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## Tenaris Announces Results for the First Quarter of 2004

*The financial and operational information contained in this press release is based on unaudited consolidated condensed interim financial statements prepared in accordance with international financial reporting standards (IFRS) and presented in U.S. dollars.*

**Luxembourg, May 5, 2004.** - Tenaris S.A. (NYSE, Buenos Aires and Mexico: TS and MTA Italy: TEN) ("Tenaris") today announced its results for the quarter ended March 31, 2004 with comparison to its results for the quarter ended March 31, 2003.

### 2004 First Quarter Summary

- Net sales of US\$859.3 million, up 8.8% from US\$789.6 million
- Operating income of US\$102.6 million, up 4.1% from US\$98.6 million
- Net income of US\$48.4 million, up 6.3% from US\$45.5 million
- Net earnings per share of US\$0.041 (US\$0.41 per ADS), up 5.1% from US\$0.039

Net sales, operating income and net income all rose over the levels recorded during the corresponding period of 2003. Operating income plus depreciation and amortization increased 6.8% to US\$156.4 million, or 18.2% of net sales, from US\$146.4 million, or 18.5% of net sales. These positive results were driven by a 19% increase in our net sales of seamless pipes and were achieved in spite of continuing increases in steelmaking raw material costs and weak demand for our welded pipes. Sales volumes benefited from increased demand in Mexico and a partial recovery of demand in Venezuela, and average selling prices, compared to the first quarter of 2003, were higher in all regions. Sales volumes also showed significant increases in Europe and the Far East & Oceania over the levels recorded in the third and fourth quarters of 2003.



## Market Background and Outlook

In the first quarter of 2004, oil prices remained strong, rising to their current level above US\$35 per barrel. Global oil demand has been increasing along with global economic growth led by the U.S. and Chinese economies and the OPEC nationals have been maintaining production discipline with a further cut in production targets announced in February. Oil and gas drilling activity, as measured by the number of active rigs, showed no aggregate growth outside North and South America: in particular, activity in Iraq and Nigeria continues to remain affected by political and security issues. On the other hand, demand for seamless pipes in each of our local markets of Mexico, Argentina, Canada and Venezuela has been higher than the average level for 2003. In addition, industrial production activity in North America and Japan has been growing, but in Europe the recovery in the sector remains fragile. With these trends in place, we expect that demand for our seamless pipes in 2004 will continue to be favorable throughout the year.

Steelmaking raw material and freight costs, which had already risen substantially during 2003, surged in the first quarter of 2004 but are currently decreasing from their highs. Prices are increasing for our seamless pipe products but the full effect of these price increases will not be reflected in our results until the third quarter and, similarly, the full effect of the latest steelmaking raw material cost increases have not been reflected in our results for the first quarter.

Demand for our welded pipes continues to be affected by the continuing suspension of deliveries to an ongoing project and the postponement of new projects in the local Brazilian market as well as a lack of projects in other South American markets. The energy crisis in Argentina should eventually result in investment in pipeline construction or expansion activity but there can be no assurance of when this might occur.

## Analysis of 2004 First Quarter Results

(metric tons)

| Sales volume                | Q1 2004        | Q1 2003        | Increase/(Decrease) |
|-----------------------------|----------------|----------------|---------------------|
| South America               | 96,000         | 67,000         | 42%                 |
| North America               | 157,000        | 139,000        | 13%                 |
| Europe                      | 169,000        | 156,000        | 8%                  |
| Middle East & Africa        | 82,000         | 86,000         | (4%)                |
| Far East & Oceania          | 114,000        | 121,000        | (6%)                |
| <b>Total seamless pipes</b> | <b>618,000</b> | <b>570,000</b> | <b>8%</b>           |
| Welded pipes                | 69,000         | 108,000        | (36%)               |
| <b>Total steel pipes</b>    | <b>687,000</b> | <b>678,000</b> | <b>1%</b>           |



Sales volumes of seamless pipes increased by 8% to 618,000 tons in the first quarter of 2004 from 570,000 tons in the same period of 2003. This increase primarily reflects increased sales in our local markets of Mexico, where Pemex' spending on exploration and production has increased significantly, and Venezuela, where there has been a partial recovery of exploration and production activity following the general strike which took place in the first quarter of 2003. Quarter on quarter, sales volumes of seamless pipes increased by 13%, with increases recorded in all regions except North America.

Sales volumes of welded pipes decreased by 36% to 69,000 tons in the first quarter of 2004 from 108,000 in the same period of 2003, with demand being affected by continuing problems affecting contracted deliveries and pipeline project activity in the Brazilian market and a lack of pipeline project activity elsewhere in South America.

(US\$ million)

| Net sales      | Q1 2004      | Q1 2003      | Increase/(Decrease) |
|----------------|--------------|--------------|---------------------|
| Seamless pipes | 673.8        | 565.6        | 19%                 |
| Welded pipes   | 66.4         | 98.5         | (33%)               |
| Energy         | 103.9        | 72.1         | 44%                 |
| Others         | 15.2         | 53.4         | (72%)               |
| <b>Total</b>   | <b>859.3</b> | <b>789.6</b> | <b>9%</b>           |

Net sales in the quarter ended March 31, 2004 increased 9% to US\$859.3 million, compared to US\$789.6 million in the corresponding quarter of 2003 due to higher net sales of seamless pipes which represented 78% of total net sales during the quarter. Net sales of seamless pipes increased 19% due to higher volumes and average selling prices. Net sales of welded pipes decreased 33% due to lower sales volumes and a slight decline in average selling prices. Included within net sales of welded pipes are sales of metal structures made by our Brazilian welded pipe subsidiary which amounted to US\$15 million in the first quarter of 2004 and US\$15 million in the first quarter of 2003. Net sales of electricity and natural gas by Dalmine Energie increased by 44% reflecting the appreciation of the Euro against the U.S. dollar and the continued expansion of the business. Net sales of other goods and services decreased 72% following the discontinuation of sales of non-pipe steel products produced by third parties, which amounted to US\$36.6 million in the first quarter of 2003.

Cost of sales, expressed as a percentage of net sales, increased 1.5 percentage points to 72.2% in the first quarter of 2004, compared to 70.7% in the same period of 2003. Cost of sales for seamless pipe products, expressed as a percentage of net sales, increased 1.3 percentage points to 67.6% in the first quarter of 2004 compared to 66.3% in the same period of 2003. This increase resulted principally from significant rises in steelmaking raw material costs, which were not fully offset by increased average selling prices. Cost of sales for welded pipe products, expressed as a percentage of net sales, increased 13.6 percentage points to 80.8% in the first quarter of 2004, compared to 67.2% in the same period of 2003, due to higher steel costs, which were not offset by higher prices on export sales, and a higher



proportion of low-margin sales of metal structures in this segment. Cost of sales for energy products, expressed as a percentage of net sales, decreased 2.1 percentage points to 96.8% in the first quarter of 2004, compared to 98.9% in the same period of 2003. Cost of sales for other products, expressed as a percentage of net sales, decreased 16.4 percentage points to 69.5% in the first quarter of 2004, compared to 85.9% in the same period of 2003, reflecting the discontinuation of sales of low-margin non-pipe steel products produced by third parties.

**Selling, general and administrative expenses**, or SG&A, remained stable at US\$139.8 million, or 16.3% of net sales, in the quarter ended March 31, 2004, compared to US\$133.0 million, or 16.8% of net sales, during the corresponding quarter of 2003. Higher freight costs, additional selling expenses associated with higher exports of welded pipes and higher costs in Italy due to the appreciation of the Euro were offset by proportionately lower general and administration expenses following increased net sales.

**Net financial income and expenses** resulted in a loss of US\$15.4 million in the first quarter of 2004, compared to a loss of US\$22.7 million in the same period of 2003. Net interest expenses amounted to US\$5.6 million in the first quarter of 2004 compared to US\$5.3 million in the same period of 2003. A net loss of US\$15.3 million was recorded on foreign exchange translations during the first quarter of 2004, due principally to the effects of (i) the appreciation of the British pound against the Euro on Dalmine's outstanding liability resulting from the settlement of litigation with a consortium led by BHP Billiton Petroleum Ltd., (ii) the devaluation of the Venezuelan Bolivar on the net monetary position of our Venezuelan seamless pipe manufacturing subsidiary which holds debt in U.S. dollars, and (iii) the appreciation of the Argentine peso on the net monetary position of our Argentine subsidiaries, a significant proportion of whose payables are in Argentine pesos. In addition, a gain of US\$5.4 million was recorded relating mainly to the purchase of US dollars by our Venezuelan manufacturing subsidiary used to reduce financial debt.

**Results of associated companies** generated a loss of US\$0.5 million in the first quarter of 2004, compared to a loss of US\$9.0 million in the first quarter of 2003. These results principally reflect the returns on our indirect investments in Sidor. Although Sidor's operating result for the first quarter of 2004 was strongly positive, its net result was affected by the recording of a substantial deferred tax provision reflecting the impact of the devaluation of the Venezuelan Bolivar on the tax base of its assets.

## **Cash Flow and Liquidity**

Cash and cash equivalents, excluding investments of US\$138.6 million in trust funds to support our Argentine and Brazilian operations, decreased by US\$26.5 million to US\$221.0 million during the quarter ended March 31, 2004. Total financial debt increased by US\$85.2 million to US\$918.9 million.

Net cash used in operations during the quarter ended March 31, 2004 was US\$89.5 million, which included an increase in working capital of US\$175.0 million reflecting a net increase in trade receivables less trade payables of US\$83.0 million, an increase in inventories of US\$53.7 million and the payment of



the first instalment of the liability towards the consortium led by BHP Billiton Petroleum Ltd. (US\$55.3). Net cash used in investment activities was US\$33.2 million. Capital expenditure payments of US\$39.9 million included US\$6.8 million of the US\$9.6 million paid to Algoma Steel for the purchase of the land and buildings leased by our seamless pipe manufacturing subsidiary in Canada.

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

*With manufacturing facilities in Argentina, Brazil, Canada, Italy, Japan, Mexico and Venezuela and a network of customer service centers present in over 20 countries worldwide, Tenaris is a leading global manufacturer of seamless steel pipes and provider of pipe handling, stocking and distribution services to the oil and gas, energy and mechanical industries as well as a leading regional supplier of welded steel pipes for gas pipelines in South America.*



## Consolidated Condensed Interim Income Statement

|  | Three –month period ended<br>March 31, |               |
|--|--|---------------|
|  | 2004                                   | 2003          |
| (All amounts in US\$ thousands)  |  |               |
| Net sales  | 859,346                                | 789,579       |
| Cost of sales  | (620,457)                              | (558,534)     |
| Gross profit   | 238,889                                | 231,045       |
| Selling, general and administrative expenses   | (139,818)                              | (132,998)     |
| Other operating income and expenses, net   | 3,500                                  | 521           |
| Operating income   | 102,571                                | 98,568        |
| Financial income (expenses), net   | (15,438)                               | (22,691)      |
| Income before income tax, equity in earnings (losses) of<br>associated companies and minority interest | 87,133                                 | 75,877        |
| Equity in earnings (losses) of associated companies  | (461)                                  | (9,034)       |
| Income before income tax and minority interest   | 86,672                                 | 66,843        |
| Income tax   | (39,069)                               | (17,927)      |
| Net income before minority interest  | 47,603                                 | 48,916        |
| Minority interest  | 765                                    | (3,404)       |
| <b>Net income</b>  | <b>48,368</b>                          | <b>45,512</b> |



## Consolidated Condensed Interim Balance Sheet

March 31, 2004

December 31, 2003

(All amounts in US\$ thousands)

### Assets

#### Non-current assets

|                                     |           |                  |           |                  |
|-------------------------------------|-----------|------------------|-----------|------------------|
| Property, plant and equipment, net  | 1,924,947 |                  | 1,960,314 |                  |
| Intangible assets, net              | 54,317    |                  | 54,037    |                  |
| Investments in associated companies | 45,361    |                  | 45,814    |                  |
| Other investments                   | 23,175    |                  | 23,155    |                  |
| Deferred tax assets                 | 124,561   |                  | 130,812   |                  |
| Receivables                         | 59,440    | <b>2,231,801</b> | 59,521    | <b>2,273,653</b> |

#### Current assets

|                             |         |                  |         |                  |
|-----------------------------|---------|------------------|---------|------------------|
| Inventories                 | 885,622 |                  | 831,879 |                  |
| Receivables and prepayments | 175,623 |                  | 165,134 |                  |
| Trade receivables           | 760,801 |                  | 652,782 |                  |
| Other investments           | 138,637 |                  | 138,266 |                  |
| Cash and cash equivalents   | 220,968 | <b>2,181,651</b> | 247,834 | <b>2,035,895</b> |

|                     |  |                  |  |                  |
|---------------------|--|------------------|--|------------------|
| <b>Total assets</b> |  | <b>4,413,452</b> |  | <b>4,309,548</b> |
|---------------------|--|------------------|--|------------------|

### Equity and Liabilities

|                      |  |           |  |           |
|----------------------|--|-----------|--|-----------|
| Shareholders' equity |  | 1,888,437 |  | 1,841,280 |
|----------------------|--|-----------|--|-----------|

|                   |  |         |  |         |
|-------------------|--|---------|--|---------|
| Minority interest |  | 118,387 |  | 119,984 |
|-------------------|--|---------|--|---------|

#### Non-current liabilities

|                          |         |                |         |                  |
|--------------------------|---------|----------------|---------|------------------|
| Borrowings               | 333,787 |                | 374,779 |                  |
| Deferred tax liabilities | 395,172 |                | 418,333 |                  |
| Other liabilities        | 197,299 |                | 191,540 |                  |
| Provisions               | 30,345  |                | 23,333  |                  |
| Trade payables           | 11,548  | <b>968,151</b> | 11,622  | <b>1,019,607</b> |

#### Current liabilities

|                         |         |                  |         |                  |
|-------------------------|---------|------------------|---------|------------------|
| Borrowings              | 585,099 |                  | 458,872 |                  |
| Current tax liabilities | 102,083 |                  | 108,071 |                  |
| Other liabilities       | 167,214 |                  | 207,594 |                  |
| Provisions              | 31,544  |                  | 39,624  |                  |
| Customers advances      | 67,715  |                  | 54,721  |                  |
| Trade payables          | 484,822 | <b>1,438,477</b> | 459,795 | <b>1,328,677</b> |

|                          |  |                  |  |                  |
|--------------------------|--|------------------|--|------------------|
| <b>Total liabilities</b> |  | <b>2,406,628</b> |  | <b>2,348,284</b> |
|--------------------------|--|------------------|--|------------------|

|                                     |  |                  |  |                  |
|-------------------------------------|--|------------------|--|------------------|
| <b>Total equity and liabilities</b> |  | <b>4,413,452</b> |  | <b>4,309,548</b> |
|-------------------------------------|--|------------------|--|------------------|



## Consolidated Condensed Interim Cash Flow Statement

|  | Three-month period ended<br>March 31, |                 |
|--|---------------------------------------|-----------------|
|  | 2004                                  | 2003            |
| (All amounts in US\$ thousands)                              |                                       |                 |
| Net income for the period                                    | 48,368                                | 45,512          |
| Depreciation and amortization                                | 53,824                                | 47,867          |
| Tax accruals less payments                                   | (10,320)                              | 4,338           |
| Equity in earnings (losses) of associated companies          | 461                                   | 9,034           |
| Interest accruals less payments                              | (1,551)                               | 2,426           |
| Net provisions   | (1,068)                               | 3,203           |
| Minority interest  | (765)                                 | 3,404           |
| Change in working capital                                    | (174,981)                             | 52,415          |
| Currency translation adjustment and others                   | (3,477)                               | (10,135)        |
| <b>Net cash (used in) provided by operations</b>             | <b>(89,509)</b>                       | <b>158,064</b>  |
| Capital expenditure  | (39,912)                              | (43,611)        |
| Acquisitions of subsidiaries and associates                  | 191                                   | (20,013)        |
| Proceeds from disposition of property, plant and equipment   | 6,519                                 | 658             |
| <b>Net cash used in investment activities</b>                | <b>(33,202)</b>                       | <b>(62,966)</b> |
| Proceeds from borrowings                                     | 147,694                               | 84,493          |
| Repayments of borrowings                                     | (51,471)                              | (94,374)        |
| <b>Net cash provided by (used in) financing activities</b>   | <b>96,223</b>                         | <b>(9,881)</b>  |
| <b>(Decrease)/increase in cash and cash equivalents</b>      | <b>(26,488)</b>                       | <b>85,217</b>   |
| Cash and cash equivalents at January 1,                      | 247,834                               | 304,536         |
| Effect of exchange rate changes on cash and cash equivalents | (378)                                 | 298             |
| (Decrease)/increase  | (26,488)                              | 85,217          |
| <b>Cash and cash equivalents at March 31,</b>                | <b>220,968</b>                        | <b>390,051</b>  |