TENARIS S.A.

CONSOLIDATED FINANCIAL STATEMENTS

For the years ended December 31, 2005, 2004 and 2003

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CONSOLIDATED INCOME STATEMENTS

		Year ended December 31,		
(all amounts in thousands of U.S. dollars, unless otherwise stated)	**Notes**	**2005**	**2004**	**2003**
Net sales	**1**	6,736,197	4,136,063	3,179,652
Cost of sales	**2**	(3,942,758)	(2,776,936)	(2,207,827)
Gross profit		**2,793,439**	**1,359,127**	**971,825**
Selling, general and administrative expense	**3**	(842,574)	(672,449)	(566,835)
Other operating income	**5 (i)**	11,986	152,591	8,859
Other operating expense	**5 (ii)**	(14,405)	(25,751)	(125,659)
Operating income		**1,948,446**	**813,518**	**288,190**
Financial income (expense), net	**6**	(109,738)	5,802	(29,420)
Income before equity in earnings of associated companies and income tax		**1,838,708**	**819,320**	**258,770**
Equity in earnings of associated companies	**7**	117,377	206,037	27,585
Income before income tax		**1,956,085**	**1,025,357**	**286,355**
Income tax	**8**	(568,753)	(220,376)	(63,918)
Income for the year (1)		**1,387,332**	**804,981**	**222,437**
Income for the year attributable to (1):				
Equity holders of the Company		1,277,547	784,703	210,308
Minority interest		109,785	20,278	12,129
		1,387,332	804,981	222,437
Earnings per share attributable to equity holders of the Company (1)				
Weighted average number of ordinary shares outstanding (in thousands)	**9**	1,180,537	1,180,507	1,167,230
Earnings per share (U.S. dollars per share)	**9**	1.08	0.66	0.18
Earnings per ADS (U.S. dollars per ADS)	**9**	10.82	6.65	1.80

(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 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 (see Section IV (a)).

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, 2005		At December 31, 2004	
ASSETS					
Non-current assets					
Property, plant and equipment, net	**10**	2,230,038		2,164,601	
Intangible assets, net	**11**	159,099		49,211	
Investments in associated companies	**12**	257,234		99,451	
Other investments	**13**	25,647		24,395	
Deferred tax assets	**21**	194,874		161,173	
Receivables	**14**	65,852	2,932,744	151,365	2,650,196
Current assets					
Inventories	**15**	1,376,113		1,269,470	
Receivables and prepayments	**16**	143,282		279,450	
Current tax assets	**17**	102,455		94,996	
Trade receivables	**18**	1,324,171		936,931	
Other investments	**19 (i)**	119,907		119,666	
Cash and cash equivalents	**19 (ii)**	707,356	3,773,284	311,579	3,012,092
Total assets			6,706,028		5,662,288
EQUITY AND LIABILITIES (Section IV. (a))					
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	
Other distributable reserve		-		82	
Currency translation adjustments		(59,743)		(30,020)	
Other reserves		2,718		-	
Retained earnings		1,656,503	3,507,802	617,538	2,495,924
Minority interest			268,071		165,271
Total equity			3,775,873		2,661,195
LIABILITIES					
Non-current liabilities					
Borrowings	**20**	678,112		420,751	
Deferred tax liabilities	**21**	353,395		371,975	
Other liabilities	**22(i)**	154,378		172,442	
Provisions	**23 (ii)**	43,964		31,776	
Trade payables		1,205	1,231,054	4,303	1,001,247
Current liabilities					
Borrowings	**20**	332,180		838,591	
Current tax liabilities		452,534		222,735	
Other liabilities	**22(ii)**	138,875		194,945	
Provisions	**24 (ii)**	36,945		42,636	
Customer advances		113,243		108,847	
Trade payables		625,324	1,699,101	592,092	1,999,846
Total liabilities			2,930,155		3,001,093
Total equity and liabilities			6,706,028		5,662,288

Contingencies, commitments and restrictions to the distribution of profits are disclosed in Note 26.

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**	**Other Distributable Reserve (*)**	**Currency translation adjustment**	**Other Reserves**	**Retained Earnings (*)**	**Minority Interest (see Section IV. (a))**	**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 Section IV.)	-	-	-	-	-	-	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 (see Note 28)						2,718			2,718
Acquisition of minority interest	-	-	-	-	-	-	-	153	153
Dividends paid in cash	-	-	-	(82)	-	-	(349,357)	(14,318)	(363,757)
Income for the year	-	-	-	-	-	-	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

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

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 adjustments**	**Retained Earnings**	**Minority Interest (see Section IV. (a))**	**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 year	-	-	-	-	-	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

	Attributable to equity holders of the Company							
	Share Capital	**Legal Reserves**	**Share Premium**	**Other Distributable Reserve**	**Currency translation adjustments**	**Retained Earnings**	**Minority Interest (see Section IV. (a))**	**Total**
Balance at January 1, 2003	1,160,701	116,070	587,493	206,744	(34,503)	(342,451)	186,783	1,880,837
Currency translation differences	-	-	-	-	309	-	16,738	17,047
Capital Increase, exchange transaction and acquisition of minority interest	19,587	1,959	21,776	4,813	-	3,476	(81,602)	(29,991)
Dividends paid	-	-	-	(115,002)	-	-	(14,064)	(129,066)
Income for the year	-	-	-	-	-	210,308	12,129	222,437
Balance at December 31, 2003	1,180,288	118,029	609,269	96,555	(34,194)	(128,667)	119,984	1,961,264

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)		**2005**	**2004**	**2003**
Cash flows from operating activities				
Income for the year		1,387,332	804,981	222,437
Adjustments for:				
Depreciation and amortization	**10 & 11**	214,227	208,119	199,799
Income tax accruals less payments	**30 (ii)**	149,487	44,659	(138,570)
Equity in earnings of associated companies	**7**	(117,377)	(206,037)	(27,585)
Interest accruals less payments, net	**30 (iii)**	1,919	16,973	(3,032)
Power plant impairment	**26 (iv)(d)**	-	11,705	-
Changes in provisions	**23 & 24**	6,497	11,455	(13)
Result from disposition of investments in associated companies		-	-	(1,018)
Proceeds from Fintecna arbitration award net of BHP settlement	**26 (i)**	66,594	(126,126)	114,182
Changes in working capital (1)	**30 (i)**	(433,939)	(621,187)	(107,156)
Other, including currency translation adjustment		20,583	(46,254)	16,592
Net cash provided by operating activities		**1,295,323**	**98,288**	**275,636**
Cash flows from investing activities				
Capital expenditures	**10 & 11**	(284,474)	(183,312)	(162,624)
Acquisitions of subsidiaries	**28 (a)**	(48,292)	(97,595)	(65,283)
Convertible loan to associated companies	**28 (d)**	(40,358)	-	(31,128)
Proceeds from disposal of property, plant and equipment and intangible assets		9,995	12,054	5,965
Proceeds from sales of investments in associated companies		-	-	1,124
Dividends and distributions received from associated companies	**12**	59,127	48,598	-
Changes in restricted bank deposits		11,452	(13,500)	-
Investments in short term securities		(119,907)	-	-
Reimbursement from trust funds		119,666	20,359	-
Acquisitions of minority interest		-	-	(299)
Net cash used in investing activities		**(292,791)**	**(213,396)**	**(252,245)**
Cash flows from financing activities				
Dividends paid		(349,439)	(135,053)	(115,002)
Dividends paid to minority interest in subsidiaries		(14,318)	(31)	(14,064)
Proceeds from borrowings		1,222,861	632,095	552,446
Repayments of borrowings		(1,463,233)	(326,453)	(506,717)
Net cash (used in) provided by financing activities		**(604,129)**	**170,558**	**(83,337)**
Increase (decrease) in cash and cash equivalents		**398,403**	**55,450**	**(59,946)**
Movement in cash and cash equivalents				
At beginning of the year		293,824	238,030	294,887
Effect of exchange rate changes		(11,636)	344	3,089
Increase in cash and cash equivalents		398,403	55,450	(59,946)
At December 31,		**680,591**	**293,824**	**238,030**
Non-cash financing activities:				
Fair value adjustment of minority interest acquired		**-**	**-**	**(925)**
Common stock issued in acquisition of minority interest		**-**	**820**	**51,611**
Conversion of debt to equity in subsidiaries		**-**	**13,072**	**-**

(1) In 2004, includes USD55.1 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" or "Tenaris"), a Luxembourg corporation (societé anonyme holding), was incorporated on December 17, 2001, as a holding company for investments in steel pipe manufacturing and distributing operations. The Company holds, either directly or indirectly, controlling interests in various subsidiaries. A list of the Company's investment holdings is included in Note 31.

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 Tenaris Board of Directors on March 1, 2006.

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 ("$").

At December 31, 2005, 2004 and 2003, the financial statements of Tenaris and its subsidiaries have been consolidated.

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 Company has applied IFRS 3 for all business combinations after March 31, 2004.

The purchase method of accounting is used to account for the acquisition of subsidiaries by the Company. 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 the Company's 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.

B Group accounting (Cont'd.)

Material intercompany transactions and balances between Tenaris subsidiaries have been eliminated in consolidation. However, the fact that the functional currency of some subsidiaries is their respective local currency, generates some financial gains (losses) arising from intercompany transactions, that are included in the consolidated income statement under Financial income (expense), net.

See Note 31 for the list of the consolidated subsidiaries.

(2) Associated companies

Investments in associated companies are accounted for by the equity method of accounting and initially recognized at cost. Associated companies are companies in which Tenaris owns between 20% and 50% of the voting rights or over which Tenaris has significant influence, but does not have control. Unrealized results on transactions between Tenaris and its associated companies are eliminated to the extent of Tenaris' 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 profit 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 in IAS 28, *Investments in Associates*. At December 31, 2005, Tenaris held 15.0% of Ternium's common stock. The Company's investment in Ternium is carried at historical 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 is $22.6 million less than Tenaris' proportional ownership of Ternium's shareholders' equity at the transaction date. As a result of this treatment, Tenaris' 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

The Company is organized around four major business segments: Seamless, Welded and Other Metallic Products, Energy and Others. A business segment is a group of assets and operations that are subject to risks and returns that are different from those of other business segments.

The secondary reporting format is based on geographical segments. For geographical purposes, Tenaris groups its operations into five segments: South America, Europe, North America, Middle East and Africa, and Far East and Oceania. Allocation of net sales is based on the geographic location of the Company's customers, while 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 the Company's global operations. Generally, the functional currency of Tenaris's subsidiaries is the respective local currency. The Company's Argentine operations, however, which consist of Siderca S.A.I.C. ("Siderca") and its Argentine subsidiaries, have determined their functional currency to be the 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 commercial network 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 income (expense), net* in the income statement.

E Property, plant and equipment

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

Major overhaul and rebuilding expenditures are capitalized as property, plant and equipment only when the investment enhances the condition of assets beyond its original condition.

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

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

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 amortize 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.

Estimating useful lives for depreciation is particularly difficult as the service lives of assets are also impacted by maintenance and changes in technology, and the Company's ability to adapt technological innovation to the existing asset base. As a result, management considers estimation of asset lived as a critical accounting estimate. Management's reestimation of asset useful lives did not materially affect depreciation expense for 2005.

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 expense* in the income statement.

F Impairment of non financial assets

Events and circumstances may potentially affect the recoverability of the carrying value of tangible and intangible assets, including investments in associated and other companies. The carrying value of other non financial assets is evaluated whenever events or changes in circumstances indicate that the carrying amounts may not be recoverable. An impairment loss is recognized for the amount by which the assets's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell and value in use. Assets other than goodwill that have been impaired are reviewed for possible reversal of the impairment at each reporting date.

Goodwill is tested for impairment on an annual basis. Assessment of the recoverability of the carrying value of goodwill and other non financial assets require a significant judgment. The Company evaluates goodwill allocated to the operating units for impairment on an annual basis in accordance with IAS 36, *Impairment of Assets* (see AP *G*).

Although management believes its estimates and projections are appropriate based on currently available information, the actual operating performance of an asset or group of assets which has been tested for impairment may be significantly different from current expectations. In such an event, the carrying value of goodwill, investments in associates and other non-financial assets may be different from amounts currently recorded and materially affect asset values and results of operations.

G Intangible assets

(1) Goodwill

Goodwill represents the excess of the acquisition cost over the fair value of the Company's 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 the Company during the three years covered by these financial statements. Goodwill is included in '*Intangible assets, net'* on the balance sheet.

G Intangible assets (Cont'd.)

(1) Goodwil (Cont'd.)

Gains and losses on the disposal of a business include the carrying amount of any goodwill related to the business being sold. Goodwill is allocated to cash-generating units for the purpose of impairment testing. The allocation is made to those cash-generating units or groups of 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.

(2) Information systems projects

Generally, costs associated with developing or maintaining computer software programs are 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 beyond 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 and patents

Expenditures on purchased patents, trademarks, technology transfer and licenses are capitalized and amortized using the straight-line method over their estimated useful lives.

(4) Research and development

Research expenditures are recognized as expenses as incurred. Development costs are recorded as cost of sales in the income statement as incurred because they do not fulfill the criteria for capitalization. Research and development expenditures for the years ended 2005, 2004 and 2003 totaled $34.7, $26.3 and $21.9 million, respectively.

H Other Investments

Other investments consist primarily of investments in financial debt instruments and equity investments where the Company holds less than 20% of the outstanding equity and does not exert significant influence.

IAS 39 (revised), "*Financial Instruments: Recognition and Measurement*" ("IAS 39"), with effect as of January 1, 2005, requires that financial investments be classified depending on the intent for the investment. IAS 39 (revised) specifies four categories: financial assets held at "fair value through profit or loss", "held-to-maturity investments", "loans and receivables" and "available-for-sale". Investments that do not fulfill the specific requirements of IAS 39 for financial assets at "fair value through profit or loss", "held-to-maturity investments" or "loans and receivables" categories are included in the residual "available-for-sale" category. All of Tenaris's investments are classified as financial assets "at fair value through profit or loss". As explained in section IV., the Company 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".

H Other Investments (Cont'd.)

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. Subsequent to their acquisition, the change in fair value of financial investments designated as held at fair value through profit or loss is charged to *financial income (expense)* in the income statement.

Income from financial investments is recognized in *Financial income (expense), net* in the income statement. Interest receivable on investments in debt securities is calculated using the effective interest method. Dividends from investments in equity instruments are recognized in the income statement when the Company's right to receive payments is established.

The fair values of quoted investments are based on current bid prices. If the market for a financial investment is not active or the securities are not listed, the Company 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 as a whole. The cost of finished goods and goods in process is comprised of raw materials, direct labor, other direct costs and related production overhead costs. Net realizable value is estimated collectively for inventories as the sales price in the ordinary course of business, less any costs of completion and selling expenses. Goods in transit at year end are valued at supplier invoice cost.

For purposes of determining net realizable value, the Company 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 original invoice amount. The Company 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 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 Shareholder' 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 (v).

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. Any difference between net proceeds and redemption value is recognized as *interest expense* within *Financial income (expense)* in the income statement over the expected tenor of the borrowings.

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 "Holding Billionaire Company".

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 is subject to interpretation and establishes provisions when appropriate.

Deferred income taxes are calculated applying the liability method on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the financial statements. The principal temporary differences arise from 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 settled, based on tax laws that have been enacted or substantially 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 the Company 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. Actuarial gains and losses are recognized over the average remaining service lives of employees.

Benefits provided under the Company's main plan 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 the Company's other assets. As a result, this plan is considered to be "unfunded" under IFRS definitions.

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

(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, the Company 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

Provisions are accrued to reflect estimates of expenses incurred based on best available information. Estimates are based on information available as of the date of preparation of the financial statements. 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.

Contingencies

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

R Revenue recognition

The Company's products and services are sold based upon purchase orders, contracts or upon other persuasive evidence of an arrangement with customers, including that the sales price is known or determinable and the arrangement does not include right of return or other similar provisions or other significant post-delivery obligations. 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 customer's 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.

Shipping and handling costs related to customer sales are recorded in selling, general and administrative expense 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", below.

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 Company's financial performance. Such derivative transactions are executed in accordance with internal policies in areas such as counterparty exposure and hedging practices.

A. Financial Risk Factors

(i) Foreign exchange rate risk management

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

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

(ii) Interest rate risk management

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

The Company's single largest customer is Petroleos Mexicanos, or Pemex. Sales to Pemex, as a percentage of our total sales, amounted to approximately 8% in 2005.

The Company's credit policies related to sales of products and services are designed to identify customers with acceptable credit history, and to allow the Company 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 potential credit losses.

Derivative counterparties and cash transactions are limited to high credit quality financial institutions. We have 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. The Company also has committed credit facilities that adequately backup its ability to close out market positions if needed.

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 rates. As a result, the fair value of the Company's 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 cost and subsequently remeasured at fair value. The Company recognizes the full amount related to the change in fair value of derivative financial instruments in "*Financial income (expense), net*" in the current year.

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

IV. IMPACT OF NEW ACCOUNTING PRONOUNCEMENTS

Interpretations and amendments to published standards effective in 2005

IASB Project to Improve International Financial Reporting Standards

In December 2003, as a part of the project to improve International Financial Reporting Standards, the IASB released revisions to certain standards including: IAS 1, "Presentation of Financial Statements"; IAS 16, "Property, Plant and Equipment"; IAS 39 (Amendment), "Transition and initial recognition of financial assets and financial liabilities"; and, IFRS 3, "Business Combinations". The revised standards apply to annual periods beginning on or after January 1, 2005. Adoption of new or revised standards has been made in accordance with the respective transition provisions.

The main impacts to the Company's consolidated financial statements are:

(a) Presentation of minority interest

IAS 1 (revised) requires disclosure on the face of the income statement of an entity's income or loss for the year and the allocation of that amount between "income or loss attributable to minority interest" and "income or loss attributable to equity holders of the Company". Earnings per share continue to be calculated on the basis of net income attributable solely to the equity holders of the entity. Also, for periods beginning on or after January 1, 2005, minority interest is included within equity in the consolidated balance sheet and is no longer shown as a separate category in the Liabilities section of the balance sheet. This change resulted in an increase of $165.3 million in the Company's reported equity at January 1, 2005.

(b) Reestimation of Plant and Equipment Useful Lives

International Accounting Standard No. 16, Property, Plant and Equipment, requires for periods beginning on or after January 1, 2005, that the residual value and the useful life of fixed assets be reviewed at least at each financial year-end, and, if expectations differ from previous estimates, for the change to be treated as a change in an accounting estimate. The impact of the reestimation of useful lives for the Company's plant and equipment for the year ended December 31, 2005 was not material.

Interpretations and amendments to published standards effective in 2005 (Cont'd.)

(c) IAS 39 (revised), Financial Instruments: recognition and measurement

In accordance with the transition provisions of IAS 39 (revised), the Company designated certain investments in financial instruments previously recognized as "available for sale" as "financial assets carried at fair value through profit or loss". Accordingly, the Company changed the classification of these financial investments using the new designation in its financial statements. Financial investments are included in current assets unless management intends to dispose the investment more than 12 months from the balance sheet date.

(d) IFRS 3, Business Combinations: Goodwill and Negative Goodwill

During 2004 International Financial Reporting Standard (IFRS) 3, "Business Combinations" was issued, which was applied by the Company 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, the Company 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 years ended December 31, 2004 and 2003 amounted to $9.4 million and $8.9 million respectively.

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 beginning balance of the Company's equity at January 1, 2005. Amortization of negative goodwill in income amounted to $9.0 million and $8.9 million in the years ended December 31, 2004 and 2003, respectively.

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

Standards, interpretations and amendments to published standards that are not yet effective

Certain new standards, amendments and interpretations to existing standards have been published that are mandatory for the Company's accounting periods beginning on or after January 1, 2006, or later periods but which the Company has not early adopted as follows:

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 of recognizing 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 the Company does not intend to change the accounting policy adopted for recognition of actuarial gains and losses and does not participate in any multi employer plans, adoption of this amendment will only impact the format and extent of disclosures in the financial statements. Tenaris will apply this amendment from annual periods beginning January 1, 2006.

Interpretations and amendments to published standards effective in 2005 (Cont'd.)

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 finalizes proposals that were contained in Draft Technical Correction 1 Proposed Amendments to IAS 21 Net Investment in a Foreign Operation published in September 2005 and is applicable for annual periods beginning on or after January 1, 2006. The Company's management has not yet assessed the impact of this standard on its financial statements.

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. The Company will apply IFRS 7 and the amendment to IAS 1 for annual periods beginning on January 1, 2007.

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

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

Primary reporting format: business segments

	Seamless	Welded and other metallic products	Energy	Others	Unallocated	Total
Year ended December 31, 2005						
Net sales	5,123,975	845,089	526,406	240,727	-	6,736,197
Cost of sales	(2,720,858)	(556,142)	(513,401)	(152,357)	-	(3,942,758)
Gross profit	2,403,117	288,947	13,005	88,370	-	2,793,439
Segment assets	4,747,808	525,199	147,019	1,032,206	253,796	6,706,028
Segment liabilities	2,410,540	217,183	124,290	178,142	-	2,930,155
Capital expenditures	252,974	25,101	1,379	5,020	-	284,474
Acquisition of property, plant and equipment and intangible assets due to business combination	67,980	-	.	-	-	67,980
Depreciation and amortization	182,617	15,545	2,514	13,551	-	214,227
Year ended December 31, 2004						
Net sales	3,273,267	348,137	417,870	96,789	-	4,136,063
Cost of sales	(2,075,164)	(249,471)	(398,462)	(53,839)	-	(2,776,936)
Gross profit	1,198,103	98,666	19,408	42,950	-	1,359,127
Segment assets	4,322,982	510,669	121,846	610,162	96,629	5,662,288
Segment liabilities	2,430,935	313,600	122,046	134,512	-	3,001,093
Capital expenditures	149,326	23,276	1,438	9,272	-	183,312
Acquisition of property, plant and equipment and intangible assets due to business combination	73,846	-	-	117,251	-	191,097
Depreciation and amortization	185,118	12,665	3,554	6,782	-	208,119
Year ended December 31, 2003						
Net sales	2,388,177	350,745	333,207	107,523	-	3,179,652
Cost of sales	(1,531,995)	(274,643)	(316,566)	(84,623)	-	(2,207,827)
Gross profit	856,182	76,102	16,641	22,900	-	971,825
Segment assets	3,534,575	408,498	105,629	217,846	43,000	4,309,548
Segment liabilities	1,959,274	252,993	91,982	44,035	-	2,348,284
Capital expenditures	129,405	24,245	5,380	3,594	-	162,624
Acquisition of property, plant and equipment and intangible assets due to business combination	28,535	-	.	2,229	-	30,764
Depreciation and amortization	180,855	10,896	3,706	4,342	-	199,799

Tenaris' main business segment is seamless pipes.

The main transactions between segments, which were eliminated in the consolidation, relate to sales of Energy to Seamless units for $107,393 in 2005, $86,721 in 2004 and $62,755 in 2003. Other transactions include sales of scrap and pipe protectors from the Others segment to Seamless units for $41,163, $36,765 and $37,647 in 2005, 2004 and 2003, respectively.

1 Segment information (Cont'd.)

Secondary reporting format: geographical segments

	South America	Europe	North America	Middle East and Africa	Far East and Oceania	Unallocated	Total
Year ended December 31, 2005							
Net sales	1,823,735	1,570,207	1,708,126	959,020	675,109	-	6,736,197
Total assets	2,092,857	1,502,634	2,213,075	289,363	354,303	253,796	6,706,028
Trade receivables	358,859	265,378	310,153	255,379	134,402	-	1,324,171
Property, plant and equipment, net	740,391	648,892	787,937	3,583	49,235	-	2,230,038
Capital expenditures	109,180	104,665	64,274	1,498	4,857	-	284,474
Acquisition of property, plant and equipment and intangible assets due to business combination	-	67,980	-	-	-	-	67,980
Depreciation and amortization	87,430	71,122	49,038	404	6,233	-	214,227
Year ended December 31, 2004							
Net sales	824,800	1,236,795	1,140,326	524,874	409,268	-	4,136,063
Total assets	1,773,958	1,808,557	1,596,464	109,266	277,414	96,629	5,662,288
Trade receivables	143,731	346,628	295,896	81,369	69,307	-	936,931
Property, plant and equipment, net	728,468	635,939	737,507	4,645	58,042	-	2,164,601
Capital expenditures	83,003	29,694	64,845	2,257	3,513	-	183,312
Acquisition of property, plant and equipment and intangible assets due to business combination	121,145	69,952	-	-	-	-	191,097
Depreciation and amortization	89,934	68,432	41,986	35	7,732	-	208,119
Year ended December 31, 2003							
Net sales	752,175	958,772	754,262	392,707	321,736	-	3,179,652
Total assets	1,464,835	1,193,960	1,310,471	90,699	206,583	43,000	4,309,548
Trade receivables	123,969	286,651	138,899	69,216	34,047	-	652,782
Property, plant and equipment, net	624,542	557,637	716,952	2,376	58,807	-	1,960,314
Capital expenditures	63,636	47,965	42,988	358	7,677	-	162,624
Acquisition of property, plant and equipment and intangible assets due to business combination	25,583	2,978	2,203			-	30,764
Depreciation and amortization	103,548	58,196	31,908	16	6,131	-	199,799

The South American segment comprises principally Argentina, Venezuela and Brazil. The European segment comprises principally Italy, France, United Kingdom, Germany, Romania and Norway. The North American segment comprises principally Mexico, USA and Canada. The Middle East and Africa segment comprises principally Egypt, United Arab Emirates, Saudi Arabia and Nigeria. The Far East and Oceania segment comprises principally China, Japan, Indonesia and South Korea.

2 Cost of sales

	Year ended December 31,		
	2005	**2004**	**2003**
Inventories at the beginning of the year	**1,269,470**	**831,879**	**680,113**
Plus: Charges of the year			
Raw materials, energy, consumables and other movements	2,960,080	2,269,351	1,515,990
Services and fees	324,799	259,025	272,313
Labor cost	420,714	369,681	286,748
Depreciation of property, plant and equipment	182,696	174,880	171,896
Amortization of intangible assets	5,025	12,748	6,763
Maintenance expenses	99,171	82,323	54,335
Provisions for contingencies	200	994	3,802
Allowance for obsolescence	20,303	23,167	6,011
Taxes	3,170	3,088	4,273
Others	33,243	19,270	37,462
	4,049,401	**3,214,527**	**2,359,593**
Less: Inventories at the end of the year	**(1,376,113)**	**(1,269,470)**	**(831,879)**
	3,942,758	**2,776,936**	**2,207,827**

3 Selling, general and administrative expense

	Year ended December 31,		
	2005	**2004**	**2003**
Services and fees	122,953	121,269	129,237
Labor cost	214,216	157,114	134,769
Depreciation of property, plant and equipment	10,319	10,218	8,477
Amortization of intangible assets	16,187	10,273	12,663
Commissions, freights and other selling expenses	298,101	250,085	189,353
Provisions for contingencies	14,855	12,142	2,005
Allowances for doubtful accounts	7,069	7,187	5,704
Taxes	93,782	59,256	45,337
Others	65,092	44,905	39,290
	842,574	**672,449**	**566,835**

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

	Year ended December 31,		
	2005	**2004**	**2003**
Wages, salaries and social security costs	622,523	509,572	410,458
Employees' severance indemnity (Note 22 (i)(a))	10,617	12,907	9,988
Pension benefits – defined benefit plans (Note 22 (i)(b))	1,790	4,316	1,071
	634,930	**526,795**	**421,517**

At the year-end, the number of employees was 17,693 in 2005, 16,447 in 2004 and 14,391 in 2003.

5 Other operating items

	Year ended December 31,		
	2005	**2004**	**2003**
(i) Other operating income			
Reimbursement from insurance companies and other third parties	1,966	3,165	1,544
Net income from other sales	5,767	16,063	4,075
Net income from disposition of investments in associated companies	-	-	1,018
Net rents	2,501	1,362	2,222
Fintecna arbitration award, net of legal expenses, related to BHP proceedings (Note 26 (i))	1,752	123,000	-
Power plant - reimbursement from supplier (Note 26 (iv)(d))	-	9,001	-
	11,986	**152,591**	**8,859**
(ii) Other operating expense			
Provision for BHP proceedings	-	-	114,182
Provisions for legal claims and contingencies	8,694	-	-
Loss on disposal of fixed assets and material supplies	2,146	-	-
Allowance for doubtful receivables	1,443	2,104	1,728
Power plant - impairment and associated charges (Note 26 (iv)(d))	-	18,447	-
Miscellaneous	2,122	5,200	9,749
	14,405	**25,751**	**125,659**

6 Financial income (expense), net

	Year ended December 31,		
	2005	**2004**	**2003**
Interest expense	(53,504)	(46,930)	(33,134)
Interest income	24,268	14,247	16,426
Net foreign exchange transaction (losses) / gains and changes in fair value of derivative instruments	(86,618)	33,127	(16,165)
Miscellaneous	6,116	5,358	3,453
	(109,738)	**5,802**	**(29,420)**

7 Equity in earnings of associated companies

	Year ended December 31,		
	2005	**2004**	**2003**
Equity in earnings of associated companies (Note 12)	117,003	122,911	27,585
Change in the fair value of convertible debt option in Amazonia (Note 28 (d))	-	83,126	-
Other	374	-	-
	117,377	**206,037**	**27,585**

8 Income tax

	Year ended December 31,		
	2005	**2004**	**2003**
Current tax	637,623	277,219	148,240
Deferred tax (Note 21)	(61,837)	(44,731)	(63,862)
	575,786	232,488	84,378
Effect of currency translation on tax base (Note 21)	(7,033)	(12,112)	(20,460)
	568,753	**220,376**	**63,918**

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,		
	2005	**2004**	**2003**
Income before income tax	1,956,085	1,025,357	286,355
Tax calculated at the tax rate in each country	592,153	268,488	99,060
Non taxable income / Non deductible expenses	(32,408)	(10,019)	(27,907)
Changes in the tax rates in Mexico	-	(25,886)	-
Effect of currency translation on tax base (a)	(7,033)	(12,112)	(20,460)
Effect of taxable exchange differences	17,087	10,742	13,367
Utilization of previously unrecognized tax losses	(1,046)	(10,837)	(142)
Tax charge	**568,753**	**220,376**	**63,918**

(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

(i) 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 issued during the year.

	Year ended December 31,		
	2005	**2004**	**2003**
Net income attributable to equity holders	1,277,547	784,703	210,308
Weighted average number of ordinary shares in issue (thousands)	1,180,537	1,180,507	1,167,230
Basic and diluted earnings per share	1.08	0.66	0.18
Basic and diluted earnings per ADS	10.82	6.65	1.80
Dividends paid	(349,439)	(135,053)	(115,002)
Dividends per share	0.296	0.11	0.10
Dividends per ADS	2.960	1.14	0.99

10 Property, plant and equipment, net

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	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**

10 Property, plant and equipment, net (Cont'd.)

Year ended December 31, 2004	**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	303,929	5,031,525	112,371	86,193	12,799	5,546,817
Translation differences	6,938	87,970	2,520	2,107	643	100,178
Additions	11,547	10,744	2,509	133,193	5,165	163,158
Disposals / Consumptions	(3,928)	(16,587)	(4,521)	(1,258)	(828)	(27,122)
Transfers / Reclassifications	20,039	111,674	1,824	(135,293)	1,433	(323)
Increase due to business combinations	14,891	172,665	3,490	-	51	191,097
Values at the end of the year	353,416	5,397,991	118,193	84,942	19,263	5,973,805
Depreciation						
Accumulated at the beginning of the year	112,693	3,378,536	89,222	-	6,052	3,586,503
Translation differences	1,836	37,514	1,773	-	135	41,258
Depreciation charge	14,246	162,726	7,497	-	629	185,098
Disposals / Consumptions	(603)	(11,083)	(3,567)	-	(17)	(15,270)
Transfers / Reclassifications	(24)	365	(348)	-	(83)	(90)
Accumulated at the end of the year	128,148	3,568,058	94,577	-	6,716	3,797,499
Impairment (Note 26 (iv)(e))	-	(11,705)	-	-	-	(11,705)
At December 31, 2004	**225,268**	**1,818,228**	**23,616**	**84,942**	**12,547**	**2,164,601**

Property, plant and equipment includes capitalized interest of $19,686. The net amount at December 31, 2005 is $2,754.

11 Intangible assets, net

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	-	-	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**

As disclosed in AP G (1), previously accumulated negative goodwill at December 31, 2004 was derecognized with a corresponding adjustment to Retained earnings. As a consequence, the opening balance of the Company's shareholders' equity at January 1, 2005 increased of $110.8 million.

Year ended December 31, 2004	Information system projects	Licenses and patents	Goodwill (a)	Negative goodwill (a)	Total
Cost					
Values at the beginning of the year	88,802	10,490	142,904	(130,692)	111,504
Translation differences	3,850	579	164	(3,194)	1,399
Additions	20,022	132	-	-	20,154
Transfers / Reclassifications	2,657	(173)	-	-	2,484
Disposals	(747)	-	-	-	(747)
Values at the end of the year	114,584	11,028	143,068	(133,886)	134,794
Amortization					
Accumulated at the beginning of the year	42,101	8,561	20,882	(14,077)	57,467
Translation differences	2,695	522	172	-	3,389
Amortization charge	21,600	1,105	9,350	(9,034)	23,021
Transfers/ Reclassifications	3,138	(887)	-	-	2,251
Disposals	(545)	-	-	-	(545)
Accumulated at the end of the year	68,989	9,301	30,404	(23,111)	85,583
At December 31, 2004	**45,595**	**1,727**	**112,664**	**(110,775)**	**49,211**

(a) Corresponds to the Seamless segment

Impairment tests for goodwill

Goodwill is allocated to the Company's cash-generating units ("CGU") identified according to country of operation and business segment.

11 Intangible assets, net (Cont'd.)

A geographical segment-level summary of the goodwill allocation is presented below.

	Year ended December 31,	
	2005	**2004**
South America	93,239	93,239
Europe	769	-
North America	19,425	19,425
At the end of the year	**113,433**	**112,664**

The recoverable amount of goodwill allocated to a CGU is determined based on its value-in-use. These calculations use cash flow projections based on financial assumptions approved by management covering at least a minimum period of five years. Cash flows beyond the minimum period are extrapolated using estimated growth rates. No impairment charge was required as a result of the impairment tests performed.

12 Investments in associated companies

	Year ended December 31,	
	2005	**2004**
At the beginning of year	99,451	45,814
Translation differences	(22,869)	(21,094)
Equity in earnings of associated companies	117,003	122,911
Dividends and distributions received	(59,127)	(48,598)
Acquisitions	-	418
Capitalization of convertible loan in Amazonia (see note 28 (d))	120,058	-
Increase in equity reserves in Ternium (see note 28 (d))	2,718	-
At the end of year	**257,234**	**99,451**

The principal associated companies are:

Company	**Country of incorporation**	**Percentage of ownership and voting rights at December 31,**		**Value at December 31,**	
		2005	**2004**	**2005**	**2004**
Ternium S.A.	Luxembourg	15.00%	-	253,796	-
Consorcio Siderurgia Amazonia Ltd.	Cayman Islands	-	14.49%	-	76,007
Ylopa Serviços de Consultadoria Lda.	Madeira	-	24.40%	-	20,622
Condusid C.A.	Venezuela	20.00%	20.00%	2,860	2,375
Others	-	-	-	578	447
				257,234	**99,451**

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:

Company	Assets		Liabilities		Revenues		Profit/Loss	
	2005	2004	2005	2004	2005	2004	2005	2004
Ternium S.A.	8,659,981	-	5,084,062	-	4,447,680	-	704,406	-
Consorcio Siderurgia Amazonia Ltd. (a)	-	878,829	-	354,279	-	526,446	-	507,965
Ylopa Serviços de Consultadoria Lda. (b)	-	800,289	-	715,772	-	205,080	-	203,763
Condusid C.A.	33,109	31,445	18,586	19,571	56,911	29,619	3,877	(1,794)

(a) An impairment provision recorded in 2003 of $51.9 million was reversed in 2004 due to improved economic conditions and an improvement in the market for Sidor's products, based on projections of future cash flows estimated by Amazonia's management.
(b) At December 31, 2004 the retained earnings of Ylopa Serviços de Consultadoria Lda. ("Ylopa") totalled $77.1 million.

13 Other investments – non current

	Year ended December 31,	
	2005	**2004**
Deposits with insurance companies	12,004	11,315
Investments in other companies	12,869	12,702
Others	774	378
	25,647	**24,395**

14 Receivables – non current

	Year ended December 31,	
	2005	**2004**
Government entities	5,918	4,064
Employee advances and loans	5,053	5,086
Tax credits	6,121	8,455
Trade receivables	1,108	1,112
Receivables from related parties	3,321	4,750
Convertible loans (Note 28 (d))	40,358	121,955
Receivables on off-take contract	9,677	7,338
Miscellaneous	9,746	11,777
	81,302	**164,537**
Allowances for doubtful accounts (Note 23 (i))	(15,450)	(13,172)
	65,852	**151,365**

15 Inventories

	Year ended December 31,	
	2005	**2004**
Finished goods	479,756	526,623
Goods in process	404,518	256,203
Raw materials	183,900	196,141
Supplies	241,974	214,604
Goods in transit	151,715	143,021
	1,461,863	1,336,592
Allowance for obsolescence (Note 24 (i))	(85,750)	(67,122)
	1,376,113	**1,269,470**

16 Receivables and prepayments

	Year ended December 31,	
	2005	**2004**
Reimbursements and other services receivable	25,044	33,306
Government entities	19,044	15,999
Employee advances and loans	7,922	8,281
Advances to suppliers	49,219	35,397
Other advances	1,624	2,218
Government tax refunds on exports	16,410	19,683
Fintecna arbitration award (Note 26 (i))	-	126,126
Receivables from related parties	13,695	19,004
Miscellaneous	23,411	27,782
	156,369	287,796
Allowance for other doubtful accounts (Note 24 (i))	(13,087)	(8,346)
	143,282	**279,450**

17 Current tax assets

	Year ended December 31,	
	2005	**2004**
V.A.T. credits	90,000	82,580
Prepaid taxes	12,455	12,416
	102,455	**94,996**

18 Trade receivables

	Year ended December 31, 2005	2004
Current accounts	1,256,882	848,304
Notes receivables	60,972	83,882
Receivables from related parties	31,279	28,909
	1,349,133	961,095
Allowance for doubtful accounts (Note 24 (i))	(24,962)	(24,164)
	1,324,171	**936,931**

19 Cash and cash equivalents, and Other investments

	Year ended December 31, 2005	2004
(i) Other investments		
Financial assets	**119,907**	**119,666**
(ii) Cash and cash equivalents		
Cash and short-term highly liquid investments	707,356	311,573
Time deposits with related parties	-	6
	707,356	**311,579**

20 Borrowings

	Year ended December 31, 2005	2004
Non-current		
Bank borrowings	634,280	372,275
Debentures and other loans	38,407	40,845
Finance lease liabilities	5,425	7,631
	678,112	**420,751**
Current		
Bank borrowings	238,510	530,949
Debentures and other loans	67,451	300,856
Bank overdrafts	24,717	4,255
Finance lease liabilities	1,502	2,531
	332,180	**838,591**
Total Borrowings	**1,010,292**	**1,259,342**

20 Borrowings (Cont'd.)

The maturity of borrowings is as follows:

At December 31, 2005	1 year or less	1 - 2 years	2 – 3 years	3 - 4 Years	4 - 5 years	Over 5 Years	Total
Financial leases	1,502	1,184	970	739	678	1,854	6,927
Other borrowings	330,678	155,337	207,708	159,343	87,843	62,456	1,003,365
Total borrowings	**332,180**	**156,521**	**208,678**	**160,082**	**88,521**	**64,310**	**1,010,292**

Significant borrowings include:

- $300.0 million syndicated loan issued by Tamsa in March, 2005, maturing in March 2010.
- $125.0 million syndicated loan issued by Siderca in April, 2005, maturing in April, 2008.
- $144.0 million syndicated loan granted to Dalmine in June, 2005, of which $72.0 million had been disbursed as of December 31, 2005.

The main financial covenants related to these loan agreements are commitment not to incur in additional indebtedness above agreed limits or pledges of certain assets, and compliance with certain debt service ratios as calculated on each subsidiary's financial statements.

Additionally, Tenaris total borrowings include $204.8 million secured by certain properties of Dalmine and Confab.

As of December 31, 2005, Tenaris was in compliance with all of its financial covenants. Management believes that current debt covenants allow the Company a high degree of operational and financial flexibility and do not impair its ability to obtain additional financing at competitive costs.

The average interest rates shown below were calculated using the rates set for each instrument in its corresponding currency and weighted using the dollar-equivalent outstanding principal amount of said instruments at December 31, 2005 and 2004. These rates reflect the upward trend in the reference rates.

	2005	2004
Bank borrowings	5.14%	3.89%
Debentures and other loans	4.51%	3.48%
Finance lease liabilities	3.14%	2.99%

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

Non current bank borrowings

Currency	Interest rates	Year ended December 31, 2005	2004
USD	Variable	545,305	215,730
EUR	Variable	93,621	160,026
EUR	Fixed	30,709	9,794
JPY	Variable	23,310	48,170
JPY	Fixed	17,084	27,065
BRS	Variable	23,306	24,099
MXN	Variable	-	24,406
		733,335	509,290
Less: Current portion of medium and long-term loans		(99,055)	(137,015)
Total non current bank borrowings		**634,280**	**372,275**

20 Borrowings (Cont'd.)

Non current debentures and other loans

Currency	Interest rates	Year ended December 31,	
		2005	**2004**
EUR	Variable	-	70,811
USD	Variable	49,332	45,382
USD	Fixed	-	5,449
		49,332	121,642
Less: Current portion of medium and long-term loans		(10,925)	(80,797)
Total non current Debentures and other loans		**38,407**	**40,845**

The Debentures issued in January 1998 were repaid at maturity, in January, 2005.

Non current finance lease liabilities

Currency	Interest rates	Year ended December 31,	
		2005	**2004**
EUR	Variable	29	573
EUR	Fixed	-	78
SGD	Fixed	-	9
JPY	Fixed	6,898	9,502
		6,927	10,162
Less: Current portion of medium and long-term loans		(1,502)	(2,531)
Total non current finance leases		**5,425**	**7,631**

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

	Year ended December 31,	
	2005	**2004**
Property, plant and equipment mortgages	595,627	573,513

20 Borrowings (Cont'd.)

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

Current bank borrowings

Currency	Interest rates	Year ended December 31, 2005	2004
USD	Variable	50,597	161,357
USD	Fixed	55,946	153,448
EUR	Variable	64,810	51,232
EUR	Fixed	1,882	3,111
JPY	Variable	10,741	11,985
JPY	Fixed	5,226	4,995
BRS	Variable	5,197	3,450
ARS	Variable	-	169
ARS	Fixed	44,111	134,004
VEB	Variable	-	5,189
VEB	Fixed	-	2,009
Total current bank borrowings		**238,510**	**530,949**

Bank overdrafts

Currency	Year ended December 31, 2005	2004
USD	16,406	326
EUR	3,298	567
ARS	3,193	3,050
NGN	-	195
RON	-	117
VEB	1,820	-
Total current bank borrowings	**24,717**	**4,255**

Current debentures and other loans

Currency	Interest rates	Year ended December 31, 2005	2004
EUR	Variable	51,333	280,156
USD	Variable	16,118	9,177
USD	Fixed	-	11,523
Total current debentures and other loans		**67,451**	**300,856**

20 Borrowings (Cont'd.)

Current finance lease liabilities

Currency	Interest rates	Year ended December 31, 2005	2004
EUR	Variable	-	573
EUR	Fixed	29	78
SGD	Fixed	-	2
JPY	Fixed	1,473	1,878
Total current finance leases		**1,502**	**2,531**

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, 2005	2004
At the beginning of the year	210,802	287,521
Translation differences	8,605	(926)
Increase due to business combinations	-	392
Income statement credit	(61,837)	(44,731)
Effect of currency translation on tax base	(7,033)	(12,112)
Deferred employees' statutory profit sharing charge	7,984	(19,342)
At the end of the year	**158,521**	**210,802**

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

Deferred tax liabilities

	Fixed assets	Inventories	Other (a)	Total at 2005
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**

	Fixed assets	Inventories	Other (a)	Total at 2004
At beginning of year	232,791	52,637	132,905	418,333
Translation differences	6,449	94	2,076	8,619
Increase due to business combinations	-	-	392	392
Acquisition of minority interest in subsidiaries	20	276	(338)	(42)
Income statement (credit)/charge	(35,017)	10,446	(30,756)	(55,327)
At December 31, 2004	**204,243**	**63,453**	**104,279**	**371,975**

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

21 Deferred income tax (Cont'd.)

Deferred tax assets

	Provisions and allowances	Inventories	Tax losses	Other	Total at 2005
At beginning of 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)**

	Provisions and allowances	Inventories	Tax losses (a)	Other	Total at 2004
At beginning of year	(75,925)	(28,307)	(8,287)	(18,293)	(130,812)
Translation differences	(7,365)	(316)	(351)	(1,513)	(9,545)
Acquisition of minority interest in subsidiaries	(49)	-	-	91	42
Income statement charge/(credit)	20,710	(12,669)	(7,069)	(21,830)	(20,858)
At December 31, 2004	**(62,629)**	**(41,292)**	**(15,707)**	**(41,545)**	**(161,173)**

(a) The tax loss carry-forwards arising from the BHP settlement is included in provisios and allowances.

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,	
	2005	**2004**
Deferred tax assets	(194,874)	(161,173)
Deferred tax liabilities	353,395	371,975
	158,521	**210,802**

The amounts shown in the balance sheet include the following:

	Year ended December 31,	
	2005	**2004**
Deferred tax assets to be recovered after more than 12 months	(49,662)	(31,869)
Deferred tax liabilities to be settled after more than 12 months	225,486	246,072

22 Other liabilities

(i) **Other liabilities - Non-current**	**Year ended December 31, 2005**	**2004**
Employee liabilities		
Employees' statutory profit sharing	64,010	68,917
Employee severance indemnity *(a)*	62,279	71,759
Pension benefits *(b)*	10,788	11,578
	137,077	**152,254**
Other liabilities		
Taxes payable	9,364	8,757
Miscellaneous	7,937	11,431
	17,301	**20,188**
	154,378	**172,442**

(a) Employees' severance indemnity

The amounts recognized in the balance sheet are as follows:

	Year ended December 31, 2005	**2004**
Total included in non-current Employee liabilities	**62,279**	**71,759**

The amounts recognized in the income statement are as follows:

	Year ended December 31, 2005	**2004**	**2003**
Current service cost	7,846	9,999	7,291
Interest cost	2,771	2,908	2,697
Total included in Labor costs	**10,617**	**12,907**	**9,988**

The principal actuarial assumptions used were as follows:

	Year ended December 31, 2005	**2004**	**2003**
Discount rate	5%	4%	5%
Rate of compensation increase	4%	3%	4%

(b) Pension benefits

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

	Year ended December 31, 2005	**2004**
Present value of unfunded obligations	15,707	16,478
Unrecognized actuarial losses	(4,919)	(4,900)
Liability in the balance sheet	**10,788**	**11,578**

22 Other liabilities (Cont'd.)

The amounts recognized in the income statement are as follows:

	Year ended December 31,		
	2005	**2004**	**2003**
Current service cost	544	571	381
Interest cost	917	875	637
Net actuarial losses recognized in the year	329	2,870	53
Total included in Labor costs	**1,790**	**4,316**	**1,071**

Movement in the liability recognized in the balance sheet:

	Year ended December 31,	
	2005	**2004**
At the beginning of the year	11,578	8,569
Transfers and new participants of the plan	-	1,244
Total expense	1,790	4,316
Translation differences	(272)	167
Contributions paid	(2,308)	(2,718)
At the end of year	**10,788**	**11,578**

The principal actuarial assumptions used were as follows:

	Year ended December 31,		
	2005	**2004**	**2003**
Discount rate	7%	7%	7%
Rate of compensation increase	2%	2%	2%

	Year ended December 31,	
(ii) Other liabilities – current	**2005**	**2004**
Payroll and social security payable	102,052	86,189
Accounts payable- BHP Settlement (Note 26 (i))	-	80,517
Liabilities with related parties	2,688	1,432
Miscellaneous	34,135	26,807
	138,875	**194,945**

23 Non-current allowances and provisions

(i) Deducted from assets

Allowance for doubtful accounts- Receivables	Year ended December 31,	
	2005	2004
Values at the beginning of the year	(13,172)	(21,258)
Translation differences	185	154
Reversals / Additional allowances (*)	(81)	154
Used (*)	(2,382)	7,778
At December 31,	**(15,450)**	**(13,172)**

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

(ii) Liabilities

Legal claims and contingencies	Year ended December 31,	
	2005	2004
Values at the beginning of the year	31,776	23,333
Translation differences	406	800
Increased due to business combinations	-	2,355
Reversals / Additional provisions	16,015	7,438
Used	(4,233)	(2,150)
At December 31,	**43,964**	**31,776**

24 Current allowances and provisions

(i) Deducted from assets

	Allowance for doubtful accounts- Trade receivables	Allowance for other doubtful accounts- Other receivables	Allowance for inventory obsolescence
Year ended December 31, 2005			
Values at the beginning of the year	(24,164)	(8,346)	(67,122)
Translation differences	1,309	(174)	2,941
Reversals /Additional allowances	(4,722)	(3,709)	(20,303)
Increase due to business combinations	(843)	-	(11,931)
Used	3,458	(858)	10,665
At December 31, 2005	**(24,962)**	**(13,087)**	**(85,750)**
Year ended December 31, 2004			
Values at the beginning of the year	(24,003)	(5,761)	(47,743)
Translation differences	(611)	(83)	(1,814)
Reversals /Additional allowances	(7,402)	(2,043)	(23,167)
Increase due to business combinations	(835)	(484)	(6,334)
Used	8,687	25	11,936
At December 31, 2004	**(24,164)**	**(8,346)**	**(67,122)**

24 Current allowances and provisions (Cont'd.)

(ii) Liabilities

	Sales risks	Other claims and contingencies	Total
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 provisions	(493)	8,227	7,734
Used	(1,009)	(8,049)	(9,058)
At December 31, 2005	**3,489**	**33,456**	**36,945**
Year ended December 31, 2004			
Values at the beginning of the year	4,065	35,559	39,624
Translation differences	341	2,878	3,219
Reversals / Additional provisions	6,254	(556)	5,698
Used	(5,151)	(1,673)	(6,824)
Increase due to business combinations	-	919	919
At December 31, 2004	**5,509**	**37,127**	**42,636**

25 Derivative financial instruments

Net fair values of derivative financial instruments

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

	Year ended December 31,	
	2005	**2004**
Contracts with positive fair values:		
Interest rate swap contracts	3,641	192
Forward foreign exchange contracts	441	12,163
Contracts with negative fair values:		
Interest rate swap contracts	(921)	(3,595)
Forward foreign exchange contracts	(7,818)	(3,749)
Commodities contracts	-	(283)

25 Derivative financial instruments (Cont'd.)

Derivative financial instruments breakdown is as follows:

Variable interest rate swaps

Notional amount (in thousands)		Swap	Term	Fair Value December 31, 2005	Fair Value December 31, 2004
EUR	111,975	Pay fixed/Receive variable	2005	-	(1,493)
EUR	22,616	Pay fixed/Receive variable	2007	(410)	(853)
MXN	275,000	Pay fixed/Receive variable	2007	-	(148)
EUR	1,404	Pay fixed/Receive variable	2009	(82)	(152)
EUR	6,714	Pay fixed/Receive variable	2010	(429)	(757)
USD	100,000	Pay fixed/Receive variable	2009	2,228	-
USD	200,000	Interest rate collar	2010	1,413	-
				2,720	(3,403)

Exchange rate derivatives

Currencies	Contract	Fair Value December 31, 2005	Fair Value December 31, 2004
USD/EUR	Euro Forward sales	-	(107)
USD/EUR	Euro Forward purchases	(1,502)	1,083
JPY/USD	Japanese Yen Forward purchases	(3,579)	5,388
CAD/USD	Canadian Dollar Forward sales	-	(1,108)
BRL/USD	Brazilian Real Forward sales	8	(1,885)
ARS/USD	Argentine Peso Forward purchases	(2,186)	2,154
GBP/USD	Pound Sterling Forward purchases	-	3,449
USD/MXN	Mexican Peso Forward sales	-	(560)
KWD/USD	Kuwaiti Dinar Forward sales	(118)	-
		(7,377)	8,414

Commodities price derivatives

Contract	Terms	Fair Value December 2005	Fair Value December 2004
Gas put options	2004-2005	-	(283)
		-	(283)

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 22 and 23) that would be material to Tenaris' consolidated financial position or results of operations.

(i) BHP litigation and arbitration proceeding against Fintecna

On December 30, 2003 Dalmine and a consortium led by BHP Billiton Petroleum Ltd. ("BHP") settled their 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. This amount, was payable in three annual installments, net of advances previously made. The first two installments of GBP 30.3 million and GBP 30.4 million were paid in January and December 2004, respectively, and the final installment of GBP 30.4 million plus interest at Libor plus 1% ($60.6 million) was paid on March 29, 2005. No charges against income resulted from this payment, as Tenaris had previously recorded a provision related to this matter.

Techint Investments Netherlands B.V. ("Tenet") – the Tenaris subsidiary party to the contract pursuant to which Dalmine was privatized – 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 this final award, Fintecna paid Tenaris a total amount of euros 93.8 million ($127.2 million) on March 15, 2005. As a result of these settlements, the arbitration proceedings have been definitively concluded and Tenaris has no further oustanding obligations under the BHP settlement agreement.

(ii) Tax matters

Conversion of tax loss carry-forwards

On December 18, 2000, the Argentine tax authorities notified Siderca of an income tax assessment related to the conversion of tax loss carry-forwards into Debt Consolidation Bonds under Argentine Law No. 24.073. The adjustments proposed by the tax authorities represent an estimated contingency of ARP64.4 million (approximately $21.2 million) at December 31, 2005 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.

Application of inflationary adjustment procedures

On its tax return for the year ended December 31, 2002, Siat S.A., ("Siat", a subsidiary of Tenaris domiciled in Argentina), applied the inflation adjustment procedure set forth in Title VI of the Argentine Income Tax Law to reflect the impact of inflation on its monetary positions. The application of such procedure, however, had been suspended in March 1992 following the introduction of the convertibility regime that pegged the Argentine peso to the United States dollar at a fixed exchange rate of one peso to one dollar and had not been reinstated after the termination of the convertibility regime.

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

(ii) Tax matters: Application of inflationary adjustment correction deduction (Cont'd.)

Siat commenced legal proceedings objecting to the suspension of the inflationary adjustment procedure on constitutional grounds, arguing that the suspension resulted in artificial gains arising from the impact of inflation on monetary positions during 2002. In July 29, 2005 Siat paid $4.5 million corresponding to the amount of tax due excluding the inflationary correction adjustment, pending resolution of the legal proceeding. The injunction has been appealed by the Argentine Tax Authority before the Federal Court of Appeals.

Siderca S.A.I.C. had also initiated similar proceedings against Argentine fiscal authorities seeking relief through the application of the inflationary adjustment correction in the calculation of its income tax liability for the year ended December 31, 2002. However, on October 29, 2004, Siderca applied for benefits under the promotional regime established by Argentine Law 25.924 and committed to dismiss the legal proceedings described in the previous paragraphs in the event that Siderca were granted participation.

On February 11, 2005, Siderca was granted the right to participate in the promotional tax regime established by Argentine Law 25,924 under which it could potentially earn certain tax benefits. As a result, Siderca withdrew its claim against the Argentine fiscal authorities. On February 21, 2005, Siderca paid ARS $69.4 million ($23.8 million). No charges against income resulted from this payment, as Tenaris had previously recorded a provision related to this matter.

(iii) Other Proceedings

Dalmine is currently subject to twelve civil proceedings for work-related injuries arising from the use of asbestos in its manufacturing processes during the period from 1960 to 1980. On June 1, 2005, the First Instance Court of Bergamo, Italy, found against three former Dalmine managers subject to a consolidated criminal proceeding for "objective responsibility" in the injuries of 21 employees of the company caused by the use of asbestos in manufacturing processes from 1960 to 1980. The managers have decided to appeal before the Court of Appeal of Brescia.

Of the 21 civil parties related to the above consolidated criminal proceeding, 20 have been settled. In addition to the civil and criminal cases, another 22 asbestos related out-of-court claims have been forwarded to Dalmine. Dalmine estimates that its potential liability in connection with the claims not yet settled or covered by insurance is approximately EUR 10.3 million ($12.4 million).

(iv) Commitments

(a) In connection with its equity interest in Complejo Siderúrgico de Guayana C.A. ("Comsigua"), Tenaris pledged its shares in Comsigua and provided a proportional guarantee of $11.7 million in support of project financing provided by the International Finance Corporation ("IFC") in the amount of $156 million. On March 15, 2005 Comsigua prepaid the remaining balance of approximately $42.5 million owed to the IFC related to the project financing loans. Tenaris has applied to the IFC for release from its proportional guarantee commitment of Comsigua's project loan. This release is pending.

(b) In July 2004, Tenaris' subsidiary Matesi Materiales Siderurgicos 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 agreement established a start-up period until June 2005 for which the take-or-pay conditions were not be in force. The outstanding value of the contract at December 31, 2005 is approximately $60.1 million.

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

(iv) Commitments (Cont'd.)

(c) On August 20, 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.

(d) Tenaris entered in 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. The Company 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.

(e) 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.

(f) In August 2001, Dalmine Energie S.p.A. ("Dalmine Energie") entered into a ten-year contract ending October 1, 2011 with Eni S.p.A. Gas & Power Division ("Eni") for the purchase of natural gas with certain take-or-pay conditions. The outstanding value of these commitments at December 31, 2005 amounts to approximately EUR 816.3 million ($963.0 million).

(g) Under the Gas Release Program enacted by Eni, in August 2004, Dalmine Energie increased its supply of natural gas for the period from October 1, 2004 to September 30, 2008. The gas purchase and sale agreements entered into with Eni contain customary take-or-pay conditions. The additional gas supply mentioned above is valued at approximately EUR 266.3 million ($313.3 million), based on prices prevailing as of December 2005. Dalmine Energie has also obtained the necessary capacity on the interconnection infrastructure at the Italian border to transport the natural gas to Italy for the supply period.

(h) Dalmine Energie has entered into arrangements and expects to obtain additional gas transportation capacity on the Trans Austria Gasleitung GmbH ("TAG") pipeline, which is presently under construction. This capacity will allow Dalmine Energie to import an incremental 1,176.5 million cubic meters of natural gas per year. The additional transportation capacity, which is subject to "ship or pay" provisions, will be available on a firm basis on the TAG pipeline beginning October 2008 and through September 2028.

The expected annual value of this "ship or pay" commitment is approximately EUR 5.0 million per year. Tenaris provided bank guarantees in the amount of EUR 15.1 million in support of Dalmine Energie. The value of the bank guarantees correspond to the termination penalties that would be due TAG in the event of termination or non-utilization of the transportation capacity.

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

(v) Restrictions on the distribution of profits and payment of dividends

As of December 31, 2005, 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, 2005	1,171,738
Total shareholders equity according to Luxembourg law	3,080,062

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, 2005, this reserve is fully allocated and additional allocations to the reserve are not required under Luxembourg law. Dividends may 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.

At December 31, 2005, the distributable reserve, including retained earnings and profit for the financial year, of Tenaris under Luxembourg law totalled $1,171.7 million, as detailed below.

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

Distributable reserve at December 31, 2004 under Luxembourg law	536,541
Dividends and distributions received	449,270
Other income and expenses for the year ended December 31, 2005	535,366
Dividends paid	(349,439)
Distributable reserve at December 31, 2005 under Luxembourg law	1,171,738

27 Ordinary shares and share premium

	Number of Ordinary shares	
	2005	**2004**
At January 1	1,180,536,830	1,180,287,664
Net issue of shares	-	249,166
At December 31	**1,180,536,830**	**1,180,536,830**

The total of issued and outstanding ordinary shares as of December 31, 2005 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) As described in AP B, management has applied IFRS 3 to the business combinations detailed below.

On May 4, 2005, the Company 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.

On July 26, 2004 Tenaris acquired all of the shares of Tubman International Ltd. (“Tubman”), a company incorporated under the laws of Gibraltar, which owned 84.86% of the shares of S. C. Silcotub S.A. (“Silcotub”) and controlling interests in two minor subsidiaries, and all of the shares of Intermetal Com S.r.l. (“Intermetal”) for a total consideration of $42.0 million. Silcotub, the minor subsidiaries and Intermetal are incorporated in Romania. The acquisition of these companies did not generate goodwill.

On July 9, 2004 Tenaris and Sidor, through their jointly owned company Matesi, acquired the industrial facilities for the production of pre-reduced HBI located in Ciudad Guayana, Venezuela, from Posven, a Venezuelan company. The price of the acquisition was $120.0 million. The acquisition did not generate goodwill. As of December 31, 2005 Tenaris held 50.2% of Matesi, while Sidor owned the remaining 49.8%.

Subsequently, Tenaris reached agreement with the Romanian privatization agency (“AVAS”) to settle litigation commenced by the latter against Tubman in connection with its alleged breach of certain obligations under the privatization agreement under which Tubman purchased control of S.C. Laminorul S.A. (“Laminorul”). Pursuant to the agreement, signed on November 1, 2004 Tenaris transferred 9,931,375 shares of Laminorul (representing 69.99% of Laminorul’s capital stock) to the Romanian government, retaining 2,334,145 shares (16.45% of Laminorul’s capital stock).

The businesses acquired in 2004 contributed revenues of $93.2 million and net income of $6.1 million to Tenaris. Businesses acquired in 2005 did not materially contribute to the Company’s revenue and income.

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

	Year ended December 31,	
	2005	**2004**
(all amounts in thousands of U.S. dollars)		
Other assets and liabilities (net)	(41,755)	(25,060)
Property, plant and equipment	67,211	191,097
Goodwill	769	-
Net assets acquired	26,225	166,037
Minority Interest	(527)	(8,034)
Total non-current liabilities (*)	-	(60,408)
Total liabilities assumed	-	(60,408)
Sub-total	25,698	97,595
Cash-acquired	-	5,177
Common stock issued in acquisition of minority interest		820
Purchase consideration	25,698	103,592
Liabilities paid as part of purchase agreement	22,594	-
Total disbursement	48,292	103,592

Net cash consideration (total disbursement less cash acquired and common stock issued in acquisition of minority interest) amounted to $ 48,292 and $ 97,595 at December 31, 2005 and 2004 respectively.

(*) At December 31, 2004 includes Matesi’s liability with Sidor (minority shareholder of Matesi).

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

(b) Incorporations: On January 23, 2004 Tenaris Investments Limited was incorporated in Ireland to assist the financial activities of the Company and its other subsidiaries; on that date, Tenaris underwrote all of the common shares of the new company and increased the subsidiary's capital stock to $50.0 million.

(c) Asset Purchases: On February 2, 2004 Tenaris completed the purchase of the land and manufacturing facilities that were previously leased by its Canadian operating subsidiary. The assets were acquired from Algoma Steel Inc. for the price of approximately $9.6 million, plus transaction costs.

(d) 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 interest in Amazonia and its interest in Ylopa, for 209,460,856 shares in Ternium, a new company formed by San Faustin N.V. (a Netherlands Antilles corporation and 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") reached agreement with Ternium to exchange 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's percentage of ownership was recognized in other reserves in equity.

In addition, as of December 31, 2005, Tenaris had also extended two loans totaling approximately $40.4 million to Ternium, consisting of principal amount of $39.7 million plus accrued interest. The principal amount of these loans at the date issue corresponded to the amount of excess cash distributions received from Amazonia during the second and third quarters of 2005. The loans were convertible into shares of Ternium at the discretion of Tenaris upon the occurrence of: 1) maturity of the loan in July and August 2011; 2) an event of default as defined in certain loan agreements between Ternium and its banks. Conversion of the loan was mandatory upon an initial public offering ("IPO") of shares by Ternium.

On February 1, 2006, Ternium completed its initial public offering of shares, 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 additional shares to other shareholders corresponding to their mandatory convertible loans. As a result of the IPO and the conversion of loans, as of February 1, 2006, Tenaris' ownership stake in Ternium common stock amounted to 11.59%.

Because the exchange of its holdings in Amazonia and Ylopa for shares in Ternium, were considered to be transactions between companies under common control, Tenaris has 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 be maintained 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.

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

Until September 30, 2005, Tenaris recognized its proportional earnings in Amazonia and Ylopa, which amounted to $26.5 million. For the quarter ended December 31, 2005, Tenaris recognized earnings from its investment in Ternium in the amount of $21.8 million. Going forward, Tenaris will continue to recognize its share of Ternium's earnings to the extent of its proportional ownership.

(e) Acindar: On May 18, 2005, Siat S.A., a subsidiary of Tenaris, and Acindar Industria Argentina de Aceros S.A. ("Acindar") signed a letter of intent pursuant to which Siat confirmed its intention to acquire Acindar's welded pipe assets and facilities located in Villa Constitución, province of Santa Fe, Argentina, for $28.0 million. On January 31, 2006 Siat completed this acquisition. The facilities acquired have an annual capacity of 80,000 tons of welded pipes whose small diameter range largely complements the range of welded pipes that Tenaris produces in Argentina. Of the $28.0 million purchase price, approximately $4.0 million are pending of completion of certain actions by Acindar.

(f) Capital Investment: On September 16, 2004 Tenaris' Board of Directors approved an investment to construct a gas-fired 120 MW combined heat and power plant in Dalmine, Italy with an estimated cost of approximately EUR 109 million (approximately $131 million). This investment is expected to improve the competitiveness of Tenaris' Italian seamless pipe operations by reducing energy costs and securing a reliable source of power.

29 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. The Company's directors and executive officers as a group own 0.2% of the Company's outstanding shares, while the remaining 39.4% is publicly traded. The ultimate controlling entity of the Company is Rocca & Partners S.A., a British Virgin Islands corporation.

The following transactions were carried out with related parties:

At December 31, 2005	**Associated (1)**	**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 (2)**	**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

29 Related party transactions (Cont'd.)

(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, 2003

	Associated (2)	Other	Total
(i) Transactions			
(a) Sales of goods and services			
Sales of goods	5,206	52,659	57,865
Sales of services	2,895	8,916	11,811
	8,101	61,575	69,676
(b) Purchases of goods and services			
Purchases of goods	26,679	44,305	70,984
Purchases of services	459	64,334	64,793
	27,138	108,639	135,777
(c) Acquisitions of subsidiaries	-	(304)	(304)

At December 31, 2005

	Associated (3)	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 (1)	(21,034)	(8,413)	(29,447)
	9,954	6,815	16,769
(b) Other balances	42,437	-	42,437
(c) Financial debt			
Borrowings and overdrafts (4)	(54,801)	-	(54,801)

29 Related party transactions (Cont'd.)

At December 31, 2004

(ii) Year-end balances	**Associated (2)**	**Other**	**Total**
(a) Arising from sales/purchases of goods/services			
Receivables from related parties	25,593	27,070	52,663
Payables to related parties (1)	(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
(d) Financial debt			
Borrowings and overdrafts (5)	(51,457)	(5,449)	(56,906)

At December 31, 2003

(ii) Year-end balances	**Associated (2)**	**Other**	**Total**
(a) Arising from sales/purchases of goods/services			
Receivables from related parties	6,253	35,863	42,116
Payables to related parties	(18,968)	(18,251)	(37,219)
	(12,715)	17,612	4,897
(b) Cash and cash equivalents			
Time deposits	-	420	420
(c) Other balances			
Trust Fund	-	118,087	118,087
Convertible debt instruments - Ylopa	33,508	-	33,508
	33,508	118,087	151,595
(d) Financial debt			
Borrowings and overdrafts	-	(5,716)	(5,716)
Borrowings from trust fund	-	(1,789)	(1,789)
	-	(7,505)	(7,505)

(1) Up to September 30, 2005 includes: Condusid, Ylopa, Amazonia and Sidor. From October 1, 2005 includes: Condusid and Ternium.
(2) Includes: Condusid, Ylopa, Amazonia and Sidor
(3) Includes: Condusid and Ternium.
(4) Convertible loan from Sidor to Matesi.
(5) Includes convertible loan from Sidor to Matesi of $51.5 million at December 31, 2004.

29 Related party transactions (Cont'd.)

(iii) Officers and directors' compensation

The aggregate compensation of the directors and executive officers earned during 2005 and 2004 amounts to $14.3 million and $9.8 million respectively.

30 Cash flow disclosures

		Year ended December 31,		
		2005	**2004**	**2003**
(i)	**Changes in working capital**			
	Inventories	(101,143)	(411,045)	(151,766)
	Receivables and prepayments	1,513	(82,845)	10,900
	Trade receivables	(387,240)	(271,225)	4,142
	Other liabilities	34,526	(37,443)	39,585
	Customer advances	(14,156)	72,678	17,636
	Trade payables	32,561	108,693	(27,653)
		(433,939)	**(621,187)**	**(107,156)**
(ii)	**Income tax accruals less payments**			
	Tax accrued	568,753	220,376	63,918
	Taxes paid	(419,266)	(175,717)	(202,488)
		149,487	**44,659**	**(138,570)**
(iii)	**Interest accruals less payments, net**			
	Interest accrued	29,236	32,683	16,708
	Interest paid net	(27,317)	(15,710)	(19,740)
		1,919	**16,973**	**(3,032)**
(iv)	**Cash and cash equivalents**			
	Cash and bank deposits	707,356	311,579	247,834
	Bank overdrafts	(24,717)	(4,255)	(9,804)
	Restricted bank deposits	(2,048)	(13,500)	-
		680,591	**293,824**	**238,030**

31 Principal subsidiaries

The following is a list of Tenaris's subsidiaries and its direct and indirect percentage of ownership of each company at December 31, 2005, 2004 and 2003.

Company	**Country of Organization**	**Main activity**	**Percentage of ownership at December 31,**		
			2005	**2004**	**2003**
Algoma Tubes Inc.	Canada	Manufacturing of seamless steel pipes	100%	100%	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)	Italy	Trading of energy	100%	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%
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%
Energy Network S.R.L. (b)	Romania	Trading of energy	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%	100%
Intermetal Com SRL (a)	Romania	Marketing of Scrap and other raw materials	100%	100%	-
Inversiones Berna S.A. (b)	Chile	Financial company	100%	-	-
Inversiones Lucerna S.A. (b)	Chile	Financial company	82%	-	-
Invertub S.A. and subsidiaries (g)	Argentina	Holding Company	-	100%	100%
Lomond Holdings B.V. and subsidiaries	Netherlands	Procurement services for industrial companies	100%	100%	100%
Matesi, Materiales Siderurgicos S.A. (a)	Venezuela	Production of hot briquetted iron (HBI)	50%	50%	-
Metalcentro S.A.	Argentina	Manufacturing of pipe-end protectors and lateral impact tubes	100%	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%

31 Principal subsidiaries (Cont'd.)

Company	Country of Organization	Main activity	Percentage of ownership at December 31,		
			2005	2004	2003
Quality Tubes (UK) Ltd. (h)	United Kingdom	Marketing of steel products	100%	100%	100%
S.C. Donasid and subsidiary (b)	Romania	Manufacturing of steel products	99%	-	-
S.C. Silcotub S.A. and subsidiaries (a)	Romania	Manufacturing of seamless steel pipes	85%	85%	-
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.	Argentina	Logistics	99%	99%	99%
Sidtam Limited	B.V.I.	Holding company	100%	100%	100%
Siprofer A.G. (b)	Switzerland	Holding company	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. (a)	Madeira	Holding Company	100%	100%	-
Tamdel LLC and subsidiaries (f)	Mexico	Holding company	100%	100%	100%
Tamser S.A. de C.V. (f)	Mexico	Marketing of scrap	100%	100%	100%
Tamsider LLC	USA	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%	100%
Tamtrade S.A.de C.V. (g)	Mexico	Marketing of steel products	-	100%	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. (a)	Brazil	Manufacturing of steel products for oil extraction	70%	70%	-

31 Principal subsidiaries (Cont'd.)

Company	Country of Organization	Main activity	Percentage of ownership at December 31,		
			2005	2004	2003
Tenaris Connections A.G. and subsidiaries	Liechtenstein	Ownership and licensing of steel technology	100%	100%	99%
Tenaris Financial Services S.A.	Uruguay	Financial Services	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. (previously Socominter 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. (b)	Egypt	Marketing of steel products	100%	-	-
Tenaris Global Services Far East Pte. Ltd.	Singapore	Marketing of steel products	100%	100%	100%
Tenaris Global Services (Japan) K.K. (previously DST Japan K.K.)	Japan	Marketing of steel products	100%	100%	100%
Tenaris Global Services (Kazakhstan) LLP (a)	Kazakhstan	Marketing of steel products	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%
Tenaris Global Services Nigeria Ltd. (Previously Tubular DST 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. (a)	Ireland	Holding company	100%	100%	-
Tenaris Qingdao Steel Pipes Ltd. (b)	China	Manufacturing of steel pipes and connections	100%	-	-
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%

31 Principal subsidiaries (Cont'd.)

Company	Country of Organization	Main activity	Percentage of ownership at December 31,		
			2005	**2004**	**2003**
Tubman Holdings (Gibraltar) LLP (a)	Gibraltar	Holding company	100%	100%	-
Tubman International Ltd. (a)	Gibraltar	Holding company	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%

(a) Incorporated or acquired during 2004
(b) Incorporated or acquired during 2005
(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 2003 in "Information Systems and technologies N.V. and subsidiaries" and in December 2004 in "Invertub S.A. and subsidiaries"
(e) Included in December 2004 in "Insirger S.A. and subsidiaries"
(f) Included in December 2004 in "Tamsider S.A. de C.V. and subsidiaries"
(g) Merged during 2005
(h) Included in December 2003 and 2004 in "Dalmine Holding B.V. and subsidiaries"

Carlos Condorelli
Chief Financial Officer