TENARIS S.A.

CONSOLIDATED CONDENSED INTERIM FINANCIAL STATEMENTS

JUNE 30, 2007

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CONSOLIDATED CONDENSED INTERIM INCOME STATEMENT

(all amounts in thousands of U.S. dollars, unless otherwise stated)		**Three-month period ended June 30**		**Six-month period ended June 30**	
	Notes	**2007**	**2006**	**2007**	**2006**
Continuing operations		**(Unaudited)**			
Net sales	**2**	2,604,206	1,841,346	5,029,505	3,463,237
Cost of sales	**2 & 3**	(1,404,558)	(903,261)	(2,696,056)	(1,719,588)
Gross profit		**1,199,648**	**938,085**	**2,333,449**	**1,743,649**
Selling, general and administrative expenses	**2 & 4**	(408,511)	(246,142)	(782,778)	(462,782)
Other operating income (expense), net	**2**	(10,723)	(1,880)	(12,660)	6,305
Operating income		**780,414**	**690,063**	**1,538,011**	**1,287,172**
Interest income	**5**	20,208	13,221	42,399	25,616
Interest expense	**5**	(67,996)	(14,437)	(125,723)	(26,076)
Other financial results	**5**	15,121	5,386	2,078	15,083
Income before equity in earnings of associated companies and income tax		**747,747**	**694,233**	**1,456,765**	**1,301,795**
Equity in earnings of associated companies		29,398	25,551	55,305	47,072
Income before income tax		**777,145**	**719,784**	**1,512,070**	**1,348,867**
Income tax		(242,659)	(225,739)	(468,190)	(415,765)
Income for continuing operations		**534,486**	**494,045**	**1,043,880**	**933,102**
Discontinued operations					
Income for discontinued operations		-	1,719	-	4,352
Income for the period		**534,486**	**495,764**	**1,043,880**	**937,454**
Attributable to:					
Equity holders of the Company		495,950	471,771	976,254	891,459
Minority interest		38,536	23,993	67,626	45,995
		534,486	**495,764**	**1,043,880**	**937,454**
Earnings per share attributable to the equity holders of the Company during the period					
Weighted average number of ordinary shares (thousands)		1,180,537	1,180,537	1,180,537	1,180,537
Earnings per share (U.S. dollars per share)		0.42	0.40	0.83	0.76
Earnings per ADS (U.S. dollars per ADS)		0.84	0.80	1.65	1.51

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

CONSOLIDATED CONDENSED INTERIM BALANCE SHEET

(all amounts in thousands of U.S. dollars)	Notes	At June 30, 2007 (Unaudited)		At December 31, 2006	
ASSETS					
Non-current assets					
Property, plant and equipment, net	**6**	3,228,277		2,939,241	
Intangible assets, net	**6**	4,925,668		2,844,498	
Investments in associated companies		478,663		422,958	
Other investments		40,829		26,834	
Deferred tax assets		337,460		291,641	
Receivables		43,879	9,054,776	41,238	6,566,410
Current assets					
Inventories		2,640,572		2,372,308	
Receivables and prepayments		258,930		272,632	
Current tax assets		200,650		202,718	
Trade receivables		1,818,443		1,625,241	
Other investments		169,411		183,604	
Cash and cash equivalents		891,159	5,979,165	1,372,329	6,028,832
Total assets			**15,033,941**		**12,595,242**
EQUITY					
Capital and reserves attributable to the Company's equity holders					
Share capital		1,180,537		1,180,537	
Legal reserves		118,054		118,054	
Share premium		609,733		609,733	
Currency translation adjustments		141,928		3,954	
Other reserves		27,931		28,757	
Retained earnings		4,019,677	6,097,860	3,397,584	5,338,619
Minority interest			**427,557**		**363,011**
Total equity			**6,525,417**		**5,701,630**
LIABILITIES					
Non-current liabilities					
Borrowings		3,955,243		2,857,046	
Deferred tax liabilities		1,358,852		991,945	
Other liabilities		218,543		186,724	
Provisions		92,899		92,027	
Trade payables		343	5,625,880	366	4,128,108
Current liabilities					
Borrowings		867,049		794,197	
Current tax liabilities		397,853		565,985	
Other liabilities		261,535		187,701	
Provisions		24,453		26,645	
Customer advances		488,649		352,717	
Trade payables		843,105	2,882,644	838,259	2,765,504
Total liabilities			**8,508,524**		**6,893,612**
Total equity and liabilities			**15,033,941**		**12,595,242**

Contingencies, commitments and restrictions to the distribution of profits are disclosed in Note 8.

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

CONSOLIDATED CONDENSED INTERIM STATEMENT OF CHANGES IN EQUITY
(all amounts in thousands of U.S. dollars)

	Attributable to equity holders of the Company							
	Share Capital	**Legal Reserves**	**Share Premium**	**Other Reserves**	**Currency translation adjustment**	**Retained Earnings (*)**	**Minority Interest**	**Total**
								(Unaudited)
Balance at January 1, 2007	1,180,537	118,054	609,733	28,757	3,954	3,397,584	363,011	5,701,630
Currency translation differences	-	-	-	-	137,974	-	16,014	153,988
Change in equity reserves	-	-	-	(826)	-	-	-	(826)
Acquisition and decrease of minority interest	-	-	-	-	-	-	20,828	20,828
Dividends paid in cash	-	-	-	-	-	(354,161)	(39,922)	(394,083)
Income for the period	-	-	-	-	-	976,254	67,626	1,043,880
Balance at June 30, 2007	**1,180,537**	**118,054**	**609,733**	**27,931**	**141,928**	**4,019,677**	**427,557**	**6,525,417**

	Attributable to equity holders of the Company							
	Share Capital	**Legal Reserves**	**Share Premium**	**Other Reserves**	**Currency translation adjustment**	**Retained Earnings**	**Minority Interest**	**Total**
								(Unaudited)
Balance at January 1, 2006	1,180,537	118,054	609,733	2,718	(59,743)	1,656,503	268,071	3,775,873
Currency translation differences	-	-	-	-	(2,475)	-	16,131	13,656
Change in equity reserves	-	-	-	26,613	-	-	-	26,613
Acquisition and increase of minority interest	-	-	-	-	-	-	(9,671)	(9,671)
Dividends paid in cash	-	-	-	-	-	(204,233)	(16,001)	(220,234)
Income for the period	-	-	-	-	-	891,459	45,995	937,454
Balance at June 30, 2006	**1,180,537**	**118,054**	**609,733**	**29,331**	**(62,218)**	**2,343,729**	**304,525**	**4,523,691**

(*) Retained Earnings calculated in accordance with Luxembourg Law are disclosed in Note 8.

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CONSOLIDATED CONDENSED INTERIM CASH FLOW STATEMENT

	Six-month period ended June 30,	
(all amounts in thousands of U.S. dollars)	**2007**	**2006**
	(Unaudited)	
Cash flows from operating activities		
Income for the period	1,043,880	937,454
Adjustments for:		
Depreciation and amortization	230,771	109,790
Income tax accruals less payments	(249,793)	(90,160)
Equity in earnings of associated companies	(55,305)	(47,072)
Interest accruals less payments, net	4,865	(1,464)
Income from disposal of investment	-	(6,933)
Changes in provisions	(3,480)	5,531
Changes in working capital	(125,365)	(219,541)
Other, including currency translation adjustment	53,803	26,472
Net cash provided by operating activities	**899,376**	**714,077**
Cash flows from investing activities		
Capital expenditures	(229,149)	(169,101)
Acquisitions of subsidiaries and minority interest (see Note 9)	(1,927,182)	(39,110)
Other disbursements relating to the acquisition of Hydril	(71,580)	-
Decrease in subsidiaries	(1,195)	-
Proceeds from disposal of property, plant and equipment and intangible assets	4,596	3,388
Dividends received	11,496	-
Changes in restricted bank deposits	-	627
Investments in short terms securities	14,193	(176,530)
Net cash used in investing activities	**(2,198,821)**	**(380,726)**
Cash flows from financing activities		
Dividends paid	(354,161)	(204,233)
Dividends paid to minority interest in subsidiaries	(39,922)	(16,001)
Proceeds from borrowings	2,208,026	234,563
Repayments of borrowings	(1,018,713)	(270,159)
Net cash provided by (used in) financing activities	**795,230**	**(255,830)**
(Decrease) Increase in cash and cash equivalents	**(504,215)**	**77,521**
Movement in cash and cash equivalents		
At beginning of the period	1,365,008	680,591
Effect of exchange rate changes	22,249	(5,853)
(Decrease) Increase in cash and cash equivalents	(504,215)	77,521
At June 30,	**883,042**	**752,259**

	At June 30,	
Cash and cash equivalents	**2007**	**2006**
Cash and bank deposits	891,159	776,146
Bank overdrafts	(8,096)	(22,466)
Restricted bank deposits	(21)	(1,421)
	883,042	**752,259**
Non-cash financing activity		
Conversion of debt to equity in subsidiaries	35,140	-

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NOTES TO THE CONSOLIDATED CONDENSED INTERIM FINANCIAL STATEMENTS

Index to the notes to the consolidated condensed interim financial statements

1	General information and basis of presentation
2	Segment information
3	Cost of sales
4	Selling, general and administrative expenses
5	Financial income (expenses), net
6	Property, plant and equipment and Intangible assets, net
7	Dividends per share
8	Contingencies, commitments and restrictions to the distribution of profits
9	Business acquisitions, incorporation of subsidiaries and other significant events
10	Discontinued operations
11	Related party disclosures

NOTES TO THE CONSOLIDATED CONDENSED INTERIM FINANCIAL STATEMENTS
(In the notes all amounts are shown in U.S. dollars, unless otherwise stated)

1 General information and basis of presentation

Tenaris S.A. (the "Company"), a Luxembourg corporation (societé anonyme holding), was incorporated on December 17, 2001 as a holding company for investments in steel pipe manufacturing and distributing operations. The Company holds, either directly or indirectly, controlling interests in various subsidiaries. References in these financial statements to "Tenaris" refer to Tenaris S.A. and its consolidated subsidiaries. A list of the Company's subsidiaries is included in Note 32 to the audited Consolidated Financial Statements for the year ended December 31, 2006 and updated in Note 9 to these consolidated condensed interim financial statements.

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

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

In May 2007, Tenaris acquired Hydril Company ("Hydril"), a company engaged in engineering, manufacturing and selling of premium connections and pressure control products for oil and gas drilling production. Hydril's premium connections business was allocated to the Tubes segment and a new segment was created -Pressure Control- for Hydril's pressure control business.

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

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

The Pressure Control segment includes the operations that consist in the production and selling of products such as blowout preventers, subsea control systems and related products used in oil and gas drilling applications.

The Others segment includes the operations that consist in the production and selling of sucker rods, welded steel pipes for electric conduits, industrial equipment and raw materials, such as hot briquetted iron, or HBI, that exceed Tenaris internal requirements.

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

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

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

These consolidated condensed interim financial statements were approved for issue by Tenaris's Board of Directors on August 3, 2007.

2 Segment information

Reportable operating segments

(all amounts in thousands of U.S. dollars)	Tubes	Projects	Pressure Control	Others	Total Continuing operations	Total Discontinued operations (*)
Six-month period ended June 30, 2007				**(Unaudited)**		
Net sales	4,337,062	325,254	49,238	317,951	5,029,505	-
Cost of sales	(2,183,935)	(227,126)	(30,240)	(254,755)	(2,696,056)	-
Gross profit	**2,153,127**	**98,128**	**18,998**	**63,196**	**2,333,449**	**-**
Selling, general and administrative expenses	(695,727)	(35,194)	(9,502)	(42,355)	(782,778)	-
Other operating income (expenses), net	(15,873)	1,714	(308)	1,807	(12,660)	-
Operating income	**1,441,527**	**64,648**	**9,188**	**22,648**	**1,538,011**	**-**
Depreciation and amortization	202,444	9,309	5,738	13,280	230,771	-
Six-month period ended June 30, 2006						
Net sales	3,099,412	201,024	-	162,801	3,463,237	282,180
Cost of sales	(1,456,997)	(139,903)	-	(122,688)	(1,719,588)	(271,940)
Gross profit	**1,642,415**	**61,121**	**-**	**40,113**	**1,743,649**	**10,240**
Selling, general and administrative expenses	(400,207)	(34,316)	-	(28,259)	(462,782)	(3,594)
Other operating income (expenses), net	6,781	518	-	(994)	6,305	(114)
Operating income	**1,248,989**	**27,323**	**-**	**10,860**	**1,287,172**	**6,532**
Depreciation and amortization	93,662	9,435	-	5,708	108,805	985

Geographical information

(all amounts in thousands of U.S. dollars)	North America	South America	Europe	Middle East & Africa	Far East & Oceania	Total Continuing operations	Total Discontinued operations (*)
Six-month period ended June 30, 2007				**(Unaudited)**			
Net sales	1,572,839	1,020,398	874,882	1,168,005	393,381	5,029,505	-
Depreciation and amortization	131,496	57,247	37,889	505	3,634	230,771	-
Six-month period ended June 30, 2006							
Net sales	919,647	701,398	664,442	828,315	349,435	3,463,237	282,180
Depreciation and amortization	30,469	45,233	29,773	387	2,943	108,805	985

(*) Corresponds to Dalmine Energie operations.

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

2 Segment information (Cont'd)

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

3 Cost of sales

	Six-month period ended June 30,	
(all amounts in thousands of U.S. dollars)	**2007**	**2006**
	(Unaudited)	
Inventories at the beginning of the period	**2,372,308**	**1,376,113**
Plus: Charges of the period		
Raw materials, energy, consumables and other	1,995,595	1,583,658
Increase in inventory due to business combinations	152,500	5,033
Services and fees	204,376	177,990
Labor cost	349,472	227,144
Depreciation of property, plant and equipment	121,728	95,175
Amortization of intangible assets	671	1,508
Maintenance expenses	93,488	55,202
Provisions for contingencies	4,300	-
Allowance for obsolescence	6,080	(2,395)
Taxes	2,999	1,959
Other	33,111	20,845
	2,964,320	**2,166,119**
Less: Inventories at the end of the period	**(2,640,572)**	**(1,550,704)**
	2,696,056	**1,991,528**
From Discontinued operations	-	(271,940)
	2,696,056	**1,719,588**

4 Selling, general and administrative expenses

	Six-month period ended June 30,	
(all amounts in thousands of U.S. dollars)	**2007**	**2006**
	(Unaudited)	
Services and fees	97,696	56,380
Labor cost	199,343	124,272
Depreciation of property, plant and equipment	6,856	4,400
Amortization of intangible assets	101,516	8,707
Commissions, freight and other selling expenses	225,358	175,385
Provisions for contingencies	19,741	5,587
Allowances for doubtful accounts	(188)	2,288
Taxes	72,954	50,115
Other	59,502	39,242
	782,778	**466,376**
From Discontinued operations	-	(3,594)
	782,778	**462,782**

5 Financial income (expenses), net

(all amounts in thousands of U.S. dollars)	Six-month period ended June 30, 2007	Six-month period ended June 30, 2006
	(Unaudited)	
Interest expense	(125,723)	(26,502)
Interest income	42,399	25,868
Interest net	**(83,324)**	**(634)**
Net foreign exchange transaction results and changes in fair value of derivative instruments	6,484	15,007
Other	(4,406)	288
Other financial results	**2,078**	**15,295**
Net financial results	**(81,246)**	**14,661**
From Discontinued operations	-	(38)
	(81,246)	**14,623**

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

6 Property, plant and equipment and Intangible assets, net

(all amounts in thousands of U.S. dollars)	Net Property, Plant and Equipment	Net Intangible Assets
	(Unaudited)	**(Unaudited)**
Six-month period ended June 30, 2007		
Opening net book amount	2,939,241	2,844,498
Currency translation differences	71,293	48,431
Additions	217,852	11,297
Increase due to business combinations	152,540	2,135,196
Disposals	(4,573)	(23)
Transfers	(96)	96
Reclassifications	(19,396)	(11,640)
Depreciation / Amortization charge	(128,584)	(102,187)
At June 30, 2007	**3,228,277**	**4,925,668**

7 Dividends per share

On June 6, 2007, the Company's shareholders approved an annual dividend in the amount of $0.30 per share of common stock currently issued and outstanding, which in the aggregate amounted to approximately $354 million. The cash dividend was paid on June 21, 2007.

On June 7, 2006, the Company's shareholders approved an annual dividend in the amount of $0.30 per share of common stock currently issued and outstanding. The amount approved included the interim dividend previously paid on November 16, 2005, in the amount of $0.127 per share. Tenaris paid the balance of the annual dividend amounting to $0.173 per share ($0.346 per ADS) on June 16, 2006. In the aggregate, the interim dividend paid in November 2005 and the balance paid in June 2006 amounted to approximately $354 million.

8 Contingencies, commitments and restrictions to the distribution of profits

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

Asbestos-related Litigation

In addition to the previously known 14 civil proceedings for work-related injuries arising from the use of asbestos in its manufacturing processes during the period from 1960 to 1980, 39 asbestos-related out-of-court claims and 1 civil party claim, 2 new asbestos-related out-of-court claims and 1 asbestos civil proceedings have been notified to Tenaris's subsidiary Dalmine during 2007; 3 claims were adjudicated, dismissed or settled. Accordingly, as of June 30, 2007, the total asbestos-related claims pending against Dalmine are 53 (of which, 3 are covered by insurance). Aggregate settlement costs to date are Euro 5.1 million. Dalmine estimates that its potential liability in connection with the claims above that are not yet settled is approximately Euro 21.5 million ($29 million) of which Euro 8.9 million ($12 million) relate to the claims and proceedings notified to Dalmine during 2007.

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

Maverick litigation

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

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

European Commission Fine

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

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

Employee retention and long term incentive program

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

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

The total value of the units granted to date under the program, considering the number of units and the book value per share as of June 30, 2007, is $7.3 million. As of June 30, 2007, Tenaris has recorded a total liability of $14.9 million taking into account expected industry growth and discount rate.

Commitments

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

- Tenaris is party to a five year contract with Nucor Corporation, under which it committed to purchase from Nucor approximately 435,000 tons of steel coils per year, with deliveries starting in January 2007. Prices are adjusted quarterly in accordance with market conditions and the estimated aggregate amount of the contract at current prices is approximately $1,432 million.

- Tenaris is party to a steel supply agreement with IPSCO, under which it is committed to purchase around 55,000 tons of steel per year, until 2011. Prices are adjusted monthly or quarterly and the estimated aggregate amount of the contract at current prices is approximately $213 million. Each party may terminate this agreement at any time upon one year notice.

- Tenaris is party to a contract with Nación Fideicomisos, an Argentine governmental agency, to deliver welded steel pipes for the project Loops (2006-2008 Expansions) which are partially guaranteed by a stand-by letter of credit of $51.1 million. In addition, Tenaris entered into a purchase contract with Usiminas in order to secure the source of steel to produce the pipes. At June 30, 2007, Tenaris maintained in stock pipes and plates for this project amounting to $77.5 million. Delivery and invoicing of this project have been delayed. Any cancellation of the project, in total or in part, could result in an impairment charge to the stock.

- Tenaris is party to transportation capacity agreements with Transportadora de Gas del Norte S.A. for capacity of 1,000,000 cubic meters per day until 2017. As of June 30, 2007, the outstanding value of this commitment was approximately $58 million. Tenaris also expects to obtain additional gas transportation capacity of 315,000 cubic meters per day until 2027. This commitment is subject to the enlargement of certain pipelines in Argentina.

- Tenaris is party to a contract with Siderar for the supply of steam generated at the power generation facility owned by Tenaris in San Nicolas. Under this contract, Tenaris is required to provide 250 tn/hour of steam, and Siderar has the obligation to take or pay this volume. This outsourcing contract is due to terminate in 2018.

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

Restrictions to the distribution of profits and payment of dividends

As of June 30, 2007, shareholders' equity as defined under Luxembourg law and regulations consisted of the following:

(all amounts in thousands of U.S. dollars)	(unaudited)
Share capital	1,180,537
Legal reserve	118,054
Share premium	609,733
Retained earnings including net income for the six-month period ended June 30, 2007	2,067,391
Total shareholders equity in accordance with Luxembourg law	**3,975,715**

At least 5% of the Company's net income per year, as calculated in accordance with Luxembourg law and regulations, must be allocated to the creation of a legal reserve equivalent to 10% of the Company's share capital. As of June 30, 2007, this reserve is fully allocated and additional allocations to the reserve are not required under Luxembourg law. Dividends may not be paid out of the legal reserve.

Tenaris may pay dividends to the extent, among other conditions, that it has distributable retained earnings calculated in accordance with Luxembourg law and regulations and providing the compliance of the covenant related to restricted payments stated in Note 9.

At June 30, 2007, retained earnings under Luxembourg law totalled $2,067.4 million, as detailed below.

(all amounts in thousands of U.S. dollars)	(unaudited)
Retained earnings at December 31, 2006 under Luxembourg law	1,527,096
Dividends received	865,570
Other income and expenses for the six-month period ended June 30, 2007	28,886
Dividends paid	(354,161)
Retained earnings at June 30, 2007 under Luxembourg law	**2,067,391**

9 Business acquisitions, incorporation of subsidiaries and other significant events

(a) Acquisition of Hydril Company

On May 7, 2007, Tenaris paid $2.0 billion to acquire Hydril, a North American manufacturer of premium connections and pressure control products for the oil and gas industry. To finance the acquisition, Tenaris entered into syndicated loans in the amount of $2.0 billion, of which $0.5 billion were used to refinance an existing loan in the Company. The balance of the acquisition cost was paid out of cash on hand. Of the loan amount, $1.7 billion was allocated to the Company and the balance to Hydril.

The main covenants on these loan agreements are limitations on liens and encumbrances, restrictions on investments and capital expenditures, limitations on the sale of certain assets and compliance with financial ratios (e.g, leverage ratio and interest coverage ratio in Hydril's syndicated loan agreement, and leverage ratio and debt service coverage ratio in the Company's syndicated loan agreement). In addition, the Company's syndicated loan agreement is secured with a pledge of 100% of Hydril's shares; immediately upon each payment or prepayment under this agreement, the number of shares subject to the pledge shall be reduced proportionally, and the pledge will be completely released immediately after the aggregate outstanding principal amount of the loan is less than or equal to $600 million. The Company is allowed to make payments such as dividends, repurchase or redemption of shares up to the greater of $475 million or 25% of the consolidated operating profit for the previous fiscal year; once the outstanding amount of this facility is less than $1,000 million, no such restrictions will apply.

Tenaris began consolidating Hydril´s balance sheet and results of operations since May, 2007.

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

(b) Acquisition of Maverick

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

Tenaris syndicated loan facility credit in an aggregate principal amount of $500 million, which had been incurred in connection with the Maverick acquisition, was prepaid in its entirety in May 2007, and upon such prepayment the previous pledge on Maverick's shares was released.

(c) Minority Interest

During the six-month period ended June 30, 2007, additional shares of Silcotub and Dalmine were acquired from minority shareholders for an aggregate purchase price of approximately $3.2 million.

Effective July 12, 2007 Silcotub was delisted from the Romanian Stock Exchange.

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

	Six-month period ended June 30,	
	2007	**2006**
Other assets and liabilities (net)	(348,876)	5,033
Property, plant and equipment	152,540	22,892
Customer relationships / Backlog	593,800	-
Trade names	149,100	-
Proprietary technology	333,400	-
Goodwill	1,042,015	1,163
Net assets acquired	**1,921,979**	**29,088**
Minority interest	5,203	9,671
Sub-total	**1,927,182**	**38,759**
Cash-acquired	117,326	-
Purchase consideration	**2,044,508**	**38,759**

The businesses acquired as of June 30, 2007 contributed revenues of $103.7 million and an operating income of $12.7 million. Businesses acquired as of June 30, 2006 did not materially contribute to the Tenaris's revenue and operating income.

10 Discontinued operations

Sale of a 75% interest in Dalmine Energie

On December 1, 2006, Tenaris completed for $58.9 million the sale of a 75% participation of Dalmine Energie, its Italian supply business, to E.ON Sales and Trading GmbH, a wholly owned subsidiary of E.ON Energie AG ("E.ON") and an indirect subsidiary of E.O.N AG. Following consummation of the sale, Tenaris maintains a 25% interest in Dalmine Energie.

This note should be read in conjunction with Note 30 to the Company's audited Consolidated Financial Statements for the year ended December 31, 2006.

Analysis of the result of discontinued operations:

	June 30, 2006
Net sales	282,180
Cost of sales	(271,940)
Gross profit	**10,240**
Selling, general and administrative expenses	(3,594)
Other operating income (expense), net	(114)
Operating income	**6,532**
Interest income	252
Interest expense	(426)
Other financial results	212
Income before equity in earnings of associated companies and income tax	**6,570**
Equity in earnings of associated companies	-
Income before income tax	**6,570**
Income tax	(2,218)
Income for the period from discontinued operations	**4,352**

Cash from discontinued operations increased by $1.4 million in the six-months period ended June 30, 2006.

11 Related party disclosures

The Company is controlled by San Faustin N.V., a Netherlands Antilles corporation, which owns 60.4% of the Company's outstanding shares through its wholly-owned subsidiary I.I.I. Industrial Investments Inc., a Cayman Islands corporation. Tenaris' directors and executive officers as a group own 0.2% of the Company's shares, while the remaining 39.4% is publicly traded. The ultimate controlling entity of the Company is Rocca & Partners.

At June 30, 2007, the closing price of Ternium ADS as quoted on the New York Stock Exchange was $30.29 per ADS, giving Tenaris' ownership stake a market value of approximately $696 million. At June 30, 2007, the carrying value of Tenaris' ownership stake in Ternium was approximately $450 million.

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

11 Related party disclosures (Cont'd)

The transactions and balances with related parties are shown below:

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

Six-month period ended June 30, 2007

		Associated (1)	Other	Total
(i)	**Transactions**			
	(a) Sales of goods and services			
	Sales of goods	48,345	22,157	70,502
	Sales of services	16,591	2,979	19,570
		64,936	**25,136**	**90,072**
	(b) Purchases of goods and services			
	Purchases of goods	124,519	9,686	134,205
	Purchases of services	42,140	39,724	81,864
		166,659	**49,410**	**216,069**

Six-month period ended June 30, 2006

		Associated (2)	Other	Total
(i)	**Transactions**			
	(a) Sales of goods and services			
	Sales of goods	59,285	27,974	87,259
	Sales of services	7,887	1,741	9,628
		67,172	**29,715**	**96,887**
	(b) Purchases of goods and services			
	Purchases of goods	41,623	12,384	54,007
	Purchases of services	2,419	33,545	35,964
		44,042	**45,929**	**89,971**

At June 30, 2007

		Associated (1)	Other	Total
(ii)	**Period-end balances**			
	(a) Related to sales / purchases of goods / services			
	Receivables from related parties	53,553	9,163	62,716
	Payables to related parties	(45,425)	(10,487)	(55,912)
		8,128	**(1,324)**	**6,804**
	(b) Other balances	-	-	-
	(c) Financial debt			
	Borrowings (4)	(27,931)	-	(27,931)

11 Related party disclosures (Cont'd)

At December 31, 2006

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

(1) Includes Ternium S.A. and its subsidiaries ("Ternium"), Condusid C.A. ("Condusid"), Finma S.A.I.F ("Finma"), Lomond Holdings B.V. group ("Lomond"), Dalmine Energie S.p.A. ("Dalmine Energie"), Socotherm Brasil S.A. ("Socotherm"), Hydril Jindal International Private Ltd. and TMK – Hydril JV.
(2) Includes Ternium and Condusid.
(3) Includes Ternium, Condusid, Finma, Lomond and Dalmine Energie.
(4) Includes convertible loan from Sidor to Materiales Siderurgicos S.A. ("Matesi") of $25.5 million at June 30, 2007. During second quarter 2007, $34.9 million were capitalized.
(5) Includes convertible loan from Sidor to Matesi of $58.4 million at December 31, 2006.

Carlos Condorelli
Chief Financial Officer