its shares began to trade on the New York, Buenos Aires, Italian and Mexican stock exchanges. This followed the successful conclusion of our multi-jurisdictional exchange offer through which we brought together international, Argentine, Mexican and Italian investors into a single company. We are now completing this process by seeking the delisting of the shares of Siderca, Tamsa and Dalmine from their respective stock exchanges so that we can focus our efforts on managing Tenaris as a single organization.

I believe that we have created something special: a company that is genuinely multi-cultural in its roots and global in its reach; one that has a powerful industrial and technological base that is leading advances in its industry as it strives to serve its customers better; one with strong ties to the communities in which it operates; and one with a solid financial platform to pursue future opportunities for growth and to reward its shareholders; effectively, a company that can thrive in today's uncertain and challenging world.

Tenaris may have had only a few months of existence as a public company but it has a rich industrial heritage in the various countries where its manufacturing operations are concentrated. A heritage which is personified by the late Agostino Rocca, who, having been managing director at Dalmine in the 1930s, was the protagonist in the founding of Siderca in Argentina and Tamsa in Mexico. His was the philosophy of continuous investment in facilities, processes and products that, combined with almost 50 years of dedicated operating and management experience, allows us to offer our customers an outstanding range of high-quality and proprietary products.

But Tenaris' strengths go far beyond its products. Through our global network of service centers we work hand-in-hand with our customers, managing all aspects of the handling, stocking and distribution of pipes and accessories to ensure on-time delivery not only of pipes but of whole pipe assemblies no matter how complex the environment in which our customers are operating. From the remote reaches of the Caspian Sea to the deepwater off the West African coast, Tenaris' proposal is in essence one of service

and involves no less than the redesign of the industry supply chain integrating manufacturing, procurement, distribution and assembly in a seamless, transparent system.

Tenaris has grown while maintaining strict capital discipline. Using the strong cash flows from our highly competitive operations, we have expanded progressively over the past ten years acquiring manufacturing facilities in Mexico, Italy, Venezuela, Brazil, Canada and Japan and investing in the working capital used by our global network of service centers to provide stocking and distribution services to customers worldwide. At the same time, we have continued to make substantial investments to enhance the competitiveness of our industrial facilities and the quality of our products while maintaining dividend payments to shareholders. Today, Tenaris has net assets of USD 4.0 billion and a net debt of USD 411 million. With operating income of USD 472 million recorded for the year 2002 and an annual free cash flow in excess of USD 300 million, we have ample financial capacity to continue investing in growth opportunities and improving the competitiveness of our business as well as to offer an attractive dividend yield to our shareholders. Based on our solid 2002 results, and considering that Tenaris has a distributable reserve of USD 207 million, we are proposing to pay a dividend of USD 115 million (USD 0.099 per share, USD 0.99 per ADS), subject to your approval as our shareholders.

One of Tenaris' great strengths is that it is a global business with solid local roots. And since its roots are found in several different countries it is a genuinely multicultural enterprise. The services that we provide our customers were first developed in our local markets and would not be possible without a strong local presence. Knowledge is shared among our various operating subsidiaries, and working teams invariably have a multicultural make-up. And we work hard to ensure that the opportunities that come with our success are shared within our local communities, which provide the majority of our employees.

As with any company, Tenaris' employees are at the heart of its success. Their dedication to detail is the guarantee of the outstanding quality of our products. Their determination and resourcefulness are the guarantee that those products reach their required destination on time, ready for use. Their innovation is what drives Tenaris forward as it continues to set the standards for its industry.

As a result of the exchange offer, Tenaris has the opportunity to consolidate a single, unified organization. Operating and management synergies will release additional cash, and provide further opportunities, to develop new products, services and markets. Customers will see more clearly what we can offer them wherever they are in the world. And we will be a more visible and transparent entity to investors as we report our consolidated results in a single currency and under a single set of accounting standards. We have every reason to face the future with confidence notwithstanding the immense uncertainties generated by war in the Middle East.

I would like to thank all those who have helped to create what Tenaris is today, our customers and employees, as well as the former shareholders of Siderca, Tamsa and Dalmine who elected to exchange their shares and those who have become shareholders since.

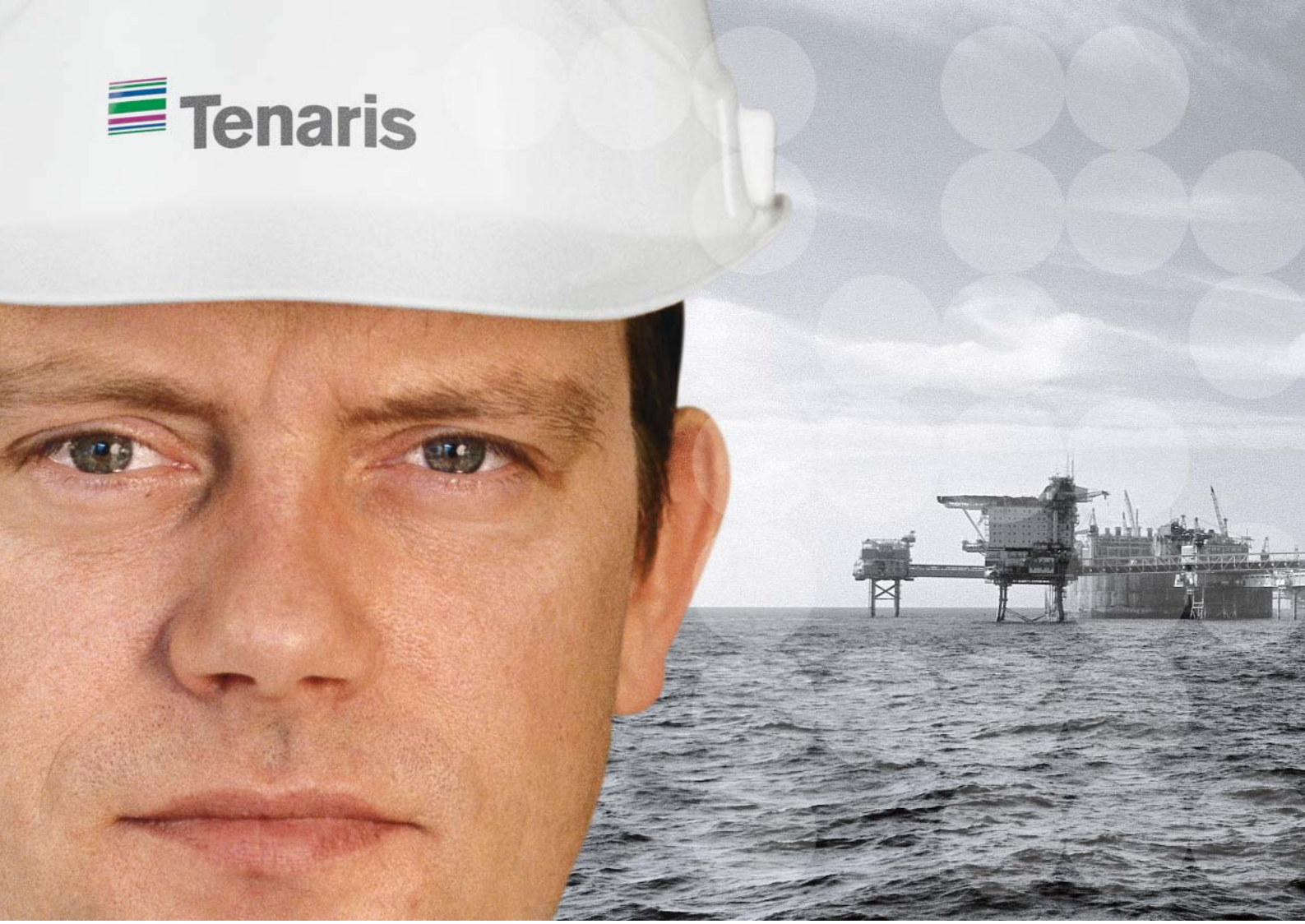
March 2003



Roberto Rocca



 **Tenaris**





By teaming up with Weatherford, Tenaris has pioneered a new way of supplying OCTG. With our Just-in-time Installed Column service we take care of all the details involved with the supply of materials, assemblies and installation to leave the well ready for cementing. First used in the North Sea by ConocoPhillips, this innovative service helps to reduce costs and promote a safer working environment.



THE EXCHANGE OFFER AND CREATION OF TENARIS

Tenaris became a public company on December 16, 2002 following the completion of a simultaneous exchange offer carried out in four jurisdictions which allowed the shareholders of Siderca S.A.I.C., an Argentine company, Tubos de Acero de México S.A., a Mexican company, and Dalmine S.p.A., an Italian company, to exchange their shares for shares in Tenaris S.A., a company organized in Luxembourg. As a result of the exchange offer, Tenaris increased its ownership of Siderca, Tamsa and Dalmine to 99.1%, 94.5% and 88.4% respectively and the former public shareholders of these three companies became holders of 38.8% of the share capital of Tenaris.

The exchange offer formed part of a corporate reorganization project which had as its objective the consolidation of all the interests of Tenaris' controlling shareholder in the Tenaris steel pipes business and the alignment of those interests with the public shareholders of its principal constituents. The new corporate structure will facilitate the management of Tenaris' business, open up opportunities for additional operating and management synergies, strengthen its global competitive

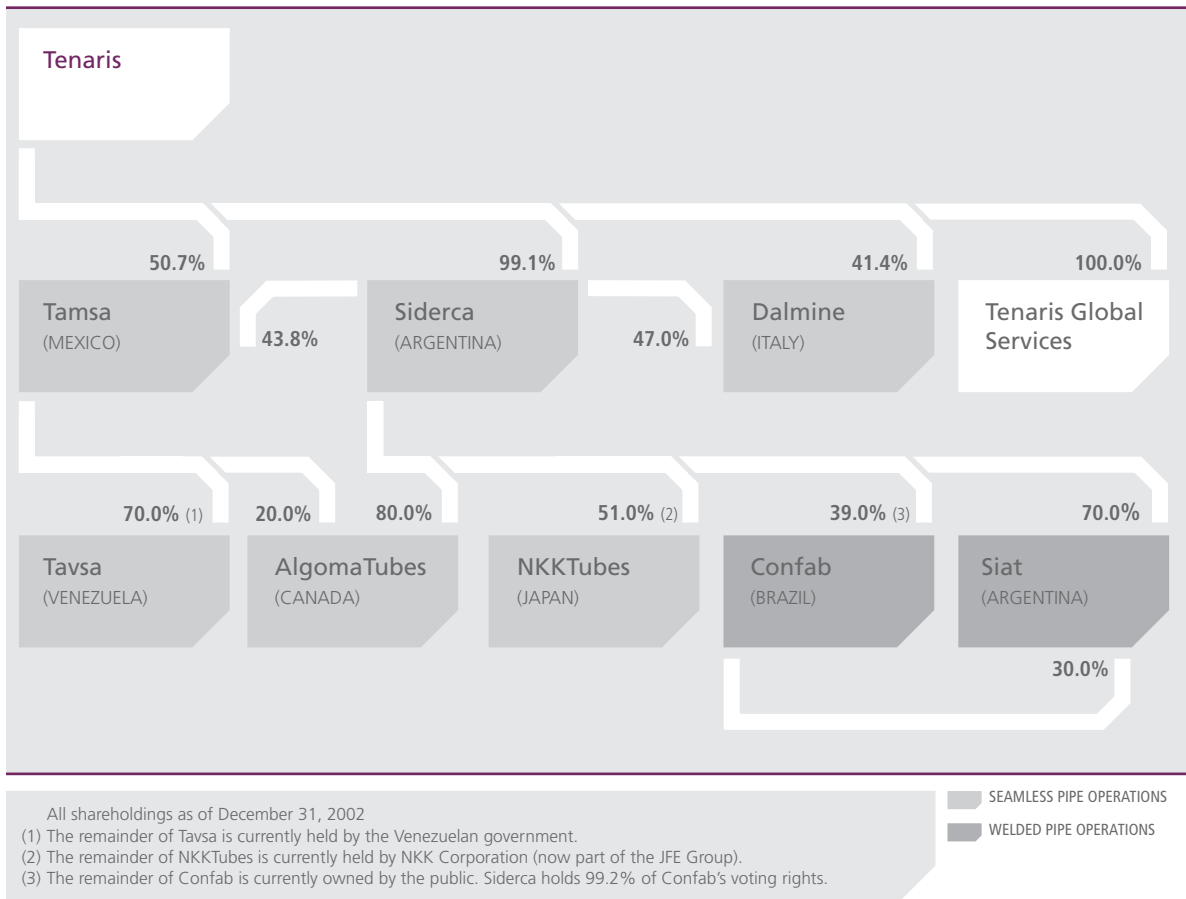
standing and position it to take advantage of future growth opportunities. At the same time, Tenaris will be a larger and more visible public company than its predecessors.

The origins of Tenaris lie firstly with the formation of Siderca in Argentina in 1948 and, more recently, with the expansion of Siderca's pipe business beyond Argentina, starting with the expansion of its production facilities in the late 1980s and followed by a series of strategic acquisitions in pipe manufacturing facilities worldwide and the building up of a global network of steel pipe distribution facilities and sales offices. Today, Tenaris operates a network of steel pipe manufacturing facilities in South America, North America, Europe and Asia with a combined annual production capacity of over three million tons of seamless steel pipes and 850 thousand tons of welded steel pipes as well as a global network of pipe distribution and service facilities with a direct presence in most major oil and gas markets.

With this infrastructure and the operating and management know-how gained with the benefit of some 50 years experience, Tenaris supplies its customers with an exceptional range of high-quality pipe products and accessories all over the world on terms which do away with the need to carry wasteful inventories, to coordinate between manufacturers, distributors and service providers, or even to specify the grade and type of product required. Tenaris effectively offers a unique service, one that integrates the tubular supply chain under a single responsibility and, with its web-based TenarisTracking service, gives its customers the added assurance of knowing where their pipes are.

Just as service is central to what Tenaris offers its customers, so is technology. Not just the technology to process steel of flawless quality but also the technology to design pipes whose properties enable them to perform safely in the vastly differing and increasingly corrosive environments in which oil and gas drilling takes place,

Tenaris: shareholding structure following the exchange offer



to withstand the pressures encountered at 2,700 meters beneath the ocean waves or to house the air that inflates an air bag. Using specialist laboratories and multi-cultural teams, Tenaris designs industry-leading products offering outstanding performance and environmental sensitivity.

This business, focused on technology and service, whose capability is much greater than the sum of its parts, adopted the Tenaris name in May 2001. Derived from the Latin *tenax*, the new name symbolizes the tenacity and determination of our employees to overcome the challenges that they face on a daily basis to ensure on-time delivery of high quality tubes in the far from standard environments where our customers operate. Likewise, our multi-cultural identity, and source of so many of our creative solutions, finds an expression in the multibar symbol, which accompanies the Tenaris name.

Tenaris, then, may be a new company but it has a substantial history behind it. The launch of the Tenaris brand and the subsequent exchange offer effectively mark a new beginning. Although some of the integration process has already been achieved, there remains much to be done. The finance and administrative structures of what were previously three separate public companies will be unified, the order allocation process, established to satisfy the requirements of competing sets of shareholders will be streamlined, the manufacturing facilities will be increasingly focused on particular product areas, and more flexible financial planning strategies will be used. The resulting synergies will help to increase operating margins and free up additional cash flow for investments in new products and services as well as paying dividends to shareholders.



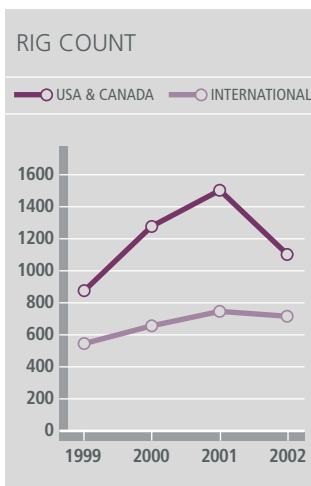
Tubes used in hydraulic cylinders have to perform with absolute precision and complete reliability in tough conditions, usually for months on end and far from spare parts. Tenaris does not stop at supplying high quality custom-designed precision tubes. We also help to streamline our customers' assembly process with pre-cut parts and just-in-time delivery, which is why leading manufacturers like to work with us.

FINANCIAL AND BUSINESS REVIEW

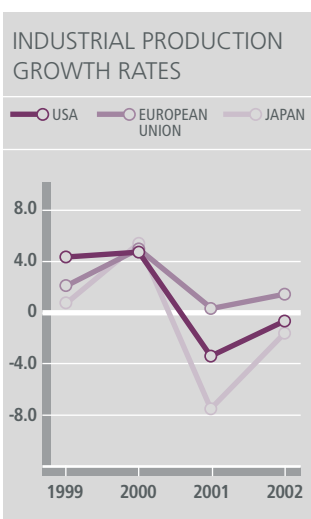
Business environment and outlook

The business environment for Tenaris' seamless pipes business was less favorable in 2002 than in the previous year, particularly during the second half. Although oil prices remained at levels which, under typical circumstances, would be expected to result in sustained levels of investment in oil and gas drilling, global demand for seamless pipes fell due to lower levels of oil and gas drilling activity, as indicated by the global rig count, as well as persistently lower levels of industrial production in the principal industrial regions of North America, Europe and Japan. Oil and gas exploration and production activity was affected by increased uncertainty over the future level of oil prices given the possibility of military action against Iraq as well as OPEC production cutbacks. In addition, demand for seamless pipes in Tenaris' local markets was affected by the political crises in Venezuela and Argentina and the low level of the North American gas price at the start of the main Canadian drilling season.

In 2003, the year has begun with a sharp rise in global oil and North American gas prices but, even at the current high levels of prices, investment in oil and gas exploration and production is not showing significant signs of growth. The intense uncertainty caused by the prospect, and current reality, of military action against Iraq remains. This is reflected in a general reluctance to make investment commitments, irrespective of current price levels, and is also preventing or postponing any general recovery in global economic demand. On the other hand, demand for seamless pipes in Tenaris' local markets is showing signs of improvement in Argentina, Mexico and Canada, but in Venezuela a national strike brought the oil and gas industry to a virtual halt in January and it will take time for demand to recover to the levels recorded in 2001. In Italy and Japan, demand continues to be affected by stagnant levels of industrial activity. Demand for Tenaris' welded pipes remains strong, despite the completion of deliveries to the major gas pipeline projects in Ecuador and Peru that Tenaris supplied in 2002, due to increased demand for oil and gas pipelines in the Brazilian market.



SOURCE: Baker Hughes



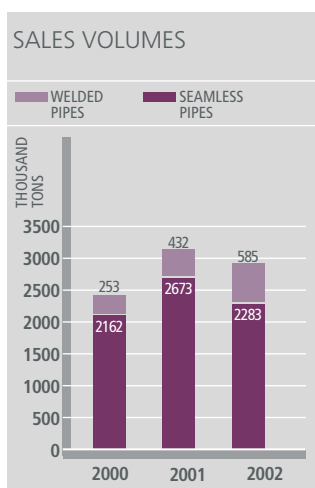
SOURCE: Government statistics

Results

Despite the unfavorable business environment for its core seamless pipes business, which led to a 15% decline in overall seamless pipe sales volumes including a 34% decline in South American seamless pipe sales volumes, Tenaris successfully managed to increase revenues, operating income and net income over the respective levels recorded for 2001 on a comparable basis. This strong performance was made possible through an increase in the value of our seamless pipe products, which enabled us to increase average selling prices in a difficult pricing environment, a reduction in operating costs at our Argentine operations following the devaluation of the Argentine peso, strong demand for our welded pipes from South American gas pipeline construction projects and a near doubling of sales at our new energy business.

Net sales in 2002 rose 1.4% to USD 3,219.4 million from USD 3,174.3 million in 2001. Operating income rose 6.9% to USD 471.9 million (14.7% of net sales) from USD 441.6 million (13.9% of net sales) in 2001. Operating income plus depreciation and amortization rose 7.4% to USD 648.2 million (20.1% of net sales) compared to USD 603.3 million (19.0% of net sales) in 2001. Margins on seamless pipe sales increased significantly (the gross margin rose to 36.6% from 33.4%), but the effect of this on overall margins was largely offset by a higher proportion of low-margin energy (gross margin of 5.6%) and other steel products sales in the composition of overall net sales.

Income before income tax and minority interest in 2002 rose 18.6% to USD 444.5 million (13.8% of net sales) from USD 374.7 million in 2001. Net income, which rose 16.0% to USD 94.3 million from USD 81.3 million, was negatively affected by additional income tax charges

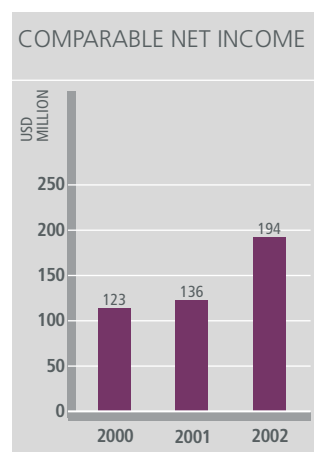
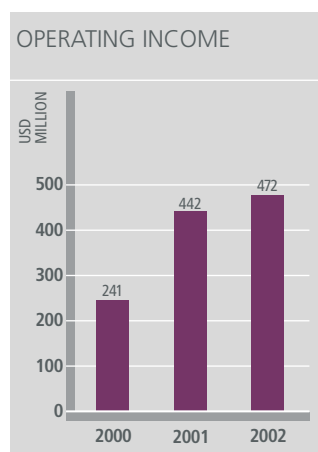
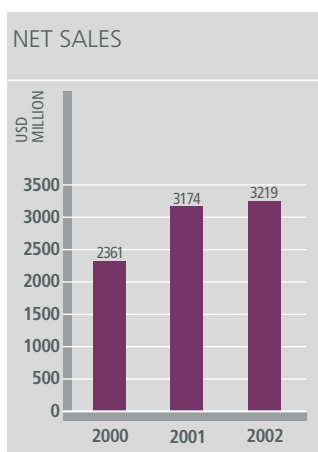


reflecting the impact of the devaluation of the Argentine peso and minority interests. Net income before minority interest attributable to participations in consolidated subsidiaries acquired in the exchange offer completed on December 13, 2002 rose 42.7% to USD 193.8 million from USD 135.8 million in 2001, and corresponding earnings per share were USD 0.17 (USD 1.67 per ADS).

Free cash flow (net cash provided by operations less net capital expenditure) declined 9.2% to USD 328.2 million from USD 361.3 million. Although net capital expenditure declined to USD 133.2 million, a substantial increase of USD 124.3 million was recorded in working capital, principally reflecting an increase in trade receivables.

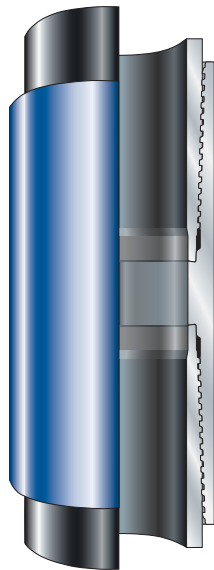
Tenaris' positive free cash flow allowed it to strengthen still further its financial position during the year. As of December 31, 2002, Tenaris had total assets of USD 4,017.4 million, total financial debt of USD 715.9 million and net financial debt of USD 411.4 million. In addition, Tenaris had USD 135.3 million invested in trust funds established to support its Argentine and Brazilian operations.

For a more detailed analysis of Tenaris' financial condition and results of operations, please see the section entitled "Management discussion and analysis" (page 43). There follows a discussion featuring developments in our main business areas.



NOTE: Net income before minority interest attributable to participations acquired in the exchange offer.

TenarisBlue



Our new TenarisBlue premium connection is an excellent example of how we are leading developments in tubular technology. Designed for use in the majority of today's increasingly complex and environmentally sensitive drilling activities, it offers outstanding value for customers through superior all-round performance under the most demanding conditions, and ease of use. Its unique dopeless option is an industry breakthrough, which promises to make oil and gas drilling operations cleaner and safer for the environment. TenarisBlue is currently under evaluation by many of the leading companies in the oil and gas industry and its success will help to establish Tenaris as the leading source of premium connections for OCTG.

Oilfield Services

Tenaris continues to make progress in increasing the level of value-added in its products and services and forging long-term relations with its main customers. In May, a five-year agreement, valued at USD 80 million annually, was concluded with ChevronTexaco. Under the agreement, Tenaris will supply the OCTG requirements of most of ChevronTexaco's operating affiliates outside of the United States with services such as pipe design, distribution and inventory management included. In the same month, the TenarisTracking service was launched: this service, which is included within the services provided under the ChevronTexaco agreement, facilitates the efficient and transparent management of orders for tubes throughout the supply chain process.

Tenaris increased its on-the-ground presence in two growing markets. We opened a new center at Atyrau in Kazakhstan to meet increasing demand in the Caspian Sea area, where ChevronTexaco and Eni operate fields. In Nigeria, we are installing a new pipe threading and finishing facility and expanding our stockyard at the Onne Free Oil and Gas Zone, which will add a substantial element of local content to the services we offer in the country and provide employment to some 100 Nigerians.

In China, we began supplying complete tubular columns for the ConocoPhillips operations at Bohai Bay, in association with Weatherford. This follows the successful introduction of this new service in the North Sea.

In October, we launched our new TenarisBlue premium joint. We have high expectations that this product, which shows the strength of our multicultural research and development capabilities and offers outstanding performance with enhanced environmental sensitivity, will become the new reference for premium joints in the industry.

Pipeline Services

Perspectives in this sector remain promising, in spite of a year of relatively weak demand, particularly in regions such as the Gulf of Mexico and the Middle East, and the increasing use of welded pipes in on-shore applications. The technical specifications required for today's complex deep-water projects play to Tenaris' technological strengths. Already, Tenaris' product development efforts have established it as the industry reference in the Gulf of Mexico and West Africa. The year saw Tenaris develop products with special specifications for BP's Thunder Horse project and win an order for the Falcon project featuring its new double jointing service, both in the Gulf of Mexico. Elsewhere, there were several orders for projects featuring pipes with coatings and bends in the North Sea and the Middle East.

Deliveries were made to a number of important projects, including Shell's Bonga and Marathon's Alba projects in West Africa, Devil's Tower in the Gulf of Mexico, Juno, CMS III and Gryphon in the North Sea and BHP's ROD project in North Africa. Tenaris puts on-line a web-based project center to facilitate the management of complex projects and continued research into advanced welding techniques, structural integrity of deep-water linepipe and insulation coatings.



 **Tenaris**



New process plant technology often creates new challenges for tube manufacturers. Tenaris works with its customers to design and supply complete packages of customized tubes however demanding the specifications. We are helping to turn into reality the carbon emission reductions and energy savings promised by innovations such as this waste-to-power generation plant in Italy.

Process & Power Plant Services

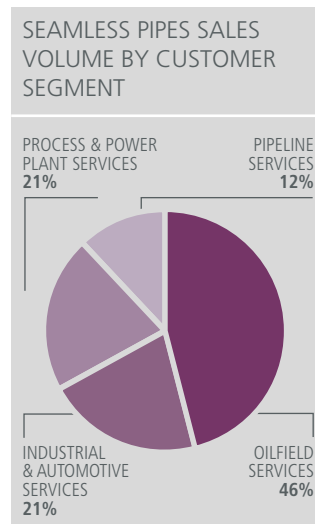
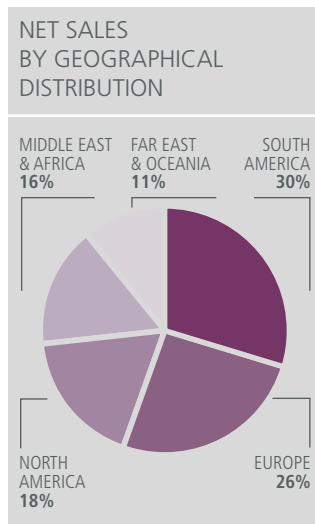
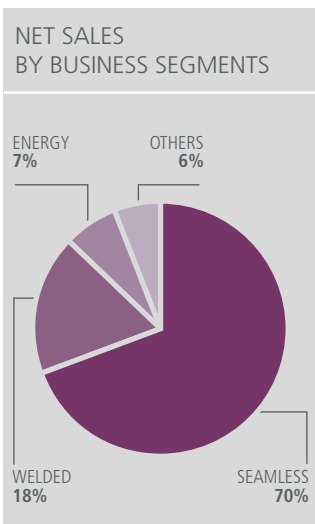
Demand in this sector was affected by a small decline in investment in refineries and petrochemical plants. In addition, demand for gas processing plants connected with LNG projects was strong but there was lower demand for power generation projects amid a general reassessment of future energy demand trends following the exposure of artificial trading activity among certain U.S. energy trading companies.

Tenaris continued to make progress in establishing itself as a project manager capable of managing the supply of complete tubular packages for major projects. A number of web-based services, which simplify the generation of bills of ma-

terials and reduce the cost of sourcing tubes, were introduced. Frame agreements were signed with major engineering companies such as Snamprogetti and Technip-Coflexip. Newly developed T91 and T23 high-alloy grade pipes were developed, which will allow Tenaris to offer complete pipe packages for boilers and thus increase penetration in this market segment.

Industrial & Automotive Services

Demand in this sector was affected by weak levels of industrial activity in North America, Europe and Japan. In particular, apparent consumption of seamless tubes in the EU market fell by 13%. However, Tenaris gained market share in Italy and continued to make progress in developing sales to the automotive segment in North



America. The 3% increase in Italian market share and overall sales volume of 322 thousand tons reflects the successful re-organization of its sales and distribution activities in Italy, which has allowed it to concentrate on developing a better service for its regular customers and serve smaller customers through exclusive regional distributors. Tenaris plans to extend this concept to its operations in other EU countries such as France, Germany and the UK.

In North America, with its new auto-components plant and expanded cold rolling mill at Veracruz, Tenaris is increasing its capabilities to serve the automotive market in North America. Tenaris was qualified as a sub-supplier for half shafts to the Toyota 500 N platform and increased its market shares of tubes for airbags and for trailer axles. Elsewhere, leveraging on its experience in the Argentine market, Tenaris began selling tubes for compressed natural gas cylinders in India.

Local markets (Argentina, Canada, Mexico and Venezuela)

In Argentina, investment in oil and gas drilling activity was affected by regulatory uncertainty, including the application of export taxes on oil exports, the non-adjustment of gas tariffs following the devaluation of the local currency, and the difficulty of accessing credit from the financing system. New oil and gas wells drilled during the year fell 28% from the level of the previous year. Demand from other sectors was similarly affected by the severe domestic recession and economic uncertainty. However, in the second half of the year, there were higher levels of oil drilling activity and a slight pick-up in industrial activity (from extremely low levels) associated with the improving outlook for the agricultural sector as well as increased demand for compressed natural gas cylinders due to the price difference between this fuel and standard petroleum derivatives. Tenaris continued to expand the scope of services it offers its principal customers in Argentina and opened a new logistics center in Neuquén. Sales of seamless pipes totaled 164 thousand tons, a decline of 23% from the levels of the previous year.

In Mexico, sales of seamless pipes totaled 156 thousand tons, an increase of 12% from the levels of the previous year, reflecting an increase in oil and gas drilling activity –the average number of active rigs was up 22% over the previous year– and a slight decline in sales to the non-oil sector. Pemex was granted a significant increase in its annual budget, thereby providing funds for increased exploration and production activity in the southern region and for its strategic natural gas program in the northern region. This was reflected in increased levels of drilling activity particularly towards the end of the year.

In Venezuela, OPEC production quota cutbacks and adverse political and economic developments led to a substantial decline in exploration and production activity in the oil and gas sector during the year, resulting in a 37% decline in the average rig count compared to the previous year. Additionally, PDVSA, the state-owned oil company, decided to implement a significant reduction in its inventories of seamless pipes. These factors resulted in a 65% decline of Tenaris' sales of seamless pipes in the country. The Tavsá plant operated at a low level of capacity utilization throughout most of the year and in January of 2003 was forced to stop operations due to the collapse in demand during the national strike called by oil workers and other opposition leaders against the government.

The logo for TenarisTracking features a stylized icon on the left consisting of five horizontal bars in blue, green, and red. To the right of the icon, the word "Tenaris" is written in a bold, dark grey sans-serif font, and "Tracking" is written in a pink sans-serif font.

Our innovative TenarisTracking service manifests our commitment to making life easier for customers through simplifying the industry supply chain. By permitting customers and employees to track on-line the progress of orders for steel pipes through the planning and production processes and on to final delivery, this service helps them manage supply risk, simplify order management processes, reduce delivery lead times and save costs. Information accessed through the service is entirely transparent and includes details of quality control processes and shipment-related documentation. TenarisTracking is provided as an integral part of our services under long-term supply agreements with our main customers.

In Canada, the level of oil and gas drilling activity was affected by low prices in the North American gas market at the start of the year, which is the key season for drilling in Canada, as well as unfavorable weather at the end of the year. Tenaris was affected and sales of seamless pipes in Canada fell 28% for the year. Particular efforts were made during the year to develop the capability of the Algoma Tubes plant to produce high-value products such as special sour service and chromium grades as well as premium connections.

Welded

2002 was a particularly strong year for Tenaris' welded pipe business. Although demand in Argentina fell to low levels due to the impact of the Argentine crisis on investments in gas pipelines and other activities, this was more than compensated by strong demand for Tenaris' welded pipes for gas pipeline projects including OCP (Oleoducto de Crudos Pesados) in Ecuador, Camisea in Peru and Gasyrg in Bolivia. Confab, Tenaris' plant in Brazil, operated at close to capacity levels for much of the year and its order books remain high as orders from new oil and gas pipeline projects in Brazil substitute for the now-completed OCP project in Ecuador. In Brazil, a contract was concluded with Petrobras, valued at USD 113 million, under which Tenaris will supply specially coated pipes in 2003 for two pipelines connected with Petrobras' oil

and gas operations, and a second contract, valued at USD 100 million over five years, was concluded for the supply of pipes on a just-in-time basis to Petrobras' oil and gas operations at Macaé.

Energy

Tenaris, through its subsidiary Dalmine Energie, has developed a small energy business in Italy following moves to partially deregulate the energy market. Originally formed to supply electricity to Tenaris' Italian operations at Dalmine and to other users in the Bergamo area, it has rapidly expanded and currently supplies energy to many industrial companies in north and central Italy. Electricity and natural gas are purchased at wholesale market prices and then sold to customers. Sales rose 86% to USD 210 million during 2002, reflecting the start of natural gas sales and increased sales of electric power. In February 2003, Tenaris purchased a 160MW electric power generating plant in Argentina with the purpose of further integrating its operations at Siderca by becoming self-sufficient in electric power. Tenaris plans to sell power surplus to Siderca's requirements on the open market in Argentina.



Tenaris welded pipes are helping to transform a continent. Passing through steamy jungles and delicate rainforests, and across the heights of the Andes, gas pipelines are bringing a clean, economical source of energy to South America's population and industrial centers. For these monumental projects, we are producing, and programming the delivery sequence for, hundreds of miles of pipe.

COMMUNITIES AND ENVIRONMENT REVIEW

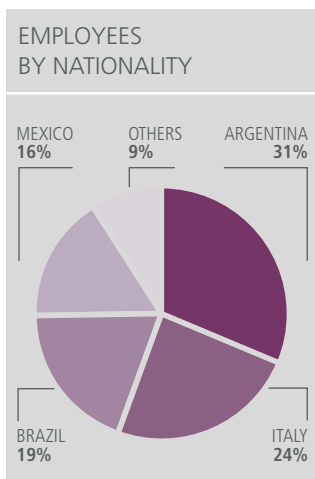
Tenaris' history is deeply entwined with that of the communities where it has its roots. As a long-term industrial project, the essential framework governing its relations with its communities was established many years ago. It departs from the deeply-held conviction of Tenaris' founding family that the continuing strength of the company depends on an active participation that links its own development to that of its suppliers, customers, employees, and the communities in which it resides.

This framework encompasses continuous commitments to promoting health and safety among employees, to minimizing the impact of operations on the environment, to maintaining transparent relations with suppliers, customers, employees and the local communities, and to working with local authorities and non-governmental organizations to promote education and foster self-reliance.

Human resources policies are designed to select and promote individuals based on their professional abilities, interpersonal skills and commitment. A work environment that rewards innovation, initiative and teamwork reinforces those policies.

The Tenaris young professionals program provides promising university graduates an opportunity to join and grow with an organization that has a tradition of nurturing young talent. A more recent initiative is the corporate university we founded last year. Using a combination of on-site and e-learning methodologies, this initiative enables employees from multiple countries and cultures to acquire new skills as well as interact with one another to share knowledge and best practices.

Our rich cultural diversity, as represented in the varied nationalities of our employees, is one of our key assets. To capitalize on it, we organize regular employee exchanges that allow staff to travel to our plants and offices around the world to see how colleagues deal with common challenges in research, engineering, production, sales and marketing, communications and all aspects of our business. Cross-organizational work



groups are formed taking this cultural diversity into account. And respect for cultural, gender and language differences is a guiding principle for relations among employees at all levels of the company.

Tenaris also works to extend the benefits of its multicultural diversity to its local communities through cultural programs. Working through the PROA Foundation, housed in the La Boca district of Buenos Aires, and the Association for the Modern and Contemporary Art Gallery of Bergamo as well as agreements with Mexican, Brazilian and Japanese cultural institutions, Tenaris promotes cultural exchanges in its local communities through art exhibits, seminars and other initiatives.

In the wake of the profound economic and social crisis that erupted in Argentina at the end of 2001, Tenaris introduced its “Plan Alentar” program for the Campana area. With a budget of ten million Argentine pesos over 20 months, the emergency program is designed to help meet impoverished community members’ basic needs in terms of food, clothing, medical care and housing, as well as to promote micro-enterprises. This program runs in addition to Tenaris’ ongoing social programs that promote education and self-help in the Campana area.

In Mexico, the Tamsa Foundation supports educational, health and cultural initiatives in the state of Veracruz. In addition, Tamsa supported the “Bridges of Hope” initiative to build 100 bridges (30 were built in 2002) to provide communication to isolated impoverished communities.

In Italy, the Dalmine Foundation was established three years ago to preserve and expand Dalmine’s historical archive, representing almost 100 years of Italian industrial history. And in keeping with its policy of forging close relations with educational institutions, Tenaris has formed, with the Polytechnic of Milan, a partnership whose purpose is to advance scientific research and the training of experts in the iron metallurgy sector.

Health, Safety and Environment

Tenaris works constantly to improve its safety performance concentrating on two levels. On one, we upgrade the physical conditions of the workplace by continuously investing in new technologies, infrastructure and maintenance. On another, we work on attitudes and behavior relative to safety. We do this through innovative programs that reward safe behavior and by holding weekly meetings with managers, safety staff and workers at each of our plants to discuss accidents and share ideas for improving safety.

As part of our ongoing efforts to integrate activities across all levels of the company, we have developed uniform management control parameters to be applied in all our plants. We are now in the process of standardizing accident indicators and reporting procedures across plants and operating units. Safety indicators improved significantly last year in comparison to 2001. The total number of accidents fell by 14% and the number of accidents with working days lost dropped by 19%.

Environmental policy at Tenaris is based on the principles of sustainable development. Our plants are located in areas with a strong industrial tradition, like Tokyo, Bergamo or Ontario, or in more recent centers of development like Veracruz, Campana, Pindamonhangaba and Puerto Ordaz. At all of these sites rigorous standards for environmental and natural resources protection are followed. A significant portion of new investment is destined to reduce the environmental impact of manufacturing, introducing innovations in technology and processes; training programs for the prevention and management of possible emergencies are organized for technicians and workers.

Tenaris constantly reviews its operations to maximize the efficiency of its use of energy resources and the re-use, both in its own operations and by third parties, of by-products and waste. This is a contribution that combines the need to reduce the environmental impact of energy generation and the use of resources with the demand to optimize these critical factors for competitiveness in its operations.

Tenaris also has programs through which it collaborates with local institutions in the communities where it operates, for the purpose of identifying, reducing and eliminating possible risks.

Tenaris' concern for environmental protection does not stop at the factory gates. Supplying its own customers products and services that limit environmental impact and reduce potential risks has become a fundamental part of the Tenaris mission. So is designing tubes for use in extreme conditions, in drilling as well as in transportation; special joints that reduce or eliminate the use of chemical additives; and transportation, assistance and installation services employed in sensitive areas that require rigorous respect for environmental protection.



When it comes to today's oil and gas deepwater operations, not just any pipe will do. Tenaris' technological expertise allows it to design and produce pipes which can be laid with the speed, precision and safety required for the successful completion of the deepest pipeline projects. Our pipes are helping to define new exploration and production frontiers in regions such as the Gulf of Mexico.

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 the annual financial statements and appoints the board of directors, shall occur on the fourth Wednesday during the month of May.

Resolutions made at ordinary shareholders' meetings will be passed by majority vote, irrespective of the number of shares present or represented. Extraordinary shareholders' meetings held to consider proposed amendments to the company's articles of association can only meet after the first call if at least half of the share capital is present or represented. If the required quorum is not met, a second meeting may be convened by means of notices published twice, at twenty days interval at least and twenty days before the meeting, in the *Mémorial, Recueil des Sociétés et Associations*. The second meeting can validly decide regardless of the quorum present or shares represented. Resolutions may only be passed by a two thirds majority of the votes of the shareholders present or represented.

Board of directors

Management of the company 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 board constitutes a quorum, and resolutions may be adopted by the vote of a majority of the directors present. 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.

Our current board of directors is comprised of ten directors, three of whom are independent directors.

Audit committee

Tenaris has an audit committee composed of three members, two of whom are independent directors. The members of the audit committee are not eligible to participate in any incentive compensation plan for employees of the company or any of its subsidiaries. The audit committee shall:

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

The audit committee has the authority to conduct any investigation appropriate to fulfilling its responsibilities, and it shall have direct access to the independent

auditors as well as anyone in the company and, subject to applicable laws, its subsidiaries. The audit committee has to report to the board of directors on its activities and the adequacy of the internal control system at least every six months, at the time the annual and semi-annual accounts are approved.

Auditors

The annual accounts shall be audited by one or more independent auditors, appointed by the annual ordinary shareholders' meeting from among the members of the Institute of Independent Auditors (Institut des réviseurs d'entreprises) in Luxembourg. The ordinary shareholders' meeting shall determine their number and the term of their office, which shall not exceed one year. They may be reappointed and dismissed at any time.

Compensation

The compensation of the directors is determined at the annual ordinary shareholders' meeting. A total of USD 739 thousand was paid to our Chief Executive Officer, Chief Financial Officer and the members of the board of directors who were in office in 2002.





BOARD OF DIRECTORS

The current members of the board of directors took office on January 31, 2003.

CHAIRMAN	Roberto Rocca
PRESIDENT AND CHIEF EXECUTIVE OFFICER	Paolo Rocca
VICE-PRESIDENT FINANCE	Guillermo Vogel (*)
	Roberto Bonatti
	Carlos Franck
	Pedro Pablo Kuczynski
	Bruno Marchettini
	Gianfelice Mario Rocca
	Jaime Serra Puche (*)
	Amadeo Vázquez y Vázquez (*)

(*) Members of the Audit Committee

SECRETARY	Cecilia Bilesio
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EXECUTIVE OFFICERS

PRESIDENT AND CHIEF EXECUTIVE OFFICER
Paolo Rocca

EUROPEAN AREA MANAGER
Alberto Valsecchi

CHIEF FINANCIAL OFFICER
Carlos Condorelli

ARGENTINE AREA MANAGER
Guillermo Noriega

COMMERCIAL DIRECTOR
Germán Curá

MEXICAN AREA MANAGER
Vincenzo Crapanzano

SUPPLY CHAIN DIRECTOR
Alejandro Lammertyn

MANAGING DIRECTOR, JAPANESE OPERATIONS
Marcelo Ramos

HUMAN RESOURCES DIRECTOR
Marco Radnic

MANAGING DIRECTOR, WELDED PIPE OPERATIONS
Ricardo Soler

TECHNOLOGY DIRECTOR
Carlos San Martín

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CONSOLIDATED COMBINED **FINANCIAL STATEMENTS**

December 31, 2002, 2001 and 2000

MANAGEMENT DISCUSSION AND ANALYSIS

The following discussion, which compares Tenaris' results of operations and financial condition for the fiscal year ended December 31, 2002 against that for the fiscal year ended December 31, 2001, should be read in conjunction with Tenaris' consolidated combined financial statements and the related notes thereto. Tenaris prepares its financial statements in conformity with International Accounting

Standards (IAS), which differ in certain significant respects from U.S. GAAP, and other national accounting standards.

Results of operations

The following table sets forth, for the periods indicated, selected financial data from Tenaris' consolidated combined income statements.

All amounts in USD thousands

YEAR ENDED DECEMBER 31	2002	2001	2000
Net sales	3,219,384	3,174,299	2,361,319
Cost of sales	(2,168,594)	(2,165,568)	(1,692,412)
Gross profit	1,050,790	1,008,731	668,907
Selling, general and administrative expenses	(568,149)	(502,747)	(433,617)
Other operating (expenses) income, net	(10,764)	(64,352)	5,877
Operating profit	471,877	441,632	241,167
Financial (expenses) income, net	(20,597)	(25,595)	(47,923)
Income before income tax and equity in earnings (losses) of associated companies	451,280	416,037	193,244
Equity in (losses) of associated companies	(6,802)	(41,296)	(3,827)
Income before income tax and minority interest	444,478	374,741	189,417
Recovery of income tax	36,783	—	—
Income tax	(219,288)	(108,956)	(63,299)
Effect of currency translation on tax base	(25,266)	(109,882)	(2,011)
Net income before minority interest	236,707	155,903	124,107
Minority interest	(142,403)	(74,557)	(47,401)
Net income	94,304	81,346	76,706

The following table sets forth, for the periods indicated, Tenaris' operating and other costs and expenses as a percentage of net sales for the periods indicated.

Percentage of net sales

YEAR ENDED DECEMBER 31	2002	2001	2000
Net sales	100.0%	100.0%	100.0%
Cost of sales	(67.4%)	(68.2%)	(71.7%)
Gross profit	32.6%	31.8%	28.3%
Selling, general and administrative expenses	(17.6%)	(15.8%)	(18.4%)
Other operating (expenses) income, net	(0.3%)	(2.0%)	0.2%
Operating profit	14.7%	13.9%	10.2%
Financial (expenses) income, net	(0.6%)	(0.8%)	(2.0%)
Income before income tax and equity in earnings (losses) of associated companies	14.0%	13.1%	8.2%
Equity in (losses) of associated companies	(0.2%)	(1.3%)	(0.2%)
Income before income tax and minority interest	13.8%	11.8%	8.0%
Recovery of income tax	1.1%		
Income tax	(6.8%)	(3.4%)	(2.7%)
Effect of currency translation on tax base	(0.8%)	(3.5%)	(0.1%)
Net income before minority interest	7.4%	4.9%	5.3%
Minority interest	(4.4%)	(2.3%)	(2.0%)
Net income	2.9%	2.6%	3.2%

Sales volume

The following table shows Tenaris' sales volume of seamless and welded pipe products by geographical region for the periods indicated.

Thousands of tons

YEAR ENDED DECEMBER 31	2002	2001	Increase / (Decrease)
South America	324	490	(34%)
North America	401	438	(8%)
Europe	644	715	(10%)
Middle East and Africa	522	582	(10%)
Far East and Oceania	392	448	(13%)
Total seamless pipe	2,283	2,673	(15%)
Welded pipes	585	432	35%
Total steel pipes	2,868	3,105	(8%)

Tenaris' sales volume of seamless pipe products decreased by 15% to 2,283,000 tons in 2002 from 2,673,000 tons in 2001. This significant decrease in sales volume primarily reflected the effects of lower levels of oil and gas drilling activity worldwide, as well as persistently lower levels of industrial production in the principal industrial regions of North America, Europe and Japan. Although oil prices remained at levels which, under typical circumstances, would have been expected to result in sustained levels of investment in oil and gas drilling, oil and gas exploration and production activity was affected by increased uncertainty over the future level of oil prices as a result of the prospect

of military action against Iraq and production cutbacks established by OPEC.

Sales volume of seamless pipe products decreased in all of Tenaris' markets as a result of the contraction affecting the oil and gas and industrial sectors worldwide. Sales of seamless pipe products were further affected in South America than in the other markets as a result of the political and economic developments that affected Argentina and Venezuela, Tenaris' main South American markets.

Sales volume of welded pipe products increased by 35% to 585,000 tons in 2002 from 432,000 in 2001, reflecting a period of high demand for welded pipes in connection with South American gas pipeline projects in Ecuador, Peru and Bolivia, which more than offset reduced sales in the Argentine market.

Sales of electric energy (all in Italy) increased by 11% to 2,060 GWh in 2002 from 1,848 GWh in 2001. This 11% increase reflected an increase in volumes of electricity sold mainly as a result of the expansion of the customer base. Sales of natural gas (all in Italy) increased to 456 million scm in 2002 from 21 million scm in 2001. This increase was attributable to the inclusion of sales of natural gas for an entire year following the commencement of these sales in December 2001.

Sales of other steel products (mainly sales of Sidor's flat products by Tenaris Global Services in Europe and North America) increased by

133% to 401,000 tons in 2002 from 172,000 tons in 2001. Sales of other steel products have been discontinued following the reorganization of Tenaris Global Services as a subsidiary of Tenaris.

Net sales

Net sales in 2002 totaled USD 3,219.4 million, compared to USD 3,174.3 million in 2001. This 1.4% increase resulted from increased sales volumes for welded pipes, increased sales of electricity and natural gas, increased sales of other steel products and increased average net sales prices for seamless pipes, which offset the effect of an overall reduction in seamless pipe sales volumes.

Net sales (by business segment)

The following table shows Tenaris' net sales by business segment in terms of U.S. dollars for the periods indicated.

Millions of USD

YEAR ENDED DECEMBER 31	2002	2001	Increase / (Decrease)
Seamless pipes	2,241.4	2,496.5	(10%)
Welded pipes	580.0	432.6	34%
Energy	210.4	113.1	86%
Other products and services	187.6	132.0	42%
Total	3,219.4	3,174.3	1%

The following table indicates the distribution of Tenaris' net sales by business segment for the periods indicated.

Percentage of total net sales

YEAR ENDED DECEMBER 31	2002	2001
Seamless pipes	70%	79%
Welded pipes	18%	14%
Energy	7%	4%
Other products and services	6%	4%
Total	100%	100%

Net sales of seamless pipe products in 2002 amounted to USD 2,241.4 million, compared to USD 2,496.5 million in 2001. This 10% decrease was due to a 14.6% overall reduction in sales volumes, partially offset by increased average net sales prices. Despite declining global market prices for seamless pipe products and lower prices in the Argentine market, average net sales prices for Tenaris' seamless pipe products increased as a result of higher U.S. dollar market prices in Europe; in addition, Tenaris sold a higher proportion of seamless pipes with significant value added in terms of heat treatment, finishing and services.

Net sales of welded pipe products in 2002 amounted to USD 580.0 million, compared to USD 432.6 million in 2001. This 34% increase was primarily attributable to higher sales volumes. Sales of welded pipes included sales of metal structures made by Tenaris' Brazilian welded pipe subsidiary in the amount of USD 83.5 million in 2002, compared to USD 70.5 million in 2001.

Net sales of other products and services amounted to USD 187.6 million in 2002, compared to USD 132.0 million in 2001. This 42% increase was mainly due to increased sales of other steel products by Tenaris Global Services, which amounted to USD 129.3 million in 2002, compared to USD 56.9 million in 2001. Sales of these other steel products have been discontinued following the reorganization of Tenaris Global Services as a subsidiary of Tenaris.

Net sales of energy (sales of electricity and natural gas in Italy to unaffiliated parties) totaled USD 210.4 million in 2002, compared to USD 113 million in 2001. This 86% increase reflected an increase in volumes of electricity sold, a contemporaneous increase in energy prices and the inclusion of revenues generated by sales of natural gas for an entire year following the commencement of these sales in December 2001.

Net sales (by geographical segment)

The following table shows Tenaris' net sales by region in terms of U.S. dollars for the periods indicated.

Millions of USD

YEAR ENDED DECEMBER 31	2002	2001	Increase / (Decrease)
South America	956.4	971.1	(2%)
North America	577.3	611.7	(6%)
Europe	829.7	680.5	22%
Middle East and Africa	511.1	520.9	(2%)
Far East and Oceania	344.9	390.1	(12%)
Total	3,219.4	3,174.3	1%

The following table indicates the percentage market distribution of Tenaris' net sales by region for the periods indicated.

Percentage of total net sales

YEAR ENDED DECEMBER 31	2002	2001
South America	30%	31%
North America	18%	19%
Europe	26%	21%
Middle East and Africa	16%	16%
Far East and Oceania	11%	12%
Total	100%	100%

Net sales in South America amounted to USD 956.4 million in 2002, compared to USD 971.1 million in 2001. This 2% decrease resulted from a significant reduction in sales volumes of seamless pipe products largely offset by a significant increase in sales volumes of welded pipe products.

Net sales in North America amounted to USD 577.3 million in 2002, compared to USD 611.7 million in 2001. This 6% decrease was attributable to a reduction in sales volumes of seamless pipes, partially offset by an increase in sales of other steel products.

Net sales in Europe totaled USD 829.7 million in 2002, compared to USD 680.5 million in 2001. This 22% increase was attributable to increased sales of electricity and natural gas by Dalmine Energie, increased sales of other steel products and higher U.S. dollar sales prices for Tenaris' seamless pipe products in Europe, which more than offset a reduced sales volume of seamless pipe products.

Net sales in the Middle East and Africa totaled USD 511.1 million in 2002, compared to USD 520.9 million in 2001. This 2% decrease was the result of reduced sales volumes of seamless pipes, partially offset by higher average selling prices.

Net sales in the Far East and Oceania totaled USD 344.9 million in 2002, compared to USD 390.1 million in 2001. This 12% decrease was due to a reduction in sales volume.

Cost of sales

Cost of sales, expressed as a percentage of net sales, decreased to 67.4% for the fiscal year ended December 31, 2002, from 68.2% for the previous fiscal year. This decrease resulted from lower cost of sales for seamless and welded pipe products, partially offset by higher sales of energy products and low-margin other steel products.

Cost of sales for seamless steel pipe products, expressed as a percentage of net sales, decreased to 63.4% in 2002 from 66.6% in 2001. This improvement is explained principally by a sharply-reduced cost of sales at Tenaris' operations in Argentina, partially offset by a higher cost of sales at Tenaris' operations in Mexico and Italy. The reduced costs in Argentina reflected the effects of the substantial devaluation of the Argentine peso on those costs denominated in Argentine pesos, the effects of which were offset only in part by concurrent inflation over the period. The increased costs in Mexico were the result of higher energy and raw material costs, while the increased costs in Italy were attributable to the appreciation of the euro against the U.S. dollar.

Cost of sales for welded pipe products, expressed as a percentage of net sales, decreased to 65.4% in 2002 from 67.9% in 2001. This improvement is explained principally by higher volumes leading to lower fixed and semi-fixed costs on a per ton basis.

Cost of sales for energy products, expressed as a percentage of net sales, decreased marginally to 94.4% in 2002 from 95.1% in 2001.

Cost of sales for other products and services, expressed as a percentage of net sales, increased to 90.5% in 2002 from 76.3% in 2001. This increase was due to sharply-increased sales volumes of low-margin other steel products.

Selling, general and administrative expenses

Selling, general and administrative expenses, or SG&A, increased significantly to USD 568.1 million, or 17.6% of net sales, compared to USD 502.7 million, or 15.8% of net sales, during 2001. This increase resulted primarily from increased selling expenses at Tenaris' welded pipe operations in Brazil (a net increase of USD 55.1 million in 2002), newly-introduced exports, financial transactions and other non-income related taxes in Argentina (USD 28.3 million) and higher selling expenses associated with an increased supply of value-added services to customers, which more than offset a reduction in general and administration expenses at Tenaris' subsidiaries in Argentina following the substantial devaluation of the Argentine peso. Tenaris' increased selling expenses in Brazil were attributable to higher export sales, changes in selling conditions and costs incurred in settling a contractual claim.

Other operating income (expenses), net

Other operating income and expenses showed a net loss of USD 10.8 million in 2002, compared to a net loss of USD 64.4 million in 2001. The improvement was mainly attributable to higher other operating income and the effect of provisions recorded in respect of the BHP litigation.

Other operating income of USD 15.6 million in 2002, compared to USD 0.6 million in 2001, resulted from insurance reimbursements, gains on government securities and proceeds from the sale of warehouses.

Other operating expenses amounted to USD 26.3 million in 2002, compared to USD 64.9 million in 2001. Other operating expenses in 2001 included USD 41.1 million corresponding to a provision established at Dalmine in respect of the BHP proceedings, while other operating expenses in 2002 primarily reflected a USD 18.9 million increase in such provision.

Financial income (expenses), net

Financial results showed a net loss of USD 20.6 million in 2002, compared to a net loss of USD 25.6 million in 2001. This improvement was mainly attributable to reduced net interest expenses of USD 20.3 million in 2002, compared to USD 41.1 million in 2001, as a result of lower net debt.

Equity in earnings (losses) of associated companies

Tenaris' share in the results of associated companies generated a loss of USD 6.8 million in 2002, compared to a loss of USD 41.3 million in 2001. This decreased loss was primarily attributable to lower losses associated with Tenaris' investment in Amazonia (USD 7.7 million in 2002, compared to USD 31.3 million in 2001). In addition, in 2001 Tenaris disposed of its interests in Siderar and DMV Stainless, which had generated losses of USD 9.8 million in 2001.

Income tax

Tenaris recorded an income tax provision of USD 219.3 million in 2002, compared to an income tax provision of USD 109.0 million in 2001. In 2002, Tenaris also recovered USD 36.8 million in income taxes following a favorable tax judgment in a claim brought by Tenaris' main subsidiary in Mexico. The 101% increase in Tenaris' income tax provision mainly reflected the higher operating income of Tenaris' subsidiaries in Argentina as a result of the sharp reduction in their costs of sales following the devaluation of the Argentine peso and the other income arising as a result of the effect of the devaluation of the Argentine peso on the monetary position in foreign currency (including assets held in trust funds) of Tenaris' subsidiaries in Argentina.

Effect of currency translation on tax bases

In 2001, Tenaris' net income was negatively affected by a deferred tax charge of USD 109.9 million due to the effect of the devaluation of the Argentine peso on the tax bases of the non-monetary assets of its subsidiaries in Argentina. In 2002, Tenaris' net income was negatively affected by a further deferred tax charge of USD 25.3 million for the same concept. See Note 7 (II) to Tenaris' audited combined consolidated financial statements at, and for the fiscal year ended December 31, 2002.

Minority interest

Minority interest showed a loss of USD 142.4 million in 2002, compared to a loss of USD 74.6 million in 2001. This increased loss is primarily due to the improvement in the results of most

of the Tenaris companies and the consequent increases in the amounts attributable to minority interests in those companies, especially in:

- Tamsa, where minority shareholders shared USD 63.6 million of Tamsa's income in 2002, compared to USD 34.7 million in 2001;
- Siderca, where minority shareholders shared USD 39.7 million of Siderca's income in 2002, compared to USD 25.6 million in 2001;
- Confab, where minority shareholders shared USD 31.0 million of Confab's income in 2002, compared to USD 12.6 million of Confab's losses in 2001; and
- Dalmine, where minority shareholders shared USD 6.4 million of Dalmine's income in 2002, compared to USD 1.4 million of Dalmine's income in 2001.

Minority interest attributable to participations in Tamsa, Siderca and Dalmine acquired in the exchange offer showed a loss of USD 99.5 million in 2002, compared to a loss of USD 54.5 million in 2001.

Net income (loss)

Tenaris recorded net income of USD 94.3 million in 2002, compared to USD 81.3 million in 2001. Net income before deduction of minority interest attributable to participations in consolidated subsidiaries acquired in the exchange offer increased to USD 193.8 million

in 2002, compared to USD 135.8 million in 2001. This improvement was attributable to a variety of factors, including improved operating and financial results, reduced losses in associated companies and an income tax recovery at Tenaris' principal Mexican subsidiary.

Liquidity and Capital Resources

Thousands of USD

YEAR ENDED DECEMBER 31	2002	2001	2000
Net cash provided by operations	461,436	544,228	274,195
Net cash (used in) provided by investment activities	(180,606)	(284,340)	(263,762)
Net cash (used in) provided by financing activities	(184,376)	(138,021)	6,018
Increase (decrease) in cash and cash equivalents	96,454	121,867	16,451
Effect of exchange rates on cash and cash equivalents	(5,732)	(4,943)	(10,360)
Cash and cash equivalents at the beginning of period	213,814	96,890	90,799
Cash and cash equivalents at the end of period	304,536	213,814	96,890

Tenaris' cash and cash equivalents increased by USD 90.7 million to USD 304.5 million from USD 213.8 million at December 31, 2001. In addition, Tenaris had investments of USD 135.8 million in trust funds established to support the operations of its subsidiaries in Argentina and Brazil.

Net cash provided by operations was USD 461.4 million in 2002.

Net cash used in investing activities was USD 180.6 million during the fiscal year ended December 31, 2002. The principal uses of funds in investing activities during the period included USD 124.6 million in investments in property, plant and equipment, USD 23.0 million in investments in intangible assets, USD 32.3 million in investments in trust funds established to support Tenaris' operations in Argentina and Brazil, and USD 14.8 million in costs relating to the exchange offer completed in December 2002, partially offset by USD 14.4 million provided by sales of property, plant and equipment. Net capital

expenditure (inclusive of investment in intangible assets) was USD 133.2 million, compared to a net capital expenditure of USD 183.0 million in 2001.

Net cash used in financing activities was USD 184.4 million, consisting of net repayment of bank and financial loans of USD 103.6 million and dividend payments of USD 80.8 million.

Net working capital, calculated as the excess of current assets over current liabilities, increased by USD 124.3 million reflecting an increase in trade and other receivables (USD 156.2 million) and decreases in inventories (USD 46.1 million), advances from customers (USD 32.3 million) and trade payables (USD 28.9 million).

Tenaris' debt to total assets ratio remained stable at 0.53 to 1 at December 31, 2002, compared to 0.53 to 1 at December 31, 2001.

Financing

Tenaris' consolidated financial debt at December 31, 2002, net of cost of issuance of debt, was USD 715.9 million, compared to USD 765.5 million at December 31, 2001. Of this amount, USD 288.9 million was denominated in U.S. dollars and USD 427.0 million was non-USD denominated.

Of Tenaris' debt at December 31, 2002, USD 393.7 million was short-term, and USD 322.2 million, long-term.

Of Tenaris' total consolidated financial debt, USD 641.0 million were bank borrowings

with an average interest rate of 3.61%, USD 9.6 million were bank overdrafts with an average interest rate of 4.30%, USD 54.2 million were debentures and other loans with an average interest rate of 3.99%, and USD 11.6 million were finance lease liabilities with an average interest rate of 3.56%. The cost of issuance of debt amounted to 0.5 million.

Neither Tenaris nor any of its subsidiaries has any limitation on investments in property, plant and equipment or in other companies. Dividend payments and repurchase of shares are not prohibited by any event of default or covenants under any present loan agreement. At December 31, 2002, Tenaris and all of its subsidiaries were in compliance with all applicable financial and other covenants.

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REPORT OF INDEPENDENT AUDITORS

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

In our opinion, the accompanying consolidated combined balance sheets and the related consolidated combined statements of income, of cash flow and of changes in shareholders' equity, all expressed in US dollars, present fairly, in all material respects, the financial position of Tenaris S.A. and its subsidiaries at December 31, 2002 and 2001, and the results of their operations and their cash flows for each of the three years in the period ended December 31, 2002 in conformity with International Accounting 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 the consolidated combined financial statements in accordance with auditing standards generally accepted in the United States of America which 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 statements presentation. We believe that our audits provide a reasonable basis for the opinion expressed above.

PricewaterhouseCoopers
 Réviseur d'entreprises
 Represented by

Luxembourg, March 6, 2003



Ian Whitecourt

TENARIS S.A.

Consolidated combined financial
statements for the years ended December 31,
2002, 2001 and 2000.

CONSOLIDATED COMBINED INCOME STATEMENT

All amounts in USD thousands

YEAR ENDED DECEMBER 31	NOTES	2002	2001	2000
Net sales	1	3,219,384	3,174,299	2,361,319
Cost of sales	2	(2,168,594)	(2,165,568)	(1,692,412)
Gross profit		1,050,790	1,008,731	668,907
Selling, general and administrative expenses	3	(568,149)	(502,747)	(433,617)
Other operating income	5 (I)	15,589	585	11,690
Other operating expenses	5 (II)	(26,353)	(64,937)	(5,813)
Operating profit		471,877	441,632	241,167
Financial income (expenses), net	6 (I)	(11,145)	(18,417)	(39,550)
Other exchange rate differences	6 (II)	(9,452)	(7,178)	(8,373)
Income before income tax and equity in earnings (losses) of associated companies		451,280	416,037	193,244
Equity in (losses) of associated companies	11	(6,802)	(41,296)	(3,827)
Income before income tax and minority interest		444,478	374,741	189,417
Recovery of income tax	7 (I)	36,783	–	–
Income tax	7 (II)	(219,288)	(108,956)	(63,299)
Effect of currency translation on tax base	7 (III)	(25,266)	(109,882)	(2,011)
Net income before minority interest		236,707	155,903	124,107
Minority interest (1)	26	(42,881)	(20,107)	(681)
Net income before other minority interest		193,826	135,796	123,426
Other minority interest (2)	26	(99,522)	(54,450)	(46,720)
Net income		94,304	81,346	76,706

Number of shares and earnings per share. (see Note 8)

- (1) Minority interest represents the participation of minority shareholders of those consolidated subsidiaries not included in the exchange transaction (including Confab Industrial, NKK Tubes and Tubos de Acero de Venezuela), as well as the participation at December 31, 2002, of minority shareholders of Siderca, Dalmine and Tamsa that did not exchanged their participation.
- (2) Other minority interest represents the participation of minority shareholders attributable to the exchanged shares, since January 1, 2002 until the Exchange date.

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

CONSOLIDATED COMBINED BALANCE SHEET

All amounts in USD thousands

YEAR ENDED DECEMBER 31	NOTES	2002	2001
ASSETS			
NON-CURRENT ASSETS			
Property, plant and equipment, net	9	1,934,237	1,971,318
Intangible assets, net	10	32,684	47,631
Investments in associated companies	11	14,327	27,983
Other investments	12	159,303	127,202
Deferred tax assets	19	49,412	24,187
Receivables	13	16,902	20,497
		2,206,865	2,218,818
CURRENT ASSETS			
Inventories	14	680,113	735,574
Receivables and prepayments	15	155,706	124,221
Trade receivables	16	670,226	545,527
Cash and cash equivalents	17	304,536	213,814
Total assets		4,017,446	3,837,954
EQUITY AND LIABILITIES			
Shareholders' equity			
Shareholders' equity		1,694,054	875,401
Minority interest	26	186,783	918,981
NON-CURRENT LIABILITIES			
Borrowings	18	322,205	393,051
Deferred tax liabilities	19	320,753	262,963
Deferred tax - Effect of currency translation on tax base	19	114,826	89,560
Employee liabilities	20 (I)	123,023	153,458
Provisions	21 (II)	33,874	38,080
Trade payables		18,650	21,547
		933,331	958,659
CURRENT LIABILITIES			
Borrowings	18	393,690	372,416
Current tax liabilities		161,704	60,150
Other liabilities	20 (II)	53,428	80,596
Provisions	22 (II)	73,953	78,297
Customers advances		37,085	69,440
Trade payables		483,418	424,014
Total liabilities		2,136,609	2,043,572
Total equity and liabilities		4,017,446	3,837,954

Contingencies, commitments and restrictions on the distribution of profits. (see Note 24)

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

CONSOLIDATED COMBINED STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY

All amounts in USD thousands

YEAR ENDED DECEMBER 31, 2000	
Balance at January 1, 2000	954,864
Currency translation differences	(7,061)
Change in ownership in Exchange Companies	11,617
Dividends paid in cash	(110,768)
Net income	76,706
Balance at December 31, 2000	925,358
YEAR ENDED DECEMBER 31, 2001	
Balance at January 1, 2001	925,358
Effect of adopting IAS 39 – Note 23	(1,007)
Currency translation differences	(10,453)
Change in ownership in Exchange Companies	(10,558)
Dividends paid in cash and in kind	(109,285)
Net income	81,346
Balance at December 31, 2001	875,401
YEAR ENDED DECEMBER 31, 2002	
Balance at January 1, 2002	875,401
Currency translation differences	(34,503)
Change in ownership in Exchange Companies	1,724
Dividends paid in cash	(39,290)
Effect of the Exchange transaction	796,418
Net income	94,304
Balance at December 31, 2002	1,694,054

Shareholders' equity under International Accounting Standards at December 31, 2002 comprises the following captions:

Share capital	1,160,701
Legal reserve	116,070
Share premium	587,493
Other distributable reserves	206,744
Adjustments from Luxembourg GAAP to International Accounting Standards	(376,954)
Total shareholders' equity	1,694,054

The shareholders' equity in accordance with Luxembourg regulations is disclosed in Note 24 (VIII).

Dividends may be paid by Tenaris to the extent distributable retained earnings calculated in accordance with Luxembourg GAAP exist.

Therefore, retained earnings included in the consolidated combined financial statements may not be wholly distributable. (see Note 24 (VIII))

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

CONSOLIDATED COMBINED CASH FLOW STATEMENT

All amounts in USD thousands

YEAR ENDED DECEMBER 31	NOTES	2002	2001	2000
CASH FLOWS FROM OPERATING ACTIVITIES				
NET INCOME		94,304	81,346	76,706
ADJUSTMENTS TO RECONCILE NET INCOME TO NET CASH PROVIDED BY OPERATING ACTIVITIES:				
Depreciation of property, plant and equipment	9	160,958	148,939	148,640
Amortization of intangible assets	10	15,357	12,771	8,003
Provision from BHP proceedings	5 (II)	18,923	41,061	–
Equity in losses of associated companies	11	6,802	41,296	3,827
Minority interest in net loss of subsidiaries	26	142,403	74,557	47,401
Allowance for doubtful accounts	22 (I)	2,287	5,372	4,905
Allowance for receivables	22 (I)	1,334	13,617	4,564
Provision for legal claims and contingencies and restructuring –non current	21 (II)	4,307	12,113	5,119
Provision for obsolescence	22 (I)	19,042	6,985	3,963
Provision –current	22 (II)	8,122	7,666	–
Income tax	7 (II)	219,288	108,956	63,299
Effect of currency translation on tax base	7 (II)	25,266	109,882	2,011
Interest expenses	6	34,480	43,676	36,148
DECREASE (INCREASE) IN ASSETS (a)				
Trade receivables		(126,986)	(40,045)	(34,063)
Inventories		46,074	(61,049)	(129,330)
Receivables		(29,224)	17,622	10,583
Dividends received from associated companies		–	–	1,489
INCREASE (DECREASE) IN LIABILITIES AND OTHERS (a)				
Trade payables and others		(28,934)	11,282	159,013
Customer advances		(32,355)	53,587	(9,309)
Provisions		(22,228)	(5,187)	(15,079)
Payment to BHP related to interim damages		(22,485)	–	–
Currency translations adjustments		24,477	(36,311)	(13,041)
Cash provided by operations		561,212	648,136	374,849
INCOME TAX PAID		(70,076)	(69,648)	(61,093)
INTEREST PAID		(29,700)	(34,260)	(39,561)
Net cash provided by operations		461,436	544,228	274,195

(a) Includes the effect the fair value of net assets and liabilities acquired on the exchange transaction.

All amounts in USD thousands

	NOTES	2002	2001	2000
CASH FLOWS FROM INVESTMENT ACTIVITIES				
Additions of property, plant and equipment	9	(124,605)	(200,011)	(225,851)
Proceeds from disposition of property, plant and equipment	9	14,427	39,893	26,385
Additions of intangible assets	10	(22,972)	(22,838)	(39,458)
Cost of exchange offer		(14,787)	–	–
Acquisitions of investments in associated companies	11	(320)	–	(28,592)
Proceeds from sales of investments in associated companies	11	–	2,054	–
Proceeds from sales of investments under cost method		–	–	3,754
Changes in trust fund		(32,349)	(103,438)	–
Net cash used in investment activities		(180,606)	(284,340)	(263,762)
CASH FLOWS FROM FINANCING ACTIVITIES				
Dividend paid to minority interest	26	(41,484)	(46,622)	(103,347)
Dividends paid in cash		(39,290)	(66,090)	(110,768)
Change in ownership in Exchange Companies		–	(10,558)	11,617
Proceeds from borrowings		425,268	253,071	450,664
Repayments of borrowings		(528,870)	(267,822)	(242,148)
Net cash (used in) provided by financing activities		(184,376)	(138,021)	6,018
INCREASE IN CASH AND CASH EQUIVALENTS		96,454	121,867	16,451
MOVEMENT IN CASH AND CASH EQUIVALENTS				
At beginning of year	17	213,814	96,890	90,799
Effect of exchange rate changes on cash and cash equivalents		(5,732)	(4,943)	(10,360)
Increase		96,454	121,867	16,451
At December 31	17	304,536	213,814	96,890
NON-CASH FINANCING ACTIVITY:				
Common stock issued in acquisition of minority interest		796,418	–	–
Dividends paid in kind to majority shareholders (shares of Siderar)		–	43,195	–
Dividends paid in kind to minority interest (shares of Siderar)		–	17,497	–

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

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ACCOUNTING POLICIES

The following is a summary of the principal accounting policies followed in the preparation of these consolidated combined financial statements:

A. Business of the Company and basis of presentation

1. Business of the Company

Tenaris S.A. (the “Company”), a Luxembourg corporation, was incorporated on December 17, 2001, to hold investments in steel pipe manufacturing and distributing companies.

Upon Tenaris incorporation in December 2001, the Company issued 30,107 shares, all of them held by Sidertubes S.A. (“Sidertubes”). On October 18, 2002, the parent company Sidertubes S.A. (“Sidertubes”) contributed all of its assets to the Company in exchange for shares of Tenaris. The assets of Sidertubes contributed to the Company included the shares that Sidertubes held directly or indirectly in Siderca S.A.I.C. (“Siderca”) (71.17%), Tubos de Acero de México S.A. (“Tamsa”) (6.94%), Dalmine S.p.A. (“Dalmine”) (0.22%) and Abeluz S.A., a company to be renamed as Tenaris Global Services S.A. (“Tenaris Global Services”) (100%). Siderca held an additional 43.83% of Tamsa, an additional 47.00% of Dalmine, an additional 73.00% of Metalmecánica and an additional 48.00% of Metalcentro. Tenaris issued 710,747,090 shares in exchange for the contribution and 30,010 shares were cancelled.

On November 11, 2002 Tenaris announced the commencement of its offer to exchange its

ordinary shares and ADSs for all outstanding Class A ordinary shares and ADSs of Siderca, all outstanding common shares and ADSs of Tamsa and all outstanding ordinary shares of Dalmine. The exchange offer was concluded successfully on December 13, 2002. As a result of the transaction, the Company acquired 27.94% of Siderca shares and ADSs, 43.73% of Tamsa shares and ADSs and 41.19% of Dalmine shares. Therefore, after the conclusion of the exchange offer, Tenaris holds directly or indirectly 99.11%, 94.50% and 88.41% of the share capital of Siderca, Tamsa and Dalmine, respectively.

As a consideration of the exchange transaction, Tenaris issued 449,953,607 common shares; accordingly, Tenaris has a total of 1,160,700,794 shares issued and outstanding, with 61.23% held by Sidertubes, and 38.77% held by the public. Since December 16, 2002, Tenaris ordinary shares started trading in the Buenos Aires, Mexican and Italian stock exchanges and its ADSs in the New York Stock Exchange under the symbol TS.

As a result of Tenaris’ new ownership level in Siderca and Tamsa, in accordance with Argentine and Mexican laws, Tenaris is entitled, and may also be required, to make further offers to the investors that did not exchange their shares. Additionally, Tenaris has committed with Borsa Italiana to take steps aimed at causing the delisting of Dalmine within the next 12 months.

On February 21, 2003, Tenaris announced a plan for the acquisition of remaining minority interests (0.89%) in Siderca for six Argentine pesos (ARP 6.00) per Siderca share or sixty Argentine pesos (ARP 60.00) per Siderca ADS. Tenaris will not consummate the compulsory acquisition of Siderca shares and ADSs until it obtains the approval of the Argentine securities regulators.

2. Basis of presentation of the consolidated combined financial statements

The consolidated combined financial statements have been prepared in accordance with International Accounting Standards (“IAS”) adopted by the International Accounting Standards Board (“IASB”) and interpretations issued by the Standing Interpretations Committee (“SIC”) of the IASB. The consolidated combined financial statements are presented in thousands of U.S. dollars (“USD”).

At December 31, 2002 the financial statements of Tenaris and its subsidiaries have been consolidated. For comparative purposes, and as Siderca, Dalmine, Tamsa and Tenaris Global Services were under the common control of Sidertubes until October 18, 2002, their consolidated financial statements have been retroactively combined with those of the Company and presented as one company (“Tenaris”) in these consolidated combined financial statements for the period ended October 18, 2002 and for the years ended December 31, 2001 and 2000. The percentages of ownership and voting rights considered in the preparation of these consolidated combined financial statements correspond to those of

the parent company at those periods/years end. The percentage of ownership and voting rights considered in the preparation of the consolidated financial statements correspond to those of Tenaris as from October 18, 2002 and as at December 31, 2002.

The assets and liabilities of Siderca, Dalmine, Tamsa and Tenaris Global Services at December 31, 2001 have been accounted for at the relevant predecessor’s cost, reflecting the carrying amount of such assets and liabilities contributed to the Company. Accordingly, the consolidated combined financial statements include the financial statements of Siderca, Dalmine, Tamsa and Tenaris Global Services at historical book values on a carryover basis as though the contribution had taken place on January 1, 2000, and no adjustment has been made to reflect fair values at the time of the contribution. As explained in Note B (1), at December 31, 2002 assets and liabilities have been adjusted for the effect of the purchase method of accounting applied to the exchange transaction.

Dalmine and Tamsa were consolidated due to the control exercised by Sidertubes through the appointment of the majority of the directors and key management even in those years when Sidertubes did not own more than 50% of the voting rights.

Certain reclassifications of balances and elimination of all material intercompany transactions and balances between the Company and the other companies and their respective subsidiaries have been made.

Where necessary, comparative figures have been adjusted to conform to changes in presentation in the current year.

The preparation of financial statements requires management to make estimates and assumptions regarding the reported amounts of assets and liabilities, 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

These consolidated combined financial statements include the financial statements of Tenaris' subsidiary companies. Subsidiary companies are those entities in which Tenaris has an interest of more than 50% of the voting rights or otherwise has the power to exercise control over the operations.

Subsidiaries are consolidated from the date on which control is transferred to the Company and are no longer consolidated from the date that control ceases. The purchase method of accounting is used to account for the acquisition of subsidiaries. The cost of an acquisition is measured as the fair value of the assets given up, shares issued or liabilities undertaken at the date of acquisition plus costs directly attributable to the acquisition. The excess of the cost of acquisition over the fair value of the net assets of the subsidiary acquired is recorded as goodwill.

As explained in Note A (1), on December 13, 2002 the Company acquired additional interests in Siderca, Tamsa and Dalmine. This acquisition was accounted for under the purchase method mentioned above. The acquisition cost was determined on the basis of the opening price of Tenaris shares on its first day on the trading market, December 16, 2002, and the exchange relationship of each of Siderca, Tamsa and Dalmine proposed in the exchange offer. The acquisition costs amounted to USD 457.3 million for Siderca, USD 278.9 million for Tamsa and USD 75.1 million for Dalmine, and included the cost of the issuance of Tenaris shares. As a result of the purchase method of accounting, a goodwill of USD 100.1 million was determined for the acquisition of the additional interest in Siderca and negative goodwill amounting to USD 67.1 million and USD 38.2 million was determined for the acquisition of the additional interest of Tamsa and Dalmine, respectively.

All intercompany transactions, balances and unrealized results on transactions between Tenaris' subsidiaries are eliminated, to the extent of Tenaris' interest in those subsidiary companies. Where necessary, accounting policies for subsidiaries have been changed to ensure consistency with the policies adopted by Tenaris.

See Note 29 for the list of the consolidated subsidiaries.

2. Associated companies

Investments in associated companies are accounted for by the equity method of accounting. 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 (see Note B (1)). Unrealized results on transactions between Tenaris and its associated companies are eliminated to the extent of Tenaris' interest in the associated companies.

Tenaris' investments in shares of Consorcio Siderurgia Amazonia Ltd. ("Amazonia") (14.11% during the years ended December 31, 2002, 2001 and 2000) and Siderar S.A.I.C. (10.71% until November 27, 2001) were also accounted for under the equity method as Tenaris has significant influence in Amazonia.

Management periodically evaluates the carrying value of its investments in associated companies for impairment. The carrying value of these investments is considered impaired when a permanent decrease in the value of the investments has occurred.

See Note 11 for the list of principal associated companies.

C. Foreign currency translation

1. Translation of financial statements in currencies other than the U.S. dollar; measurement currencies SIC-19 states that the measurement currency should provide information about the enterprise that is useful and reflects the economic substance of the underlying events and circumstances relevant to the enterprise.

The measurement currency of Tenaris is the U.S. dollar. Although the Company is located in Luxembourg, Tenaris operates in several countries with different currencies. The U.S. dollar is the currency that better reflects the economic substance of the underlying events and circumstances relevant to Tenaris as a whole. Generally, the measurement currencies of the main companies in these financial statements are the respective local currencies. In the case of Siderca, however, the measurement currency is the U.S. dollar, because:

- Siderca is located in Argentina and its local currency is affected by recurring severe economic crisis;
- sales are denominated and settled in U.S. dollars or, if in a currency other than the U.S. dollar, the price is sensitive to movements in the exchange rate with the U.S. dollar;
- purchases of critical raw materials are financed in U.S. dollars generated by financing or operating activities;
- most of the net financial assets and liabilities are mainly obtained and retained in U.S. dollars.

Income statements of subsidiary companies stated in currencies other than the U.S. dollar are translated into U.S. dollars at the weighted average exchange rates for the year, while balance sheets are translated at the exchange rates at December 31. Translation differences are recognized in shareholders' equity. Upon sale or other disposition of any such subsidiary, any accumulated translation differences are recognized in the income statement as part of the gain or loss on sale.

In the case of Tamsa, which reported in the currency of a hyperinflationary economy until December 31, 1998, the financial statements up to that date were restated in constant local currency in accordance with IAS 29.

2. Transactions in currencies other than the measurement currency

Transactions in currencies other than the measurement 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 and from the translation of monetary assets and liabilities denominated in foreign currencies are recognized in the income statement. Net foreign exchange transaction gains/losses of subsidiaries with a measurement currency different from the USD have been disclosed in the Consolidated Combined Income Statement under the caption "Other exchange rate differences".

D. Property, plant and equipment

Property, plant and equipment are recognized at historical acquisition or construction cost. Land and buildings comprise mainly factories and offices and are shown at historical cost less depreciation. In the case of business acquisitions, proper consideration to the fair value of the assets has been given as explained in Note B (1).

Major overhaul and rebuilding expenditure that improve the condition of an asset beyond its original condition is capitalized as property,

plant and equipment and depreciated over the useful life of the related assets.

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

Special maintenance expenses incurred to maintain the production capacity of the industrial facilities are recorded as deferred expenses when incurred and amortized over a period of 12 to 24 months, which corresponds to the period in which the benefits of the maintenance are expected to be realized.

Interest relating to the financing of relevant construction in progress is capitalized based upon long-term debt related interest expense incurred in connection with such construction in progress during the period of time that is required to complete and prepare the asset for its intended use.

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

LAND	NO DEPRECIATION
Buildings and improvements	30-50 years
Plant and production equipment	10-20 years
Vehicles, furniture and fixtures and other equipment	4-10 years

Restricted tangible assets in Dalmine with a net book value at December 31, 2002 of USD 4.5 million are assets that will be returned to the Italian government authorities upon expiration of the underlying contract. These assets are depreciated over the shorter of their estimated useful economic lives and the period of contract.

In all cases where the carrying amount of an asset is greater than its estimated recoverable amount, it is written down immediately to its recoverable amount. However, management considers that there has been no impairment in the carrying value of property, plant and equipment.

E. Impairment

Circumstances affecting the recoverability of tangible and intangible assets may change. If this happens, the recoverable amount of the relevant assets is estimated. The recoverable amount is determined as the higher of the asset's net selling price and the present value of the estimated future cash flows. If the recoverable amount of the asset has dropped below its carrying amount, the asset is written down immediately to its recoverable amount.

No impairment provisions were recorded, other than the investment in Amazonia (see Note 11).

F. Intangible assets

1. Goodwill

Goodwill represents the excess of the acquisition cost over the fair value of Tenaris' participation in the acquired company's net assets at the acquisition date. Goodwill is

amortized using the straight-line method over its estimated useful life, not exceeding 20 years. Amortization is included in cost of sales.

Goodwill and fair value adjustments arising in connection with acquisitions of a foreign entity are treated as measurement currency assets and liabilities of the acquiring entity.

2. Negative goodwill

Negative goodwill represents the excess of the fair values of Tenaris' participation in the acquired company's net assets at the acquisition date over the acquisition cost. Negative goodwill is recognized as income on a systematic basis over the remaining weighted average useful life of the identifiable acquired depreciable assets. This income is included in cost of sales.

3. Information system projects

Generally, costs associated with developing or maintaining computer software programs are recognized as an expense as incurred. However, costs directly related to development, acquisition and implementation of information systems are recognized as intangible assets if they have a probable economic benefit exceeding the cost beyond one year.

Information system projects recognized as assets are amortized using the straight-line method over their useful lives, not exceeding a period of 3 years.

4. Research and development

Research expenditures are recognized as expenses as incurred. In accordance with IAS 38, development costs during the years ended on

December 31, 2002, 2001 and 2000 were charged to income as incurred because they did not fulfil the criteria for capitalization.

5. Licenses and patents

Expenditures on acquired patents, trademarks, technology transfer and licenses are capitalized and amortized using the straight-line method over their useful lives, but not exceeding 20 years.

G. Other investments

On January 1, 2001 Tenaris adopted IAS 39- Financial Instruments: Recognition and Measurement. The total impact on shareholders' equity on that date amounted to a loss of USD 1,007 thousand.

Under IAS 39, investments have to be classified into the following categories: held-to-maturity, trading, or available-for-sale, depending on the purpose for acquiring the investments. Investment that do not fulfil the specific requirements of IAS 39 for trading or held-to-maturity categories have to be included as "available-for-sale". All the investments of Tenaris, as explained in Financial risk management section, are currently classified as available-for-sale in non-current assets, because they do not meet the criteria established by IAS 39 for classification as held for trading or held to maturity.

Siderca, Siat and Confab have placed financial resources within trusts whose objective is exclusively to ensure that the financial needs for normal development of their operations are met. The funds mainly comprise time deposits and commercial papers. The trust agreements expire on December, 2004.

Investments in companies for which fair values cannot be measured reliably are reported at cost less impairment.

All purchases and sales of investments are recognized on the trade date, not significantly different from the settlement date, which is the date that Tenaris commits to purchase or sell the investment. Costs include transaction costs.

Subsequent to their acquisition, available-for-sale investments are carried at fair value. Realized and unrealized gains and losses arising from changes in the fair value in those investments are included in the income statement for the period in which they arise.

H. Inventories

Inventories are stated at the lowest of cost and net realizable value (calculated principally using the average cost method). The cost of finished goods and work in progress comprises raw materials, direct labor, other direct costs and related production overheads including amortization. Net realizable value is the estimated selling price in the ordinary course of business, less the costs of completion and selling expenses. In the case of business acquisitions, proper consideration to the fair value of the assets has been given as explained in Note B (1).

An allowance for obsolescence or slow-moving inventory is made based on the management's analysis of inventory levels and future sales forecasts.

Goods in transit at year-end are valued at supplier invoice cost.

I. Trade receivables

Trade receivables are carried at original invoice amount less an estimate made for doubtful receivables.

The allowance for doubtful accounts is recognized when, based on current information and events, it is probable that the company will be unable to collect all amounts due according to the terms of the agreement.

Tenaris specifically analyses accounts receivable and historical bad debts, customer concentrations, customer creditworthiness, current economic trends and changes in customer payment terms when evaluating the adequacy of the allowance for doubtful accounts.

J. Cash and cash equivalents

Cash and cash equivalents are carried in the balance sheet at cost. Highly liquid short-term securities are carried at fair market value.

For the purposes of the cash flow statement, cash and cash equivalents comprise cash, bank current accounts and short-term highly liquid investments (original maturity of less than 90 days).

In the balance sheet, bank overdrafts are included in borrowings in current liabilities.

K. Shareholders' equity

1. Basis of combination

The consolidated combined statement of changes in shareholders' equity was prepared based on the following:

- Currency translation differences due to the translation of the financial statements in currencies of the combined consolidated companies are shown in a separate line;
- Changes in ownership in Exchange Companies comprise the net increase or decrease in the percentage of ownership that Sidertubes owned in these companies;
- Dividends paid include the dividends paid by Siderca, Tamsa, Dalmine or Tenaris Global Services to Sidertubes prior to the contribution of Sidertubes' assets to the Company, as if they had been paid by Tenaris to Sidertubes, as well as the dividends effectively paid by Tenaris to its shareholders.

2. Dividends

Dividends are recorded in Tenaris financial statements in the period in which they are approved by Tenaris shareholders, or when decided interim dividends by the board of directors in accordance with the authority given to them by the by-laws of the Company.

On August 27, 2002 the board of directors approved the payment of an interim dividend of USD 9,270 thousand.

Dividends may be paid by Tenaris to the extent distributable retained earnings calculated in accordance with Luxembourg GAAP exist. Therefore, retained earnings included in the consolidated combined financial statements may not be wholly distributable (see Note 24 (VIII)).

L. Borrowings

Borrowings are recognized initially for an amount equal to the proceeds received net of transaction costs. In subsequent periods, borrowings are stated at amortized cost; any difference between proceeds and the redemption value is recognized in the income statement over the period of the borrowings.

M. Deferred income taxes

Under present Luxembourg law, so long as the Company maintains its status as a holding company, no income tax, withholding tax (including with respect to dividends), or capital gain tax is payable in Luxembourg by the Company.

The current income tax charge is calculated on the basis of the tax laws existing in the countries in which Tenaris “subsidiaries” operate.

Deferred income tax is provided in full, using 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 the effect of currency translation on tax base, depreciation on property, plant and equipment, inventories valuation and provisions for pensions; and, in relation to acquisitions, on the difference between the fair values of the net assets acquired and their tax base. Deferred income tax provisions are determined based on tax rates in effect at the balance sheet date.

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

N. Employee liabilities

1. Employees’ statutory profit sharing

Under Mexican law, Tenaris’ Mexican subsidiary companies are required to pay an annual benefit to their employees, which is calculated on the basis of the performance of each company. Employees’ statutory profit sharing is provided under the liability method. Temporary differences arise between the “statutory” bases of assets and liabilities used in the determination of the profit sharing and their carrying amounts in the financial statements.

2. Employees’ severance indemnity

This provision comprises the liability accrued on behalf of Dalmine and Tamsa employees at the balance sheet date in accordance with current legislation and the labor contracts in effect in the respective countries.

Employees' severance indemnity costs are assessed using the projected unit credit method: the cost of providing this obligation is charged to the income statement over the service lives of employees in accordance with the advice of the actuaries. This provision is measured at the present value of the estimated future cash outflows using applicable interest rates.

3. Pension obligations

Siderca implemented a defined benefit employee retirement plan for Siderca's and certain other officers throughout the world on August 1, 1995. The plan is designed to provide retirement, termination, and other benefits to those officers. Under certain circumstances the plan can be modified or discontinued by the company. In such cases, beneficiaries would still have rights under the plan, but only according to the benefits accrued up to the date when the modification or interruption has occurred. Siderca is accumulating assets for the ultimate payment on those benefits in the form of investments that carry time limitation for their redemption. These investments amounted to USD 9,397 thousand and USD 9,095 thousand at December 31, 2002 and December 31, 2001 respectively. Siderca may use the investments for other purposes. If Siderca redeems or makes use of such investments prior to defined dates and for purposes other than the payment of the above mentioned benefit, amounts invested will be subject to penalties. The investments are neither part of a particular plan nor segregated from Siderca's other assets. Due to these conditions, the plan is classified as "unfunded" under International Accounting Standards definition.

Retirement costs are assessed using the project unit credit method: the cost of providing retirement benefits is charged to the income statements over the services lives of employees, based on actuarial calculations. This provision is measured at the present value of the estimated future cash outflows using applicable interest rate. Actuarial gains and losses are recognized over the average remaining service lives of employees.

The prior service cost at the inception of the plan has been amortized based on the projected years to retirement for each of the initial employees, as from August 1, 1995. Siderca amortizes the prior service cost of each new participant over the remaining vesting period, as from the date they are included in the plan.

Periodically, Siderca revises its assumptions regarding discount rate and rate of compensation increase. As of December 31, 2002, this revision generated an actuarial gain. When the accumulated amount of actuarial gains and losses exceeds 10% of the Benefit Obligation, only the excess over the 10% is recognized as profit or loss over the service lives of employees. During the year ended on December 31, 2002 Tenaris recognized a gain of USD 511 thousand.

Benefits provided by the plan are in U.S. dollars, but depend on a three-year or seven-year salary average (the better option for the beneficiary) if the event of retirement happened between January 1, 2002 and December 31, 2003 and, after this date, the benefits of the plan depend

on a seven-year salary average, in the currency of the country where the relevant company is established.

4. 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.

O. Provisions

Provisions are accrued when there is reasonable certainty that the expenses will be incurred but uncertainty relating to the amount or the date on which they will arise. Accruals for such liabilities reflect a reasonable estimate of the expenses to be incurred based on information available as of the date of preparation of the financial statements. If Tenaris expects a provision to be reimbursed (for example under an insurance contract), and the reimbursement is virtually certain, the reimbursement is recognized as an asset.

Tenaris has certain contingent liabilities with respect to existing or potential claims, lawsuits and other proceedings, including those involving labor and other matters. Unless otherwise specified, Tenaris accrues liabilities when it is probable that future cost could be incurred and that cost can be reasonably estimated.

Generally, accruals are based on developments to date, Tenaris' estimates of the outcomes of these matters and Tenaris' legal advisers in

contesting, litigating and settling other matters. As the scope of the liabilities becomes better defined, there will be changes in the estimates of future costs, which could have a material effect on Tenaris' future results of operations and financial conditions or liquidity.

1. Legal claims and contingencies

From time to time, Tenaris is involved in litigation arising in the ordinary course of business (exception made of the litigation with the consortium led by BHP – see Note 24 (I) –). This provision covers reasonably the risk of legal claims and other contingencies.

2. Restructuring

Restructuring provisions mainly comprise employee termination benefits, which are recognized only when Tenaris has a constructive obligation to effect a restructuring plan; this generally occurs when an agreement has been reached with employee representatives on the terms of redundancy and the number of employees affected, or after individual employees have been advised of the specific terms.

P. Revenue recognition

Revenues are recognized as sales when revenue is earned and is realized or realizable. This includes satisfying the following criteria: the arrangement with the customer is evident, usually through the receipt of a purchase order; the sales price is fixed or determinable; delivery has occurred, which may include delivery to the customer storage warehouse location at one of the Company's subsidiaries; and collectibility is reasonably assured.

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

- Interest income: on an effective yield basis.
- Dividend income from investments in companies under cost method: when Tenaris' right to receive collection is established.

Q. Cost of sales and expenses

Under the accrual basis of accounting, cost of sales and expenses is recognized in the income statement on the basis of a direct association to the earning of specific item of income.

Tax reimbursements on exports are treated as a reduction of tax expenses, included in Cost of Sales.

R. Earnings per share

Earnings per share are calculated by dividing the net income attributable to shareholders by the daily weighted average number of ordinary shares issued during the year (see Note 8).

S. Financial instruments

Tenaris adopted IAS 39 – Financial Instruments: Recognition and Measurement, on January 1, 2001. The financial effects of adopting IAS 39 are explained in Note 23.

Information about accounting for derivative financial instruments and hedging activities is included within the section “Financial risk management” below.

T. Segment information

Business segments provide products or services that are subject to risks and returns that are different from those of other business segments. Geographical segments provide products or services within a particular economic environment that is subject to risks and returns that are different from those of components operating in other economic environments.

FINANCIAL RISK MANAGEMENT

1. Financial risk factors

Tenaris' activities expose it to a variety of financial risks, including the effects of changes in debt and equity market prices, foreign currency exchange rates and interest rates. The overall risk management program of the Tenaris' subsidiaries focuses on the unpredictability of financial markets and seeks to minimize potential adverse effects on Tenaris' financial performance, using derivative financial instruments, such as foreign exchange contracts and interest rate swaps, to hedge certain exposures.

Risk management is carried out by treasury departments in Tenaris' subsidiaries and associated companies. The treasury departments identify, evaluate and hedge financial risks in close cooperation with the operating units.

I. Foreign exchange rate risk

Tenaris operates internationally and is exposed to foreign exchange rate risk arising from various currency exposures. Certain Tenaris' subsidiaries use forward contracts in certain occasions to hedge their exposure to exchange rate risk.

Management at the Tenaris' subsidiaries decides, case by case and based on actual sales and purchases orders, the mechanism to be used in order to hedge primarily to U.S. dollars. Tenaris has a number of investments in subsidiaries whose financial statements are stated in currencies other than the U.S. dollar. The net assets of those subsidiaries are exposed to foreign exchange rate risk. Generally, management sets a policy to hedge to U.S. dollars the net current receivables and liabilities of those subsidiaries.

II. Interest rate risk

Tenaris' income and operating cash flows are substantially independent from changes in market interest rates. The Tenaris' subsidiaries generally borrow at variable rates and, in some cases (such as in the case of Dalmine) use interest rate swaps for long term debts as a hedge of future interest payments, converting borrowings from floating rates to fixed rates.

III. Concentration of credit risk

Tenaris has no significant concentrations of credit risk. No single customer accounts for more than ten percent of Tenaris' sales.

The Tenaris' subsidiaries have policies in place to ensure that sales of products and services are made to customers with an appropriate credit history, or using credit insurance, letters of credit and other instruments to reduce credit risk whenever deemed necessary, and maintain allowances for potential credit losses.

Derivative counter parties and cash transactions are limited to high credit quality financial institutions.

IV. Liquidity risk

Prudent liquidity risk management recommends maintaining sufficient cash and marketable securities, the availability of funding through an adequate amount of committed credit facilities and the ability to close out market positions.

Due to the dynamic nature of the underlying businesses, Tenaris aims at maintaining flexibility in funding by keeping committed credit lines available and a trust fund as explained in Note G.

2. Accounting for derivative financial instruments and hedging activities

Derivative financial instruments are initially recognized in the balance sheet at cost and subsequently marked to market unless they qualify for hedge accounting. Tenaris does not hedge its net investments in foreign entities.

Derivative transactions and other financial instruments, while providing economic hedges under risk management policies, do not qualify for hedge accounting under the specific rules in IAS 39. Changes in the fair value of any derivative instruments that do not qualify for hedge accounting under IAS 39 are recognized immediately in the income statement.

The fair values of derivative instruments are disclosed in Note 23.

uses a variety of methods, such as option pricing models and estimated discounted value of future cash flows, and makes assumptions that are based on market conditions existing at each balance sheet date.

The fair value of the forward contracts is estimated based on forwards exchange market rates at year-end.

The fair value of interest rate swaps is calculated as the present value of the estimated future cash flows.

The fair value of option contracts is estimated based on appropriate valuation models, such as Black-Scholes and other methods.

3. Fair value estimation

The estimated fair value of a financial instrument is the amount at which the instrument could be exchanged in a current transaction between willing parties, other than in a forced or liquidation sale. The following methods and assumptions were used to estimate the fair value of each class of financial instrument for which it is practicable to estimate that value:

The face values less any estimated credit adjustments for financial assets and liabilities with a maturity of less than one year are estimated to approximate their fair values.

The fair value of investments classified as non-current available for sale investments (such as the trust fund) is based on quoted market price. In assessing the fair value of non-traded derivatives and other financial instruments, Tenaris

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NOTES TO THE CONSOLIDATED COMBINED FINANCIAL STATEMENTS

All amounts are shown in USD thousands,
unless otherwise stated.

1. Segment information

Primary reporting format - Business segments

	Seamless	Welded and other metallic products	Energy	Others	Unallocated	TOTAL
YEAR ENDED DECEMBER 31, 2002						
Net sales	2,241,362	580,001	210,415	187,606	–	3,219,384
Cost of sales	(1,420,629)	(379,384)	(198,727)	(169,854)	–	(2,168,594)
Gross profit	820,733	200,617	11,688	17,752	–	1,050,790
Segment assets	3,273,969	354,069	41,155	135,212	213,041	4,017,446
Segment liabilities	1,368,716	212,689	49,909	69,716	435,579	2,136,609
Capital expenditure	108,547	27,053	5,623	6,354	–	147,577
Depreciation and amortization	162,120	7,668	2,768	3,759	–	176,315
YEAR ENDED DECEMBER 31, 2001						
Net sales	2,496,479	432,647	113,140	132,033	–	3,174,299
Cost of sales	(1,663,385)	(293,938)	(107,552)	(100,693)	–	(2,165,568)
Gross profit	833,094	138,709	5,588	31,340	–	1,008,731
Segment assets	3,057,316	445,401	45,007	97,715	192,515	3,837,954
Segment liabilities	1,356,849	214,173	39,119	80,908	352,523	2,043,572
Capital expenditure	201,452	16,749	3,391	1,257	–	222,849
Depreciation and amortization	155,145	3,717	1,539	1,309	–	161,710
YEAR ENDED DECEMBER 31, 2000						
Net sales	1,991,897	208,982	58,720	101,720	–	2,361,319
Cost of sales	(1,394,049)	(169,721)	(50,126)	(78,516)	–	(1,692,412)
Gross profit	597,848	39,261	8,594	23,204	–	668,907
Segment assets	3,095,737	318,428	27,402	92,036	110,934	3,644,537
Segment liabilities	1,305,058	115,428	21,107	65,027	292,849	1,799,469
Capital expenditure	245,213	11,586	4,306	4,204	–	265,309
Depreciation and amortization	147,533	6,502	1,443	1,165	–	156,643

Tenaris' main business segment is the manufacture of seamless pipes.

Intersegment net sales from “Energy” to “Seamless” amounted to USD 50,021, USD 37,067 and USD 7,552 in 2002, 2001 and 2000, respectively.

Intersegment net sales from “Welded” to “Seamless” amounted to USD 4,577 in 2002.

Intersegment net sales from “Other” to “Seamless” amounted to USD 22,269, USD 34,934 and USD 40,542 in 2002, 2001 and 2000, respectively.

Intersegment net sales from “Other” to “Welded” amounted to USD 141 in 2002.

Secondary reporting format - Geographical segments

	South America	Europe	North America	Middle East and Africa	Far East and Oceania	Unallocated	TOTAL
YEAR ENDED DECEMBER 31, 2002							
Net sales	956,382	829,744	577,279	511,119	344,860	–	3,219,384
Total assets	1,362,304	874,185	1,238,179	129,143	200,594	213,041	4,017,446
Trade receivables	249,308	145,864	123,572	121,663	29,819	–	670,226
Property, plant and equipment	624,159	471,580	784,104	2,512	51,882	–	1,934,237
Capital expenditure	73,157	39,985	25,629	2,515	6,291	–	147,577
Depreciation and amortization	83,347	48,078	39,914	19	4,957	–	176,315
YEAR ENDED DECEMBER 31, 2001							
Net sales	971,101	680,524	611,655	520,916	390,103	–	3,174,299
Total assets	1,230,766	742,982	1,365,007	97,630	209,054	192,515	3,837,954
Trade receivables	169,006	118,772	104,370	86,965	66,414	–	545,527
Property, plant and equipment	607,458	397,665	911,310	13	54,872	–	1,971,318
Capital expenditure	85,160	44,076	92,336	–	1,277	–	222,849
Depreciation and amortization	76,277	41,046	41,568	1	2,818	–	161,710
YEAR ENDED DECEMBER 31, 2000							
Net sales	668,152	590,935	421,550	428,980	251,702	–	2,361,319
Total assets	1,105,082	783,272	1,254,118	202,114	189,017	110,934	3,644,537
Trade receivables	144,507	131,096	89,423	91,493	54,335	–	510,854
Property, plant and equipment	629,588	423,427	826,362	17	62,420	–	1,941,814
Capital expenditure	100,452	54,398	44,658	8	65,793	–	265,309
Depreciation and amortization	80,390	38,003	36,753	1	1,496	–	156,643

Allocation of net sales is based on the customers' location. Allocation of assets and capital expenditure is based on the assets' location.

Although Tenaris' business is managed on a worldwide basis, the Tenaris' subsidiaries operate in five main geographical areas.

2. Cost of sales

YEAR ENDED DECEMBER 31	2002	2001	2000
Raw materials and consumables used and change in inventories	1,407,694	1,459,967	980,056
Services and fees	219,392	177,513	182,762
Labor cost	244,471	285,203	286,464
Depreciation of property, plant and equipment	150,536	146,306	144,979
Amortization of intangible assets	5,230	2,266	1,003
Maintenance expenses	50,234	43,625	44,388
Provisions for contingencies	4,307	2,021	3,489
Allowance for obsolescence	19,042	6,985	3,963
Taxes	3,160	2,185	1,598
Others	64,528	39,497	43,710
	2,168,594	2,165,568	1,692,412

3. Selling, general and administrative expenses

YEAR ENDED DECEMBER 31	2002	2001	2000
Services and fees	93,744	94,392	74,663
Labor cost	118,886	126,849	124,662
Depreciation of property, plant and equipment	10,422	2,633	3,661
Amortization of intangible assets	10,127	10,505	7,000
Commissions, freights and other selling expenses	270,810	187,370	170,358
Provisions for contingencies	8,122	10,092	1,630
Allowances for doubtful accounts	2,287	5,372	4,905
Taxes	33,335	8,278	6,572
Others	20,416	57,256	40,166
	568,149	502,747	433,617

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

YEAR ENDED DECEMBER 31	2002	2001	2000
Wages, salaries and social security costs	356,576	403,438	402,233
Employees' severance indemnity – Note 20 (a)	6,453	6,913	7,072
Pension benefits - defined benefit plans – Note 20 (b)	328	1,701	1,821
	363,357	412,052	411,126

At year-end, the number of employees was 13,841 in 2002, 14,127 in 2001 and 13,140 in 2000.

5. Other operating items

YEAR ENDED DECEMBER 31	2002	2001	2000
(I) OTHER OPERATING INCOME			
Reimbursement from insurance companies and other third parties	6,814	–	6,750
Income from disposition of warehouses	3,132	–	3,838
Gain from government securities	5,643	–	–
Net rents from investment properties	–	585	1,102
	15,589	585	11,690
(II) OTHER OPERATING EXPENSES			
Provision for BHP proceedings	18,923	41,061	–
Allowance for receivables	1,334	13,617	4,564
Contributions to welfare projects and non-profit organizations	2,241	1,100	1,100
Allowance for legal claims and contingencies	–	7,666	–
Miscellaneous	3,855	1,493	149
	26,353	64,937	5,813

6. Financial income (expenses), net

YEAR ENDED DECEMBER 31	2002	2001	2000
(I) FINANCIAL INCOME (EXPENSES)			
Interest expense	(34,480)	(43,676)	(36,148)
Interest income	14,201	2,586	17,017
Net foreign exchange transaction gains/(losses)	21,019	24,078	(16,908)
Financial discount on trade receivables	(8,810)	–	–
Others	(3,075)	(1,405)	(3,511)
	(11,145)	(18,417)	(39,550)
(II) OTHER EXCHANGE RATE DIFFERENCES			
Net foreign exchange transaction gains/(losses) of subsidiaries with a measurement currency different from the USD	(9,452)	(7,178)	(8,373)

7. Tax charge

(I) RECOVERY OF INCOME TAX

In 2002 Tamsa succeeded in its income tax claim to the Mexican tax authorities, resulting in a recovery of income tax of previous years of MXP 355.6 million (USD 36.8 million).

YEAR ENDED DECEMBER 31	2002	2001	2000
(II) INCOME TAX			
Current tax	192,862	148,823	46,614
Deferred tax – Note 19	26,426	(39,867)	16,685
	219,288	108,956	63,299
Effect of currency translation on tax base	25,266	109,882	2,011
	244,554	218,838	65,310

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

YEAR ENDED DECEMBER 31	2002	2001	2000
INCOME BEFORE TAX	444,478	374,741	189,417
Tax calculated at the tax rate in each country	184,201	143,408	88,157
Non taxable income	(54,780)	(45,415)	(35,286)
Non deductible expenses	17,310	12,418	12,169
Effect of currency translation on tax base	25,266	109,882	2,011
Effect of taxable exchange differences	79,362	–	–
Utilization of previously unrecognized tax losses	(6,805)	(1,455)	(1,741)
Tax charge	244,554	218,838	65,310

YEAR ENDED DECEMBER 31	2002	2001	2000
(III) EFFECT OF CURRENCY TRANSLATION ON TAX BASE	25,266	109,882	2,011

As shown in Note 7(II) of these consolidated combined financial statements, Tenaris, using the liability method, recognizes a deferred income tax charge on temporary differences between the tax bases of its assets and their carrying amounts in the financial statements. By application of this method, Tenaris recognized an increased deferred income tax charge due to the effect of the devaluation of the Argentine peso on the tax bases of the

fixed assets of its Argentine subsidiaries. These charges were mandated by IAS even though the reduced tax bases of the relevant assets will only result in reduced amortization deductions for tax purposes in future periods throughout the useful life of those assets and, consequently, the resulting deferred income tax charge does not represent a separate obligation of Tenaris that was due and payable in any of the relevant periods.

8. Earnings per share

(I) Under IAS, Earnings per share are calculated by dividing the net income attributable to shareholders by the daily weighted average number of ordinary shares issued during the year. The weighted average number of ordinary

shares was determined considering that the 710,747,090 shares issued for Sidertubes contribution (see Note A (1)) were issued and outstanding as of January 1, 2000.

YEAR ENDED DECEMBER 31	2002	2001	2000
Net income attributable to shareholders	94,304	81,346	76,706
Weighted average number of ordinary shares in issue (thousands)	732,936	710,747	710,747
Basic and diluted earnings per share	0.13	0.11	0.11

(II) As explained in Note A (1) the Sidertubes contribution and the exchange transaction took place in 2002. For a better understanding of the reader and future comparisons the Company

has calculated the pro-forma Earnings per share as if these transactions had taken place on January 1, 2000, as follows:

YEAR ENDED DECEMBER 31	2002	2001	2000
Net income attributable to shareholders	193,826	135,796	123,426
Weighted average number of ordinary shares in issue (thousands)	1,160,701	1,160,701	1,160,701
Basic and diluted earnings per share	0.17	0.12	0.11

9. Property, plant and equipment, net

YEAR ENDED DECEMBER 31, 2002	Land, building and improvements	Plant and production equipment	Vehicles, furniture and fixtures	Work in progress	Spare parts and equipment	TOTAL (a)
COST						
Values at the beginning of the year	264,914	4,759,427	90,308	156,378	8,937	5,279,964
Translation differences	(29,973)	(67,439)	(2,404)	(16,374)	647	(115,543)
Additions (b)	1,820	108,309	2,918	71,009	6,268	190,324
Disposals / Consumptions	(5,479)	(13,258)	(1,036)	(507)	(6,015)	(26,295)
Transfers	16,212	37,084	7,831	(62,664)	250	(1,287)
Values at the end of the year	247,494	4,824,123	97,617	147,842	10,087	5,327,163
DEPRECIATION						
Accumulated at the beginning of the year	27,857	3,196,743	77,240	–	6,806	3,308,646
Translation differences	(2,689)	(61,180)	(1,371)	–	430	(64,810)
Depreciation charge	5,444	149,430	5,518	–	566	160,958
Disposals / Consumptions	(1,359)	(7,915)	(482)	–	(2,112)	(11,868)
Transfers	66	–	(66)	–	–	–
Accumulated at the end of the year	29,319	3,277,078	80,839	–	5,690	3,392,926
At December 31, 2002	218,175	1,547,045	16,778	147,842	4,397	1,934,237

(a) Includes a net amount of USD 16.9 million of finance leases of Dalmine.

(b) Includes USD 65.7 million attributable to the fair value of Property, plant and equipment of Dalmine, Siderca and Tamsa acquired on the exchange transaction. (see Note 27)

YEAR ENDED DECEMBER 31, 2001	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	240,607	4,634,108	91,158	112,675	12,602	5,091,150
Translation differences	18,639	35,191	6,284	(20,211)	(261)	39,642
Additions	1,007	12,943	2,712	174,977	8,372	200,011
Disposals / Consumptions	(593)	(25,345)	(11,500)	(1,219)	(12,182)	(50,839)
Transfers	5,254	102,530	1,654	(109,844)	406	–
Values at the end of the year	264,914	4,759,427	90,308	156,378	8,937	5,279,964
DEPRECIATION						
Accumulated at the beginning of the year	19,354	3,048,118	74,459	–	7,405	3,149,336
Translation differences	3,314	19,354	(1,182)	–	(169)	21,317
Depreciation charge	5,189	138,654	4,262	–	834	148,939
Disposals / Consumptions	–	(9,383)	(299)	–	(1,264)	(10,946)
Accumulated at the end of the year	27,857	3,196,743	77,240	–	6,806	3,308,646
At December 31, 2001	237,057	1,562,684	13,068	156,378	2,131	1,971,318

Property, plant and equipment include interest capitalized for USD 17,372 and USD 12,039 for the years ended December 31, 2002 and 2001, respectively.

10. Intangible assets, net

YEAR ENDED DECEMBER 31, 2002	Information system projects	Information system projects in progress	Licenses and patents	Goodwill	Negative goodwill	TOTAL
COST						
Values at the beginning of the year	13,165	7,482	46,673	27,863	(21,414)	73,769
Translation differences	(411)	(823)	1,864	(1,046)	–	(416)
Additions (a)	8,466	6,182	3,026	105,407	(105,321)	17,760
Disposals	–	–	(21,182)	–	–	(21,182)
Transfers	6,559	(5,272)	–	–	–	1,287
Values at the end of the year	27,779	7,569	30,381	132,224	(126,735)	71,218
DEPRECIATION						
Accumulated at the beginning of the year	10,707	–	11,221	7,598	(3,388)	26,138
Translation differences	(602)	–	2,036	(2,276)	–	(842)
Amortization charge	5,468	–	5,014	6,675	(1,800)	15,357
Disposals	–	–	(2,119)	–	–	(2,119)
Accumulated at the end of the year	15,573	–	16,152	11,997	(5,188)	38,534
At December 31, 2002	12,206	7,569	14,229	120,227	(121,547)	32,684

(a) Includes USD 5.2 million attributable to the fair value of Intangible assets of Dalmine, Siderca and Tamsa acquired on the exchange transaction. (see Note 27)

YEAR ENDED DECEMBER 31, 2001	Information system projects	Information system projects in progress	Licenses and patents	Goodwill	Negative goodwill	TOTAL
COST						
Values at the beginning of the year	13,165	3,735	25,996	27,367	(21,414)	48,849
Translation differences	–	–	1,821	261	–	2,082
Additions	–	3,747	18,856	235	–	22,838
Values at the end of the year	13,165	7,482	46,673	27,863	(21,414)	73,769
DEPRECIATION						
Accumulated at the beginning of the year	6,931	–	4,462	3,562	(1,588)	13,367
Amortization charge	3,776	–	6,759	4,036	(1,800)	12,771
Accumulated at the end of the year	10,707	–	11,221	7,598	(3,388)	26,138
At December 31, 2001	2,458	7,482	35,452	20,265	(18,026)	47,631

11. Investments in associated companies

YEAR ENDED DECEMBER 31	2002	2001
At the beginning of year	27,983	140,726
Translation differences	(7,174)	(8,701)
Equity in losses of associated companies	(6,802)	(41,296)
Acquisitions	320	–
Sales	–	(2,054)
Other movements (a)	–	(60,692)
At the end of year	14,327	27,983

(a) Corresponds to the dividend in kind with Siderar shares distributed by Siderca.

The principal associated companies are:

COMPANY	COUNTRY OF ORGANIZATION	PERCENTAGE OF OWNERSHIP AND VOTING RIGHTS AT DECEMBER 31		VALUE AT DECEMBER 31	
		2002	2001	2002	2001
Consortio Siderurgia Amazonia Ltd. (a)	Cayman Islands	14.11%	14.11%	13,229	19,402
Conducid C.A.	Venezuela	20.00%	20.00%	553	3,909
Others				545	4,672
				14,327	27,983

(a) The value at December 31, 2002 and 2001 are net of an impairment provision of USD 13,260 and 15,098, respectively.

12. Other investments

YEAR ENDED DECEMBER 31	2002	2001
AVAILABLE-FOR-SALE		
Trust funds with specific objective – Note G	135,787	103,438
Deposits with insurance companies	9,791	9,095
Investments in companies under cost method	13,515	13,241
Others	210	1,428
	159,303	127,202

13. Receivables

YEAR ENDED DECEMBER 31	2002	2001
Government entities	4,820	13,816
Employee advances and loans	3,050	12,040
Tax credits	8,624	9,663
Trade receivables	8,113	4,439
Miscellaneous	1,123	1,778
	25,730	41,736
Allowances for doubtful accounts – Note 21 (I)	(8,828)	(21,239)
	16,902	20,497

14. Inventories

YEAR ENDED DECEMBER 31	2002	2001
Finished goods	327,328	425,315
Goods in process	111,125	95,595
Raw materials	127,647	145,927
Supplies	128,709	102,801
Goods in transit	36,925	18,096
	731,734	787,734
Allowance for obsolescence – Note 22 (I)	(51,621)	(52,160)
	680,113	735,574

15. Receivables and prepayments

YEAR ENDED DECEMBER 31	2002	2001
V.A.T. credits	43,298	22,432
Prepaid taxes	20,560	18,815
Reimbursements and other services receivable	19,787	19,583
Government entities	11,381	5,751
Employee advances and loans	5,595	4,836
Advances to suppliers	29,876	18,092
Other advances	12,308	20,858
Miscellaneous	18,898	19,812
	161,703	130,179
Allowance for other doubtful accounts – Note 22 (I)	(5,997)	(5,958)
	155,706	124,221

16. Trade receivables

YEAR ENDED DECEMBER 31	2002	2001
Current accounts	632,146	528,720
Notes receivable	42,336	32,116
Government tax refunds on exports	16,977	8,572
	691,459	569,408
Allowance for doubtful accounts – Note 22 (I)	(21,233)	(23,881)
	670,226	545,527

17. Cash and cash equivalents

YEAR ENDED DECEMBER 31	2002	2001
Cash and short-term highly liquid investments	279,878	145,839
Time deposits with related parties	24,658	67,975
	304,536	213,814

18. Borrowings

YEAR ENDED DECEMBER 31	2002	2001
NON-CURRENT		
Bank borrowings	260,596	338,928
Debentures	54,187	46,228
Finance lease liabilities	7,422	7,895
	322,205	393,051
CURRENT		
Bank borrowings	380,380	322,464
Bank overdrafts	9,649	53,225
Finance lease liabilities	4,176	272
Costs for issue of debt	(515)	(3,545)
	393,690	372,416
Total borrowings	715,895	765,467

The maturity of borrowings is as follows:

AT DECEMBER 31, 2002	1 - 5 years						TOTAL
	1 year or less	1 - 2 years	2 - 3 years	3 - 4 years	4 - 5 years	Over 5 years	
Financial lease	4,176	3,820	1,288	622	376	1,316	11,598
Other borrowings	389,514	195,662	41,725	29,152	22,398	25,846	704,297
Total borrowings	393,690	199,482	43,013	29,774	22,774	27,162	715,895

The weighted average interest rates at the balance sheet date were as follows:

	2002	2001
Bank overdrafts	4.30%	4.00%
Bank borrowings	3.61%	4.75%
Debentures and other loans	3.99%	5.15%
Finance lease liabilities	3.56%	4.25%

On December 14, 2001, Tamsa entered into a loan agreement in the amount of USD 130 million with a term of two and a half years. The most significant financial covenants under this loan-syndicated agreement are as follows:

- Maintenance of minimum levels of working capital ratio;
- Maintenance of maximum levels of total indebtedness; and
- Compliance with debt service ratios.

On August 3, 2001, Dalmine entered into a loan agreement in the amount of EUR 39.5 million (USD 41.4 million) with a term of seven years. The most significant financial covenant under this loan agreement is the maintenance of maximum levels of total indebtedness.

At December 31, 2002, both companies were in compliance with all of their financial covenants.

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

Bank borrowings

CURRENCY	INTEREST RATES	DECEMBER 31	
		2002	2001
USD	Variable	130,000	130,000
USD	Fixed	57,782	51,486
EURO	Fixed	156,419	199,826
JPY	Fixed	37,882	23,283
BRS	Variable	30,093	23,365
		412,176	427,960
Less: Current portion of medium and long-term loans		(151,580)	(89,032)
Total bank borrowings		260,596	338,928

Debentures

CURRENCY	INTEREST RATES	DECEMBER 31	
		2002	2001
EURO	Variable	54,187	46,228
Total debentures		54,187	46,228

Debentures issued on January 1998, at a face value of ITL 100,000 million with interest linked to the 3-month Libor.

Finance lease liabilities

CURRENCY	INTEREST RATES	DECEMBER 31	
		2002	2001
EURO	Fixed	6,042	8,167
JPY	Fixed	5,556	–
Less: Current portion of medium and long-term loans		(4,176)	(272)
Total finance leases		7,422	7,895
Total long-term borrowings		322,205	393,051

As most borrowings include variable rates or fixed rates that approximate to market rates and the contractual reprising occurs between

every 3 and 6 months, the fair value of the borrowings approximates to its carrying amount and it is not disclosed separately.

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

YEAR ENDED DECEMBER 31	2002	2001
Property, plant and equipment mortgages	344,122	305,844

19. Deferred income taxes

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	2002	2001
At beginning of year	328,336	255,144
Translation differences	(21,395)	3,963
Acquisition of minority interest in subsidiaries charged to equity – Note A (1)	27,534	–
Effect of adopting IAS 39	–	(786)
Income statement charge/(credit)	26,426	(39,867)
Effect of currency translation on tax base	25,266	109,882
At end of year	386,167	328,336

The movement in deferred tax assets and liabilities (prior to offsetting the balances within the same tax jurisdiction) during the year is as follows:

Deferred tax liabilities

YEAR ENDED DECEMBER 31, 2002	Fixed assets	Inventories	Other	TOTAL
At beginning of year	296,195	51,429	6,298	353,922
Translation differences	(18,927)	(5,985)	189	(24,723)
Acquisition of minority interest in subsidiaries – Note A (1)	25,298	3,716	–	29,014
Income statement (credit)/charge	(19,551)	19,630	26,913	26,992
At end of year	283,015	68,790	33,400	385,205

Effect of currency translation on tax base

AT DECEMBER 31	2002
At beginning of year	89,560
Income statement charge	25,266
At end of year	114,826

Deferred tax assets

	Provisions and allowances	Inventories	Tax losses	Other	TOTAL
At beginning of year	(77,072)	(23,574)	(4,340)	(10,160)	(115,146)
Translation differences	(234)	1,573	1,867	122	3,328
Acquisition of minority interest in subsidiaries – Note A (1)	–	(197)	–	(1,283)	(1,480)
Income statement charge/(credit)	2,480	165	(3,600)	389	(566)
At end of year	(74,826)	(22,033)	(6,073)	(10,932)	(113,864)

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 combined balance sheet:

YEAR ENDED DECEMBER 31	2002	2001
Deferred tax assets	(49,412)	(24,187)
Deferred tax liabilities	320,753	262,963
Deferred tax - Effect of currency translation on tax base – Note 7 (III)	114,826	89,560
	386,167	328,336

The amounts shown in the balance sheet include the following:

YEAR ENDED DECEMBER 31	2002	2001
Deferred tax assets to be recovered after more than 12 months	(23,461)	(11,039)
Deferred tax liabilities to be settled after more than 12 months	372,730	351,608

20. Employee liabilities and other liabilities

YEAR ENDED DECEMBER 31	2002	2001
(I). EMPLOYEE LIABILITIES - NON-CURRENT		
Employees' statutory profit sharing	60,962	87,217
Employees' severance indemnity (a)	50,728	42,479
Pension benefits (b)	11,069	13,098
	122,759	142,794
Miscellaneous	264	10,664
	123,023	153,458

a. Employees' severance indemnity

The amounts recognized in the balance sheet are as follows:

YEAR ENDED DECEMBER 31	2002	2001
Total included in Other liabilities - non-current	50,728	42,479

The amounts recognized in the income statement are as follows:

YEAR ENDED DECEMBER 31	2002	2001	2000
Current service cost	4,518	5,142	4,898
Interest cost	1,935	1,771	2,174
Total included in labor costs	6,453	6,913	7,072

The principal actuarial assumptions used were as follows:

YEAR ENDED DECEMBER 31	2002	2001	2000
Discount rate	4.8%	5.0%	5.0%
Rate of compensation increase	3.5%	2.0%	2.0%

b. Pension benefits

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

YEAR ENDED DECEMBER 31	2002	2001
Present value of unfunded obligations	9,522	5,779
Unrecognized actuarial gains (losses)	1,547	7,319
Liability in the balance sheet	11,069	13,098

The amounts recognized in the income statement are as follows:

YEAR ENDED DECEMBER 31	2002	2001	2000
Current service cost	255	611	723
Interest cost	584	1,105	1,031
Net actuarial (gains) losses recognized in the year	(511)	(15)	67
Total included in Labor costs	328	1,701	1,821

Movement in the liability recognized in the balance sheet:

YEAR ENDED DECEMBER 31	2002	2001
At the beginning of the year	13,098	12,755
Transfers and new participants of the plan	215	(316)
Total expense	328	1,701
Contributions paid	(2,572)	(1,042)
At end of year	11,069	13,098

The principal actuarial assumptions used were as follows:

YEAR ENDED DECEMBER 31	2002	2001	2000
Discount rate	7%	10%	7%
Rate of compensation increase	2%	3%	5%

YEAR ENDED DECEMBER 31	2002	2001
(II). OTHER LIABILITIES - CURRENT		
Payroll and social security payable	51,737	62,351
Voluntary redundancy plan	751	4,169
Miscellaneous	940	14,076
	53,428	80,596

21. Non-current provisions

(I). Deducted from assets

	Allowance for doubtful accounts - trade receivables
YEAR ENDED DECEMBER 31, 2002	
Values at the beginning of the year	(21,239)
Translation differences	2,796
Used	9,615
At December 31, 2002	(8,828)
YEAR ENDED DECEMBER 31, 2001	
Values at the beginning of the year	(13,151)
Translation differences	1,497
Additional provisions	(12,847)
Used	3,262
At December 31, 2001	(21,239)

(II). Liabilities

	Legal claims and contingencies
YEAR ENDED DECEMBER 31, 2002	
Values at the beginning of the year	38,080
Translation differences	(5,959)
Reversals	(4,008)
Additional provisions	8,315
Used	(2,554)
At December 31, 2002	33,874
YEAR ENDED DECEMBER 31, 2001	
Values at the beginning of the year	36,475
Translation differences	(5,321)
Additional provisions	12,113
Used	(5,187)
At December 31, 2001	38,080

22. Current 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, 2002			
Values at the beginning of the year	(23,881)	(5,958)	(52,160)
Translation differences	898	1,148	158
Reversals	3,628	2,600	148
Additional provisions	(5,915)	(3,934)	(19,190)
Used	4,037	147	19,423
At December 31, 2002	(21,233)	(5,997)	(51,621)
YEAR ENDED DECEMBER 31, 2001			
Values at the beginning of the year	(21,194)	(7,669)	(44,474)
Translation differences	93	774	(870)
Additional provisions	(5,372)	(770)	(6,985)
Used	2,592	1,707	169
At December 31, 2001	(23,881)	(5,958)	(52,160)

(II). Liabilities

	BHP Provision	Cost related to factory damages	Sales risks	Restructuring	Legal claims and contingencies	TOTAL
YEAR ENDED DECEMBER 31, 2002						
Values at the beginning of the year	40,279	4,513	3,476	2,550	27,479	78,297
Translation differences	7,349	257	617	84	2,463	10,770
Reversals	–	–	–	–	(1,064)	(1,064)
Additional provisions	18,923	–	1,896	146	7,144	28,109
Used	(22,485)	(4,770)	(1,730)	(1,845)	(11,329)	(42,159)
At December 31, 2002	44,066	–	4,259	935	24,693	73,953
YEAR ENDED DECEMBER 31, 2001						
Values at the beginning of the year	–	–	3,336	10,020	31,312	44,668
Translation differences	(782)	(97)	(125)	(244)	49	(1,199)
Reversals	–	–	–	–	(7,165)	(7,165)
Additional provisions	41,061	4,610	2,555	2,292	5,374	55,892
Used	–	–	(2,290)	(9,518)	(2,091)	(13,899)
At December 31, 2001	40,279	4,513	3,476	2,550	27,479	78,297

23. Financial instruments

Tenaris adopted IAS 39 at the beginning of the fiscal year ended December 31, 2001. The total impact on shareholders' equity on that date amounts to a loss of USD 1,007 thousand. That impact arises from the remeasurement to fair value of derivatives related to non-qualifying

hedges. In accordance with IAS 39, the comparative financial statement for the year ended December 31, 2000 is not restated.

Net fair values of derivative financial instruments

The net fair values of derivative financial instruments at the balance sheet date were:

YEAR ENDED DECEMBER 31	2002	2001
CONTRACTS WITH POSITIVE FAIR VALUES		
Interest rate swaps	556	566
Forward foreign exchange contracts	2,867	614
Commodities contracts	639	585
CONTRACTS WITH NEGATIVE FAIR VALUES		
Interest rate swap contracts	(3,274)	(1,729)
Forward foreign exchange contracts	(777)	(8,114)
Commodities contracts	(3,511)	(2,832)

Derivative financial instruments breakdown is as follows:

Variable interest rate swaps

Notional amount (in thousands)

YEAR ENDED DECEMBER 31, 2002		Swap	Term	Fair value
EURO	11,620	5.68%	2007	(528)
EURO	2,083	5.72%	2009	(101)
EURO	9,485	5.72%	2010	(457)
EURO	50,000	3.40% / 4.20% / 4.67%	2005	(1,492)
EURO	25,823	3.74%	2007	(376)
EURO	51,646	Euribor 3M + 0.70%	2005	556
EURO	30,987	3.44%	2005	(320)
				(2,718)
YEAR ENDED DECEMBER 31, 2001				
EURO	258,228	From 3.81% to 5.44 %	2002	(409)
EURO	12,911	5.68%	2007	(516)
EURO	2,380	5.72%	2009	(99)
EURO	10,117	5.72%	2010	(444)
EURO	51,646	4.62%	2005	(261)
USD	11,359	From 6.85% to 11.85%	2002	566
				(1,163)

Exchange rate derivatives

Notional amount (in thousands)

YEAR ENDED DECEMBER 31, 2002		Derivatives	Term	Fair value
EURO/USD	(10,824)	Forward sales	2003	(605)
EURO/USD	30,558	Forward purchases	2003	2,283
JPY/USD	1,965,459	Forward purchases	2003	452
CAD/USD	(36,000)	Forward sales	2003	46
GBP/EURO	(2,000)	Forward sales	2003	86
BRS/USD	35,077	Forward sales	2003	(172)
				2,090
YEAR ENDED DECEMBER 31, 2001				
CAD/USD	(21,850)	Forward sales	2002	259
EURO/USD	(13,800)	Forward sales	2002	15
GBP/EURO	(12,000)	Forward sales	2002	(175)
JPY/CAD	1,235,856	Forward purchases	2002	(1,004)
JPY/USD	4,779,936	Forward purchases	2002	(2,728)
USD/EURO	(100,000)	Forward sales	2002	(3,106)
USD/EURO	10,000	Knock-in forward option	2002	(100)
USD/JPY	6,900	Forward purchases	2002	(491)
USD/JPY	523,000	Call option	2002	170
USD/MXP	5,000	Forward purchases	2002	170
USD/BRS	6,382	Swap	2002	(510)
				(7,500)

Commodities price derivatives

Notional amount (in thousands)

YEAR ENDED DECEMBER 31, 2002		Derivatives	Term	Fair value
MM BTU	3,840,000	Gas call option	2003	(2,749)
MM BTU	3,840,000	Gas put option	2003	611
MM BTU	7,680,000	Gas put option	2005	(762)
MM BTU	480,000	Gas cap option	2003	28
				(2,872)
<hr/>				
YEAR ENDED DECEMBER 31, 2001				
Tons	1,650	Zinc forward purchases	2002	(342)
Barrels	1,800	Oil call option	2002	585
Barrels	1,200	Oil put option	2002	(2,490)
				(2,247)

24. 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 (exception made of the litigation with the consortium led by BHP –see (I) below–. Based on management’s assessment and the advice of legal counsel, it is not anticipated that the ultimate resolution of existing litigation will result in amounts in excess of recorded provisions (see Notes 21 and 22) that would be material to the Tenaris’ consolidated combined financial position or income statement.

I. Claim against Dalmine

In June 1998, British Steel plc (“British Steel”) and Dalmine were sued by a consortium led by BHP Petroleum Ltd. (“BHP”) before the Commercial Court of the High Court of Justice Queen’s Bench Division of London. The action concerns the failure of an underwater pipeline built in 1994 in the Bay of Liverpool. Dalmine, at that time a subsidiary of Ilva S.p.A. (“Ilva”), supplied pipe products to British Steel, which, in turn, resold them to BHP for use in constructing the Bay of Liverpool pipeline. BHP claimed that British Steel breached the contract of sale relating to the pipe and that the pipe was defectively manufactured by Dalmine.

The products sold were valued at 1.9 million British pounds (“GBP”) and consisted of pipe for use in maritime applications. Dalmine received court notice of the action more than two years after the contractual warranty covering the pipe had expired and four years after the pipe was delivered and placed into operation. British Steel and Dalmine denied

the claim on the basis that the warranty period had expired and, in the alternative, that the amount claimed exceeded the contractual limitation of liability (equal to GBP 300 thousand, or approximately 15% of the value of the products supplied).

The Commercial Court dismissed the contract claim against British Steel. The decision was subsequently confirmed by the Court of Appeals in a ruling issued on April 7, 2000, as a result of which the claim against British Steel was definitively dismissed. BHP’s product liability claim against Dalmine remained outstanding.

On November 24, 2000, the Commercial Court granted BHP permission to amend its pleading against Dalmine to include a deceit tort claim under English law based on inconsistencies between the results of internal chemical tests performed by Dalmine on the pipe and the results shown in the quality certificates issued to BHP by Dalmine. In May 2002, the trial court issued a judgment in favor of BHP, holding that the products supplied by Dalmine were the cause for the failure of the gas pipeline and that Dalmine was liable for damages to BHP. The court’s judgment was limited to the issue of liability, and the amount of damages to be awarded to BHP is being determined in a separate proceeding. Dalmine’s petition to the trial court for leave to appeal its judgment was denied, but subsequently granted by the Court of Appeals. However, on February 5, 2003, the Court of Appeals dismissed Dalmine’s appeal, closing the dispute on the issue of liability.

BHP has indicated in court proceedings that it will seek damages of approximately GBP 35 million to cover the cost of replacing the pipeline, GBP 70 million to compensate for consequential damages, GBP 73 million to cover loss or deferred revenues, GBP 31 million to compensate for increased income tax resulting from a change in law plus interest and costs for unspecified amounts. Subsequent to the court's judgment in favor of BHP on the issue of liability, BHP petitioned the court for an interim judgment of damages in the amount of approximately GBP 37 million to cover the cost of replacing the pipeline. On July 31, 2002, Dalmine agreed to pay BHP GBP 15 million (approximately USD 22.5 million) in interim damages. The court is now expected to hear arguments regarding, and issue its final judgment on, total damages during the first half of 2004.

Based on the information provided so far by BHP, Dalmine considers that the compensation requested to cover the cost of replacing the pipeline exceeds the cost actually incurred for such purpose. Taking into consideration such information and the preliminary views expressed by independent experts, Dalmine believes that certain of the other claims fail to show an appropriate connection with the events for which Dalmine was found responsible, while others appear to exceed the damage actually incurred.

Dalmine created a provision in the amount of EUR 45 million (USD 41.3 million) in its results for 2001 to account for potential losses as a result of BHP's lawsuit. In light of the practical

difficulties to come to a precise estimate of the liability in view of the complexity and diversity of the elements brought to the proceedings by BHP, Dalmine has decided to increase the amount of the provision by EUR 20 million (USD 18.9 million), inclusive of interest accrued and legal expenses incurred in connection with such proceedings. Dalmine has stated that the provision was created and increased as a prudent way of complying with applicable accounting principles, and should therefore not be regarded as an admission of indemnification payable to the plaintiffs.

The pipe that is the subject of this lawsuit was manufactured and sold, and the tort alleged by BHP took place, prior to the privatization of Dalmine, and Techint Investments Netherlands BV ("Tenet") –the Siderca subsidiary party to the contract pursuant to which Dalmine was privatized– believes that, under the Dalmine privatization contract, Tenet should be entitled to recover from Fintecna S.p.A. ("Fintecna") on behalf of Dalmine (as a third party beneficiary under the Dalmine privatization contract) 84.08% of any damages it may be required to pay BHP. Tenet has commenced arbitration proceedings against Fintecna to compel it to indemnify Dalmine for any amounts Dalmine may be required to pay BHP. Fintecna has denied that it has any contractual obligation to indemnify Dalmine, asserting that the indemnification claim is time-barred under the terms of the privatization contract and, in any event, subject to a cap of EUR 13 million. Tenet disputes this assertion. The arbitration proceedings were suspended at a preliminary stage pending a decision by the British trial

court in BHP's lawsuit against Dalmine. Tenet and Dalmine intend to petition the arbitration panel to resume the proceedings in light of the court of appeal's recent decision to dismiss Dalmine's appeal against the judgment of liability in favor of BHP.

II. Consorcio Siderurgia Amazonia, Ltd.

In January 1998, Amazonia purchased a 70% equity interest in CVG Siderúrgica del Orinoco C.A. ("Sidor") from the Venezuelan government. Tamsider, a wholly-owned subsidiary of Tamsa, had an initial 12.50% equity interest in Amazonia, which increased to 14.11% in March 2000 as a result of additional investments as described below. As of December 31, 2002, Tamsider's equity interest in Amazonia remained at 14.11%. The Venezuelan government continues to own a 30% equity interest in Sidor.

Sidor, located in the city of Guayana in southeast Venezuela, is the largest integrated steel producer in Venezuela and the sixth largest integrated steel producer in Latin America, with an installed capacity of more than 3.5 million tons of liquid steel per year. In 2001, Sidor shipped 2.9 million tons of steel.

Sidor has experienced significant financial losses and other problems since the acquisition by Amazonia in January 1998, despite a significant reduction in Sidor's workforce and management's efforts to improve the production process and reduce operating costs. In 1999, due to negative conditions in the international steel market, a sustained and intensifying domestic recession in Venezuela, deteriorating

conditions in the credit markets, an increase in the value of the Venezuelan currency relative to the U.S. dollar and other adverse factors, Sidor and Amazonia incurred substantial losses and were unable to make payments due under loan agreements with their respective creditors. In 2000, these loan agreements were restructured. Despite continued efforts by Sidor's management to improve technology and optimize production levels, in late 2001 Sidor and Amazonia were again unable to make payments due under the restructured loan agreements, following a continuation and aggravation of the same negative factors described above accompanied by increased competition from steel imports in Venezuela. Sidor and Amazonia are currently involved in discussions with their creditors and the Venezuelan government regarding a possible restructuring of their loan agreements. As of December 31, 2002, Sidor had approximately USD 1.58 billion of indebtedness (secured in part by fixed assets valued at USD 827.0 million as determined at the time Sidor's loans were restructured in March 2000) and Amazonia had approximately USD 313 million of indebtedness.

We cannot give you any assurance as to whether Sidor or Amazonia will succeed in restructuring their existing indebtedness, or that their lenders will not accelerate any defaulted indebtedness in accordance with the terms of the applicable loan agreements or foreclose on any of the assets of Sidor or Amazonia pledged as collateral.

As a result of the adverse trends discussed above, Tamsider made additional capital contributions to Amazonia, resulting from the

restructuring concluded in 2000, while recording significant losses in the value of its investment. In addition to its initial capital contribution of USD 87.8 million, Tamsider was required to make capital contributions in the amount of USD 36.1 million (of which USD 18.0 million took the form of a convertible subordinated loan to Amazonia, as described below) in connection with the restructuring of Amazonia's loan agreements in 2000. The value of Tamsider's investments (as recorded in Tamsa's consolidated combined financial statements) has decreased significantly since 1998, from USD 94.2 million as of December 31, 1998, to USD 13.2 million as of December 31, 2002. Further losses and provisions may be recorded in respect of Tamsider's investment in Amazonia. Subject to various conditions it is currently contemplated that Tamsider would make additional capital contributions as a part of a restructuring of Sidor's and Amazonia's existing indebtedness.

In addition to the risk of further losses in the equity value of its investment, Tamsider has significant exposure in respect of its investment in Amazonia under several agreements and guarantees. Below is a description of the nature and extent of this exposure. We cannot predict whether Tamsider will be required to make payments or will otherwise incur losses under these agreements and guarantees.

- The Sidor purchase agreement between Amazonia and the Venezuelan government requires the shareholders of Amazonia, including Tamsider, to indemnify the government for breaches by Amazonia of the Purchase Agreement up to a maximum amount of USD 150.0 million for five years from the acquisition date. In connection with this indemnity, the shareholders of Amazonia are required to maintain a performance bond (which Tamsa has guaranteed directly) for five years, beginning in 1998, in the amount of USD 150.0 million during the first three years, USD 125 million in the fourth year and USD 75.0 million in the fifth year. Tamsider's maximum liability under the indemnity would be USD 18.8 million, as its obligations with respect to the indemnity are proportional to its initial 12.50% equity interest in Amazonia.
- The Sidor purchase agreement further requires the shareholders of Amazonia to guarantee, also on a proportional basis, the principal and a portion of the interest payable under a loan made to Sidor by the Venezuelan government. Tamsider's maximum liability under this guarantee, which continues to apply to the loan as restructured in 2000, is USD 92.2 million.
- The loan agreement between Amazonia and a group of private lenders (the proceeds of which were used by Amazonia to finance the acquisition of its equity interest in Sidor) required the shareholders of Amazonia, including Tamsider, to pledge their shares in Amazonia as security and also required Amazonia to pledge its shares in Sidor as security. These pledges continue to apply to the loan as restructured in 2000.
- As discussed above, in connection with the restructuring of Amazonia's loan agreements in 2000, the shareholders of Amazonia, including

Tamsider, were required to make additional capital contributions in part by making subordinated loans convertible into additional shares of Amazonia. Tamsider made a subordinated loan of USD 18 million to Amazonia as a result of this requirement.

- Also in connection with the restructuring of Amazonia's loan agreements in 2000, the parent companies of several shareholders of Amazonia, including Tamsider, were required to enter into a put agreement pursuant to which they agreed to purchase, upon certain conditions and in no case prior to December 31, 2007, up to USD 25 million in loans payable by Amazonia to its private lenders. The shareholders of Amazonia also delivered a letter to these lenders contemplating the possibility of additional capital contributions of up to USD 20 million in the event of extreme financial distress at Sidor. Tamsa's obligations under the put agreement, and Tamsider's share of any capital contribution under the letter, are limited in proportion to its interest in Amazonia when the put is exercised or the contribution is made. Based on Tamsider's current 14.1% equity interest in Amazonia, Tamsa's aggregate liability under the put agreement would be limited to a maximum of USD 3.5 million and Tamsider's share of any capital contribution under the letter would be limited to a maximum of USD 2.8 million.

III. Tax claims

a. Siderca

On December 18, 2000, the Argentine tax authorities notified Siderca 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 ARP 41.7 million (approximately USD 12.8 million) at December 31, 2002 in tax and penalties. On the basis of information from 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 the financial statements.

b. Dalmine

For the tax years from 1996 and the years thereafter, Dalmine was subject to an audit conducted by the regional tax police of Milan. Their report, issued in July 1999, disallowed certain costs and expenses while also alleging that goods-in-transit were not accounted for on the accrual basis. Dalmine believes that, with regard to in-transit inventory items, the tax effect is negligible, and with regards to non-deductible costs, any additional tax amounts that may be due would be compensated for with existing net operating losses. Dalmine has been informed by the Department of Revenue that no further action regarding goods-in-transit will be pursued.

During 2001, Dalmine reached a settlement with the local Department of Revenue in Bergamo as far as fiscal years from 1994 to 1998 are concerned.

The settlement mandated payment of approximately EUR 1.1 million (USD 1.2 million) in taxes, interest and fines. Of this, Fintecna (in liquidation) paid approximately EUR 0.5

million (USD 0.5 million), on the basis of the risk assumed under the contract for the sale of its previous controlling interest in Dalmine.

As for the litigation pending with the Italian tax authorities for assessments received or still to be received from the VAT or direct tax offices of Milan and Bergamo based on the reports made by the Revenue Guard Corps in December 1995, a provision has been created that is considered sufficient to meet any eventual tax expenses (net of the portion of the risk attributable to Fintecna). Such provision has also been calculated considering the largely favourable outcomes of the appeals filed by Dalmine and examined to date by the Tax Commissions.

IV. European Antitrust Commission

On December 8, 1999 the Commission of the European Union imposed fines on Dalmine and several other manufacturers of seamless pipes in Europe for alleged violations of fair trade practices under the EEC treaty. The fine imposed on Dalmine was EUR 10.8 million (USD 11.4 million) and related to pre-1996 activity. As such, Dalmine accrued this amount

in provisions and the 84.08% to be reimbursed by Fintecna in other receivables at December 31, 1999. In March 2000, Dalmine filed an appeal against the ruling.

V. Other Proceedings

Dalmine is currently subject to a criminal proceeding before the Court of Bergamo, Italy, and two civil proceedings for work-related injuries arising from its use of asbestos in its manufacturing processes from 1960 to 1980. In addition, some other asbestos related out-of-court claims have been forwarded to Dalmine. Of the 39 claims (inclusive of the out-of-court claims), 13 incidents have already been settled or are to be covered by Dalmine's insurer. Dalmine estimates that its potential liability in connection with the remaining cases not yet settled or covered by insurance is approximately EUR 7.0 million (USD 7.4 million). This amount was recognized as a provision for liabilities and expenses as of December 31, 2002.

VI. Contingent liabilities

Tenaris had the following contingent liabilities at each year end:

YEAR ENDED DECEMBER 31	2002	2001	2000
Third party assets held in custody by Tenaris	17,603	3,860	512
Discounted documents	–	1,210	1,210
Deposit guarantees and other guarantees	179,924	119,088	122,526
Total	197,527	124,158	124,248

VII. Commitments

The following are the main off-balance sheet commitments:

a. Tamsa entered into an off-take contract with Complejo Siderúrgico de Guayana C.A. (“Comsigua”) to purchase on a take-and-pay basis 75,000 tons of hot briquette iron, or HBI, annually for twenty years beginning in April 1998 with an option to terminate the contract at any time after the tenth year upon one year’s notice. Pursuant to this off-take contract, Tamsa would be required to purchase the HBI at a formula price reflecting Comsigua’s production costs during the first eight contract years; thereafter, it would purchase the HBI at a slight discount to market price.

The agreements among the joint venture parties provide that, if during the eight-year period the average market price is lower than the formula price paid during such period, Tamsa would be entitled to a reimbursement of the difference plus interest, payable after the project financing and other specific credits are repaid. In addition, under the joint venture arrangements, Tamsa has the option to purchase on an annual basis up to a further 80,000 tons of HBI produced by Comsigua at market prices. Under its off-take contract with Comsigua, as a result of weak market prices for HBI, Tamsa has paid higher-than-market prices for its HBI and accumulated a credit that, at December 31, 2001, amounted to approximately USD 9.8 million. This credit, however, is offset by a provision for an equal amount recorded as a result of Comsigua’s weak financial condition. In connection with Tamsa’s original 6.9% equity interest in the joint venture company, Tamsa paid USD 8.0 million and agreed to

cover its proportional (7.5%) share of Comsigua’s cash operating and debt service shortfalls. In addition, Tamsa pledged its shares in Comsigua and provided a proportional guarantee in support of the USD 156 million (USD 100.1 million outstanding as of March 31, 2002) project financing loan made by the International Finance Corporation, or IFC, to Comsigua. In February 2002, Tamsa was required to pay USD 1.3 million, representing its share of a shortfall of USD 14.7 million payable by Comsigua under the IFC loan and additional operating shortfalls of USD 2.8 million. Comsigua’s financial condition has been adversely affected by the consistently weak international market conditions for HBI since its start-up in 1998 and, unless market conditions improve substantially, Tamsa may be required to make additional proportional payments in respect of its participation in the Comsigua joint venture and continue to pay higher-than-market prices for its HBI pursuant to its off-take contract.

(b) Tamsa purchases from Pemex, at prevailing international prices, natural gas used for the furnaces that reheat steel ingots in the pipe making process. Natural gas rates increased approximately 74% in 2000 and 4% in 2001. In February, 2001, Tamsa signed an agreement with Pemex, for the supply of 296,600 million BTUs (British Thermal Units) of natural gas from January 1, 2001 until December 31, 2003, at a fixed price of USD 4.00 per million of BTUs. In order to cover a decrease in natural gas prices, in March 2001, Tamsa entered into a forward contract with Enron North America Corp. (“Enron”), with the option to sell up to

200,000 million BTUs per month of natural gas, at a minimum base price of USD 4.05 per million of BTUs, from March 2002, through December 2003.

As a result of Enron's bankruptcy in late 2001, no reasonable prospect exists of exercising Tamsa's option under this contract. The premium paid to Enron of USD 1.7 million for this put option was fully amortized during the fourth quarter of 2001. In order to reduce its exposure to above-market prices under the natural gas supply agreement with Pemex, Tamsa entered into agreements with Citibank, N.A., New York ("Citibank") and JPMorgan Chase Bank ("JPMorgan Chase"), in March 2002 and April 2002. The economic effect of the agreements with Citibank and JPMorgan Chase is to permit Tamsa to purchase 320,000 million BTUs per month at market price instead of at the USD 4.00 per million BTU rate charged by Pemex, resulting in a more favourable price to Tamsa for natural gas so long as the market price remains below USD 4.00.

Under the agreements, Tamsa must continue to make its purchase of natural gas at market price even if the market price rises above USD 4.00 per million BTUs, thereby exposing Tamsa to a later risk of above-market prices. Also, under the agreements, Tamsa must continue to make purchases at the USD 4.00 per million BTU rate if the market price of natural gas falls to USD 2.00 per million BTUs or lower (during the period from May 1, 2002 to February 28, 2003) or to USD 2.25 per million BTUs or lower (during the period from March

1, 2003 to December 31, 2003). In addition, under each of the agreements with Citibank and JPMorgan Chase, Tamsa is required to purchase 160,000 million BTUs of natural gas per month from January 1, 2004, to December 31, 2005, at price of USD 2.7 per million BTUs.

(c) In August 2001, Dalmine Energie S.p.A. signed an agreement for the purchase of natural gas with certain take or pay conditions. The agreement began on October 1, 2001, and will expire 10 years later on October 1, 2011. Total volume of natural gas still to be purchased as at December 31, 2001 is estimated to be 5,800 million cubic meters equal to approximately EUR 900 million (USD 806 million at December 31, 2001, based on natural gas prices at the end of 2001). At the date, Dalmine Energie S.p.A. has not contracted all the transportation capacity for selling the gas within the Italian market for the period October 2003 to September 2011.

(d) Under a lease agreement between Gade Srl (Italy) and Dalmine, executed in 2001, relating to a building site in Sabbio Bergamasco used by Dalmine's former subsidiary Tad Commerciale, Dalmine is obligated to bid in the auction for the purchase of a building from Gade for a minimum amount of EUR 8.3 million (USD 7.4 million at December 31, 2001). The notice of the auction, according to the contract, was not to take place before January 1, 2003. Up to the date of these financial statements, the auction was not yet announced.

VIII. Restrictions on the distribution of profits

Under Luxembourg law, at least 5% of the net income per year calculated in accordance with Luxembourg law and regulations must be allocated to the creation of a reserve until such reserve has reached to an amount equal to 10% of the share capital. At December 31, 2002 the Company has created this reserve in full.

Dividends may be paid by Tenaris to the extent distributable retained earnings and distributable reserves calculated in accordance with Luxembourg law and regulations exist. Therefore, retained earnings included in the consolidated combined financial statements may not be wholly distributable.

Shareholders' equity under Luxembourg law and regulations comprises the following captions (amounts in USD):

Share capital	1,160,700,794
Legal reserve	116,070,080
Share premium	587,492,789
Other distributable reserves	206,744,261
Total shareholders equity under Luxembourg GAAP	2,071,007,924

25. Ordinary shares and share premium

	Number of ordinary shares
At January 1, 2002	30,107
Net issue of shares of October 18, 2002	710,717,080
Net issue of shares of December 13, 2002	449,953,607
At December 31, 2002	1,160,700,794

The total of issued and outstanding ordinary shares as of December 31, 2002 is 1,160,700,794 with a par value of USD 1 per share.

26. Minority interest

YEAR ENDED DECEMBER 31	2002	2001	2000
At beginning of year	918,981	919,710	979,067
Currency translations differences	(62,816)	(11,167)	(3,411)
Effect of adopting IAS 39	–	(408)	–
Share of net loss (profit) of subsidiaries	142,403	74,557	47,401
Acquisition	–	17,042	15,610
Exchange of shares of Siderca, Dalmine and Tamsa	(768,577)	–	–
Sales	(2,020)	(22,262)	(57,367)
Dividends paid	(41,188)	(58,491)	(61,590)
At end of year	186,783	918,981	919,710

27. Acquisitions

All the acquisitions were accounted under the purchase method, in accordance with IAS 22.

On December 13, 2002 the Company acquired 27.94% of the Siderca shares or ADSs, 43.73%

of the Tamsa shares or ADSs and 41.19% of the Dalmine shares through the exchange of shares of the Company.

Details of net assets acquired and goodwill are as follows:

2002	SIDERCA	TAMSA	DALMINE	TOTAL
Purchase consideration	457,259	278,894	75,052	811,205
Fair value of minority interest acquired	357,150	345,980	113,287	816,417
Goodwill (negative goodwill)	100,109	(67,086)	(38,235)	(5,212)

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

2002	SIDERCA	TAMSA	DALMINE	TOTAL
Property, plant and equipment	47,972	(4,228)	21,975	65,719
Goodwill	100,109	(67,086)	(38,235)	(5,212)
Other non-current assets	–	1,480	–	1,480
Current assets	320	9,335	–	9,655
Total assets acquired	148,401	(60,499)	(16,260)	71,642
Minority interest in Siderca, Tamsa and Dalmine	325,760	342,660	100,157	768,577
Total non-current liabilities	(16,902)	(3,267)	(8,845)	(29,014)
Total liabilities assumed	(16,902)	(3,267)	(8,845)	(29,014)
Purchase consideration	457,259	278,894	75,052	811,205

During 2002 the Company acquired 0.26% of shares of Tamsa from minority shareholders for USD 1.7 million.

During 2001 the Company acquired 4.34% of shares of Tamsa from minority shareholders for USD 31.0 million. The fair value of net assets acquired was USD 31.2 million, giving rise to negative goodwill of USD 0.2 million.

Minor acquisitions of Empresas Riga S.A. (by Tamsa) during 2001 did not give rise to any significant goodwill due to the purchase method of accounting.

During 2000 the Company acquired 6.90% of shares of Tamsa from minority shareholders for USD 63.8 million. The fair value of net assets acquired was USD 51.6 million, giving rise to goodwill of USD 12.2 million.

28. Related party transactions

The following transactions were carried out with related parties:

YEAR ENDED DECEMBER 31	2002	2001	2000
(I). TRANSACTIONS			
a. Sales of goods and services			
Sales of goods	258,083	74,145	66,785
Sales of services	6,934	3,444	4,577
	265,017	77,589	71,362
b. Purchases of goods and services			
Purchases of goods	160,792	46,202	30,779
Purchases of services	103,858	95,216	74,300
	264,650	141,418	105,079
(II). YEAR-END BALANCES			
a. Arising from sales/purchases of goods/services			
Receivables from related parties	59,490	34,439	31,753
Payables to related parties	(92,133)	(43,957)	(26,325)
	(32,643)	(9,518)	5,428
b. Cash and cash equivalents			
Time deposits	24,658	67,975	10,974
c. Other balances			
Trust fund	115,787	103,438	-
d. Financial debt			
Borrowings and overdrafts	49,452	55,331	45,461
e. Deposit guarantees and other guarantees			
Guarantees receipt	6,000	-	-
(III). OFFICERS AND DIRECTORS COMPENSATIONS			
The aggregate compensation of the directors and executive officers accrued during 2002 amounts to USD 739 thousand.			

29. Principal subsidiaries

Detailed below are the companies whose consolidated financial statements have been included in these consolidated financial statements, and the percentage of ownership and voting rights held, directly or indirectly, by

Tenaris in these companies at the end of 2002. For years 2001 and 2000, the percentages of ownership and voting rights considered in the preparation of those consolidated financial statements correspond to those of ultimate parent company at each year end.

COMPANY	COUNTRY OF ORGANIZATION	MAIN ACTIVITY	PERCENTAGE OF OWNERSHIP AND VOTING RIGHTS AT DECEMBER 31		
			2002	2001	2000
Siderca	Argentina	Manufacturing of seamless steel pipes	99.11%	71.17%	72.61%
Tamsa	Mexico	Manufacturing of seamless steel pipes	94.50%	50.51%	46.18%
Dalmine	Italy	Manufacturing of seamless steel pipes	88.41%	47.22%	47.22%
Tenaris Global Services (and predecessors)	Uruguay	Holding of investments in steel pipe distributing companies	100.00%	100.00%	100.00%
Invertub	Argentina	Holding of investments	100.00%	100.00%	—

The consolidated financial statements of Siderca include the financial statements of Siderca and its subsidiaries, which are shown below:

COMPANY	COUNTRY OF ORGANIZATION	MAIN ACTIVITY	PERCENTAGE OF OWNERSHIP AND VOTING RIGHTS AT DECEMBER 31		
			2002	2001	2000
NKK Tubes K.K.	Japan	Manufacturing of seamless steel pipes	51.00%	51.00%	51.00%
Algoma Tubes Inc. (a)	Canada	Manufacturing of seamless steel pipes	80.00%	80.00%	80.00%
Confab Industrial S.A. and subsidiaries	Brazil	Manufacturing of welded steel pipes and capital goods	38.99%	38.99%	38.99%
Siat S.A. (b)	Argentina	Manufacturing of welded steel pipes	70.00%	70.00%	70.00%
Metalmecánica S.A. (c)	Argentina	Manufacturing steel products for oil extraction	73.00%	73.00%	73.00%
Scrapservice S.A.	Argentina	Processing of scrap	74.84%	74.84%	74.84%
Texas Pipe Threaders Co.	U.S.A.	Finishing and marketing of steel pipes	100.00%	100.00%	100.00%
Socover S.A.	Mexico	Sale of seamless steel pipe	—	—	99.33%
Siderca International A.p.S. (d)	Denmark	Holding company	100.00%	100.00%	100.00%
Techint Investment Netherlands B.V.	Netherlands	Holding company	100.00%	100.00%	100.00%
Sidtam Limited LLC (e)	U.S.A.	Holding company	51.00%	51.00%	51.00%

(a) Tamsa holds the remaining 20.00% of Algoma Tubes Inc.'s ("Algoma") capital stock and voting rights which is also consolidated in these combined consolidated financial statements.

(b) Confab Industrial S.A. ("Confab") holds the remaining 30.00% of Siat S.A.'s ("Siat") capital stock and voting rights.

(c) Invertub holds the remaining 27.00% of Metalmecánica's capital stock and voting rights.

(d) On January 31, 2002 Siderca International A.p.S. and Siderca Denmark A.p.S. were merged.

(e) Tamsa holds the remaining 49.00% of Sidtam Limited LLC's ("Sidtam") capital stock and voting rights.

The consolidated financial statements of Tamsa include the financial statements of Tamsa and its subsidiaries, which are shown below:

COMPANY	COUNTRY OF ORGANIZATION	MAIN ACTIVITY	PERCENTAGE OF OWNERSHIP AND VOTING RIGHTS AT DECEMBER 31		
			2002	2001	2000
Tamsider S.A. and subsidiaries	Mexico	Promotion and organization of steel-related companies	100.00%	100.00%	100.00%
Inmobiliaria Tamsa S.A.	Mexico	Leasing of real estate	100.00%	100.00%	100.00%
Tubos de Acero de Venezuela S.A. (Tavsa)	Venezuela	Manufacturing of seamless steel pipes	70.00%	70.00%	70.00%
Corporación Tamsa S.A. (a)	Mexico	Sale of seamless steel pipes	100.00%	100.00%	100.00%
Tamtrade S.A.	Mexico	Sale of seamless steel pipes	100.00%	100.00%	100.00%
Empresas Riga S.A. (b)	Mexico	Manufacturing of welded fittings for seamless steel pipes	100.00%	100.00%	—
Socover S.A. (c)	Mexico	Sale of seamless steel pipes	100.00%	100.00%	—
Algoma Tubes Inc. (d)	Canada	Manufacturing of seamless steel pipes	20.00%	20.00%	20.00%

(a) Ceased operations during 2002. In process of liquidation.

(b) Company acquired during 2001.

(c) Shares acquired from Siderca during 2001.

(d) Siderca holds the remaining 80.00% of AlgomaTubes' capital stock and voting rights.

The consolidated financial statements of Dalmine include the financial statements of Dalmine and its subsidiaries, which are shown below:

COMPANY	COUNTRY OF ORGANIZATION	MAIN ACTIVITY	PERCENTAGE OF OWNERSHIP AND VOTING RIGHTS AT DECEMBER 31		
			2002	2001	2000
Dalmine Energie S.p.A.	Italy	Marketing of electricity and gas	100.00%	100.00%	100.00%
i-Dalmine S.p.A.	Italy	Network information and telematic systems	100.00%	85.00%	85.00%
SO.PAR.FI. Dalmine Holding S.A.	Luxembourg	Holding company	100.00%	100.00%	100.00%
Dalmine Holding B.V.	Netherlands	Holding company	100.00%	100.00%	100.00%
Dalmine France Sarl	France	Marketing of steel products	100.00%	100.00%	100.00%
Dalmine Benelux B.V. (a)	Netherlands	Marketing of steel products	100.00%	100.00%	100.00%
Quality Tubes Ltd.	United Kingdom	Marketing of steel products	100.00%	100.00%	100.00%
Eurotube Ltd. (b)	United Kingdom	Marketing of steel products	100.00%	100.00%	100.00%
Quickflo Services Ltd. (a) (g)	United Kingdom	Marketing of steel products	100.00%	100.00%	100.00%
Dalmine Deutschland Gmbh	Germany	Marketing of steel products	100.00%	70.00%	70.00%
Tad Chacin S.A. (c)	Venezuela	Marketing of steel products	–	–	80.00%
Socominter Far East Ltd. (previously Tad Far East Ltd.)	Singapore	Marketing of steel products	–	–	55.00%
Metal Tad Venezuela (d)	Venezuela	Marketing of steel products	–	100.00%	100.00%
Dalmine Canada Ltd. (e)	Canada	Marketing of steel products	100.00%	100.00%	100.00%
Tad USA Inc. (d)	U.S.A.	Marketing of steel products	–	100.00%	100.00%
Tad Metal Ibérica S.r.l. (f)	Spain	Marketing of steel products	–	–	100.00%

(a) In process of liquidation.

(b) In process of reorganization.

(c) Socominter S.A. and Tad Chacin C.A. were merged during 2002.

(d) Ceased operations during 2001. Liquidated during 2002.

(e) Ceased operations during 2001. In process of liquidation.

(f) Liquidated during 2001.

(g) During 2002, shares in Quickflo Services Ltd. ("Quickflo") (33.33%) were purchased from third parties.

The consolidated financial statements of Tenaris Global Services include the financial statements of Tenaris Global Services and its subsidiaries, which are shown below:

COMPANY	COUNTRY OF ORGANIZATION	MAIN ACTIVITY	PERCENTAGE OF OWNERSHIP AND VOTING RIGHTS AT DECEMBER 31		
			2002	2001	2000
DST Europe Ltd.	United Kingdom	Marketing of steel products	100.00%	100.00%	–
Tenaris Global Services B.V.	Netherlands	Sales agent of steel products	100.00%	100.00%	–
Tenaris Global Services LLC (a)	U.S.A.	Sales agent of steel products	100.00%	–	–
Tenaris Global Services Ltd.	B.V.I.	Holding company	100.00%	100.00%	–
Siderca Corporation	U.S.A.	Marketing of steel products	100.00%	100.00%	100.00%
DST Japan K.K.	Japan	Marketing of steel products	99.83%	99.83%	99.83%
Techintrade Canada Inc. (previously DST Tubulars Inc.)	Canada	Marketing of steel products	100.00%	100.00%	100.00%
Techintrade Norway AS	Norway	Marketing of steel products	100.00%	100.00%	100.00%
Socominter Trading Inc.	Panama	Marketing of steel products	100.00%	100.00%	100.00%
Socominter de Bolivia S.R.L.	Bolivia	Marketing of steel products	100.00%	99.00%	99.00%
Socominter Soc. Com. Internacional Ltda. (b)	Chile	Marketing of steel products	99.00%	99.00%	99.00%
Socominter S.A.	Venezuela	Marketing of steel products	100.00%	100.00%	100.00%
Siderca Pte. Ltd.	Singapore	Marketing of steel products	100.00%	100.00%	100.00%
Tubular DST Nigeria Ltd.	Nigeria	Marketing of steel products	100.00%	100.00%	100.00%
Tad Chacin C.A. (c)	Venezuela	Marketing of steel products	–	100.00%	–
Socominter Far East Ltd. (previously Tad Far East Ltd.)	Singapore	Marketing of steel products	100.00%	100.00%	–

(a) Created during 2002.

(b) Ceased operations during 2002.

(c) Socominter S.A. and Tad Chacin C.A. were merged during 2002.

The combined consolidated financial statements of Tenaris also include the financial statements of the following companies:

COMPANY	COUNTRY OF ORGANIZATION	MAIN ACTIVITY	PERCENTAGE OF OWNERSHIP AND VOTING RIGHTS AT DECEMBER 31		
			2002	2001	2000
Metalcentro S.A.	Argentina	Manufacturing of pipe-end protectors and lateral impact tubes	100.00%	100.00%	100.00%
Siderestiba	Argentina		99.00%	99.00%	99.00%
Tenaris Connections A.G. and subsidiary	Liechtenstein	Ownership and licensing of steel technology	100.00%	100.00%	100.00%
Lomond Holdings B.V. and subsidiaries	Netherlands	Procurement services for industrial companies	75.00%	75.00%	—
Information Systems and Technologies B.V. and subsidiaries	Netherlands	Software development and maintenance	75.00%	75.00%	

30. Post balance sheet events

On February 19, 2003 Siderca has acquired Reliant Energy Cayman Holdings, Ltd. a company whose principal asset is an electric power generating facility located in San Nicolás, 300 km to the west of Buenos Aires, Argentina. The price paid was USD 23.1 million.

The power plant in San Nicolás is a fully modern gas turbine facility which came on stream in 1998 and has a power generation capacity of 160MW and steam production capacity of 250 tons per hour. As a result of the purchase, Tenaris' operations at Siderca, which consume around 160MW at peak production and an average of 90MW, will become self-sufficient in electric power requirements. Power which is

excess to Siderca's requirements will be sold on the open market and steam will continue to be sold to Siderca's affiliate, Siderar, which operates a steel production facility in San Nicolás.

This acquisition will enable Tenaris to further consolidate the competitive position of its operations at Siderca through an even deeper integration.

As explained in Note A (1), on February 21, 2003, Tenaris announced a plan for the acquisition of remaining minority interests (0.89%) in Siderca for six Argentine pesos (ARP 6.00) per Siderca share or sixty Argentine pesos (ARP 60.00) per Siderca ADS.



Paolo Rocca
President and
Chief Executive Officer

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REPORT AND ACCOUNTS OF TENARIS S.A.

LUXEMBOURG GAAP

TENARIS S.A.

**REPORT FOR THE PERIOD DECEMBER 17, 2001
(DATE OF INCORPORATION) TO DECEMBER 31, 2002**

The board of directors of Tenaris S.A. submits the annual report and the annual accounts in accordance with the Luxembourg legal and regulatory requirement for the period: December 17, 2001 (date of incorporation) to December 31, 2002.

As of December 31, 2002, Tenaris S.A. (Tenaris or the Company) had investments in affiliated companies for USD 2,071,373,951. These financial assets became part of Tenaris as a result of the contributions of all Sidertubes S.A.'s (Tenaris' parent company) holdings in the mentioned companies made on 18/10/2002 and 19/12/2002.

The second contribution was the consequence of the exchange offer of shares in Siderca S.A.I.C., Tamsa S.A. and Dalmine S.p.A. for Tenaris shares held by the public. As a result of that exchange offer, which concluded on December 13, 2002, 27.94% of Siderca shares and ADSs, 43.73% of Tamsa shares and ADSs and 41.19% of Dalmine shares were incorporated to Tenaris' assets.

After the contributions above mentioned, the Company's shareholders' equity was:

ITEM	Share Capital USD	Legal Reserve USD	Share Premium USD	Other Distributable Reserve USD	Profit for the period USD	Shareholders' Equity USD
Balance at the date of incorporation	30,107	–	–	–	–	30,107
AS DECIDED BY THE BOARD OF DIRECTORS' MEETING HELD ON OCTOBER 18, 2002						
Allocation of contribution	710,747,090	71,074,719	365,680,826	127,500,292	–	1,275,002,927
Cancellation of shares	(30,010)	–	–	–	–	(30,010)
AS DECIDED BY THE BOARD OF DIRECTORS' MEETING HELD ON DECEMBER 19, 2002						
Allocation of contribution	710,747,090	71,074,709	355,992,818	126,423,846	–	1,264,238,463
Cancellation of shares	(260,793,483)	(26,079,348)	(134,180,855)	(46,783,743)	–	(467,837,429)
PROFIT FOR THE PERIOD						
	–	–	–	–	8,873,866	8,873,866
AS DECIDED BY THE BOARD OF DIRECTORS' MEETING HELD ON AUGUST 27, 2002						
Interim dividend (*)	–	–	–	(396,134)	(8,873,866)	(9,270,000)
Balance at the end of the period after proposed allocation of profit	1,160,700,794	116,070,080	587,492,789	206,744,261	–	2,071,007,924

(*) Amount subject to the approval of the General Meeting of Shareholders to be held on May 28, 2003.

The specified financial assets consist of:

COMPANY	COUNTRY	% of ownership	Book value as at 17.12.2001 USD	Additions USD	Book value as at 31.12.2002 USD
Invertub S.A.	Argentina	99.97 %	–	320,559,994	320,559,994
Siderca S.A.I.C. (*)	Argentina	99.11 %	–	1,306,123,727	1,306,123,727
Dalmine S.p.A. (*)	Italy	88.41 %	–	66,068,542	66,068,542
Tubos de Acero de México (Tamsa) (*)	Mexico	94.50 %	–	315,574,038	315,574,038
Abeluz S.A.	Uruguay	100.00 %	–	63,047,650	63,047,650
Shares in affiliated companies			–	2,071,373,951	2,071,373,951

(*) Includes direct and indirect ownership.

Costs related to the exchange offer were reported in assets as “Reorganization Costs” and will be amortized over a period of five years starting in 2003. These expenses were financed mainly with USD 8,948,012 in borrowings from Tenaris’ subsidiaries.

Net income of the period was USD 8,873,866 as a result of dividends received in the amount of USD 9,470,714 and USD 9,270,000 paid as interim dividend (subject to approval of the Shareholders’ Meeting).

Tenaris has recorded a provision of USD 504,414 for taxes corresponding to the year 2002, and has qualified as a *Millardaire* Holding Company according to Luxembourg law, starting January 1, 2003.

On February 21, 2003, Tenaris announced a plan for the acquisition of remaining minority interest (0,89%) in Siderca for six Argentine pesos (ARP 6.00) per Siderca share or sixty Argentine pesos (ARP 60.00) per Siderca ADS. Tenaris will not consummate the squeeze out of Siderca shares and ADSs until the approval of the Argentine securities authorities is obtained.



Paolo Rocca
President and
Chief Executive Officer

PricewaterhouseCoopers
 Société à responsabilité limitée
 Réviseur d'entreprises
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REPORT OF INDEPENDENT AUDITORS

To the Shareholders of Tenaris S.A.

- 1 We have audited the annual accounts of Tenaris S.A. for the period from December 17, 2001 (date of incorporation) to December 31, 2002 on pages 134 to 141 and have read the related annual report on pages 129 to 131. These annual accounts and the management report are the responsibility of the Board of Directors. Our responsibility is to express an opinion on these annual accounts based on our audit and to check the consistency of the annual report with them.
- 2 We conducted our audit in accordance with International Standards on Auditing. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the annual accounts are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the annual accounts. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall annual accounts presentation. We believe that our audit provides a reasonable basis for our opinion.
- 3 In our opinion, the attached annual accounts give, in conformity with the Luxembourg legal and regulatory requirements, a true and fair view of the financial position of Tenaris S.A. as of December 31, 2002 and of the results of its operations for the period then ended.
- 4 The annual report is in accordance with the annual accounts.

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

Luxembourg, March 6, 2003



Ian Whitecourt

**AUDITED ACCOUNTS FOR THE PERIOD FROM
DECEMBER 17, 2001 (DATE OF INCORPORATION)
TO DECEMBER 31, 2002**

BALANCE SHEET AS AT DECEMBER 31, 2002

Expressed in USD

	NOTES	2002	
ASSETS			
FORMATION EXPENSES	3		9,548
REORGANIZATION COSTS			14,777,137
FINANCIAL ASSETS			
Shares in affiliated companies	4		2,071,373,951
CURRENT ASSETS			
Short term investments		602,000	
Cash at banks		106,579	708,579
Total assets			2,086,869,215
LIABILITIES			
SHAREHOLDERS' EQUITY			
Share capital	5	1,160,700,794	
Share premium	5	587,492,789	
Legal reserve	5, 6	116,070,080	
Other distributable reserve	5, 6	207,140,395	
Interim dividend	5	(9,270,000)	2,062,134,058
PROVISIONS			
Tax provision	7	501,833	
Other provisions		2,905,000	3,406,833
CREDITORS			
Intercompany	8	8,984,012	
Other creditors		3,470,446	12,454,458
Profit for the period			8,873,866
Total liabilities			2,086,869,215

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

**PROFIT AND LOSS ACCOUNT FOR THE PERIOD
FROM DECEMBER 17, 2001 (DATE OF INCORPORATION)
TO DECEMBER 31, 2002**

Expressed in USD

	NOTES	2002
CHARGES		
Amortization of formation expenses	3	2,387
Administrative and general expenses		73,154
Interest on current accounts		17,916
Realized loss on exchange		5,794
Taxes	7	504,414
Profit for the period		8,873,866
Total charges		9,477,531
INCOME		
Dividend income	9	9,470,714
Interest on current accounts		652
Realized gain on exchange		6,165
Total income		9,477,531

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

NOTES TO THE ACCOUNTS AS AT DECEMBER 31, 2002

1. Background and description of the business

Tenaris S.A. (the “Company”) was incorporated on December 17, 2001 under the name of Tenaris Holding S.A. as a limited liability company under the laws of Luxembourg.

The Company changed its name into Tenaris S.A. on June 26, 2002.

The Company’s purpose is to take participation, in any form whatsoever, in any commercial participation, contribution, underwriting, purchase, option, or negotiation or in any other way and, in particular, to make loans or otherwise assist the companies in which it holds a direct or indirect participation or which form part of the same group of companies as the Company; finally, to perform any operation which is directly or indirectly related to its purpose, taking advantage of the law of July 31, 1929 on holding companies. The Company can perform all commercial, technical and financial operations, connected directly or indirectly in all areas as described above in order to facilitate the accomplishment of its purpose.

The activities of the Tenaris group include the manufacture and supply of steel pipes and associated services related to the oil and gas, energy and other industries.

2. Summary of significant accounting policies

2.1 Accounts

The accounts have been prepared in accordance with Luxembourg legal requirements and accounting standards.

2.2 Foreign currency translation

The accounting records of the Company were held in EUR from its date of incorporation until June 26, 2002. The accounts have been converted to USD on that date and are held since in USD.

Financial assets, current assets and creditors denominated in foreign currencies are translated in 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 year. Income and expenses in foreign currencies are translated into USD at exchange rate prevailing at the transaction date.

2.3 Formation expenses

Formation expenses costs are amortized over a period of 5 years.

2.4 Reorganization costs

Reorganization costs comprise mainly fees for professional services that were incurred in the reorganization process. These costs will be amortized over a period of 5 years when the reorganization process is completed.

2.5 Financial assets

Financial assets are stated at cost. Should there be other than a temporary decline in the value of the investment, the carrying value will be reduced to recognize this decline. Reductions in the carrying value will be reversed should there be a rise in the value of the investment or should the reasons for the reduction no longer exist.

3. Formation expenses

	USD
COST	12,467
ADJUSTMENT	(532)
	11,935
AMORTIZATION	
Change for the period	2,387
At the end of the period	2,387
Net book value at the end of the period	9,548

4. Shares in affiliated companies

Investment in subsidiary companies as at December 31, 2002.

Expressed in USD

COMPANY	COUNTRY	% of ownership	Book value as at 17.12.2001 USD	Additions USD	Book value as at 31.12.2002 USD
Invertub S.A.	Argentina	99.97 %	–	320,559,994	320,559,994
Siderca S.A.I.C. (*)	Argentina	99.11 %	–	1,306,123,727	1,306,123,727
Dalmine S.p.A. (*)	Italy	88.41 %	–	66,068,542	66,068,542
Tubos de Acero de México (Tamsa) (*)	Mexico	94.50 %	–	315,574,038	315,574,038
Abeluz S.A.	Uruguay	100.00 %	–	63,047,650	63,047,650
Shares in affiliated companies			–	2,071,373,951	2,071,373,951

(*) Includes direct and indirect ownership.

5. Shareholders' equity

The Company has been constituted with a share capital of EUR 31,000 represented by 310 shares having a nominal value of EUR 100 each. The share capital has been fully paid up upon incorporation.

The Extraordinary General Meeting of shareholders held on June 26, 2002 has converted the currency of the share capital of the Company from EUR to USD. The share capital of EUR 31,000 has been converted into USD 30,107 generating an exchange loss of USD 2,137. This exchange difference has been booked into profit and loss account.

The Extraordinary General Meeting of shareholders also decided that the share capital of USD 30,107 be represented by 30,107 shares with a par value of USD 1 per share. The shares previously issued in EUR have been cancelled.

On August 27, 2002, the Company declared an interim dividend amounting to USD 9,270,000. This dividend was paid on August 27, 2002.

On October 18, 2002, the parent company, Sidertubes S.A. ("Sidertubes") contributed all its assets and liabilities to the Company in exchange for shares. The assets of Sidertubes contributed to the Company included the shares that Sidertubes held directly in Siderca S.A.I.C. ("Siderca") (51.96%), Tubos de Acero de México S.A. ("Tamsa") (6.94%), Dalmine S.p.A. ("Dalmine") (0.22%) and Abeluz S.A. ("Abeluz") (100%) for a total amount of USD 1,275,002,927. Tenaris issued 710,747,090 shares in remuneration of this contribution and 30,010 previously existing shares, which were held by Sidertubes and have also been contributed, were cancelled.

The General Meeting of the board of directors held on December 19, 2002 resolved to accept the contribution in kind consisting of all the assets and liabilities of Sidertubes S.A. to the Company in exchange for the issuance of 710,747,090 new shares of the Company to Sidertubes S.A., taking into consideration that the entirety of the assets and liabilities being valued at USD 1,264,238,463 include: a credit against the Company of USD 796,401,034 corresponding to 449,953,607 shares of Tenaris S.A. property of Sidertubes delivered, through the Exchange Agents, to the investors which have exchanged 476,466,244 shares of Dalmine, 279,397,133 shares of Siderca and 146,300,208 shares of Tamsa that have been received by the Company, pursuant to the terms of the Exchange Offer and the Corporate Reorganization Agreement executed by Tenaris S.A. and Sidertubes S.A. on September 13, 2002. As part of this reorganization, the Company also received 260,793,483 of its own shares with a par value of one US dollar (USD 1). These shares have been cancelled.

Tenaris issued 710,747,090 shares for the contribution and 260,793,483 shares were cancelled.

The authorized capital of the Company as at December 31, 2002 amounts to USD 2,500,000,000. 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 corresponds to 1,160,700,794 shares with a par value of USD 1 per share.

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

ITEM	Share Capital USD	Legal Reserve USD	Share Premium USD	Other Distributable Reserve USD	Profit for the period USD	Shareholders' Equity USD
Balance at the date of incorporation	30,107	–	–	–	–	30,107
AS DECIDED BY THE BOARD OF DIRECTORS' MEETING HELD ON OCTOBER 18, 2002						
Allocation of contribution	710,747,090	71,074,719	365,680,826	127,500,292	–	1,275,002,927
Cancellation of shares	(30,010)	–	–	–	–	(30,010)
AS DECIDED BY THE BOARD OF DIRECTORS' MEETING HELD ON DECEMBER 19, 2002						
Allocation of contribution	710,747,090	71,074,709	355,992,818	126,423,846	–	1,264,238,463
Cancellation of shares	(260,793,483)	(26,079,348)	(134,180,855)	(46,783,743)	–	(467,837,429)
PROFIT FOR THE PERIOD						
	–	–	–	–	8,873,866	8,873,866
AS DECIDED BY THE BOARD OF DIRECTORS' MEETING HELD ON AUGUST 27, 2002						
Interim dividend (*)	–	–	–	(396,134)	(8,873,866)	(9,270,000)
Balance at the end of the period after proposed allocation of profit	1,160,700,794	116,070,080	587,492,789	206,744,261	–	2,071,007,924

(*) Amount subject to the approval of the General Meeting of Shareholders to be held on May 28, 2003.

6. Legal and Other Distributable reserves

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 reached this 10% in the current year. The legal reserve is not available for distribution to the shareholders.

The amount included under “Other distributable reserve” is fully distributable upon approval of the General Shareholders’ Meeting.

7. Taxes

The Company is subject to the tax regime applicable as defined by the law dated July 31, 1929.

From January 1, 2003 onwards, the Company will be taxed as a *millardaire* holding as defined by the law dated July 31, 1929.

8. Intercompany creditors

USD	
a) creditors	1,977,523
b) loans	7,006,489
Intercompany creditors	8,984,012

a) are interest free and have no fixed terms of repayment.

b) principal amount of USD 7,000,000, accrues interest rate at LIBOR plus 2%.

9. Dividend income

On August 5, 2002, the Company received a dividend from its subsidiary Invertub S.A. amounting to USD 9,470,714.

10. Parent Company

The parent company of Tenaris S.A. is Sidertubes S.A., a company incorporated and existing under the laws of the Grand Duchy of Luxembourg.

11. Subsequent events

On February 21, 2003, Tenaris announced a plan for the acquisition of remaining minority interest (0.89%) in Siderca for six Argentine pesos (ARP 6.00) per Siderca share or sixty Argentine pesos (ARP 60.00) per Siderca ADS. Tenaris will not consummate the compulsory acquisition of Siderca shares and ADSs until it obtains the approval of the Argentine securities regulators.



Paolo Rocca
President and
Chief Executive Officer

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STOCK INFORMATION

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Mercado de Valores de Buenos Aires (TS)
Mercato Telematico Azionario (TEN)

ADS DEPOSITARY BANK

Morgan Guaranty Trust of New York
CUSIP Number 88031M019

INTERNET

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Cautionary statement

Some of the statements contained in this annual report are "forward-looking statements". Forward-looking statements are based on management's current (March 2003) views and 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 prices and their impact on investment programs by oil companies.