TENARIS S.A.

CONSOLIDATED
FINANCIAL STATEMENTS

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

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CONSOLIDATED INCOME STATEMENTS

(all amounts in thousands of U.S. dollars, unless otherwise stated)		Year ended December 31,		
	Notes	**2006**	**2005**	**2004**
Continuing operations				
Net sales	**1**	7,727,745	6,209,791	3,718,193
Cost of sales	**2**	(3,884,226)	(3,429,365)	(2,378,474)
Gross profit		3,843,519	2,780,426	1,339,719
Selling, general and administrative expenses	**3**	(1,054,806)	(832,315)	(661,226)
Other operating income	**5 (i)**	13,077	12,396	152,591
Other operating expenses	**5 (ii)**	(9,304)	(14,595)	(25,426)
Operating income		2,792,486	1,945,912	805,658
Interest income	**6**	60,798	23,815	14,236
Interest expense	**6**	(92,576)	(52,629)	(46,161)
Other financial results	**6**	26,826	(79,772)	38,304
Income before equity in earnings of associated companies and income tax		2,787,534	1,837,326	812,037
Equity in earnings of associated companies	**7**	94,667	117,377	206,141
Income before income tax		2,882,201	1,954,703	1,018,178
Income tax	**8**	(869,977)	(567,368)	(217,226)
Income for continuing operations		**2,012,224**	**1,387,335**	**800,952**
Discontinued operations (see Note 30)				
Income (loss) for discontinued operations		47,180	(3)	4,029
Income for the Year		**2,059,404**	**1,387,332**	**804,981**
Attributable to (1):				
Equity holders of the Company		1,945,314	1,277,547	784,703
Minority interest		114,090	109,785	20,278
		2,059,404	**1,387,332**	**804,981**
Earnings per share attributable to the equity holders of the Company during year				
Weighted average number of ordinary shares (thousands)	**9**	1,180,537	1,180,537	1,180,507
Earnings per share (U.S. dollars per share)	**9**	1.65	1.08	0.66
Earnings per ADS (U.S. dollars per ADS)	**9**	3.30	2.16	1.33

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

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

CONSOLIDATED BALANCE SHEETS

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

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

CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

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

	Attributable to equity holders of the Company							
	Share Capital	**Legal Reserves**	**Share Premium**	**Currency translation adjustment**	**Other Reserves**	**Retained Earnings (*)**	**Minority Interest**	**Total**
Balance at January 1, 2006	1,180,537	118,054	609,733	(59,743)	2,718	1,656,503	268,071	3,775,873
Currency translation differences	-	-	-	63,697	-	-	15,225	78,922
Change in equity reserves (See section III C and Note 28 *(c)*)	-	-	-	-	26,039	-	-	26,039
Acquisition of minority interest	-	-	-	-	-	-	(11,181)	(11,181)
Dividends paid in cash	-	-	-	-	-	(204,233)	(23,194)	(227,427)
Income for the period	-	-	-	-	-	1,945,314	114,090	2,059,404
Balance at December 31, 2006	**1,180,537**	**118,054**	**609,733**	**3,954**	**28,757**	**3,397,584**	**363,011**	**5,701,630**

(*) The Distributable Reserve and Retained Earnings calculated according to Luxembourg Law are disclosed in Note 26.

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

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY (CONT'D.)

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

	Attributable to equity holders of the Company								
	Share Capital	Legal Reserves	Share Premium	Other Distributable Reserve	Currency translation adjustment	Other Reserves	Retained Earnings	Minority Interest	Total
Balance at January 1, 2005	1,180,537	118,054	609,733	82	(30,020)	-	617,538	165,271	2,661,195
Effect of adopting IFRS 3 (see Note 1)	-	-	-	-	-	-	110,775	-	110,775
Adjusted balance at January 1, 2005	1,180,537	118,054	609,733	82	(30,020)	-	728,313	165,271	2,771,970
Currency translation differences	-	-	-	-	(29,723)	-	-	7,180	(22,543)
Increase in equity reserves in Ternium	-	-	-	-	-	2,718	-	-	2,718
Acquisition of minority interest	-	-	-	-	-	-	-	153	153
Dividends paid in cash	-	-	-	(82)	-	-	(349,357)	(14,318)	(363,757)
Income for the period	-	-	-	-	-	-	1,277,547	109,785	1,387,332
Balance at December 31, 2005	**1,180,537**	**118,054**	**609,733**	**-**	**(59,743)**	**2,718**	**1,656,503**	**268,071**	**3,775,873**

	Attributable to equity holders of the Company								
	Share Capital	Legal Reserves	Share Premium	Other Distributable Reserve	Currency translation adjustment	Other Reserves	Retained Earnings	Minority Interest	Total
Balance at January 1, 2004	1,180,288	118,029	609,269	96,555	(34,194)	-	(128,667)	119,984	1,961,264
Currency translation differences	-	-	-	-	4,174	-	-	9,478	13,652
Capital increase and acquisition of minority interest	249	25	464	82	-	-	-	20,457	21,277
Dividends paid in cash	-	-	-	(96,555)	-	-	(38,498)	(4,926)	(139,979)
Income for the period	-	-	-	-	-	-	784,703	20,278	804,981
Balance at December 31, 2004	**1,180,537**	**118,054**	**609,733**	**82**	**(30,020)**	**-**	**617,538**	**165,271**	**2,661,195**

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

CONSOLIDATED CASH FLOW STATEMENTS

		Year ended December 31,		
(all amounts in thousands of U.S. dollars)	**Note**	**2006**	**2005**	**2004**
Cash flows from operating activities				
Income for the year		2,059,404	1,387,332	804,981
Adjustments for:				
Depreciation and amortization	**10 & 11**	255,004	214,227	208,119
Income tax accruals less payments	**29 (ii)**	56,836	149,487	44,659
Equity in earnings of associated companies		(94,667)	(117,377)	(206,037)
Interest accruals less payments, net	**29 (iii)**	21,909	1,919	16,973
Income from disposal of investment and others		(46,481)	-	11,705
Changes in provisions		8,894	6,497	11,455
Proceeds from Fintecna arbitration award net of BHP settlement		-	66,594	(126,126)
Changes in working capital (1)	**29 (i)**	(469,517)	(433,939)	(621,187)
Other, including currency translation adjustment		19,474	20,583	(46,254)
Net cash provided by operating activities		**1,810,856**	**1,295,323**	**98,288**
Cash flows from investing activities				
Capital expenditures	**10 & 11**	(441,472)	(284,474)	(183,312)
Acquisitions of subsidiaries	**28**	(2,387,249)	(48,292)	(97,595)
Proceeds from disposal of subsidiary		52,995	-	-
Convertible loan to associated companies		-	(40,358)	-
Proceeds from disposal of property, plant and equipment and intangible assets		15,347	9,995	12,054
Dividends and distributions received from associated companies	**12**	-	59,127	48,598
Changes in restricted bank deposits		2,027	11,452	(13,500)
Reimbursement from trust funds		-	(119,907)	-
Changes in investments in short terms securities		(63,697)	119,666	20,359
Net cash used in investing activities		**(2,822,049)**	**(292,791)**	**(213,396)**
Cash flows from financing activities				
Dividends paid		(204,233)	(349,439)	(135,053)
Dividends paid to minority interest in subsidiaries		(23,194)	(14,318)	(31)
Proceeds from borrowings		3,033,230	1,222,861	632,095
Repayments of borrowings		(1,105,098)	(1,463,233)	(326,453)
Net cash provided by (used) in financing activities		**1,700,705**	**(604,129)**	**170,558**
Increase in cash and cash equivalents		**689,512**	**398,403**	**55,450**
Movement in cash and cash equivalents				
At the beginning of the period		680,591	293,824	238,030
Effect of exchange rate changes		(5,095)	(11,636)	344
Increase in cash and cash equivalents		689,512	398,403	55,450
At December 31, 2006	**29 (iv)**	**1,365,008**	**680,591**	**293,824**

(1) In 2004, includes $55.1 million corresponding to the first installment paid in connection with the final settlement of BHP claim

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

INDEX TO THE NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

I. GENERAL INFORMATION

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

Tenaris shares are listed on the New York, Buenos Aires, Milan, and Mexico City Stock Exchanges.

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

II. ACCOUNTING POLICIES

A Basis of presentation

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

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

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

B Group accounting

(1) Subsidiary companies

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

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

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

See Note 32 for the list of the consolidated subsidiaries.

B Group accounting (Cont'd.)

(2) Associated companies

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

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

See Note 12 for a list of principal associated companies.

C Segment information

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

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

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

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

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

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

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

C Segment information (Cont'd.)

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

D Foreign Currency Translation

(1) Functional currency

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

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

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

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

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

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

(3) Transactions in currencies other than the functional currency

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

E Property, plant and equipment

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

E Property, plant and equipment (Cont'd.)

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

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

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

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

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

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

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

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

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

F Intangible assets

(1) Goodwill

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

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

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

F Intangible assets (Cont'd.)

(1) Goodwill (Cont'd.)

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

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

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

(2) Information systems projects

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

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

(3) Licenses, patent and trademarks

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

(4) Research and development

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

(5) Customer relationships intangible asset acquired in a business combination

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

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

G Impairment of non financial assets

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

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

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

H Other Investments

Other investments consist primarily of investments in financial debt instruments.

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

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

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

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

I Inventories

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

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

J Trade receivables

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

K Cash and cash equivalents

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

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

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

L Shareholders' Equity

(1) Basis of presentation

The consolidated statement of changes in equity includes:

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

(2) Share Capital

Ordinary shares are classified as equity.

(3) Dividends Paid by Tenaris to Shareholders

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

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

M Borrowings

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

N Income Taxes – Current and Deferred

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

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

N Income Taxes – Current and Deferred (Cont.)

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

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

O Employee-related liabilities

(a) Employee severance indemnity

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

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

(b) Defined benefit pension obligations

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

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

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

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

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

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

O Employee-related liabilities (Cont.)

(c) Other compensation obligations

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

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

P Employee statutory profit sharing

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

Q Provisions and other liabilities

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

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

R Revenue recognition

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

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

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

S Cost of sales and sales expenses

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

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

T Earnings per share

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

U Derivative financial instruments

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

III. FINANCIAL RISK MANAGEMENT

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

A. Financial Risk Factors

(i) Foreign exchange rate risk management

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

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

(ii) Interest rate risk management

Tenaris' financing strategy is to manage interest expense using a mixture of fixed-rate and variable-rate debt. To manage this risk in a cost efficient manner, Tenaris enters into interest rate swaps in which it agrees to exchange with the counterparty, at specified intervals, the difference between fixed and variable interest amounts calculated by reference to an agreed-upon notional principal amount. Tenaris have entered into interest rate swaps related to long-term debt to partially hedge future interest payments, as well as to convert borrowings from floating to fixed rates.

(iii) Concentration of credit risk

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

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

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

(iv) Liquidity risk

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

B. Fair value estimation

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

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

C. Accounting for Derivative Financial Instruments and Hedging Activities

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

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

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

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

IV. IMPACT OF NEW ACCOUNTING PRONOUNCEMENTS

Standards early adopted by Tenaris

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

Interpretations and amendments to published standards effective in 2006

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

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

(b) IAS 21, The Effects of Changes in Foreign Exchange Rates - Net Investment in Foreign Operations

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

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

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

(a) IFRS 7, *Financial Instruments: Disclosure, and a complementary amendment to IAS 1, presentation of financial statements – Capital disclosure*

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

(b) IFRIC 9, Reassessment of Embedded Derivatives

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

(c) IFRIC 10, Interim Financial Reporting and Impairment

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

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

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

V. OTHER NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
(In the notes all amount are shown in thousands of U.S. dollars, unless otherwise stated)

1 Segment information

Reportable operating segments

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

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

1 Segment information (Cont'd.)

Geographical information

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

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

(*) Corresponds to Dalmine Energie operations.

2 Cost of sales

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

3 Selling, general and administrative expense

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

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

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

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

5 Other operating items

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

6 Financial results

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

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

7 Equity in earnings of associated companies

	Year ended December 31,		
(all amounts in thousands of U.S. dollars)	2006	2005	2004
Equity in earnings of associated companies	95,260	117,003	123,015
Change in fair value of convertible debt option in Amazonia	-	-	83,126
Other	(593)	374	-
	94,667	**117,377**	**206,141**

8 Income tax

	Year ended December 31,		
(all amounts in thousands of U.S. dollars)	2006	2005	2004
Current tax	897,427	637,623	277,219
Deferred tax	(17,386)	(61,837)	(44,731)
	880,041	575,786	232,488
Effect of currency translation on tax base (a)	(6,060)	(7,033)	(12,112)
	873,981	568,753	220,376
From Discontinued operations	(4,004)	(1,385)	(3,150)
	869,977	**567,368**	**217,226**

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

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

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

9 Earnings and dividends per share

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

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

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

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

10 Property, plant and equipment, net

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

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

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

11 Intangible assets, net

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

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

(a) Corresponds to the Tubes segment

11 Intangible assets, net (Cont'd.)

The geographical allocation of goodwill is presented below.

	Year ended December 31,	
	2006	**2005**
South America	94,641	93,239
Europe	769	769
North America	1,132,310	19,425
	1,227,720	**113,433**

Impairment tests for goodwill

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

No impairment charge resulted from the impairment tests performed.

As explained in Note 28 Tenaris acquired Maverick on October 5, 2006. Goodwill of $1,113 million arised from this acquisition as the difference between the acquisition price and the fair value on the acquisition date of the identifiable tangible and intangible assets and liabilities determined mainly by an independent valuation. On account of the recent date of the transaction, the company's fair value is the same as its transaction value. Accordingly, no impairment needs to be recorded.

12 Investments in associated companies

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

The principal associated companies are:

		Percentage of ownership and voting rights at December 31,		Value at December 31,	
Company	**Country of incorporation**	**2006**	**2005**	**2006**	**2005**
Ternium S.A.	Luxembourg	11.46%	15.00%	408,044	253,796
Dalmine Energie S.p.A.	Italy	25.00%	0.00%	8,402	-
Others	-	-	-	6,512	3,438
				422,958	**257,234**

12 Investments in associated companies (Cont'd.)

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

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

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

13 Other investments – non current

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

14 Receivables – non current

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

15 Inventories

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

16 Receivables and prepayments

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

17 Current tax assets

	Year ended December 31,	
	2006	**2005**
V.A.T. credits	123,366	90,000
Prepaid taxes	79,352	12,455
	202,718	**102,455**

18 Trade receivables

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

19 Cash and cash equivalents, and Other investments

	Year ended December 31, 2006	2005
Other investments		
Financial assets	**183,604**	**119,907**
Cash and cash equivalents		
Cash and short - term liquid investments	**1,372,329**	**707,356**

20 Borrowings

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

The maturity of borrowings is as follows:

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

Significant borrowings include:

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

20 Borrowings (Cont'd.)

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

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

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

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

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

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

Non current bank borrowings

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

Non current other loans

		Year ended December 31,	
Currency	**Interest rates**	**2006**	**2005**
COP	Variable	622	-
USD	Variable	52,853	49,332
		53,475	49,332
Less: Current portion of medium and long - term loans		(2,996)	(10,925)
Total non current other loans		**50,479**	**38,407**

20 Borrowings (Cont'd.)

Non current finance lease liabilities

		Year ended December 31,	
Currency	**Interest rates**	**2006**	**2005**
EURO	Fixed	79	29
COP	Variable	185	-
JPY	Fixed	5,685	6,898
		5,949	6,927
Less: Current portion of medium and long - term loans		(1,384)	(1,502)
Total non current finance leases		**4,565**	**5,425**

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

	Year ended December 31,	
	2006	**2005**
Property, plant and equipment mortages	554,078	595,627

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

Current bank borrowings

		Year ended December 31,	
Currency	**Interest rates**	**2006**	**2005**
USD	Variable	456,954	50,597
USD	Fixed	202,620	55,946
EUR	Variable	23,365	64,810
EUR	Fixed	1,146	1,882
JPY	Variable	-	10,741
JPY	Fixed	11,854	5,226
BRS	Variable	8,255	5,197
ARS	Fixed	-	44,111
NGN	Fixed	3,403	-
VEB	Fixed	13	-
Total current bank borrowings		**707,610**	**238,510**

Bank overdrafts

	Year ended December 31,	
Currency	**2006**	**2005**
USD	1,855	16,406
EUR	2,558	3,298
ARS	1,839	3,193
VEB	-	1,820
CAD	864	-
NOK	182	-
RON	2	-
Total current bank overdrafts	**7,300**	**24,717**

20 Borrowings (Cont'd.)

Current other loans

Currency	Interest rates	Year ended December 31, 2006	2005
EUR	Variable	73,183	51,333
USD	Variable	10,251	16,118
USD	Fixed	462	-
COP	Variable	46	-
Total Current other loans		**83,942**	**67,451**

Current finance lease liabilities

Currency	Interest rates	Year ended December 31, 2006	2005
EUR	Fixed	21	29
COP	Variable	121	-
JPY	Fixed	1,242	1,473
Total current finance leases		**1,384**	**1,502**

21 Deferred income tax

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

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

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

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

Deferred tax liabilities

	Fixed assets	Inventories	Intangible and Other (a)	Total
At the beginning of the year	227,370	45,600	80,425	353,395
Translation differences	6,670	(308)	131	6,493
Increase due to business combinations	75,455	2,286	581,097	658,838
Disposals	-	(6)	(163)	(169)
Income statement charge / (credit)	7,653	3,795	(38,060)	(26,612)
At December 31,2006	**317,148**	**51,367**	**623,430**	**991,945**

21 Deferred income tax (Cont'd.)

	Fixed assets	Inventories	Other (a)	Total
At the beginning of the year	204,243	63,453	104,279	371,975
Translation differences	19,486	2,482	489	22,457
Income statement charge / (credit)	3,641	(20,335)	(24,343)	(41,037)
At December 31,2005	**227,370**	**45,600**	**80,425**	**353,395**

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

Deferred tax assets

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

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

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

	Year ended December 31,	
	2006	**2005**
Deferred tax assets	(291,641)	(194,874)
Deferred tax liabilities	991,945	353,395
	700,304	**158,521**

The amounts shown in the balance sheet include the following:

	Year ended December 31,	
	2006	**2005**
Deferred tax assets to be recovered after more than 12 months	(79,811)	(49,662)
Deferred tax liabilities to be recovered after more than 12 months	849,730	225,486

22 Other liabilities

(i) Other liabilities – Non current

	Year ended December 31, 2006	2005
Employee liabilities		
Employee's statutory profit sharing	64,196	64,010
Employee severance indemnity	67,598	62,279
Pension benefits	36,067	10,788
	167,861	137,077
Taxes payable	8,842	9,364
Miscellaneous	10,021	7,937
	18,863	17,301
	186,724	**154,378**

(a) Employees' severance indemnity

The amounts recognized in the balance sheet are as follows:

	Year ended December 31, 2006	2005
Total included in non - current Employee liabilities	**67,598**	**62,279**

The amounts recognized in the income statement are as follows:

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

The principal actuarial assumptions used were as follows:

	Year ended December 31, 2006	2005	2004
Discount rate	4% - 5%	5%	4%
Rate of compensation increase	2% - 4%	4%	3%

(b) Pension benefits

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

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

22 Other liabilities (Cont'd.)

The amounts recognized in the income statement are as follows:

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

Movement in the liability recognized in the balance sheet:

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

The principal actuarial assumptions used were as follows:

	Year ended December 31,		
	2006	**2005**	**2004**
Discount rate	5% - 7%	7%	7%
Rate of compensation increase	2% - 5%	2%	2%

(ii) Other liabilities – current

	Year ended December 31,	
	2006	**2005**
Payroll and social security payable	148,146	102,052
Liabilities with related parties	2,237	2,688
Miscellaneous	37,318	34,135
	187,701	**138,875**

23 Non-current allowances and provisions

(i) Deducted from non current receivables

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

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

(ii) Liabilities

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

24 Current allowances and provisions

(i) Deducted from assets

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

24 Current allowances and provisions (Cont'd.)

(ii) Liabilities

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

25 Derivative financial instruments

Net fair values of derivative financial instruments

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

	Year ended December 31,	
	2006	**2005**
Contracts with positive fair values		
Interest rate swap contracts	722	3,641
Forward foreign exchange contracts	1,188	441
Contracts with negative fair values		
Interest rate swap contracts	(242)	(921)
Forward foreign exchange contracts	(1,958)	(7,818)

Derivative financial instruments breakdown is as follows:

Variable interest rate swaps

				Fair Value Year ended December 31,	
Notional amount		**Swap**	**Term**	**2006**	**2005**
EUR	9,097	Pay fixed / Receive variable	2007	(8)	(410)
EUR	1,176	Pay fixed / Receive variable	2009	(34)	(82)
EUR	5,830	Pay fixed / Receive variable	2010	(190)	(429)
USD	100,000	Pay fixed / Receive variable	2009	-	2,228
USD	200,000	Interest rate collar	2010	-	1,413
USD	1,500,000	Interest rate collar	2008	712	-
				480	**2,720**

25 Derivative financial instruments (Cont'd.)

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

Exchange rate derivatives

			Fair Value Year ended December 31,	
Currencies	**Contract**	**Term**	**2006**	**2005**
USD / EUR	Euro Forward purchases	2008/2007	870	(1,502)
JPY / USD	Japanese Yen Forward purchases	2007	(1,229)	(3,579)
CAD / USD	Canadian Dollar Forward sales	2007	318	-
BRL / USD	Brazilian Real Forward sales	2007	-	8
ARS / USD	Argentine Peso Forward purchases	2007	-	(2,186)
ARS / USD	Argentine Peso Forward sales	2007	(359)	-
KWD / USD	Kuwaiti Dinar Forward sales	2007	(370)	(118)
			(770)	**(7,377)**

26 Contingencies, commitments and restrictions on the distribution of profits

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

Conversion of tax loss carry-forwards

On December 18, 2000, the Argentine tax authorities notified Siderca S.A.I.C. ("Siderca", a subsidiary of the Company organized in Argentina) of an income tax assessment related to the conversion of tax loss carry-forwards into Debt Consolidation Bonds under Argentine Law No. 24.073. The adjustments proposed by the tax authorities represent an estimated contingency of ARP70.2 million (approximately $23.0 million) at December 31, 2006 in taxes and penalties. Based on the views of Siderca's tax advisors, Tenaris believes that the ultimate resolution of the matter will not result in a material obligation. Accordingly, no provision was recorded in these financial statements.

Asbestos-related Litigation

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

As of December 31, 2006, the total claims pending against Dalmine were thirty two (of which, three are covered by insurance): during 2006 two new claims were filed four claims were dismissed and one claim was settled. Aggregate settlement costs to date for Tenaris are Euro3.8 million. Dalmine estimates that its potential liability in connection with the claims not yet settled is approximately Euro 12.6 million ($ 16.6 million).

Accruals for Dalmine's potential liability are based on the average of the amounts paid by Dalmine for asbestos-related claims plus an additional amount related to some reimbursements requested by the social security 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.

26 Contingencies, commitments and restrictions on the distribution of profits (Cont'd.)

Maverick litigation

On December 11, 2006, The Bank of New York ("BNY"), as trustee for the holders of the Maverick 2004 4% Convertible Senior Subordinated Notes due 2033 issued pursuant to an Indenture between Maverick and BNY ("Noteholders"), filed a complaint against Maverick and Tenaris in the United States District Court for the Southern District of New York. The complaint alleges that Tenaris's acquisition of Maverick triggered the "Public Acquirer Change of Control" provision of the Indenture. The complaint asserts breach of contract claim against Maverick for refusing to deliver the consideration specified in the Public Acquirer Change of Control provision of the Indenture to Noteholders who tendered their notes for such consideration, seeks a declaratory judgment that Tenaris' acquisition of Maverick was a Public Acquirer Change of Control under the Indenture, and asserts claims for tortuous interference with contract and unjust enrichment against Tenaris.

Tenaris believes that these claims are without merit. Accordingly, no provision was recorded in these financial statements. Were plaintiff to prevail, Tenaris estimates that the recovery would be approximately $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 Euro10.1 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 will be paid out of the provision that Dalmine established in 1999 for such proceeding.

BHP litigation and arbitration proceeding against Fintecna

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

Commitments

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

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

26 Contingencies, commitments and restrictions on the distribution of profits (Cont'd.)

Commitments (Cont'd.)

- In July 2004, Tenaris' subsidiary Matesi Materiales Siderúrgicos S.A. ("Matesi") entered into a twenty-year agreement with C.V.G. Electrificación del Caroní, C.A. ("Edelca") for the purchase of electric power under certain take-or-pay conditions, with an option to terminate the contract at any time upon three years notice. The outstanding value of the contract at December 31, 2006 is approximately $65.9million.

- In August 2004 Matesi entered into a ten-year off-take contract pursuant to which Matesi is required to sell to Sidor on a take-or-pay basis 29.9% of Matesi's HBI production. In addition, Sidor has the right to increase its proportion on Matesi's production by an extra 19.9% until reaching 49.8% of Matesi's HBI production. Under the contract, the sale price is determined on a cost-plus basis. The contract is renewable for additional three year periods unless Matesi or Sidor objects its renewal more than a year prior to its termination.

- Tenaris entered into a contract with Siderar for the supply of steam generated at the power generation facility owned by Tenaris in San Nicolas. Under this contract, Tenaris is required to provide 250 tn/hour of steam, and Siderar has the obligation to take or pay this volume. This outsourcing contract is due to terminate in 2018. In October 2004, Tenaris detected technical problems at its electric power generating facility located in San Nicolas, Argentina during the routine maintenance of the equipment. GE Energy, the generator's manufacturer, assumed the cost of the repairs of the generator, estimated at $9.0 million. Tenaris recognized a receivable with the manufacturer for the cost of the repairs. Tenaris impaired the value of these assets under Property, Plant and Equipment for $11.7 million. The reparation of the generating facility was completed by September 2005.

- Under a lease agreement entered into in 2000 between Gade Srl (Italy) and Dalmine relating to a building located in Sabbio Bergamasco and used by Dalmine's former subsidiary, Tad Commerciale, Dalmine is obligated to bid in the auction for the purchase of a building owned by Gade for a minimum amount of EUR 8.3 million ($10.0 million). As of the present, a date for the auction has not been announced.

Restrictions on the distribution of profits

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

(all amounts in thousands of U.S. dollars)	
Share capital	1,180,537
Legal reserve	118,054
Share premium	609,733
Retained earnings including net income for the year ended December 31, 2006	1,527,096
Total shareholders equity in accordance with Luxembourg law	**3,435,420**

At least 5% of the net income per year as calculated in accordance with Luxembourg law and regulations must be allocated to the creation of a legal reserve equivalent to 10% of share capital. As of December 31, 2006, this reserve is fully allocated and additional allocations to the reserve are not required under Luxembourg law. Dividends can not be paid from this reserve.

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

26 Contingencies, commitments and restrictions on the distribution of profits (Cont'd.)

Restrictions on the distribution of profits (Cont´d.)

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

(all amounts in thousands of U.S. dollars)	
Retained earnings at December 31, 2005 under Luxembourg law	1,171,738
Dividends received	566,831
Other income and expenses for the year ended December 31, 2006	(7,240)
Dividends paid	(204,233)
Retained earnings at December 31, 2006 under Luxembourg law	**1,527,096**

27 Ordinary shares and share premium

	Number of ordinary shares	
	2006	**2005**
At January 1 and December 31	**1,180,536,830**	**1,180,536,830**

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

28 Business combinations and other acquisitions

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

On October 5, 2006, Tenaris completed the acquisition of Maverick, pursuant to which Maverick was merged with and into a wholly owned subsidiary of Tenaris. On that date, Tenaris paid $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.

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

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

Goodwill arising on the acquisition of Maverick, $1,113, million is the difference between the acquisition price and the fair value on the acquisition date of the identifiable tangible and intangible assets and liabilities determined mainly by independent valuation. This goodwill reflects the opportunity for Tenaris to increase its presence in North America, primarily in the OCTG market.

Tenaris began consolidating Maverick's balance sheet and results of operations in the fourth quarter of 2006.

28 Business combinations and other acquisitions (Cont'd.)

(b) Acquisition of a steel pipe business in Argentina

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

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

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

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

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

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

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

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

28 Business combinations and other acquisitions (Cont'd.)

(c) Capitalization of Convertible Debt of Consorcio Siderurgia Amazonia, Ltd. ("Amazonia") and Exchange of Interests in Amazonia and Ylopa Serviços de Consultadoria Lda. ("Ylopa") for shares of Ternium S.A. ("Ternium") (Cont'd.)

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

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

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

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

(e) Minority Interest

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

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

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

(*) Includes costs directly attributable to the acquisition.

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

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

28 Business combinations and other acquisitions (Cont'd.)

Pro forma data including acquisitions for all of 2006

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

Subsequent event: Hydril Company ("Hydril")

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

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

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

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

29 Cash flow disclosures

	Year ended December 31,		
	2006	**2005**	**2004**
(i) Changes in working capital			
Inventories	(455,567)	(101,143)	(411,045)
Receivables and prepayments	(181,878)	1,513	(82,845)
Trade receivables	(226,678)	(387,240)	(271,225)
Other liabilities	7,605	34,526	(37,443)
Customer advances	236,446	(14,156)	72,678
Trade payables	150,555	32,561	108,693
	(469,517)	**(433,939)**	**(621,187)**
(ii) Income tax accruals less payments			
Tax accrued	873,967	568,753	220,376
Taxes paid	(817,131)	(419,266)	(175,717)
	56,836	**149,487**	**44,659**
(iii) Interest accruals less payments, net			
Interest accrued	32,237	29,236	32,683
Interest received	11,150	17,227	11,986
Interest paid	(21,478)	(44,544)	(27,696)
	21,909	**1,919**	**16,973**
(iv) Cash and cash equivalents			
Cash and bank deposits	1,372,329	707,356	311,579
Bank overdrafts	(7,300)	(24,717)	(4,256)
Restricted bank deposits	(21)	(2,048)	(13,500)

	1,365,008	**680,591**	**293,823**

30 Discontinued operations

Sale of a 75% interest in Dalmine Energie

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

As per the sale agreement, Tenaris has an irrevocable option to sell to E.ON, at any time during the one year exercise period (in two years from the date of the sale agreement), its 25% remaining interest in Dalmine Energie for a purchase price in cash of EUR 13.0 million plus interests. Also, E.ON has an irrevocable option to purchase from Tenaris, at any time during the one year exercise period (in two years from the date of the sale agreement), Tenaris' 25% remaining interest in Dalmine Energie for a purchase price in cash of EUR 17.5 million plus interests and adjustments. The fair value of these options at December 31, 2006 is not material.

Analysis of the result of discontinued operations:

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

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

Cash of discontinued operations increased by $2.3 million and decrease by $1.0 million in 2006 and 2005 respectively mainly from operating activities.

31 Related party transactions

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

31 Related party transactions (Cont'd.)

The following transactions were carried out with related parties:

At December 31, 2006

		Associated (1)	Other	Total
(i)	**Transactions**			
	(a) Sales of goods and services			
	Sales of goods	120,890	56,524	177,414
	Sales of services	18,852	3,664	22,516
		139,742	**60,188**	**199,930**
	(b) Purchases of goods and services			
	Purchases of goods	103,003	33,930	136,933
	Purchases of services	17,168	80,485	97,653
		120,171	**114,415**	**234,586**

At December 31, 2005

		Associated (2)	Other	Total
(i)	**Transactions**			
	(a) Sales of goods and services			
	Sales of goods	104,054	75,948	180,002
	Sales of services	7,499	7,830	15,329
		111,553	**83,778**	**195,331**
	(b) Purchases of goods and services			
	Purchases of goods	67,814	33,949	101,763
	Purchases of services	15,773	63,220	78,993
		83,587	**97,169**	**180,756**

At December 31, 2004

		Associated (3)	Other	Total
(i)	**Transactions**			
	(a) Sales of goods and services			
	Sales of goods	26,088	46,844	72,932
	Sales of services	15,365	9,618	24,983
		41,453	**56,462**	**97,915**
	(b) Purchases of goods and services			
	Purchases of goods	30,648	32,484	63,132
	Purchases of services	7,526	51,305	58,831
		38,174	**83,789**	**121,963**

At December 31, 2006

		Associated (4)	Other	Total
(ii)	**Year-end balances**			
	(a) Arising 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			
	Receivables	2,079	-	2,079
	(c) Financial debt			
	Borrowings (7)	(60,101)	-	(60,101)

31 Related party transactions (Cont'd.)

At December 31, 2005

	Associated (5)	Other	Total
(ii) Year-end balances			
(a) Arising from sales / purchases of goods / services			
Receivables from related parties	30,988	15,228	46,216
Payables to related parties	(21,034)	(8,413)	(29,447)
	9,954	**6,815**	**16,769**
(b) Other balances	42,437	-	42,437
(c) Financial debt			
Borrowings (7)	(54,801)	-	(54,801)

At December 31, 2004

	Associated (3)	Other	Total
(ii) Year-end balances			
(a) arising from sales / purchases of goods / services			
Receivables from related parties	25,593	27,070	52,663
Payables to related parties	(4,914)	(12,487)	(17,401)
	20,679	**14,583**	**35,262**
(b) Cash and cash equivalents			
Time deposits	-	6	6
(c) Other balances			
Trust Fund	-	119,666	119,666
Convertible debt instruments - Ylopa	121,955	-	121,955
	121,955	**119,666**	**241,621**

(1) Includes Ternium S.A. and its subsidiaries ("Ternium"), Condusid C.A. ("Condusid"), Finma S.A.I.F ("Finma")(as from September 2006), Lomond Holdings B.V. group ("Lomond") (as from October 2006) and Dalmine Energie S.p.A. ("Dalmine Energie") (as from December 2006).
(2) Includes: Condusid, Ylopa, Amazonia and Sidor up to September 30, 2005. As from October 1, 2005 it includes Ternium and Condusid.
(3) Includes: Condusid, Ylopa, Amazonia and Sidor.
(4) Includes: Condusid, Ternium, Finma, Lomond and Dalmine Energie
(5) Includes Ternium and Condusid.
(6) Includes convertible loan from Sidor to Materiales Siderurgicos S.A. ("Matesi") of $58.4 million at December 31, 2006.
(7) Includes convertible loan from Sidor C.A. to Matesi at December 31, 2005.
(8) Includes convertible loan from Sidor C.A. to Matesi of $51.5 million at December 31, 2004.

(i) Officers and directors' compensation

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

32 Principal subsidiaries

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

Company	Country of Organization	Main activity	Percentage of ownership at December 31,		
			2006	**2005**	**2004**
Algoma Tubes Inc.	Canada	Manufacturing of seamless steel pipes	100%	100%	100%
Autoabastecedora de Gas Natural Bruno Pagliai S.A. de C.V. (b)	Mexico	Trading of energy	100%	-	-
Colmena Conduit Ltda (b) (l)	Colombia	Manufacturing of welded steel pipes	100%	-	-
Confab Industrial S.A. and subsidiaries (c)	Brazil	Manufacturing of welded steel pipes and capital goods	39%	39%	39%
Dalmine Energie S.p.A. (h) (j)	Italy	Trading of energy	-	100%	100%
Dalmine Holding B.V. and subsidiaries	Netherlands	Holding company	99%	99%	99%
Dalmine S.p.A.	Italy	Manufacturing of seamless steel pipes	99%	99%	99%
Energy Network S.R.L. (a)	Romania	Trading of energy	95%	100%	-
Exiros S.A.	Uruguay	Procurement services for industrial companies	100%	100%	100%
Information Systems and Technologies N.V.	Netherlands	Software development and maintenance	75%	75%	75%
Information Systems and Technologies S.A. (d)	Argentina	Software development and maintenance	100%	100%	100%
Inmobiliaria Tamsa S.A. de C.V.	Mexico	Leasing of real estate	100%	100%	100%
Insirger S.A. and subsidiaries (g)	Argentina	Electric power generation	-	-	100%
Intermetal Com SRL	Romania	Marketing of Scrap and other raw materials	100%	100%	100%
Inversiones Berna S.A. (a)	Chile	Financial company	100%	100%	-
Inversiones Lucerna S.A. (a)	Chile	Financial company	82%	82%	-
Invertub S.A. and subsidiaries (g)	Argentina	Holding Company	-	-	100%
Lomond Holdings B.V. and subsidiaries (k)	Netherlands	Procurement services for industrial companies	-	100%	100%
Matesi, Materiales Siderurgicos S.A. (a)	Venezuela	Production of hot briquetted iron (HBI)	50%	50%	50%
Maverick Tube Corporation and subsidiaries (b)	U.S.A.	Manufacturing of welded steel pipes	100%	-	-
Maverick Tube, L.P. (b) (l)	U.S.A.	Manufacturing of welded steel pipes	100%	-	-

32 Principal subsidiaries (Cont'd.)

Company	Country of Organization	Main activity	Percentage of ownership at December 31,		
			2006	2005	2004
Metalcentro S.A. (i)	Argentina	Manufacturing of pipe-end protectors and lateral impact tubes	-	100%	100%
Metalmecánica S.A.	Argentina	Manufacturing of steel products for oil extraction	100%	100%	100%
NKK Tubes K.K.	Japan	Manufacturing of seamless steel pipes	51%	51%	51%
Operadora Eléctrica S.A. (e)	Argentina	Electric power generation	100%	100%	100%
Quality Tubes (UK) Ltd. (h)	United Kingdom	Marketing of steel products	100%	100%	100%
Precision Tube Technology, L.P. (b) (l)	U.S.A.	Manufacturing of welded steel pipes	100%	-	-
Prudential Steel Ltd. (b) (l)	Canada	Manufacturing of welded steel pipes	100%	-	-
S.C. Donasid (a)	Romania	Manufacturing of steel products	99%	99%	-
S.C. Silcotub S.A.	Romania	Manufacturing of seamless steel pipes	97%	85%	85%
Seacat, L.P. (b) (l)	U.S.A.	Manufacturing of welded steel pipes	100%	-	-
Scrapservice S.A.	Argentina	Processing of scrap	75%	75%	75%
Servicios Generales TenarisTamsa S.A. de C.V. (f)	Mexico	Handling and maintenance of steel pipes	100%	100%	100%
Siat S.A.	Argentina	Manufacturing of welded steel pipes	82%	82%	82%
Siderca International A.p.S.	Denmark	Holding company	100%	100%	100%
Siderca S.A.I.C.	Argentina	Manufacturing of seamless steel pipes	100%	100%	100%
Siderestiba S.A. (m)	Argentina	Logistics	-	99%	99%
Sidtam Limited	B.V.I.	Holding company	100%	100%	100%
Siprofer A.G. (a)	Switzerland	Holding company	100%	100%	-
SO.PAR.FI Dalmine Holding S.A.	Luxembourg	Holding company	99%	99%	99%
Sociedad Industrial Puntana S.A.	Argentina	Manufacturing of steel products	100%	100%	100%
Socominter S.A.	Venezuela	Marketing of steel products	100%	100%	100%
Socominter Ltda.	Chile	Marketing of steel products	100%	100%	100%
Talta – Trading e Marketing Lda.	Madeira	Holding Company	100%	100%	100%

32 Principal subsidiaries (Cont'd.)

Company	Country of Organization	Main activity	Percentage of ownership at December 31,		
			2006	2005	2004
Tamdel LLC and subsidiaries (f)	Mexico	Holding company	100%	100%	100%
Tamser S.A. de C.V. (f)	Mexico	Marketing of scrap	100%	100%	100%
Tamsider LLC	U.S.A.	Holding company	100%	100%	100%
Tamsider S.A. de C.V. and subsidiaries (g)	Mexico	Promotion and organization of steel-related companies and marketing of steel products	-	-	100%
Tamtrade S.A.de C.V. (g)	Mexico	Marketing of steel products	-	-	100%
Techint Investment Netherlands B.V.	Netherlands	Holding company	100%	100%	100%
Tenaris Autopartes S.A. de C.V.	México	Manufacturing of supplies for the automotive industry	100%	100%	100%
Tenaris Confab Hastes de Bombeio S.A.	Brazil	Manufacturing of steel products for oil extraction	70%	70%	70%
Tenaris Connections A.G. and subsidiaries	Liechtenstein	Ownership and licensing of steel technology	100%	100%	100%
Tenaris Financial Services S.A.	Uruguay	Financial Services	100%	100%	100%
Tenaris Fittings S.A. de C.V. (previously Empresas Riga S.A. de C.V.)	Mexico	Manufacturing of welded fittings for seamless steel pipes	100%	100%	100%
Tenaris Global Services B.V.	Netherlands	Sales agent of steel products	100%	100%	100%
Tenaris Global Services (B.V.I.) Ltd.	B.V.I.	Holding company	100%	100%	100%
Tenaris Global Services (Canada) Inc.	Canada	Marketing of steel products	100%	100%	100%
Tenaris Global Services de Bolivia S.R.L.	Bolivia	Marketing of steel products	100%	100%	100%
Tenaris Global Services Ecuador S.A.	Ecuador	Marketing of steel products	100%	100%	100%
Tenaris Global Services (Egypt) Ltd. (a)	Egypt	Marketing of steel products	100%	100%	-
Tenaris Global Services Far East Pte. Ltd.	Singapore	Marketing of steel products	100%	100%	100%
Tenaris Global Services (Japan) K.K.	Japan	Marketing of steel products	100%	100%	100%
Tenaris Global Services (Kazakhstan) LLP	Kazakhstan	Marketing of steel products	100%	100%	100%
Tenaris Global Services Korea	Korea	Marketing of steel products	100%	100%	100%
Tenaris Global Services LLC	U.S.A.	Sales agent of steel products	100%	100%	100%

32 Principal subsidiaries (Cont'd.)

Company	Country of Organization	Main activity	Percentage of ownership at December 31,		
			2006	2005	2004
Tenaris Global Services Nigeria Ltd.	Nigeria	Marketing of steel products	100%	100%	100%
Tenaris Global Services Norway AS	Norway	Marketing of steel products	100%	100%	100%
Tenaris Global Services (Panama) S.A.	Panama	Marketing of steel products	100%	100%	100%
Tenaris Global Services S.A.	Uruguay	Holding company and marketing of steel products	100%	100%	100%
Tenaris Global Services (UK) Ltd.	United Kingdom	Marketing of steel products	100%	100%	100%
Tenaris Global Services (U.S.A.) Corporation	U.S.A.	Marketing of steel products	100%	100%	100%
Tenaris Investments Ltd.	Ireland	Holding company	100%	100%	100%
Tenaris Qingdao Steel Pipes Ltd. (a)	China	Manufacturing of steel pipes and connections	100%	100%	-
Tenaris Supply Chain Services S.A. (b)	Argentina	Data administration services	98%	-	-
Tenaris West Africa Ltd.	United Kingdom	Finishing of steel pipes	100%	100%	100%
Texas Pipe Threaders Co.	U.S.A.	Finishing and marketing of steel pipes	100%	100%	100%
Tubman Holdings (Gibraltar) LLP	Gibraltar	Holding company	100%	100%	100%
Tubman International Ltd.	Gibraltar	Holding company	100%	100%	100%
Tubos de Acero de México S.A.	Mexico	Manufacturing of seamless steel pipes	100%	100%	100%
Tubos de Acero de Venezuela S.A.	Venezuela	Manufacturing of seamless steel pipes	70%	70%	70%
Tubos del Caribe Ltda. (b) (l)	Colombia	Manufacturing of welded steel pipes	100%	-	-

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

Carlos Condorelli
Chief Financial Officer