Tenaris

Press Release

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## Tenaris Announces 2006 First Quarter Results

*The financial and operational information contained in this press release is based on consolidated condensed interim financial statements prepared in accordance with International Financial Reporting Standards (IFRS) and presented in U.S. dollars.*

**Luxembourg, May 2, 2006.** - Tenaris S.A.(NYSE, Buenos Aires and Mexico: TS and MTA Italy: TEN) ("Tenaris") today announced its results for the first quarter ended March 31, 2006 with comparison to its results for the first quarter ended March 31, 2005.

### Summary of 2006 First Quarter Results

(Comparison with fourth quarter of 2005 and first quarter of 2005)

| | Q1 2006 | Q4 2005 | | Q1 2005 | |
|---|---|---|---|---|---|
| Net sales (US$ million) | 1,783.2 | 1,898.6 | (6%) | 1,452.9 | 23% |
| Operating income (US$ million) | 600.9 | 576.9 | 4% | 405.7 | 48% |
| Net income (US$ million) [1] | 441.7 | 414.8 | 6% | 280.0 | 58% |
| Shareholders' net income (US$ million) | 419.7 | 381.0 | 10% | 264.2 | 59% |
| Earnings per ADS (US$)[2] | 0.71 | 0.65 | 10% | 0.45 | 59% |
| Earnings per share (US$) | 0.36 | 0.32 | 10% | 0.22 | 59% |
| EBITDA (US$ million) | 655.6 | 634.5 | 3% | 457.7 | 43% |
| EBITDA margin (% of net sales) | 37% | 33% | | 31% | |

Earnings per share, operating income and margins continue to grow due to the strength of global demand for our seamless OCTG products from the oil and gas industry. Demand remains particularly strong in the Middle East and Africa region, where drilling activity in Saudi Arabia has been growing rapidly in response to increased investment in exploration and production. Net sales during this first

[1] As required by IAS 1 (revised) as from January 1, 2005 the income for the period disclosed in the income statement does not show minority interest. Earnings per share continue to be calculated on the net income attributable solely to the equity holders of Tenaris.
[2] As of April 26, 2006, the ratio of ADSs to ordinary shares was changed from 1:10 to 1:2. Earnings per ADS are stated using the new ratio.

quarter were affected, however, by lower sales of welded pipes for gas transmission projects in Brazil, where important projects have been put on hold. Free cash flow (net cash provided by operations less capital expenditures) was US$474.6 million and the company became net cash positive during the quarter.

## Market Background and Outlook

Oil and gas companies are continuing to increase their exploration and production spending in response to sustained high oil and gas prices and projected increases in global demand for oil and gas. This is resulting in increased drilling activity and demand for seamless OCTG products. The international count of active drilling rigs, as published by Baker Hughes excluding, for comparative purposes, the rig count in Iran and Sudan, averaged 896 during the first quarter of 2006, an increase of 10% compared to the same quarter of the previous year and an increase of 3% compared to the fourth quarter of 2005. The corresponding percentage year on year quarterly rig count increases in the Canadian and U.S. markets, which are more sensitive to natural gas prices, were 28% and 19% respectively.

Favorable market conditions and the demand for high-end seamless pipe products are helping us to register sales growth and improved gross margins for our seamless pipe products. We expect that the continuation of favorable market conditions and strong demand for our high-end seamless pipe products will allow us to maintain our operating margins at around the levels recorded this quarter.

Demand for our welded pipe products, however, is being affected by delays to gas pipeline projects in Brazil and Argentina. We expect that some of these projects will go ahead later this year and that we will be able to increase exports but that sales and margins on welded pipes will be lower in 2006 than in 2005.

## Analysis of 2006 First Quarter Results

(metric tons)

| Sales volume | Q1 2006 | Q1 2005 | Increase/(Decrease) |
|---|---|---|---|
| North America | 202,000 | 220,000 | (8%) |
| Europe | 184,000 | 179,000 | 3% |
| Middle East & Africa | 149,000 | 101,000 | 48% |
| Far East & Oceania | 82,000 | 101,000 | (19%) |
| South America | 98,000 | 101,000 | (3%) |
| **Total seamless pipes** | **714,000** | **703,000** | **2%** |
| Welded pipes | 65,000 | 109,000 | (40%) |
| **Total steel pipes** | **779,000** | **812,000** | **(4%)** |

**Sales volume** of seamless pipes increased by 2% to 714,000 tons in the first quarter of 2006 from 703,000 tons in the same period of 2005. Sales volume increased significantly in the Middle East and Africa region reflecting a substantial increase in oil and gas drilling activity and investment in the development of new fields in the region led by Saudi Arabia but extending through much of the Middle East and North Africa. Sales volume declined significantly in the Far East and Oceania, reflecting reduced sales to industrial customers. Sales in North America declined reflecting lower drilling activity in Mexico and lower sales to industrial customers.

Sales volumes of welded pipes decreased by 40% to 65,000 tons in the first quarter of 2006 from 109,000 tons in the same period of 2005. The decrease in sales was due to substantially reduced demand for welded pipes for gas pipeline projects in Brazil following the implementation of several projects in 2005 and delays in the implementation of projects originally projected for this year.

(US$ million)

| Net sales | Q1 2006 | Q1 2005 | Increase/(Decrease) |
|---|---|---|---|
| Seamless pipes | 1,441.0 | 1,105.3 | 30% |
| Welded pipes | 114.6 | 160.4 | (29%) |
| Energy | 161.6 | 144.0 | 12% |
| Others | 66.0 | 43.3 | 52% |
| **Total** | **1,783.2** | **1,452.9** | **23%** |

**Net sales** in the quarter ended March 31, 2006 increased 23% to US$1,783.2 million, compared to US$1,452.9 million in the corresponding quarter of 2005. Net sales of seamless pipes rose by 30%, due primarily to significantly higher sales of high-end products and higher selling prices for all of our products. Net sales of welded pipes, which included US$11 million in sales of metal structures made by our Brazilian welded pipe subsidiary in the first quarter of 2006 and US$17 million of such sales in the first quarter of 2005, fell by 29% due primarily to the decline in sales volume. Net sales of energy rose by 12% due to higher Italian gas and electric energy prices. Net sales of other goods and services increased 52% due to higher sales of pre-reduced hot briquetted iron from our plant in Venezuela.

(percentage of net sales)

| Cost of sales | Q1 2006 | Q1 2005 |
|---|---|---|
| Seamless pipes | 48% | 54% |
| Welded pipes | 66% | 63% |
| Energy | 97% | 95% |
| Others | 71% | 57% |
| **Total** | **55%** | **60%** |

**Cost of sales**, expressed as a percentage of net sales, decreased to 55% in the first quarter of 2006, compared to 60% in the same period of 2005 reflecting higher gross margins on our sales of seamless pipe products and a higher proportion of seamless pipe sales in total sales. Cost of sales for seamless pipe products, expressed as a percentage of net sales, decreased to 48% in the first quarter of 2006 compared to 54% in the same period of 2005 principally reflecting a higher proportion of higher-margin, high-end products in the product mix.

**Selling, general and administrative expenses**, or SG&A, declined as a percentage of net sales to 12.2% in the quarter ended March 31, 2006 compared to 12.7% in the corresponding quarter of 2005.

**Net financial income** was US$10.6 million in the first quarter of 2006, compared to a net financial expense of US$41.8 million in the same period of 2005. Interest income exceeded interest expenses by US$0.6 million in the first quarter of 2006 compared to a net interest expense of US$9.5 million in the same period of 2005, reflecting changes in the net debt position. A gain of US$8.8 million on net foreign exchange transactions and the fair value of derivative instruments was recorded in the first quarter of 2006, compared to a loss of US$33.9 million during the first quarter of 2005. These gains and losses on net foreign exchange transactions and the fair value of derivative instruments are to a large extent offset by changes to our net equity position and arise due to the fact that most of our subsidiaries prepare their financial statements in currencies other than the US dollar in accordance with IFRS.

**Equity in earnings of associated companies** generated a gain of US$21.5 million in the first quarter of 2006, compared to a gain of US$30.2 million in the first quarter of 2005. The gain in the first quarter of 2006 was derived mainly from our 11.5% equity shareholding in Ternium and the gain in the first quarter of 2005 was derived mainly from our prior investment in Sidor.

**Income tax charges** totalled US$191.3 million in the first quarter of 2006, equivalent to 31% of income before equity in earnings of associated companies and income tax.

**Income attributable to minority interest** rose to US$22.0 million in the first quarter of 2006, compared to US$15.7 million in the corresponding quarter of 2005 reflecting an improvement in operating and financial results at our NKKTubes subsidiary, which was partially offset by weaker operating and financial results at our Confab subsidiary.

## Cash Flow and Liquidity

Net cash provided by operations during the first quarter of 2006 was US$544.1 million. Working capital increased by US$24.3 million during the first quarter as a US$115.5 million increase in inventories was largely offset by a reduction in trade receivables (US$34.4 million) and an increase in trade payables (US$58.0 million).

Capital expenditures increased to US$69.5 million for the first quarter of 2006 compared to US$47.3 million in the first quarter of 2005. Capital expenditures in the remaining quarters of the year are expected to be higher as we implement our investment program to increase capacity for high-end products.

During the first quarter of 2006, Tenaris became net cash positive with a net cash position (cash and cash equivalents and other current investments less borrowings) of US$239.7 million at March 31, 2006 compared to net debt of US$183.0 million at December 31, 2005. Total financial debt decreased by US$41.5 million to US$968.8 million at March 31, 2006 from US$1,010.3 million at December 31, 2005.

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

## Consolidated condensed interim income statement

| (all amounts in thousands of U.S. dollars) | Three –month period ended March 31, | |
|---|---|---|
| | **2006** | **2005** |
| | (Unaudited) | |
| Net sales | 1,783,152 | 1,452,927 |
| Cost of sales | (972,492) | (865,128) |
| **Gross profit** | **810,660** | **587,799** |
| Selling, general and administrative expenses | (217,884) | (185,083) |
| Other operating income (expenses), net | 8,130 | 2,967 |
| **Operating income** | **600,906** | **405,683** |
| Financial income (expenses), net | 10,596 | (41,807) |
| **Income before equity in earnings of associated companies and income tax** | **611,502** | **363,876** |
| Equity in earnings of associated companies | 21,521 | 30,163 |
| **Income before income tax** | **633,023** | **394,039** |
| Income tax | (191,333) | (114,069) |
| **Income for the period** | **441,690** | **279,970** |
| | | |
| **Attributable to:** | | |
| Equity holders of the Company | 419,688 | 264,234 |
| Minority interest | 22,002 | 15,736 |
| | 441,690 | 279,970 |

# Consolidated condensed interim balance sheet

| (all amounts in thousands of U.S. dollars) | At March 31, 2006 (Unaudited) | | At December 31, 2005 | |
|---|---|---|---|---|
| **ASSETS** | | | | |
| **Non-current assets** | | | | |
| Property, plant and equipment, net | 2,275,130 | | 2,230,038 | |
| Intangible assets, net | 159,747 | | 159,099 | |
| Investments in associated companies | 341,446 | | 257,234 | |
| Other investments | 25,579 | | 25,647 | |
| Deferred tax assets | 212,087 | | 194,874 | |
| Receivables | 32,276 | 3,046,265 | 65,852 | 2,932,744 |
| **Current assets** | | | | |
| Inventories | 1,491,632 | | 1,376,113 | |
| Receivables and prepayments | 155,661 | | 143,282 | |
| Current tax assets | 121,138 | | 102,455 | |
| Trade receivables | 1,289,780 | | 1,324,171 | |
| Other investments | 297,557 | | 119,907 | |
| Cash and cash equivalents | 910,991 | 4,266,759 | 707,356 | 3,773,284 |
| **Total assets** | | 7,313,024 | | 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 | (54,818) | | (59,743) | |
| Other reserves | 30,801 | | 2,718 | |
| Retained earnings | 2,076,191 | 3,960,498 | 1,656,503 | 3,507,802 |
| **Minority interest** | | 295,470 | | 268,071 |
| **Total equity** | | 4,255,968 | | 3,775,873 |

| | | | | |
|---|---|---|---|---|
| **LIABILITIES** | | | | |
| **Non-current liabilities** | | | | |
| Borrowings | 639,129 | | 678,112 | |
| Deferred tax liabilities | 359,371 | | 353,395 | |
| Other liabilities | 157,492 | | 154,378 | |
| Provisions | 45,074 | | 43,964 | |
| Trade payables | 707 | 1,201,773 | 1,205 | 1,231,054 |
| **Current liabilities** | | | | |
| Borrowings | 329,703 | | 332,180 | |
| Current tax liabilities | 517,216 | | 452,534 | |
| Other liabilities | 159,190 | | 138,875 | |
| Provisions | 36,566 | | 36,945 | |
| Customers advances | 129,291 | | 113,243 | |
| Trade payables | 683,317 | 1,855,283 | 625,324 | 1,699,101 |
| **Total liabilities** | | 3,057,056 | | 2,930,155 |
| **Total equity and liabilities** | | 7,313,024 | | 6,706,028 |

## Consolidated condensed interim cash flow statement

| (all amounts in thousands of U.S. dollars) | Three-month period ended March 31, (Unaudited) 2006 | 2005 |
|---|---|---|
| Cash flows from operating activities | | |
| Income for the period | 441,690 | 279,970 |
| Adjustments for: | | |
| Depreciation and amortization | 54,675 | 51,977 |
| Income tax accruals less payments | 83,458 | 37,478 |
| Equity in earnings of associated companies | (21,521) | (30,163) |
| Interest accruals less payments, net | 5,292 | 2,344 |
| Income from disposal of investment | (6,933) | - |
| Changes in provisions | 731 | (4,285) |
| Proceeding from Fintecna arbitration award net of BHP settlement | - | 66,594 |
| Changes in working capital | (24,257) | (209,878) |
| Currency translation adjustment and others | 10,947 | (11,344) |
| Net cash provided by operating activities | 544,082 | 182,693 |
| Cash flows from investing activities | | |
| Capital expenditures | (69,529) | (47,316) |
| Acquisitions of subsidiaries | (29,809) | (38) |
| Proceeds from disposal of property, plant and equipment and intangible assets | 1,820 | 1,442 |
| Dividends and distributions received from associated companies | - | 19,520 |
| Changes in restricted bank deposits | 648 | (27,680) |
| Reimbursement from trust funds | - | 119,666 |
| Investments in short terms securities | (177,650) | - |
| Net cash (used in) provided by investing activities | (274,520) | 65,594 |

| | | |
|---|---|---|
| Cash flows from financing activities | | |
| Dividends paid to minority interest in subsidiaries | (7,581) | - |
| Proceeds from borrowings | 101,085 | 398,269 |
| Repayments of borrowings | (146,447) | (516,422) |
| Net cash (used in) provided by financing activities | (52,943) | (118,153) |
| Increase in cash and cash equivalents | 216,619 | 130,134 |
| | | |
| Movement in cash and cash equivalents | | |
| At the beginning of the period | 672,437 | 293,824 |
| Effect of exchange rate changes | (1,834) | (298) |
| Increase in cash and cash equivalents | 216,619 | 130,134 |
| **At March 31,** | 887,222 | 423,660 |

| | At March 31, | |
|---|---|---|
| Cash and cash equivalents | **2006** | **2005** |
| Cash and bank deposits | 910,991 | 477,106 |
| Bank overdrafts | (22,369) | (12,266) |
| Restricted bank deposits | (1,400) | (41,180) |
| | 887,222 | 423,660 |