

TENARIS SA  
Form 6-K  
February 27, 2009

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FORM 6 - K

SECURITIES AND EXCHANGE COMMISSION  
Washington, D.C. 20549

Report of Foreign Private Issuer  
Pursuant to Rule 13a - 16 or 15d - 16 of  
the Securities Exchange Act of 1934

As of February 27, 2009

TENARIS, S.A.  
(Translation of Registrant's name into English)

TENARIS, S.A.  
46a, Avenue John F. Kennedy  
L-1855 Luxembourg  
(Address of principal executive offices)

Indicate by check mark whether the registrant files or will file annual reports under cover Form 20-F or 40-F.

Form 20-F  Form 40-F

Indicate by check mark whether the registrant by furnishing the information contained in this Form is also thereby furnishing the information to the Commission pursuant to Rule 12G3-2(b) under the Securities Exchange Act of 1934.

Yes  No

If "Yes" is marked, indicate below the file number assigned to the registrant in connection with Rule 12g3-2(b): 82- ..



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The attached material is being furnished to the Securities and Exchange Commission pursuant to Rule 13a-16 and Form 6-K under the Securities Exchange Act of 1934, as amended. This report contains Tenaris' Consolidated Financial Statements for the years ended December 31, 2008, 2007 and 2006.

SIGNATURE

Pursuant to the requirements of the Securities Exchange Act of 1934, the Registrant has duly caused this report to be signed on its behalf by the undersigned, thereunto duly authorized.

Date: February 27, 2009

Tenaris, S.A.

By: /s/ Cecilia Bilesio  
Cecilia Bilesio  
Corporate Secretary

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TENARIS S.A.

CONSOLIDATED  
FINANCIAL STATEMENTS

For the years ended December 31, 2008, 2007 and 2006

46a, Avenue John F. Kennedy – 2nd Floor.  
L – 1855 Luxembourg

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Tenaris S.A. Consolidated Financial Statements for the years ended December 31, 2008, 2007 and 2006

## CONSOLIDATED INCOME STATEMENTS

(all amounts in thousands of U.S. dollars, unless otherwise stated)

|   | Notes  | Year ended December 31, |             |             |
|---|--------|-------------------------|-------------|-------------|
|   |        | 2008                    | 2007        | 2006        |
| <b>Continuing operations</b>  |        |                         |             |             |
| Net sales   | 1      | 12,131,836              | 10,042,008  | 7,727,745   |
| Cost of sales   | 1 & 2  | (6,799,189)             | (5,515,767) | (3,884,226) |
| Gross profit  |        | 5,332,647               | 4,526,241   | 3,843,519   |
| Selling, general and administrative expenses  | 1 & 3  | (1,819,011)             | (1,573,949) | (1,054,806) |
| Other operating income  | 5 (i)  | 35,892                  | 28,704      | 13,077      |
| Other operating expenses  | 5 (ii) | (521,664)               | (23,771)    | (9,304)     |
| Operating income  |        | 3,027,864               | 2,957,225   | 2,792,486   |
| Interest income   | 6      | 48,873                  | 93,392      | 60,798      |
| Interest expense  | 6      | (185,836)               | (275,648)   | (92,576)    |
| Other financial results   | 6      | (104,272)               | (22,754)    | 26,826      |
| Income before equity in earnings of associated companies and income tax                 |        | 2,786,629               | 2,752,215   | 2,787,534   |
| Equity in earnings of associated companies  | 7      | 89,556                  | 113,276     | 94,667      |
| Income before income tax  |        | 2,876,185               | 2,865,491   | 2,882,201   |
| Income tax  | 8      | (1,011,675)             | (823,924)   | (869,977)   |
| Income for continuing operations  |        | 1,864,510               | 2,041,567   | 2,012,224   |
| <b>Discontinued operations</b>  |        |                         |             |             |
| Income for discontinued operations  | 29     | 411,110                 | 34,492      | 47,180      |
| Income for the year   |        | 2,275,620               | 2,076,059   | 2,059,404   |
| <b>Attributable to:</b>   |        |                         |             |             |
| Equity holders of the Company   |        | 2,124,802               | 1,923,748   | 1,945,314   |
| Minority interest   |        | 150,818                 | 152,311     | 114,090     |
|   |        | 2,275,620               | 2,076,059   | 2,059,404   |
| <b>Earnings per share attributable to the equity holders of the Company during year</b> |        |                         |             |             |
| Weighted average number of ordinary shares (thousands)                                  | 9      | 1,180,537               | 1,180,537   | 1,180,537   |
| Earnings per share (U.S. dollars per share)   | 9      | 1.80                    | 1.63        | 1.65        |
| Earnings per ADS (U.S. dollars per ADS)   | 9      | 3.60                    | 3.26        | 3.30        |

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, 2008 |                   | At December 31, 2007 |                   |
|--|---------|----------------------|-------------------|----------------------|-------------------|
| <b>ASSETS</b>  |         |                      |                   |                      |                   |
| Non-current assets   |         |                      |                   |                      |                   |
| Property, plant and equipment, net                                       | 10      | 2,982,871            |                   | 3,269,007            |                   |
| Intangible assets, net   | 11      | 3,826,987            |                   | 4,542,352            |                   |
| Investments in associated companies                                      | 12      | 527,007              |                   | 509,354              |                   |
| Other investments  | 13      | 38,355               |                   | 35,503               |                   |
| Deferred tax assets  | 21      | 390,323              |                   | 310,590              |                   |
| Receivables  | 14      | 82,752               | 7,848,295         | 63,738               | 8,730,544         |
| Current assets   |         |                      |                   |                      |                   |
| Inventories  | 15      | 3,091,401            |                   | 2,598,856            |                   |
| Receivables and prepayments  | 16      | 251,481              |                   | 222,410              |                   |
| Current tax assets   | 17      | 201,607              |                   | 242,757              |                   |
| Trade receivables  | 18      | 2,123,296            |                   | 1,748,833            |                   |
| Other investments  | 19      | 45,863               |                   | 87,530               |                   |
| Cash and cash equivalents  | 19      | 1,538,769            | 7,252,417         | 962,497              | 5,862,883         |
| Current and non current assets held for sale                             | 29      |                      | -                 |                      | 651,160           |
|  |         |                      | 7,252,417         |                      | 6,514,043         |
| <b>Total assets</b>  |         |                      | <b>15,100,712</b> |                      | <b>15,244,587</b> |
| <b>EQUITY</b>  |         |                      |                   |                      |                   |
| Capital and reserves attributable to the Company's equity holders        |         |                      | 8,176,571         |                      | 7,006,277         |
| Minority interest  |         |                      | 525,316           |                      | 523,573           |
| <b>Total equity</b>  |         |                      | <b>8,701,887</b>  |                      | <b>7,529,850</b>  |
| <b>LIABILITIES</b>   |         |                      |                   |                      |                   |
| Non-current liabilities  |         |                      |                   |                      |                   |
| Borrowings   | 20      | 1,241,048            |                   | 2,869,466            |                   |
| Deferred tax liabilities   | 21      | 1,053,838            |                   | 1,233,836            |                   |
| Other liabilities  | 22 (i)  | 223,142              |                   | 185,410              |                   |
| Provisions   | 23 (ii) | 89,526               |                   | 97,912               |                   |
| Trade payables   |         | 1,254                | 2,608,808         | 47                   | 4,386,671         |
| Current liabilities  |         |                      |                   |                      |                   |
| Borrowings   | 20      | 1,735,967            |                   | 1,150,779            |                   |
| Current tax liabilities  |         | 610,313              |                   | 341,028              |                   |
| Other liabilities  | 22 (ii) | 242,620              |                   | 252,204              |                   |
| Provisions   | 24 (ii) | 28,511               |                   | 19,342               |                   |
| Customer advances  |         | 275,815              |                   | 449,829              |                   |
| Trade payables   |         | 896,791              | 3,790,017         | 847,842              | 3,061,024         |
| Liabilities associated with current and non-current assets held for sale | 29      |                      | -                 |                      | 267,042           |
|  |         |                      | 3,790,017         |                      | 3,328,066         |
| <b>Total liabilities</b>   |         |                      | <b>6,398,825</b>  |                      | <b>7,714,737</b>  |

|                              |            |            |
|------------------------------|------------|------------|
| Total equity and liabilities | 15,100,712 | 15,244,587 |
|------------------------------|------------|------------|

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.



Tenaris S.A. Consolidated Financial Statements for the years ended December 31, 2008, 2007 and 2006

CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

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

|   | Attributable to equity holders of the Company |                |               |                                 |                |                       |                   | Total     |
|---|---|----------------|---------------|---------------------------------|----------------|-----------------------|-------------------|-----------|
|   | Share Capital                                 | Legal Reserves | Share Premium | Currency Translation Adjustment | Other Reserves | Retained Earnings (*) | Minority Interest |           |
| Balance at January 1, 2008                    | 1,180,537                                     | 118,054        | 609,733       | 266,049                         | 18,203         | 4,813,701             | 523,573           | 7,529,850 |
| Currency translation differences              | -   | -              | -             | (489,828)                       | -              | -                     | (47,812)          | (537,640) |
| Change in equity reserves (see Section III D) | -   | -              | -             | -                               | (14,334)       | -                     | 2,780             | (11,554)  |
| Acquisition and decrease of minority interest | -   | -              | -             | -                               | (1,742)        | -                     | (16,843)          | (18,585)  |
| Dividends paid in cash                        | -   | -              | -             | -                               | -              | (448,604)             | (87,200)          | (535,804) |
| Income for the year                           | -   | -              | -             | -                               | -              | 2,124,802             | 150,818           | 2,275,620 |
| Balance at December 31, 2008                  | 1,180,537                                     | 118,054        | 609,733       | (223,779)                       | 2,127          | 6,489,899             | 525,316           | 8,701,887 |

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

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

## CONSOLIDATED STATEMENT OF CHANGES IN EQUITY (Cont.)

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

|   | Attributable to equity holders of the Company |                |               |                                 |                |                   |                   | Total     |
|---|---|----------------|---------------|---------------------------------|----------------|-------------------|-------------------|-----------|
|   | Share Capital                                 | Legal Reserves | Share Premium | Currency Translation Adjustment | Other Reserves | Retained Earnings | Minority Interest |           |
| Balance at January 1, 2007                    | 1,180,537                                     | 118,054        | 609,733       | 3,954                           | 28,757         | 3,397,584         | 363,011           | 5,701,630 |
| Currency translation differences              | -   | -              | -             | 262,095                         | -              | -                 | 47,766            | 309,861   |
| Change in equity reserves (see Section III D) | -   | -              | -             | -                               | (10,554)       | -                 | -                 | (10,554)  |
| Acquisition and decrease of minority interest | -   | -              | -             | -                               | -              | -                 | 20,748            | 20,748    |
| Dividends paid in cash                        | -   | -              | -             | -                               | -              | (507,631)         | (60,263)          | (567,894) |
| Income for the year                           | -   | -              | -             | -                               | -              | 1,923,748         | 152,311           | 2,076,059 |
| Balance at December 31, 2007                  | 1,180,537                                     | 118,054        | 609,733       | 266,049                         | 18,203         | 4,813,701         | 523,573           | 7,529,850 |

|   | Attributable to equity holders of the Company |                |               |                                 |                |                   |                   | Total     |
|---|---|----------------|---------------|---------------------------------|----------------|-------------------|-------------------|-----------|
|   | Share Capital                                 | Legal Reserves | Share Premium | Currency Translation Adjustment | Other Reserves | Retained Earnings | Minority Interest |           |
| Balance at January 1, 2006                                    | 1,180,537                                     | 118,054        | 609,733       | (59,743)                        | 2,718          | 1,656,503         | 268,071           | 3,775,873 |
| Currency translation differences                              | -   | -              | -             | 63,697                          | -              | -                 | 15,225            | 78,922    |
| Change in equity reserves (see Section III D and Note 27 (d)) | -   | -              | -             | -                               | 26,039         | -                 | -                 | 26,039    |
| Acquisition of minority interest                              | -   | -              | -             | -                               | -              | -                 | (11,181)          | (11,181)  |
| Dividends paid in cash  | -   | -              | -             | -                               | -              | (204,233)         | (23,194)          | (227,427) |
| Income for the year   | -   | -              | -             | -                               | -              | 1,945,314         | 114,090           | 2,059,404 |
| Balance at December 31, 2006                                  | 1,180,537                                     | 118,054        | 609,733       | 3,954                           | 28,757         | 3,397,584         | 363,011           | 5,701,630 |

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

Tenaris S.A. Consolidated Financial Statements for the years ended December 31, 2008, 2007 and 2006

## CONSOLIDATED CASH FLOW STATEMENTS

| (all amounts in thousands of U.S. dollars)                                    | Note     | Year ended December 31, |             |             |
|---|----------|-------------------------|-------------|-------------|
|   |          | 2008                    | 2007        | 2006        |
| <b>Cash flows from operating activities</b>                                   |          |                         |             |             |
| Income for the year   |          | 2,275,620               | 2,076,059   | 2,059,404   |
| Adjustments for:  |          |                         |             |             |
| Depreciation and amortization   | 10 & 11  | 532,934                 | 514,820     | 255,004     |
| Income tax accruals less payments   | 28 (ii)  | (225,038)               | (393,055)   | 56,836      |
| Equity in earnings of associated companies                                    |          | (89,556)                | (94,888)    | (94,667)    |
| Interest accruals less payments, net  | 28 (iii) | 55,492                  | (21,302)    | 21,909      |
| Income from disposal of investment and other                                  |          | (394,323)               | (18,388)    | (46,481)    |
| Changes in provisions   |          | 783                     | (421)       | 8,894       |
| Impairment charge   | 5        | 502,899                 | -           | -           |
| Changes in working capital  | 28 (i)   | (1,051,632)             | (110,425)   | (469,517)   |
| Other, including currency translation adjustment                              |          | (142,174)               | 68,224      | 19,474      |
| Net cash provided by operating activities                                     |          | 1,465,005               | 2,020,624   | 1,810,856   |
| <b>Cash flows from investing activities</b>                                   |          |                         |             |             |
| Capital expenditures  | 10 & 11  | (443,238)               | (447,917)   | (441,472)   |
| Acquisitions of subsidiaries and minority interest                            | 27       | (18,585)                | (1,927,262) | (2,387,249) |
| Other disbursements relating to the acquisition of Hydril                     |          | -                       | (71,580)    | -           |
| Proceeds from the sale of pressure control business (*)                       | 29       | 1,113,805               | -           | -           |
| Decrease in subsidiaries / associated   |          | -                       | 27,321      | 52,995      |
| Proceeds from disposal of property, plant and equipment and intangible assets |          | 17,161                  | 24,041      | 15,347      |
| Dividends and distributions received from associated companies                | 12       | 15,032                  | 12,170      | -           |
| Changes in restricted bank deposits   |          | -                       | 21          | 2,027       |
| Investments in short terms securities   |          | 41,667                  | 96,074      | (63,697)    |
| Other   |          | (3,428)                 | -           | -           |
| Net cash provided by (used in) investing activities                           |          | 722,414                 | (2,287,132) | (2,822,049) |
| <b>Cash flows from financing activities</b>                                   |          |                         |             |             |
| Dividends paid  |          | (448,604)               | (507,631)   | (204,233)   |
| Dividends paid to minority interest in subsidiaries                           |          | (87,200)                | (60,263)    | (23,194)    |
| Proceeds from borrowings  |          | 1,087,649               | 2,718,264   | 3,033,230   |
| Repayments of borrowings  |          | (2,122,268)             | (2,347,054) | (1,105,098) |
| Net cash (used in) provided by financing activities                           |          | (1,570,423)             | (196,684)   | 1,700,705   |
| Increase (decrease) in cash and cash equivalents                              |          | 616,996                 | (463,192)   | 689,512     |
| Movement in cash and cash equivalents   |          |                         |             |             |

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|  |         |           |           |           |
|--|---------|-----------|-----------|-----------|
| At the beginning of the period                   |         | 954,303   | 1,365,008 | 680,591   |
| Effect of exchange rate changes                  |         | (46,277)  | 52,487    | (5,095)   |
| Increase (decrease) in cash and cash equivalents |         | 616,996   | (463,192) | 689,512   |
| At December 31,                                  | 28 (iv) | 1,525,022 | 954,303   | 1,365,008 |

Non-cash financing activity

|  |  |   |        |   |
|--|--|---|--------|---|
| Conversion of debt to equity in subsidiaries |  | - | 35,140 | - |
|--|--|---|--------|---|

(\* Includes \$394 million of after-tax gain, \$381 million of assets and liabilities held for sale and \$339 million of income tax charges and related expenses.

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

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## I. GENERAL INFORMATION

Tenaris S.A. (the “Company”), a Luxembourg corporation (société anonyme holding), was incorporated on December 17, 2001, as a holding company in steel pipe manufacturing and distributing operations. The Company holds, either directly or indirectly, controlling interests in various subsidiaries. References in these financial statements to “Tenaris” refer to Tenaris S.A. and its consolidated subsidiaries.

The Company’s shares trade on the Milan Stock Exchange, the Buenos Aires Stock Exchange and the Mexico City Stock Exchange; the Company’s American Depositary Securities (“ADS”) trade on the New York Stock Exchange.

These Consolidated Financial Statements were approved for issue by the Company’s Board of Directors on February 25, 2009.

## 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”), as issued by the International Accounting Standards Board (“IASB”) and adopted by the European Union, under the historical cost convention, as modified by the revaluation of financial assets and liabilities (including derivative instruments) at fair value through profit or loss. The Consolidated Financial Statements are presented in thousands of U.S. dollars (“\$”).

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

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

#### (1) Standards early adopted by Tenaris

Tenaris early adopted IFRS 8 “Operating Segments” as from January 1, 2006, which replaces IAS 14 and requires an entity to report financial and descriptive information about its reportable segments (as aggregations of operating segments). Financial information is required to be reported on the same basis as is used internally for evaluating operating segment performance and deciding how to allocate resources to operating segments also giving certain descriptive information. See Section II C.

#### (2) Interpretations and amendments to published standards that are not yet effective and have not been early adopted

##### § IAS 1 Revised, Presentation of Financial Statements

IAS 1 (effective from January 1, 2009) has been revised to enhance the usefulness of information presented in the financial statements. The principal changes, among others, are: the introduction of a new statement of comprehensive income; additional disclosures about income tax, relating to each component of other comprehensive income; the introduction of new terminology, although not obligatory. Tenaris will apply IAS 1 Revised for annual periods beginning on January 1, 2009.

##### § IAS 23 Revised, Borrowing Costs

IAS 23 (effective from January 1, 2009) eliminates the option of expensing all borrowing costs and requires borrowing costs to be capitalized if they are directly attributable to the acquisition, construction or production of a qualifying asset. These amendments apply to borrowing costs incurred on qualifying assets for which the commencement date for capitalization is on or after January 1, 2009. Tenaris will apply IAS 23 Revised for annual periods beginning on January 1, 2009.

The Company's management estimates that the application of IAS 23 revised will not have a material effect on the Company's financial condition or results of operations.



A Basis of presentation (Cont.)

(2) Interpretations and amendments to published standards that are not yet effective and have not been early adopted (Cont.)

§ IAS 27 (amended 2008), “Consolidated and separate financial statements”

In January 2008, the IASB issued International Accounting Standard 27 (amended 2008), “Consolidated and separate financial statements” (“IAS 27 - amended”). IAS 27 - amended includes modifications that are related, primarily, to accounting for non-controlling interests and the loss of control of a subsidiary.

IAS 27 - amended must be applied for annual periods beginning on or after July 1, 2009, although earlier application is permitted. However, an entity must not apply the amendments contained in IAS 27 - amended for annual periods beginning before July 1, 2009 unless it also applies IFRS 3 (as revised in 2008).

The Company's management has not assessed the potential impact that the application of IAS 27 - amended may have on the Company's financial condition or results of operations.

§ IFRS 3 (revised January 2008), “Business Combinations”

In January 2008, the IASB issued International Financial Reporting Standard 3 (revised January 2008), “Business Combinations” (“IFRS 3 - revised”). IFRS 3 revised includes amendments that are meant to provide guidance for applying the acquisition method.

IFRS 3 revised replaces IFRS 3 (as issued in 2004) and comes into effect for business combinations for which the acquisition date is on or after the beginning of the first annual reporting period beginning on or after July 1, 2009. Earlier application is permitted, provided that IAS 27 – amended is applied at the same time.

This standard does not impact the current financial statements, and future impact is dependent on the existence of business combinations.

§ Amendment to IFRS 5 “Non-current Assets held for sale and Discontinued Operations”

In May 2008, the IASB amended International Financial Reporting Standard 5 “Non-current Assets held for sale and Discontinued Operations” by requiring this classification although the entity retains a non-controlling interest.

Entities shall apply these amendments for annual periods beginning on or after July 1, 2009. Earlier application is permitted, provided that IAS 27 – amended is applied at the same time.

This standard does not impact the current financial statements, and future impact is dependent on the existence of discontinued operations.

§ Improvements to International Financial Reporting Standards

In May 2008, the IASB issued “Improvements to International Financial Reporting Standards” by which it amended several international accounting and financial reporting standards. Entities shall apply these amendments for annual periods beginning on or after July 1, 2009. If entities apply these amendments for an earlier period, they shall disclose that fact.

The Company's management estimates that the application of these amendments will not have a material effect on the Company's financial condition or results of operations.

A Basis of presentation (Cont.)

(2) Interpretations and amendments to published standards that are not yet effective and have not been early adopted (Cont.)

§ IFRIC Interpretation 17 – “Distribution of Non Cash Assets to Owners”

In November 2008, the IFRIC issued IFRIC Interpretation 17 “Distribution of Non Cash Assets to Owners” (“IFRIC 17”). IFRIC 17 applies to an entity that distributes non-cash items and gives owners the choice of receiving either non-cash assets or a cash alternative.

An entity shall apply this Interpretation for annual periods beginning on or after July 1, 2009. Earlier application is permitted. If an entity applies this interpretation for a period beginning before July 1, 2009, it shall disclose that fact.

The Company’s management estimates that the application of IFRIC 17 will not have a material effect on the Company’s financial condition or results of operations.

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

B Group accounting

(1) Subsidiaries

Subsidiaries are entities which are controlled by Tenaris as a result of its ability to govern an entity’s financial and operating policies generally accompanying a shareholding of more than 50% of the voting rights. Subsidiaries are consolidated from the date on which control is exercised by the Company and are no longer consolidated from the date control ceases.

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

Material inter-company transactions, balances and unrealized gains (losses) on transactions between Tenaris subsidiaries have been eliminated in consolidation. However, since the functional currency of some subsidiaries is its respective local currency, some financial gains (losses) arising from inter-company transactions are generated. These are included in the Consolidated Income Statement under Other financial results.

See Note 31 for the list of the principal subsidiaries.

(2) Associates

Associates are entities in which Tenaris has significant influence but not control, generally accompanying a shareholding of between 20% and 50% of the voting rights. Investments in associates are accounted for by the equity

method of accounting and initially recognized at cost.

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 unless the transaction provides evidence of an impairment indicator of the asset transferred. Financial statements of associated companies have been adjusted where necessary to ensure consistency with IFRS.

The Company's pro-rata share of earnings in associates is recorded in Equity in earnings of associated companies. The Company's pro-rata share of changes in other reserves is recognized in reserves in the Statement of Changes in Equity.

B Group accounting (Cont.)

(2) Associates (Cont.)

The Company's investment in Ternium S.A. ("Ternium") has been accounted for by the equity method, as Tenaris has significant influence as defined by IAS 28, Investments in Associates. At December 31, 2008, Tenaris holds 11.46% of Ternium's common stock. The Company's investment in Ternium is carried at incorporation cost plus proportional ownership of Ternium's earnings and other shareholders' equity accounts. Because the exchange of its holdings in Amazonia and Ylopa for shares in Ternium was considered to be a transaction between companies under common control of San Faustin N.V., Tenaris recorded its initial ownership interest in Ternium at \$229.7 million, the carrying value of the investments exchanged. This value was \$22.6 million less than Tenaris' proportional ownership of Ternium's shareholders' equity at the transaction date. As a result of this treatment, Tenaris' investment in Ternium will not reflect its proportional ownership of Ternium's net equity position. Ternium carried out an initial public offering ("IPO") of its shares on February 1, 2006, listing its ADS on the New York Stock Exchange.

Tenaris review investments in associated companies for impairment whenever events or changes in circumstances indicate that the asset's balance sheet carrying amount may not be recoverable, such as a significant or prolonged decline in fair value below the carrying value. Tenaris carries its investment in Ternium at its proportional equity value, with no additional goodwill or intangible assets recognized. Ternium did not record any impairment provisions in its financial statements. At December 31, 2008, 2007 and 2006, no impairment provisions were recorded on Tenaris' investment in Ternium

C Segment information

The Company is organized in three major business segments: Tubes, Projects and Other.

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

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

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

In May 2007, Tenaris acquired Hydril Company ("Hydril"), a company engaged in engineering, manufacturing and selling of premium connections and pressure control products for oil and gas drilling production. Hydril's premium connections business was allocated to the Tubes segment. On April 1, 2008, Tenaris sold to General Electric Company (GE) the pressure control business acquired as part of the Hydril transaction; in accordance with IFRS 5, the pressure control business has been disclosed as current and non current assets and liabilities held for sale at December 31, 2007 and discontinued operations at December 31, 2008 and 2007.

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

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



D Foreign currency translation

(1) Functional and presentation currency

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

The functional and presentation currency of the Company is the U.S. dollar. The U.S. dollar is the currency that best reflects the economic substance of the underlying events and circumstances relevant to Tenaris' global operations.

Generally, the functional currency of the Company's subsidiaries is the respective local currency. Tenaris Argentine operations, however, which consist of Siderca S.A.I.C. ("Siderca") and its Argentine subsidiaries, have determined their functional currency to be the U.S. dollar, based on the following considerations:

- Sales are mainly negotiated, denominated and settled in U.S. dollars. If priced in a currency other than the U.S. dollar, the price considers exposure to fluctuation in the 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; and
  - Net financial assets and liabilities are mainly received and maintained in U.S. dollars.

In addition to Siderca, the Colombian subsidiaries and most of the Company's distributing subsidiaries and intermediate holding subsidiaries have 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 inter-company 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 Other Financial results in the income statement.

E Property, plant and equipment

Property, plant and equipment are recognized at historical acquisition or construction cost less accumulated depreciation and impairment losses; historical cost includes expenditure that is directly attributable to the acquisition of the items. 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. The carrying amount of the replaced part is derecognized.

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



E Property, plant and equipment (Cont.)

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 are capitalized are those that require a substantial period of time to prepare for their intended use.

Land is not depreciated. Depreciation on other assets is calculated using the straight-line method to depreciate the cost of each asset to its residual value over its estimated useful life, as follows:

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

The residual values and useful lives of significant plant and equipment are reviewed, and adjusted if appropriate, at each year-end date.

Management’s re-estimation of assets useful lives, performed in accordance with IAS 16 (“Property plant and equipment”), did not materially affect depreciation expenses for 2008.

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

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

F Intangible assets

(1) Goodwill

Goodwill represents the excess of the acquisition cost over the fair value of Tenaris’ share of net identifiable assets acquired as part of business combinations determined mainly by independent valuations. Goodwill is tested annually for impairment and carried at cost less accumulated impairment losses. In the event of impairment, reversals are not allowed. Goodwill is included in Intangible assets, net on the Balance Sheet.

Goodwill is allocated to cash-generating units (“CGU’s”) for the purpose of impairment testing, which represents a subsidiary or group of subsidiaries that are expected to benefit from the business combination which generated the goodwill being tested.

(2) Information systems projects

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

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

F Intangible assets (Cont.)

(3) Licenses, patents, trademarks and proprietary technology

Licenses, patents, trademarks, and proprietary technology acquired in a business combination are initially recognized at fair value at the acquisition date, and subsequently shown at historical cost.

Expenditures on acquired patents, trademarks, technology transfer and licenses are capitalized and amortized using the straight-line method over their estimated useful lives, not exceeding a period of 10 years.

Trademarks acquired through acquisitions amounting to \$85.3 million and \$149.1 million at December 31, 2008 and 2007 respectively, out of which \$57.1 million were disclosed within current and non current assets held for sale at December 31, 2007, have indefinite useful lives according to external appraisal. Main factors considered in the determination of the indefinite useful lives, include the years that they have been in service and their recognition among customers in the industry.

(4) Research and development

Research expenditures as well as development costs that do not fulfill the criteria for capitalization are recorded as Cost of sales in the income statement as incurred. Research and development expenditures included in Cost of sales for the years 2008, 2007 and 2006 totaled \$77.3 million \$61.7 million and \$46.9 million, respectively.

(5) Customer relationships acquired in a business combination

In accordance with IFRS 3 and IAS 38, Tenaris has recognized the value of customer relationships separately from goodwill attributable to the acquisition of Maverick and Hydril.

Customer relationships acquired in a business combination are recognized at fair value at the acquisition date. Customer relationships acquired in a business combination have a finite useful life and are carried at cost less accumulated amortization. Amortization is calculated using the straight line method over the expected life of approximately 14 years for Maverick and 10 years for Hydril.

G Impairment of non financial assets

Long-lived assets including identifiable intangible assets and goodwill are regularly reviewed for impairment.

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

The recoverable amount is the higher of the value in use and the fair value less cost to sell. When evaluating long-lived assets for potential impairment, the Company estimates the recoverable amount based on the 'value in use' of the corresponding CGU. The value in use of these units is determined on the basis of the present value of net future cash flows which will be generated by the assets tested. Cash flows are discounted at a pre-tax rate that reflect specific country and currency risks. See Note 11.

In certain circumstances, the 'fair value less cost to sale' is estimated if value in use is lower than the carrying value. For the purpose of calculating the fair value less cost to sale, the Company uses mainly the estimated future cash flows

a market participant could generate from the CGU, discounted at a post-tax rate.

Management judgment is required to estimate discounted future cash flows and appropriate discounts rates. Accordingly, actual cash flows and values could vary significantly from the forecasted future cash flows and related values derived using discounting techniques.

## H Other investments

Other investments consist primarily of investments in financial debt instruments.

Tenaris investments are classified as financial assets “at fair value through profit or loss”.

Purchases and sales of financial investments are recognized as of the settlement date. The change in fair value of financial investments designated as held at fair value through profit or loss is charged to Financial results in the income statement.

Results from financial investments are recognized in Financial results in the income statement.

The fair values of quoted investments are based on current bid prices (see Section III Financial Risk Management). If the market for a financial investment is not active or the securities are not listed, Tenaris estimates the fair value by using standard valuation techniques.

## I Inventories

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

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

## J Trade receivables

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

## K Cash and cash equivalents

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

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

On the Balance Sheet, bank overdrafts are included in borrowings in current liabilities.

L Shareholders' Equity

(1) Shareholders' components

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 adjustment, other reserves, retained earnings and minority interest calculated in accordance with IFRS.

L Shareholders' Equity (Cont.)

(2) Share capital

Total ordinary shares issued and outstanding as of December 31, 2008, 2007 and 2006 is 1,180,536,830 with a par value of \$1.00 per share with one vote each. All issued shares are fully paid.

(3) Dividends paid by the Company to shareholders

Dividends payable are recorded in the Company's 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 the Company to the extent that it has distributable retained earnings, calculated in accordance with Luxembourg law. As a result, retained earnings included in the Consolidated Financial Statements may not be wholly distributable (see Note 26).

M Borrowings

Borrowings are recognized initially at fair value net of transaction costs incurred. In subsequent years, borrowings are stated at amortized cost.

N Current and Deferred income tax

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

The tax expense for the period comprises current and deferred tax. Tax is recognized in the income statement, except to the extent that it relates to items recognized directly in equity. In this case, the tax is also recognized in equity.

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

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

Deferred tax assets are recognized to the extent it is probable that future taxable income will be available against which the temporary differences can be utilized.



O Employee benefits

(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.

As from January 1, 2007 as a consequence of a change in an Italian law, employees were entitled to make contributions to external funds or to maintain the contributions within the company. If the employee chooses to make contributions to the external funds Tenaris' Italian subsidiary pays every year the matured contribution to the funds and no more obligation will be in charge of it. As a consequence of the abovementioned, the structure of the plan could be changed from a defined benefit plan to a defined contribution plan effective from the date of the choice, but only limited to the contributions of 2007 onwards.

(b) Defined benefit pension obligations

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.

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

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

Tenaris sponsors other four funded and unfunded non-contributory defined benefit pension plans in certain subsidiaries. The plans provide defined benefits based on years of service and, in the case of salaried employees, final average salary.

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

(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.

(d) Employee retention and long term incentive program

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

O Employee benefits (Cont.)

(d) Employee retention and long term incentive program (Cont.)

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

The total value of the units granted to date under the program, considering the number of units and the book value per share as of December 31, 2008, is \$16.8 million. As of December 31, 2008, Tenaris has recorded a total liability of \$10.4 million, based on actuarial calculations provided by independent advisors.

P Employee statutory profit sharing

Under Mexican law, the Company's Mexican subsidiaries are required to pay to their employees an annual benefit calculated on a similar basis 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 similar basis to that used for determining local income taxes, Tenaris accounts for temporary differences arising between the statutory calculation and reported expense as determined under IFRS in a manner similar to the calculation of deferred income tax.

Q Provisions and other liabilities

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

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

R Trade payables

Trade payables are recognized initially at fair value and subsequently measured at amortized cost.

S Revenue recognition

Revenue comprises the fair value consideration received or receivable for the sale of goods and services in the ordinary course of Tenaris' activities. Revenue is shown net of value-added tax, returns, rebates and discounts and after eliminating sales within the group.

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

## S Revenue recognition (Cont.)

The Pressure Control business (disclosed as discontinued operations) and industrial equipment (included in the Other segment) recognize revenues from long term contracts. These contracts are recognized using the percentage of completion method measured by the percentage of costs incurred to estimated final costs.

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.

## T Cost of sales and sales expenses

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

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

## U Earnings per share

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

## V Financial instruments

Non derivative financial instruments comprise investment in equity and debt securities, trade and other receivables, cash and cash equivalents, borrowings, and trade and other payables. Tenaris non derivative financial instruments are classified into the following categories:

- Financial instruments at fair value through profit and loss.
- Loans and receivables: measured at amortized cost using the effective interest rate method less any impairment.
  - Other financial liabilities: measured at amortized cost using the effective interest rate method.

The classification depends on the nature and purpose of the financial instrument and is determined at the time of initial recognition.

Financial assets and liabilities are recognized and derecognized on the settlement date.

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

Tenaris has identified certain embedded derivatives and in accordance with IAS 39 ("Financial Instruments: Recognition and Measurement") has accounted them separately from their host contracts. This result has been recognized under "Net foreign exchange transaction results and changes in fair value of derivative instruments".

## III. FINANCIAL RISK MANAGEMENT

The multinational nature of Tenaris' operations and customer base expose the Company to a variety of risks, mainly related to market risks (including the effects of changes in foreign currency exchange rates and interest rates) and

capital risk. To manage the volatility related to these exposures, management evaluates exposures on a consolidated basis to take advantage of logical exposure netting. For the remaining exposures, the Company or its subsidiaries may enter into various derivative transactions in order to manage potential adverse impacts on the Tenaris' financial performance. Such derivative transactions are executed in accordance with internal policies in areas such as counterparty exposure and hedging practices.

## A. Financial Risk Factors

## (i) Capital Risk

Tenaris seeks to maintain an adequate debt to total equity ratio considering the industry and the markets where it operates. The year end ratio of debt to total equity (where “debt” comprises all financial borrowings and “equity” is the sum of financial borrowings and shareholders’ equity) is 0.25 as of December 31, 2008, in comparison with 0.35 as of December 31, 2007. The Company does not have to comply with regulatory capital adequacy requirements as known in the financial services industry.

## (ii) Foreign exchange risk

Tenaris manufactures and sells its products in a number of countries throughout the world and consequently is exposed to foreign exchange rate risk. Since the Company’s functional currency is the U.S. dollar the purpose of Tenaris’ foreign currency hedging program is mainly to reduce the risk caused by changes in exchange rates against the U.S. dollar.

Tenaris’ exposure to currency fluctuations is reviewed on a periodic basis. A number of derivative transactions are performed in order to achieve an efficient coverage. Almost all of these hedging transactions are forward exchange rates contracts (see Note 25 Derivative financial instruments).

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

Because a number of subsidiaries have functional currencies other than the U.S. dollar, the results of hedging activities, reported in accordance with IFRS, may not reflect management’s assessment of its foreign exchange risk hedging program. Inter-company balances between Tenaris subsidiaries may generate financial gains (losses) to the extent that functional currencies differ.

The following table shows a breakdown of Tenaris’ assessed long / (short) balance sheet exposure to currency risk as of December 31, 2008, including the effect of forward exchange rate contracts in place. These balances include inter-company positions where the intervening parties have different functional currencies.

| Monetary position exposure | Functional Currency (in thousand \$) |           |           |       |         |         |         |          |          |          |
|----------------------------|--------------------------------------|-----------|-----------|-------|---------|---------|---------|----------|----------|----------|
|                            | USD                                  | EUR       | MXN       | GBP   | BRL     | JPY     | CAD     | RON      | VEF      | CNY      |
| USD                        | (n/a)                                | (383,161) | (180,510) | (379) | 305,586 | 139,517 | (4,224) | (59,888) | (47,139) | (35,770) |
| EUR                        | 94,846                               | (n/a)     | 162,587   | -     | 37,104  | (16)    | (490)   | 110      | (1,779)  | (15)     |
| MXN                        | (2)                                  | -         | (n/a)     | -     | -       | -       | -       | -        | -        | -        |
| GBP                        | 1,277                                | (1,230)   | (7)       | (n/a) | -       | 1       | -       | 218      | -        | -        |
| BRL                        | -                                    | -         | -         | -     | (n/a)   | -       | -       | -        | -        | -        |
| JPY                        | (731)                                | (56)      | (70)      | -     | -       | (n/a)   | (15)    | -        | -        | (1,291)  |
| CAD                        | (92,169)                             | 216       | 8,422     | -     | -       | (17)    | (n/a)   | -        | -        | -        |
| RON                        | (44,280)                             | -         | -         | -     | -       | -       | -       | (n/a)    | -        | -        |
| VEF                        | (2,034)                              | -         | -         | -     | -       | -       | -       | -        | (n/a)    | -        |
| ARS                        | (141,452)                            | -         | -         | -     | -       | -       | -       | -        | -        | -        |
| Other                      | 849                                  | 9         | -         | -     | -       | (29)    | -       | -        | -        | -        |

The Company estimates that the impact under IFRS in the net exposure at December 31, 2008 of a simultaneous 1% favorable / unfavorable movement in the main exchange rates would result in a maximum pre-tax gain / loss of approximately \$15.8 million as compared with a maximum pre-tax gain / loss of approximately \$12.7 million at December 31, 2007.

Considering the above mentioned assumptions the maximum effect in shareholder's equity originated in monetary assets and liabilities would result in approximately \$7.8 million and \$6.1 million for 2008 and 2007, respectively.

Additionally, the Company has recognized an embedded derivative in connection to a ten year steel supply agreement signed in 2007 by a Canadian subsidiary which as of December 31, 2008 has an outstanding amount of \$266.4 million. The Company estimates that the impact of 1% favorable / unfavorable movement in USD/CAD the exchange rate would result in a maximum pre-tax gain / loss of approximately \$2.1 million. See fair value of this embedded derivative in Note 25.



## A. Financial Risk Factors (Cont.)

## (iii) Interest rate risk

The following table summarizes the proportions of variable-rate and fixed-rate debt as of each year end (see Note 25 Derivative financial instruments).

|               | As of December 31,         |            |                            |            |
|---------------|----------------------------|------------|----------------------------|------------|
|               | 2008                       |            | 2007                       |            |
|               | Amount in<br>million of \$ | Percentage | Amount in<br>million of \$ | Percentage |
| Fixed rate    | 222.9                      | 7%         | 282.9                      | 7%         |
| Variable rate | 2,754.1                    | 93%        | 3,737.3                    | 93%        |

Tenaris' financing strategy is to manage interest expense using a mixture of fixed-rate and variable-rate debt.

In order to partially hedge future interest payments related to long-term debt, as well as to convert borrowings from floating to fixed rates, Tenaris has entered into interest rate swaps and swaps with an embedded knock-in option (See Note 25).

Considering the above, if interests rates on the aggregate average notional of US dollar denominated borrowings held during 2008, would have been 100 basis points higher with all other variables held constant, total profit for the year ended December 31, 2008 would have been \$30.1 million lower.

## (iv) Credit risk

Credit risk arises from cash and cash equivalents, deposits with banks and financial institutions, as well as credit exposures to customers, including outstanding receivables and committed transactions. The Company has established credit guidelines in place to ensure that derivative and treasury counterparties are limited to high credit quality financial institutions.

There is no significant concentration of credit risk from customers. No single customer comprised more than 10% of Tenaris' net sales in 2008 and 2007.

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

As of December 31, 2008 trade receivables amount to \$2,123 million. These trade receivables have guarantees under letter of credit and other bank guarantees of \$242.8 million, credit insurance of \$621.2 million and other guarantess of \$65.6 million.

As of December 31, 2008 trade receivables amounting to \$465.9 were past due but not impaired. These relate to a number of customers for whom there is no recent history of default.

The amount of the allowance for doubtful accounts was \$34.1 million as of December 31, 2008. This allowance for doubtful accounts and the existing guarantees are sufficient to cover doubtful overdue trade receivables.

Derivative counterparties and cash transactions are limited to high credit quality financial institutions normally investment grade. More than 94.9% of Tenaris' cash equivalents and short term investments correspond to Investment Grade-rated instruments as of December 31, 2008, in comparison with 98.6% as of December 31, 2007.

## A. Financial Risk Factors (Cont.)

## (v) Liquidity risk

Management maintains sufficient cash and marketable securities to finance normal operations and believes that Tenaris also has access to market for short-term working capital needs.

Tenaris financing strategy is to maintain adequate financial resources and access to additional liquidity. During 2008, Tenaris has counted on cash flows from operations as well as additional bank financing to fund its transactions.

Tenaris has a conservative approach to the management of its liquidity, which consists of cash and cash equivalents, comprising cash in banks, short-term money market funds and highly liquid short-term securities with a maturity of less than 90 days at the date of purchase. Assets recorded in cash and cash equivalents are carried at fair market value.

Tenaris holds primarily liquidity and Treasuries money market investments and variable or fixed-rate securities from investment grade issuers. Tenaris holds its cash and cash equivalents primarily in U.S. dollars. As of December 31, 2008 and 2007, U.S. dollar denominated liquid assets represented around 65% and 70% of total liquid financial assets respectively. Liquid financial assets as a whole (excluding current investments) were 9.8% of total assets compared to 6.3% at the end of 2007.

## B. Financial instruments by category

The accounting policies for financial instruments have been applied to the line items below:

| December 31, 2008                | Assets at fair<br>value through<br>profit and loss | Loans and<br>receivables | Total     |
|----------------------------------|--|--------------------------|-----------|
| Assets as per balance sheet      |  |                          |           |
| Derivative financial instruments | 41,509   | -                        | 41,509    |
| Trade receivables                | -  | 2,123,296                | 2,123,296 |
| Other receivables                | -  | 97,683                   | 97,683    |
| Other investments                | 84,218   | -                        | 84,218    |
| Cash and cash equivalents        | 1,538,769  | -                        | 1,538,769 |
| Total                            | 1,664,496  | 2,220,979                | 3,885,475 |

| December 31, 2008                | Liabilities at fair<br>value through<br>profit and loss | Other<br>financial<br>liabilities | Total     |
|----------------------------------|---|-----------------------------------|-----------|
| Liabilities as per balance sheet |   |                                   |           |
| Borrowings                       | -   | 2,977,015                         | 2,977,015 |
| Derivative financial instruments | 77,792  | -                                 | 77,792    |
| Trade and other payables (*)     | -   | 952,660                           | 952,660   |
| Total                            | 77,792  | 3,929,675                         | 4,007,467 |

(\* The maturity of trade payables is of one year or less.

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## B. Financial instruments by category (Cont.)

| December 31, 2007                | Assets at fair<br>value through<br>profit and loss | Loans and<br>receivables | Total     |
|----------------------------------|--|--------------------------|-----------|
| Assets as per balance sheet      |  |                          |           |
| Derivative financial instruments | 15,258   | -                        | 15,258    |
| Trade receivables                | -  | 1,748,833                | 1,748,833 |
| Other receivables                | -  | 96,001                   | 96,001    |
| Other investments                | 123,033  | -                        | 123,033   |
| Cash and cash equivalents        | 962,497  | -                        | 962,497   |
| Total                            | 1,100,788  | 1,844,834                | 2,945,622 |

| December 31, 2007                | Liabilities at fair<br>value through<br>profit and loss | Other financial<br>liabilities | Total     |
|----------------------------------|---|--------------------------------|-----------|
| Liabilities as per balance sheet |   |                                |           |
| Borrowings                       | -   | 4,020,245                      | 4,020,245 |
| Derivative financial instruments | 15,551  | -                              | 15,551    |
| Trade and other payables         | -   | 896,736                        | 896,736   |
| Total                            | 15,551  | 4,916,981                      | 4,932,532 |

## C. Fair value estimation

The carrying amount of financial assets and liabilities with maturities of less than one year approximates to their fair value.

Since most of the Company's cash and marketable securities are short-term instruments, a change of 50 basis points in the reference interest rates would not have a significant impact in the fair value of financial assets.

Most borrowings are comprised of variable rate debt with a short term portion where interest has already been fixed. Tenaris estimates that the fair value of its main financial liabilities is approximately 98.9% of its carrying amount including interests accrued in 2008 as compared with 100.4% in 2007. Tenaris estimates that a change of 50 basis points in the reference interest rates would have an estimated impact of less than 0.1% in the fair value of borrowings as of December 31, 2008 and 0.1% in 2007. Fair values were calculated using standard valuation techniques for floating rate instruments and comparable market rates for discounting flows.

Specific derivative instruments are priced using valuation tools in order to obtain market values.

## D. Accounting for derivative financial instruments and hedging activities

Derivative financial instruments are initially recognized in the balance sheet at fair value on the date a derivative contract is entered into and are subsequently remeasured at fair value. Specific tools are used for calculation of each

instrument's fair value and these tools are tested for consistency on a quarterly basis. Market rates are used for all pricing operations. These include exchange rates, deposit rates and other discount rates matching the nature of each underlying risk.

As a general rule, Tenaris recognizes the full amount related to the change in fair value of derivative financial instruments in Financial results in the income statement.

D. Accounting for derivative financial instruments and hedging activities (Cont.)

Tenaris designates certain derivatives as hedges of a particular risk associated with a recognized asset or liability or a highly probable forecast transaction. These transactions are classified as cash flow hedges (mainly currency forward contracts on highly probable forecast transactions and interest rate swaps). The effective portion of the fair value of derivatives that are designated and qualify as cash flow hedges is recognized in equity. Amounts accumulated in equity are recognized in the income statement in the same period than offsetting losses and gains on the hedged item. The gain or loss relating to the ineffective portion is recognized immediately in the income statement. The fair value of Tenaris derivative financial instruments (asset or liability) continues to be reflected on the balance sheet.

For transactions designated and qualifying for hedge accounting, Tenaris documents at the inception of the transaction the relationship between hedging instruments and hedged items, as well as its risk management objectives and strategy for undertaking various hedge transactions. At December 31, 2008, the effective portion of designated cash flow hedges amounts to \$17 million, not including tax effect, and is included in Other Reserves in equity (see Note 25 Derivative financial instruments). Tenaris also documents its assessment on an ongoing basis, of whether the derivatives that are used in hedging transactions are highly effective in offsetting changes in fair values or cash flow of hedged items.

The fair values of various derivative instruments used for hedging purposes are disclosed in Note 25. Movements in the hedging reserve included within Other Reserves in shareholder's equity are also shown in Note 25. The full fair value of a hedging derivative is classified as a non current asset or liability when the remaining hedged item is more than 12 months and as a current asset or liability when the remaining maturity of the hedged item is less than 12 months.

## IV. OTHER NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

(In the notes all amounts are shown in thousands of U.S. dollars, unless otherwise stated)

## 1 Segment information

## Reportable operating segments

| (all amounts in thousands of U.S. dollars)   |             |           |           |             | Total                 | Total                       |
|--|-------------|-----------|-----------|-------------|-----------------------|-----------------------------|
|  | Tubes       | Projects  | Other     | Unallocated | Continuing operations | Discontinued operations (*) |
| Year ended December 31, 2008                 |             |           |           |             |                       |                             |
| Net sales                                    | 10,114,994  | 1,270,915 | 745,927   | -           | 12,131,836            | 98,388                      |
| Cost of sales                                | (5,374,409) | (883,534) | (541,246) | -           | (6,799,189)           | (57,712)                    |
| Gross profit                                 | 4,740,585   | 387,381   | 204,681   | -           | 5,332,647             | 40,676                      |
| Selling, general and administrative expenses | (1,571,569) | (136,923) | (110,519) | -           | (1,819,011)           | (13,799)                    |
| Other operating income (expenses), net       | (346,919)   | (1,415)   | (137,438) | -           | (485,772)             | 129                         |
| Operating income                             | 2,822,097   | 249,043   | (43,276)  | -           | 3,027,864             | 27,006                      |
| Segment assets                               | 13,154,333  | 941,519   | 477,853   | 527,007     | 15,100,712            | -                           |
| Segment liabilities                          | 5,860,736   | 377,497   | 160,592   | -           | 6,398,825             | -                           |
| Capital expenditures                         | 412,298     | 17,284    | 13,656    | -           | 443,238               | 3,429                       |
| Depreciation and amortization                | 484,303     | 20,084    | 28,547    | -           | 532,934               | 8,965                       |
| Impairment charge                            | 368,519     | -         | 134,380   | -           | 502,899               | -                           |
| Year ended December 31, 2007                 |             |           |           |             |                       |                             |
| Net sales                                    | 8,552,641   | 876,289   | 613,078   | -           | 10,042,008            | 238,220                     |
| Cost of sales                                | (4,427,868) | (620,836) | (467,063) | -           | (5,515,767)           | (157,356)                   |
| Gross profit                                 | 4,124,773   | 255,453   | 146,015   | -           | 4,526,241             | 80,864                      |
| Selling, general and administrative expenses | (1,391,114) | (94,702)  | (88,133)  | -           | (1,573,949)           | (36,441)                    |
| Other operating income (expenses), net       | (19,731)    | 24,089    | 575       | -           | 4,933                 | (431)                       |
| Operating income                             | 2,713,928   | 184,840   | 58,457    | -           | 2,957,225             | 43,992                      |
| Segment assets                               | 12,453,156  | 1,085,254 | 545,663   | 509,354     | 14,593,427            | 651,160                     |
| Segment liabilities                          | 6,727,523   | 579,376   | 140,796   | -           | 7,447,695             | 267,042                     |
| Capital expenditures                         | 404,545     | 17,969    | 16,822    | -           | 439,336               | 8,581                       |
| Depreciation and amortization                | 446,050     | 19,563    | 26,489    | -           | 492,102               | 22,718                      |
| Year ended December 31, 2006                 |             |           |           |             |                       |                             |
| Net sales                                    | 6,826,868   | 453,536   | 447,341   | -           | 7,727,745             | 503,051                     |
| Cost of sales                                | (3,234,015) | (326,402) | (323,809) | -           | (3,884,226)           | (486,312)                   |
| Gross profit                                 | 3,592,853   | 127,134   | 123,532   | -           | 3,843,519             | 16,739                      |
| Selling, general and administrative expenses | (923,328)   | (71,546)  | (59,932)  | -           | (1,054,806)           | (8,025)                     |
| Other operating income (expenses), net       | 1,022       | 749       | 2,002     | -           | 3,773                 | 2,469                       |



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|                               |            |         |         |         |            |        |
|-------------------------------|------------|---------|---------|---------|------------|--------|
| Operating income              | 2,670,547  | 56,337  | 65,602  | -       | 2,792,486  | 11,183 |
| Segment assets                | 10,807,345 | 803,060 | 561,879 | 422,958 | 12,595,242 | -      |
| Segment liabilities           | 6,242,969  | 448,493 | 202,150 | -       | 6,893,612  | -      |
| Capital expenditures          | 408,965    | 23,979  | 7,507   | -       | 440,451    | 1,021  |
| Depreciation and amortization | 220,368    | 19,345  | 13,394  | -       | 253,107    | 1,897  |

Transactions between segments, which were eliminated in consolidation, include sales of scrap and pipe protectors from the Others segment to the Tubes segment for \$191,036, \$109,574 and \$88,118 in 2008, 2007 and 2006, respectively.

## 1 Segment information (Cont.)

## Geographical information

| (all amounts in thousands of U.S. dollars) | North America | South America | Europe    | Middle East & Africa | Far East & Oceania | Unallocated | Total Continuing operations | Total Discontinued operations (*) |
|--|---------------|---------------|-----------|----------------------|--------------------|-------------|-----------------------------|-----------------------------------|
| Year ended December 31, 2008               |               |               |           |                      |                    |             |                             |                                   |
| Net sales                                  | 4,809,330     | 2,959,654     | 1,824,684 | 1,810,695            | 727,473            | -           | 12,131,836                  | 98,388                            |
| Total assets                               | 7,083,508     | 3,460,729     | 3,033,555 | 436,179              | 559,734            | 527,007     | 15,100,712                  | -                                 |
| Trade receivables                          | 786,867       | 432,987       | 379,794   | 386,786              | 136,862            | -           | 2,123,296                   | -                                 |
| Property, plant and equipment, net         | 1,180,738     | 796,009       | 861,892   | 10,128               | 134,104            | -           | 2,982,871                   | -                                 |
| Capital expenditures                       | 159,990       | 141,174       | 101,050   | 6,705                | 34,319             | -           | 443,238                     | 3,429                             |
| Depreciation and amortization              | 298,240       | 107,732       | 111,040   | 1,246                | 14,676             | -           | 532,934                     | 8,965                             |
| Year ended December 31, 2007               |               |               |           |                      |                    |             |                             |                                   |
| Net sales                                  | 3,187,753     | 2,352,975     | 1,707,788 | 2,093,916            | 699,576            | -           | 10,042,008                  | 238,220                           |
| Total assets                               | 7,471,569     | 3,342,206     | 2,315,187 | 507,331              | 447,780            | 509,354     | 14,593,427                  | 651,160                           |
| Trade receivables                          | 418,081       | 344,743       | 435,384   | 455,965              | 94,660             | -           | 1,748,833                   | 79,220                            |
| Property, plant and equipment, net         | 1,349,863     | 906,211       | 913,642   | 4,672                | 94,619             | -           | 3,269,007                   | 63,629                            |
| Capital expenditures                       | 149,434       | 149,355       | 112,165   | 1,879                | 26,503             | -           | 439,336                     | 8,581                             |
| Depreciation and amortization              | 283,358       | 110,389       | 87,311    | 1,139                | 9,905              | -           | 492,102                     | 22,718                            |
| Year ended December 31, 2006               |               |               |           |                      |                    |             |                             |                                   |
| Net sales                                  | 2,182,936     | 1,520,210     | 1,398,458 | 1,957,707            | 668,434            | -           | 7,727,745                   | 503,051                           |
| Total assets                               | 6,334,227     | 2,780,972     | 2,045,856 | 623,572              | 387,652            | 422,958     | 12,595,242                  | -                                 |
| Trade receivables                          | 425,734       | 189,779       | 392,060   | 519,022              | 98,646             | -           | 1,625,241                   | -                                 |
| Property, plant and equipment, net         | 1,209,277     | 864,425       | 787,058   | 2,813                | 75,668             | -           | 2,939,241                   | -                                 |
| Capital expenditures                       | 121,976       | 145,956       | 137,608   | 367                  | 34,544             | -           | 440,451                     | 1,021                             |
| Depreciation and amortization              | 98,967        | 90,224        | 57,037    | 780                  | 6,099              | -           | 253,107                     | 1,897                             |

There are no revenues from external customers attributable to the Company's country of incorporation (Luxembourg). For geographical information purposes, "North America" comprises Canada, Mexico and the USA; "South America" comprises principally Argentina, Brazil Colombia and Venezuela; "Europe" comprises principally, Italy, Romania and the United Kingdom; "Middle East and Africa" comprises principally Algeria, Kuwait, Saudi Arabia and the United Arab Emirates; "Far East and Oceania" comprises principally China and Japan.

(\* Corresponds to Pressure Control (years 2008 and 2007) and Dalmine Energie (year 2006) operations (See Note 29).

## 2 Cost of sales

| (all amounts in thousands of U.S. dollars)         | Year ended December 31, |             |             |
|--|-------------------------|-------------|-------------|
|  | 2008                    | 2007        | 2006        |
| Inventories at the beginning of the year           | 2,598,856               | 2,372,308   | 1,376,113   |
| Plus: Charges of the year                          |                         |             |             |
| Raw materials, energy, consumables and other       | 5,430,147               | 4,183,577   | 3,514,396   |
| Increase in inventory due to business combinations | -                       | 152,500     | 592,341     |
| Services and fees                                  | 395,104                 | 392,531     | 384,223     |
| Labor cost   | 927,132                 | 766,173     | 512,854     |
| Depreciation of property, plant and equipment      | 282,407                 | 263,813     | 187,564     |
| Amortization of intangible assets                  | 2,170                   | 1,737       | 2,738       |
| Maintenance expenses                               | 203,207                 | 180,502     | 120,664     |
| Provisions for contingencies                       | 12                      | 3,191       | (87)        |
| Allowance for obsolescence                         | (2,055)                 | 24,371      | (8,006)     |
| Taxes  | 8,655                   | 7,651       | 4,568       |
| Other  | 102,667                 | 82,453      | 55,478      |
|  | 7,349,446               | 6,058,499   | 5,366,733   |
| Deconsolidation / Transfer to assets held for sale | -                       | (158,828)   | -           |
| Less: Inventories at the end of the year           | (3,091,401)             | (2,598,856) | (2,372,308) |
|  | 6,856,901               | 5,673,123   | 4,370,538   |
| From Discontinued operations                       | (57,712)                | (157,356)   | (486,312)   |
|  | 6,799,189               | 5,515,767   | 3,884,226   |

## 3 Selling, general and administrative expense

| (all amounts in thousands of U.S. dollars)      | Year ended December 31, |           |           |
|---|-------------------------|-----------|-----------|
|   | 2008                    | 2007      | 2006      |
| Services and fees                               | 214,010                 | 193,389   | 133,304   |
| Labor cost                                      | 447,150                 | 402,919   | 279,768   |
| Depreciation of property, plant and equipment   | 12,096                  | 13,272    | 9,926     |
| Amortization of intangible assets               | 245,226                 | 235,998   | 54,776    |
| Commissions, freight and other selling expenses | 571,823                 | 462,640   | 361,655   |
| Provisions for contingencies                    | 37,101                  | 30,738    | 13,881    |
| Allowances for doubtful accounts                | 13,823                  | 5,035     | 1,199     |
| Taxes   | 167,686                 | 147,326   | 122,789   |
| Other   | 123,895                 | 119,073   | 85,533    |
|   | 1,832,810               | 1,610,390 | 1,062,831 |
| From Discontinued operations                    | (13,799)                | (36,441)  | (8,025)   |
|   | 1,819,011               | 1,573,949 | 1,054,806 |



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

| (all amounts in thousands of U.S. dollars)         | Year ended December 31, |           |         |
|--|-------------------------|-----------|---------|
|  | 2008                    | 2007      | 2006    |
| Wages, salaries and social security costs          | 1,349,195               | 1,139,587 | 778,573 |
| Employees' severance indemnity                     | 19,168                  | 10,931    | 11,588  |
| Pension benefits - defined benefit plans           | 6,633                   | 7,454     | 2,461   |
| Employee retention and long term incentive program | (714)                   | 11,120    | -       |
|  | 1,374,282               | 1,169,092 | 792,622 |
| From Discontinued operations                       | (17,773)                | (43,058)  | (4,898) |
|  | 1,356,509               | 1,126,034 | 787,724 |

At the year-end, the number of employees was 23,873 in 2008, 23,372 in 2007 and 21,751 in 2006.

## 5 Other operating items

| (all amounts in thousands of U.S. dollars)                      | Year ended December 31, |        |         |
|---|-------------------------|--------|---------|
|   | 2008                    | 2007   | 2006    |
| (i) Other operating income                                      |                         |        |         |
| Reimbursement from insurance companies and other third parties  | 10,511                  | 2,611  | 1,611   |
| Net income from other sales                                     | 23,704                  | 21,957 | 4,512   |
| Net income from sale of investments                             | -                       | -      | 6,933   |
| Net rents   | 1,971                   | 2,437  | 2,490   |
| Other   | -                       | 1,834  | -       |
|   | 36,186                  | 28,839 | 15,546  |
| From Discontinued operations                                    | (294)                   | (135)  | (2,469) |
|   | 35,892                  | 28,704 | 13,077  |
| (ii) Other operating expenses                                   |                         |        |         |
| Contributions to welfare projects and non-profits organizations | 2,871                   | 2,283  | 4,463   |
| Provisions for legal claims and contingencies                   | (22)                    | (51)   | -       |
| Loss on fixed assets and material supplies disposed / scrapped  | 461                     | 5,742  | 4,145   |
| Settlement of outstanding redemptions on Maverick's 2005 notes  | -                       | 10,275 | -       |
| Loss from natural disasters                                     | 1,743                   | 5,693  | -       |
| Allowance for doubtful receivables                              | (184)                   | 395    | (375)   |
| Losses on prepayment to suppliers                               | 3,830                   | -      | -       |
| Impairment charge   | 502,899                 | -      | -       |
| Other   | 10,231                  | -      | 1,071   |
|   | 521,829                 | 24,337 | 9,304   |
| From Discontinued operations                                    | (165)                   | (566)  | -       |

521,664      23,771      9,304

## 5 Other operating items (Cont.)

Long-lived assets including identifiable intangible assets and goodwill are regularly reviewed for impairment.

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

The recoverable amount is the higher of the value in use and the fair value less cost to sell. When evaluating long-lived assets for potential impairment, Tenaris estimates the recoverable amount based on the value in use of the corresponding Cash Generating Unit (“CGU”). The value in use of these units is determined on the basis of the present value of net future cash flows which will be generated by the assets tested. Cash flows are discounted at a pre-tax rate that reflects specific country and currency risks.

In certain circumstances the fair value less cost to sale is estimated if value in use is lower than the carrying amount. For the purpose of calculating the fair value less cost to sale Tenaris used the estimated value of future cash flows a market participant could generate from the CGU discounted at a post tax rate.

The present value of future cash flows involves highly sensitive estimates and assumptions specific to the nature of CGU’s activities such as the selected discount rate, the expected changes in market prices and the expected changes in the demand of Tenaris products and services.

For the December 2008 impairment test, Tenaris used cash flow projections for a five year period with a terminal value calculated based on perpetuity.

The discount rates are the weighted average cost of capital (WACC) which is considered to be a good indicator of the capital cost. For each CGU where the assets are allocated a specific WACC was determined taking into account the industry, the country and the size of the business.

As a consequence of changes in economic and financial market conditions Tenaris recorded an impairment charge for \$502.9 million; of which \$394.3 million impairment charge corresponds to intangible assets originated in the acquisition of Maverick in 2006. This charge impacted the following CGU: OCTG (USA and Colombia), Coiled Tubing, Prudential (Canada) and Electric Conduits.

The pretax rates used in the calculation range from 11% to 14 % p.a. and for the cash flows beyond the fifth year and inflation and growth rate of 2% was considered.

## 6 Financial results

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

|  | Year ended December 31, |           |          |
|--|-------------------------|-----------|----------|
|  | 2008                    | 2007      | 2006     |
| Interest income  | 49,114                  | 93,458    | 61,401   |
| Interest expense   | (185,851)               | (275,763) | (93,638) |
| Interest net   | (136,737)               | (182,305) | (32,237) |
| Net foreign exchange transaction results and changes in fair value of derivative instruments (*) | (84,522)                | (10,782)  | 29,129   |
| Other  | (19,738)                | (11,969)  | (1,828)  |
| Other financial results  | (104,260)               | (22,751)  | 27,301   |



|                              |           |           |         |
|------------------------------|-----------|-----------|---------|
| Net financial results        | (240,997) | (205,056) | (4,936) |
| From Discontinued operations | (238)     | 46        | (16)    |
|                              | (241,235) | (205,010) | (4,952) |

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

(\*) Includes a loss of \$40.7 million and a gain of \$9.7 million for 2008 and 2007 respectively of embedded derivatives.

## 7 Equity in earnings of associated companies

| (all amounts in thousands of U.S. dollars)     | Year ended December 31, |         |        |
|--|-------------------------|---------|--------|
|  | 2008                    | 2007    | 2006   |
| From associated companies                      | 89,556                  | 94,888  | 95,260 |
| Gain on sale of associated companies and other | -                       | 18,388  | (593)  |
|  | 89,556                  | 113,276 | 94,667 |

## 8 Income tax

| (all amounts in thousands of U.S. dollars)     | Year ended December 31, |          |          |
|--|-------------------------|----------|----------|
|  | 2008                    | 2007     | 2006     |
| Current tax                                    | 1,255,759               | 936,831  | 897,427  |
| Deferred tax                                   | (244,331)               | (97,799) | (17,386) |
|  | 1,011,428               | 839,032  | 880,041  |
| Effect of currency translation on tax base (a) | 10,704                  | (5,654)  | (6,060)  |
|  | 1,022,132               | 833,378  | 873,981  |
| From Discontinued operations                   | (10,457)                | (9,454)  | (4,004)  |
|  | 1,011,675               | 823,924  | 869,977  |

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

| (all amounts in thousands of U.S. dollars)        | Year ended December 31, |           |           |
|---|-------------------------|-----------|-----------|
|   | 2008                    | 2007      | 2006      |
| Income before income tax                          | 2,876,185               | 2,865,491 | 2,882,201 |
| Tax calculated at the tax rate in each country    | 878,330                 | 844,191   | 901,580   |
| Non taxable income / Non deductible expenses (*)  | 122,161                 | 2,860     | (32,562)  |
| Changes in the tax rates                          | (4,476)                 | (27,479)  | -         |
| Effect of currency translation on tax base (a)    | 10,704                  | (5,654)   | (6,060)   |
| Effect of taxable exchange differences            | 8,878                   | 11,660    | 10,069    |
| Utilization of previously unrecognized tax losses | (3,922)                 | (1,654)   | (3,050)   |
| Tax charge  | 1,011,675               | 823,924   | 869,977   |

(\*) Includes the effect of the impairment charge

(a) Tenaris applies the liability method to recognize deferred income tax expense on temporary differences between the tax bases of assets and their carrying amounts in the financial statements. By application of this method, Tenaris recognizes gains and losses on deferred income tax due to the effect of the change in the value of the Argentine peso on the tax bases of the fixed assets of its Argentine subsidiaries, which have the U.S. dollar as their functional currency. These gains and losses are required by IFRS even though the devalued tax basis of the relevant assets will result in a reduced dollar value of amortization deductions for tax purposes in future periods

throughout the useful life of those assets. As a result, the resulting deferred income tax charge does not represent a separate obligation of Tenaris that is due and payable in any of the relevant periods.

## 9 Earnings and dividends per share

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

|  | Year ended December 31, |           |           |
|--|-------------------------|-----------|-----------|
|  | 2008                    | 2007      | 2006      |
| Net income attributable to equity holders                      | 2,124,802               | 1,923,748 | 1,945,314 |
| Weighted average number of ordinary shares in issue (thousand) | 1,180,537               | 1,180,537 | 1,180,537 |
| Basic and diluted earnings per share ( U.S. dollars per share) | 1.80                    | 1.63      | 1.65      |
| Basic and diluted earnings per ADS ( U.S. dollars per ADS) (*) | 3.60                    | 3.26      | 3.30      |
| Dividends paid   | (448,604)               | (507,631) | (204,233) |
| Dividends per share  | 0.38                    | 0.43      | 0.17      |
| Dividends per ADS (*)  | 0.76                    | 0.86      | 0.35      |
| Net income from discontinued operations                        | 411,110                 | 34,492    | 47,180    |
| Basic and diluted earnings per share                           | 0.35                    | 0.03      | 0.04      |
| Basic and diluted earnings per ADS (*)                         | 0.70                    | 0.06      | 0.08      |

(\*) Each ADS equals to two shares

On November 6, 2008 Tenaris's board of directors approved the payment of an interim dividend of \$0.13 per share (\$0.26 per ADS), or approximately \$153 million, on November 27, 2008 (or, only in those jurisdictions where such date is not a business day, on November 28, 2008), with an ex-dividend date of November 24.

On June 4, 2008, the Company's shareholders approved an annual dividend in the amount of \$0.38 per share (\$0.76 per ADS) of common stock currently issued and outstanding. This amount approved included the interim dividend previously paid in November 2007, in the amount of \$0.13 per share (\$0.26 per ADS). The balance, amounting to \$0.25 per share (\$0.50 per ADS), was paid on June 26, 2008. In the aggregate, the interim dividend paid in November 2007 and the balance paid in June 2008 amounted to approximately \$449 million.

On November 7, 2007, the Company's board of directors approved the payment of an interim dividend of \$0.13 per share (\$0.26 per ADS), or approximately \$153 million, on November 22, 2007, with an ex-dividend date of November 19.

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

On June 7, 2006, the Company's shareholders approved an annual dividend in the amount of \$0.30 per share of common stock currently issued and outstanding. The amount approved included the interim dividend previously paid on November 16, 2005, in the amount of \$0.127 per share. Tenaris paid the balance of the annual dividend amounting

to \$0.173 per share (\$0.346 per ADS) on June 16, 2006. In the aggregate, the interim dividend paid in November 2005 and the balance paid in June 2006 amounted to approximately \$354 million.

## 10 Property, plant and equipment, net

| Year ended December 31, 2008             | Land, building and improvements | Plant and production equipment | Vehicles, furniture and fixtures | Work in progress | Spare parts and equipment | Total     |
|--|---------------------------------|--------------------------------|----------------------------------|------------------|---------------------------|-----------|
| <b>Cost</b>                              |                                 |                                |                                  |                  |                           |           |
| Values at the beginning of the year      | 642,269                         | 6,570,777                      | 196,538                          | 327,019          | 35,818                    | 772,421   |
| Translation differences                  | (87,144)                        | (436,811)                      | (9,720)                          | (26,315)         | (2,008)                   | (561,998) |
| Additions                                | 16,125                          | 7,769                          | 2,110                            | 381,375          | 4,603                     | 411,982   |
| Disposals / Consumptions                 | (7,986)                         | (161,804)                      | (49,958)                         | -                | (3,796)                   | (223,544) |
| Transfers / Reclassifications            | 125,909                         | 258,492                        | 56,658                           | (446,222)        | 3,833                     | (1,330)   |
| Values at the end of the year            | 689,173                         | 6,238,423                      | 195,628                          | 235,857          | 38,450                    | 7,397,531 |
| <b>Depreciation and impairment</b>       |                                 |                                |                                  |                  |                           |           |
| Accumulated at the beginning of the year | 163,919                         | 4,196,295                      | 132,729                          | -                | 10,471                    | 4,503,414 |
| Translation differences                  | (25,416)                        | (249,212)                      | (6,729)                          | -                | (339)                     | (281,696) |
| Depreciation charge                      | 19,431                          | 239,990                        | 31,622                           | -                | 1,206                     | 292,249   |
| Transfers / Reclassifications            | 558                             | 10,186                         | (10,744)                         | -                | -                         | -         |
| Disposals / Consumptions                 | (2,628)                         | (157,296)                      | (47,914)                         | -                | (116)                     | (207,954) |
| Impairment charge (see Note 5)           | 2,579                           | 96,075                         | 149                              | 7,200            | 2,644                     | 108,647   |
| Accumulated at the end of the year       | 158,443                         | 4,136,038                      | 99,113                           | 7,200            | 13,866                    | 4,414,660 |
| At December 31, 2008                     | 530,730                         | 2,102,385                      | 96,515                           | 228,657          | 24,584                    | 2,982,871 |

| Year ended December 31, 2007                        | Land, building and improvements | Plant and production equipment | Vehicles, furniture and fixtures | Work in progress | Spare parts and equipment | Total     |
|---|---------------------------------|--------------------------------|----------------------------------|------------------|---------------------------|-----------|
| <b>Cost</b>   |                                 |                                |                                  |                  |                           |           |
| Values at the beginning of the year                 | 542,947                         | 5,991,966                      | 168,173                          | 392,843          | 28,412                    | 7,124,341 |
| Translation differences                             | 19,840                          | 184,258                        | 4,845                            | 20,324           | 1,345                     | 230,612   |
| Additions   | 10,502                          | 12,321                         | 2,753                            | 393,579          | 6,417                     | 425,572   |
| Disposals / Consumptions                            | (9,289)                         | (37,596)                       | (8,230)                          | -                | (1,113)                   | (56,228)  |
| Transfers / Reclassifications                       | 48,939                          | 393,632                        | 28,230                           | (473,857)        | 770                       | (2,286)   |
| Increase due to business combinations (see Note 27) | 55,551                          | 81,418                         | 6,973                            | 8,598            | -                         | 152,540   |
| Deconsolidation / Transfer to assets held for sale  | (26,221)                        | (55,222)                       | (6,206)                          | (14,468)         | (13)                      | (102,130) |
| Values at the end of the year                       | 642,269                         | 6,570,777                      | 196,538                          | 327,019          | 35,818                    | 7,772,421 |

|  |         |           |         |         |                 |          |
|--|---------|-----------|---------|---------|-----------------|----------|
| Depreciation                                       |         |           |         |         |                 |          |
| Accumulated at the beginning of the year           | 146,941 | 3,917,941 | 112,900 | -       | 7,3184,185,100  |          |
| Translation differences                            | 4,842   | 84,371    | 3,400   | -       | 417             | 93,030   |
| Depreciation charge                                | 17,259  | 233,637   | 24,936  | -       | 1,253           | 277,085  |
| Transfers / Reclassifications                      | 4       | (1,418)   | (81)    | -       | 1,483           | (12)     |
| Disposals / Consumptions                           | (2,382) | (24,310)  | (5,992) | -       | -               | (32,684) |
| Deconsolidation / Transfer to assets held for sale | (2,745) | (13,926)  | (2,434) | -       | -               | (19,105) |
| Accumulated at the end of the year                 | 163,919 | 4,196,295 | 132,729 | -       | 10,4714,503,414 |          |
| At December 31, 2007                               | 478,350 | 2,374,482 | 63,809  | 327,019 | 25,3473,269,007 |          |

Property, plant and equipment include capitalized interest for net amounts at December 31, 2008 and 2007 of \$2,548 and \$2,943, respectively.

## 11 Intangible assets, net

| Year ended December 31, 2008             | Information Licenses, patents |                    |               |                        | Total     |
|--|-------------------------------|--------------------|---------------|------------------------|-----------|
|  | system projects               | and trademarks (*) | Goodwill (**) | Customer relationships |           |
| <b>Cost</b>                              |                               |                    |               |                        |           |
| Values at the beginning of the year      | 186,073                       | 500,523            | 2,149,037     | 2,072,006              | 4,907,639 |
| Translation differences                  | (9,906)                       | (7,469)            | (16,836)      | (100,264)              | (134,475) |
| Additions                                | 26,970                        | 4,286              | -             | -                      | 31,256    |
| Transfers / Reclassifications            | 635                           | (1,606)            | -             | 3,512                  | 2,541     |
| Disposals                                | (160)                         | (77)               | (1,402)       | -                      | (1,639)   |
| Values at the end of the year            | 203,612                       | 495,657            | 2,130,799     | 1,975,254              | 4,805,322 |
| <b>Amortization and impairment</b>       |                               |                    |               |                        |           |
| Accumulated at the beginning of the year | 124,164                       | 67,200             | -             | 173,923                | 365,287   |
| Translation differences                  | (8,041)                       | (163)              | (684)         | (14,144)               | (23,032)  |
| Amortization charge                      | 17,851                        | 63,198             | -             | 159,636                | 240,685   |
| Transfers / Reclassifications            | -                             | -                  | -             | 1,211                  | 1,211     |
| Impairment charge (see Note 5)           | -                             | -                  | 326,124       | 68,128                 | 394,252   |
| Disposals                                | -                             | (68)               | -             | -                      | (68)      |
| Accumulated at the end of the year       | 133,974                       | 130,167            | 325,440       | 388,754                | 978,335   |
| At December 31, 2008                     | 69,638                        | 365,490            | 1,805,359     | 1,586,500              | 3,826,987 |

| Year ended December 31, 2007                        | Information Licenses, patents |                    |               |                        | Total     |
|---|-------------------------------|--------------------|---------------|------------------------|-----------|
|   | system projects               | and trademarks (*) | Goodwill (**) | Customer relationships |           |
| <b>Cost</b>   |                               |                    |               |                        |           |
| Values at the beginning of the year                 | 155,155                       | 103,140            | 1,227,720     | 1,493,800              | 2,979,815 |
| Translation differences                             | 6,988                         | 1,297              | 13,188        | 77,526                 | 98,999    |
| Additions   | 22,174                        | 171                | -             | -                      | 22,345    |
| Increase due to business combinations (see Note 27) | 1,600                         | 497,780            | 1,042,015     | 593,800                | 2,135,195 |
| Transfers   | 1,004                         | 5,925              | -             | -                      | 6,929     |
| Reclassifications                                   | -                             | 460                | (11,758)      | 231                    | (11,067)  |
| Disposals   | (506)                         | (209)              | -             | -                      | (715)     |
| Deconsolidation / Transfer to assets held for sale  | (342)                         | (108,041)          | (122,128)     | (93,351)               | (323,862) |
| Values at the end of the year                       | 186,073                       | 500,523            | 2,149,037     | 2,072,006              | 4,907,639 |
| <b>Amortization and impairment</b>                  |                               |                    |               |                        |           |
| Accumulated at the beginning of the year            | 95,079                        | 12,761             | -             | 27,477                 | 135,317   |
| Translation differences                             | 5,537                         | 903                | -             | 3,189                  | 9,629     |



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|   |         |         |           |           |           |
|---|---------|---------|-----------|-----------|-----------|
| Amortization charge                                   | 23,819  | 56,423  | -         | 157,493   | 237,735   |
| Transfers   | -       | 4,655   | -         | -         | 4,655     |
| Disposals   | (9)     | (209)   | -         | -         | (218)     |
| Deconsolidation / Transfer to<br>assets held for sale | (262)   | (7,333) | -         | (14,236)  | (21,831)  |
| Accumulated at the end of the year                    | 124,164 | 67,200  | -         | 173,923   | 365,287   |
| At December 31, 2007                                  | 61,909  | 433,323 | 2,149,037 | 1,898,083 | 4,542,352 |

(\*) Includes Proprietary Technology.

(\*\*) Goodwill at December 31, 2008 and December 31, 2007 corresponds principally to the Tubes segment.

## 11 Intangible assets, net (Cont.)

The geographical allocation of goodwill is presented below.

|               | Year ended December 31, |           |
|---------------|-------------------------|-----------|
|               | 2008                    | 2007      |
| South America | 189,376                 | 190,778   |
| Europe        | 769                     | 769       |
| North America | 1,615,214               | 1,957,490 |
|               | 1,805,359               | 2,149,037 |

Out of \$1,890.6 million of goodwill and intangible assets with indefinite useful life, \$772.0 million and \$919.9 million correspond to the acquisitions of Maverick and Hydril, respectively. For the purpose of impairment testing, goodwill is allocated to each of the Tenaris' CGU's that are expected to benefit from the synergies of the combination.

## 12 Investments in associated companies

|  | Year ended December 31, |          |
|--|-------------------------|----------|
|  | 2008                    | 2007     |
| At the beginning of the year                         | 509,354                 | 422,958  |
| Translation differences                              | (51,004)                | 3,595    |
| Equity in earnings of associated companies           | 89,556                  | 94,888   |
| Dividends and distributions received                 | (15,032)                | (12,170) |
| Reorganization of Dalmine Energie, Lomond and others | -                       | 83       |
| Increase in equity reserves in Ternium and other     | (5,867)                 | -        |
| At the end of the year                               | 527,007                 | 509,354  |

The principal associated companies are:

| Company      | Country of incorporation | Percentage of ownership and voting rights at December 31, |        | Value at December 31, |         |
|--------------|--------------------------|---|--------|-----------------------|---------|
|              |                          | 2008  | 2007   | 2008                  | 2007    |
| Ternium S.A. | Luxembourg               | 11.46%  | 11.46% | 504,288               | 487,705 |
| Others       | -                        | -   | -      | 22,719                | 21,649  |
|              |                          |   |        | 527,007               | 509,354 |

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

|                         | Ternium S.A. |            |
|-------------------------|--------------|------------|
|                         | 2008         | 2007       |
| Non-current assets      | 5,491,408    | 8,553,123  |
| Current assets          | 5,179,839    | 5,095,959  |
| Total assets            | 10,671,247   | 13,649,082 |
| Non-current liabilities | 3,374,964    | 5,401,549  |
| Current liabilities     | 1,734,819    | 1,989,610  |

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|   |           |           |
|---|-----------|-----------|
| Total liabilities   | 5,109,783 | 7,391,159 |
| Minority interest   | 964,094   | 1,805,243 |
| Revenues  | 8,464,885 | 5,633,366 |
| Gross profit  | 2,336,858 | 1,345,695 |
| Income from discontinued operations                                     | 157,095   | 579,925   |
| Net income for the period attributable to equity holders of the company | 715,418   | 784,490   |

## 13 Other investments – non current

|                                   | Year ended December 31, |        |
|-----------------------------------|-------------------------|--------|
|                                   | 2008                    | 2007   |
| Deposits with insurance companies | 18,487                  | 14,661 |
| Investments in other companies    | 12,370                  | 12,568 |
| Others                            | 7,498                   | 8,274  |
|                                   | 38,355                  | 35,503 |

## 14 Receivables – non current

|  | Year ended December 31, |          |
|--|-------------------------|----------|
|  | 2008                    | 2007     |
| Government entities                                | 5,138                   | 5,637    |
| Employee advances and loans                        | 13,512                  | 10,464   |
| Tax credits  | 10,013                  | 13,547   |
| Trade receivables                                  | 208                     | 1,135    |
| Receivables from related parties                   | 495                     | 633      |
| Receivables on off- take contract                  | 114                     | 4,439    |
| Legal deposits                                     | 15,812                  | 19,724   |
| Advances to suppliers and other advances           | 38,862                  | -        |
| Derivative financial instruments                   | -                       | 9,677    |
| Other  | 3,615                   | 9,065    |
|  | 87,769                  | 74,321   |
| Allowances for doubtful accounts (see Note 23 (i)) | (5,017)                 | (10,583) |
|  | 82,752                  | 63,738   |

## 15 Inventories

|  | Year ended December 31, |           |
|--|-------------------------|-----------|
|  | 2008                    | 2007      |
| Finished goods                           | 1,122,147               | 1,050,634 |
| Goods in process                         | 665,982                 | 544,020   |
| Raw materials                            | 659,973                 | 402,476   |
| Supplies                                 | 430,488                 | 389,188   |
| Goods in transit                         | 306,155                 | 314,749   |
|  | 3,184,745               | 2,701,067 |
| Allowance for obsolescence (Note 24 (i)) | (93,344)                | (102,211) |
|  | 3,091,401               | 2,598,856 |

## 16 Receivables and prepayments

|  | Year ended December 31, |        |
|--|-------------------------|--------|
|  | 2008                    | 2007   |
| Prepaid expenses and other receivables   | 41,244                  | 37,727 |
| Government entities                      | 3,793                   | 3,225  |
| Employee advances and loans              | 14,552                  | 10,886 |
| Advances to suppliers and other advances | 33,063                  | 58,701 |

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|  |         |         |
|--|---------|---------|
| Government tax refunds on exports                          | 35,319  | 34,519  |
| Receivables from related parties                           | 45,735  | 35,551  |
| Derivative financial instruments                           | 41,509  | 5,581   |
| Miscellaneous  | 41,513  | 43,504  |
|  | 256,728 | 229,694 |
| Allowance for other doubtful accounts (see Note 24<br>(i)) | (5,247) | (7,284) |
|  | 251,481 | 222,410 |

## 17 Current tax assets

|                | Year ended December 31, |         |
|----------------|-------------------------|---------|
|                | 2008                    | 2007    |
| V.A.T. credits | 167,691                 | 126,674 |
| Prepaid taxes  | 33,916                  | 116,083 |
|                | 201,607                 | 242,757 |

## 18 Trade receivables

|   | Year ended December 31, |           |
|---|-------------------------|-----------|
|   | 2008                    | 2007      |
| Current accounts                                  | 2,066,698               | 1,651,012 |
| Notes receivables                                 | 71,448                  | 104,747   |
| Receivables from related parties                  | 19,278                  | 17,604    |
|   | 2,157,424               | 1,773,363 |
| Allowance for doubtful accounts (see Note 24 (i)) | (34,128)                | (24,530)  |
|   | 2,123,296               | 1,748,833 |

The following table sets forth details of the age of trade receivables:

|                                 | Trade<br>Receivables | Not Due   | Past due     |            |
|---------------------------------|----------------------|-----------|--------------|------------|
|                                 |                      |           | 1 - 180 days | > 180 days |
| At December 31, 2008            |                      |           |              |            |
| Guaranteed                      | 929,566              | 742,854   | 173,687      | 13,025     |
| Not guaranteed                  | 1,227,858            | 914,784   | 281,946      | 31,128     |
| Guaranteed and not guaranteed   | 2,157,424            | 1,657,638 | 455,633      | 44,153     |
| Allowance for doubtful accounts | (34,128)             | (246)     | (2,997)      | (30,885)   |
| Net Value                       | 2,123,296            | 1,657,392 | 452,636      | 13,268     |

## At December 31, 2007

|                                 |           |           |         |          |
|---------------------------------|-----------|-----------|---------|----------|
| Guaranteed                      | 886,970   | 746,722   | 97,407  | 42,841   |
| Not guaranteed                  | 886,393   | 704,031   | 158,735 | 23,627   |
| Guaranteed and not guaranteed   | 1,773,363 | 1,450,753 | 256,142 | 66,468   |
| Allowance for doubtful accounts | (24,530)  | -         | (789)   | (23,741) |
| Net Value                       | 1,748,833 | 1,450,753 | 255,353 | 42,727   |

No material financial assets that are fully performing have been renegotiated in the last year.

## 19 Cash and cash equivalents, and Other investments

|                           | Year ended December 31, |        |
|---------------------------|-------------------------|--------|
|                           | 2008                    | 2007   |
| Other investments         |                         |        |
| Financial assets          | 45,863                  | 87,530 |
| Cash and cash equivalents |                         |        |

|  |           |         |
|--|-----------|---------|
| Cash and short - term liquid investments | 1,538,769 | 962,497 |
|--|-----------|---------|

## 20 Borrowings

|                           | Year ended December 31, |           |
|---------------------------|-------------------------|-----------|
|                           | 2008                    | 2007      |
| Non-Current               |                         |           |
| Bank borrowings           | 1,225,267               | 2,858,122 |
| Other loans               | 22,803                  | 24,071    |
| Finance lease liabilities | 564                     | 1,067     |
| Costs of issue of debt    | (7,586)                 | (13,794)  |
|                           | 1,241,048               | 2,869,466 |
| Current                   |                         |           |
| Bank Borrowings           | 1,608,467               | 1,119,004 |
| Other loans               | 119,135                 | 32,521    |
| Bank Overdrafts           | 13,747                  | 8,194     |
| Finance lease liabilities | 368                     | 696       |
| Costs of issue of debt    | (5,750)                 | (9,636)   |
|                           | 1,735,967               | 1,150,779 |
| Total Borrowings          | 2,977,015               | 4,020,245 |

The maturity of borrowings is as follows:

|   | 1 year or<br>less | 1 - 2 years | 2 - 3<br>years | 3 - 4<br>years | 4 - 5<br>years | Over 5<br>years | Total     |
|---|-------------------|-------------|----------------|----------------|----------------|-----------------|-----------|
| At December 31, 2008                            |                   |             |                |                |                |                 |           |
| Financial lease                                 | 368               | 165         | 160            | 160            | 79             | -               | 932       |
| Other borrowings                                | 1,735,599         | 527,379     | 511,125        | 135,615        | 50,064         | 16,301          | 2,976,083 |
| Total borrowings                                | 1,735,967         | 527,544     | 511,285        | 135,775        | 50,143         | 16,301          | 2,977,015 |
| Interest to be accrued                          | 98,668            | 24,163      | 16,329         | 5,896          | 1,920          | 2,030           | 149,006   |
| Total borrowings plus<br>interest to be accrued | 1,834,635         | 551,707     | 527,614        | 141,671        | 52,063         | 18,331          | 3,126,021 |

Significant borrowings include:

| Disbursement date | Borrower | Type       | In million of \$ |             | Final maturity |
|-------------------|----------|------------|------------------|-------------|----------------|
|                   |          |            | Original         | Outstanding |                |
| May 2007          | Tenaris  | Syndicated | 1,000.0          | 250.0       | May 2009 (*)   |
| October 2006      | Siderca  | Syndicated | 480.5            | 288.3       | October 2009   |
| March 2005        | Tamsa    | Syndicated | 300.0            | 180.0       | March 2010     |
| October 2006      | Tamsa    | Syndicated | 700.0            | 466.7       | October 2011   |
| October 2006      | Maverick | Syndicated | 750.0            | 452.3       | October 2011   |
| October 2006      | Dalmine  | Syndicated | 150.0            | 100.0       | October 2011   |



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|           |         |            |       |       |           |
|-----------|---------|------------|-------|-------|-----------|
| May 2007  | Hydril  | Syndicated | 300.0 | 233.0 | May 2012  |
| June 2008 | Dalmine | Bilateral  | 150.0 | 150.0 | June 2013 |

(\* ) At the Company's option this loan may be extended until May 2012 notifying the agent at least three labor days before original maturity.

The main covenants on these loan agreements are stated in Note 27 a) and c).

## 20 Borrowings (Cont.)

Tenaris' consolidated debt includes \$57 million of Dalmine and \$11 million of Confab secured by certain properties of these subsidiaries.

As of December 31, 2008, Tenaris was in compliance with all of its covenants.

The weighted average interest rates before tax shown below were calculated using the rates set for each instrument in its corresponding currency as of December 31, 2008 and 2007. The changes in interest rate are basically due to changes in floating interest rate.

|                           | 2008  | 2007  |
|---------------------------|-------|-------|
| Bank borrowings           | 5.23% | 5.80% |
| Other loans               | 4.99% | 5.50% |
| Finance lease liabilities | 7.74% | 2.52% |

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

## Non current bank borrowings

| Currency  | Interest rates | Year ended December 31, |           |
|---|----------------|-------------------------|-----------|
|   |                | 2008                    | 2007      |
| USD   | Variable       | 2,268,381               | 3,448,850 |
| USD   | Fixed          | 20                      | 18        |
| EUR   | Variable       | 14,310                  | 34,268    |
| EUR   | Fixed          | 5,133                   | 6,772     |
| BRL   | Variable       | 11,397                  | 20,596    |
|   |                | 2,299,241               | 3,510,504 |
| Less: Current portion of medium and long - term loans |                | (1,073,974)             | (652,382) |
| Total non current bank borrowings                     |                | 1,225,267               | 2,858,122 |

## Non current other loans

| Currency  | Interest rates | Year ended December 31, |         |
|---|----------------|-------------------------|---------|
|   |                | 2008                    | 2007    |
| USD   | Variable       | 28,032                  | 26,412  |
|   |                | 28,032                  | 26,412  |
| Less: Current portion of medium and long - term loans |                | (5,229)                 | (2,341) |
| Total non current other loans                         |                | 22,803                  | 24,071  |

## Non current finance lease liabilities

| Currency | Interest rates | Year ended December 31, |      |
|----------|----------------|-------------------------|------|
|          |                | 2008                    | 2007 |
| EUR      | Fixed          | 195                     | 367  |

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|   |          |       |       |
|---|----------|-------|-------|
| EUR   | Variable | -     | 66    |
| COP   | Variable | -     | 74    |
| USD   | Fixed    | 737   | 14    |
| JPY   | Fixed    | -     | 1,242 |
|   |          | 932   | 1,763 |
| Less: Current portion of medium and long - term loans |          | (368) | (696) |
| Total non current finance leases                      |          | 564   | 1,067 |

## 20 Borrowings (Cont.)

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

|   | Year ended December 31, |         |
|---|-------------------------|---------|
|   | 2008                    | 2007    |
| Property, plant and equipment mortgages | 247,143                 | 366,960 |

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

## Current bank borrowings

| Currency                      | Interest rates | Year ended December 31, |           |
|-------------------------------|----------------|-------------------------|-----------|
|                               |                | 2008                    | 2007      |
| USD                           | Variable       | 1,134,416               | 626,946   |
| USD                           | Fixed          | 76,472                  | 194,098   |
| EUR                           | Variable       | 251,138                 | 209,418   |
| EUR                           | Fixed          | 837                     | 1,432     |
| CNY                           | Variable       | 3,951                   | -         |
| BRL                           | Variable       | 5,370                   | 6,665     |
| ARS                           | Fixed          | 115,541                 | 32,383    |
| MXN                           | Fixed          | -                       | 40,981    |
| VEB                           | Variable       | 20,509                  | -         |
| VEB                           | Fixed          | 233                     | 7,081     |
| Total current bank borrowings |                | 1,608,467               | 1,119,004 |

## Bank overdrafts

| Currency                      | Year ended December 31, |       |
|-------------------------------|-------------------------|-------|
|                               | 2008                    | 2007  |
| USD                           | 51                      | 260   |
| EUR                           | 24                      | 40    |
| ARS                           | 8,871                   | 5,523 |
| VEB                           | 44                      | 57    |
| CAD                           | -                       | 9     |
| NGN                           | 4,051                   | 2,187 |
| COP                           | 706                     | 116   |
| RON                           | -                       | 2     |
| Total current bank overdrafts | 13,747                  | 8,194 |

## Current other loans

| Currency | Interest rates | Year ended December 31, |        |
|----------|----------------|-------------------------|--------|
|          |                | 2008                    | 2007   |
| EUR      | Variable       | 111,448                 | 28,920 |

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|                           |          |         |        |
|---------------------------|----------|---------|--------|
| USD                       | Variable | 2,186   | 3,530  |
| USD                       | Fixed    | 5,229   | -      |
| CAD                       | Variable | 1       | -      |
| AED                       | Variable | 271     | 71     |
| Total Current other loans |          | 119,135 | 32,521 |

## 20 Borrowings (Cont.)

## Current finance lease liabilities

| Currency                     | Interest rates | Year ended December 31, |      |
|------------------------------|----------------|-------------------------|------|
|                              |                | 2008                    | 2007 |
| EUR                          | Fixed          | 189                     | 173  |
| EUR                          | Variable       | -                       | 24   |
| COP                          | Variable       | -                       | 74   |
| JPY                          | Fixed          | -                       | 420  |
| USD                          | Fixed          | 179                     | 5    |
| Total current finance leases |                | 368                     | 696  |

## 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, |          |
|---|-------------------------|----------|
|   | 2008                    | 2007     |
| At the beginning of the year                        | 923,246                 | 700,304  |
| Translation differences                             | (49,022)                | 27,666   |
| Increase due to business combinations               | -                       | 353,845  |
| Deconsolidation / Transfer to held for sale         | (464)                   | (68,086) |
| Reclassifications                                   | 2,421                   | -        |
| Income statement credit                             | (240,754)               | (97,799) |
| Effect of currency translation on tax base          | 10,704                  | (5,654)  |
| Deferred employees' statutory profit sharing charge | 17,384                  | 12,970   |
| At the end of the year                              | 663,515                 | 923,246  |

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

## Deferred tax liabilities

|   | Fixed assets | Inventories | Intangible and<br>Other (a) | Total     |
|---|--------------|-------------|-----------------------------|-----------|
| At the beginning of the year                | 300,459      | 39,620      | 893,757                     | 1,233,836 |
| Translation differences                     | (37,609)     | (5,137)     | (22,281)                    | (65,027)  |
| Deconsolidation / Transfer to held for sale | -            | -           | (464)                       | (464)     |
| Income statement charge / (credit)          | (20,424)     | 14,693      | (108,776)                   | (114,507) |
| At December 31, 2008                        | 242,426      | 49,176      | 762,236                     | 1,053,838 |



## 21 Deferred income tax (Cont.)

|   | Fixed assets | Inventories | Intangible and<br>Other (a) | Total     |
|---|--------------|-------------|-----------------------------|-----------|
| At the beginning of the year                | 317,148      | 51,367      | 623,430                     | 991,945   |
| Translation differences                     | 14,411       | 139         | 20,876                      | 35,426    |
| Increase due to business combinations       | 14,668       | 8,467       | 365,633                     | 388,768   |
| Deconsolidation / Transfer to held for sale | (4,641)      | (7,611)     | (63,661)                    | (75,913)  |
| Income statement charge / (credit)          | (41,127)     | (12,742)    | (52,521)                    | (106,390) |
| At December 31, 2007                        | 300,459      | 39,620      | 893,757                     | 1,233,836 |

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

## Deferred tax assets

|                                    | Provisions<br>and<br>allowances | Inventories | Tax losses | Other     | Total     |
|------------------------------------|---------------------------------|-------------|------------|-----------|-----------|
| At the beginning of the year       | (46,737)                        | (143,652)   | (1,396)    | (118,805) | (310,590) |
| Translation differences            | 5,243                           | 211         | 46         | 10,505    | 16,005    |
| Reclassifications                  | -                               | -           | -          | 2,421     | 2,421     |
| Income statement charge / (credit) | (17,569)                        | (75,528)    | (394)      | (4,668)   | (98,159)  |
| At December 31, 2008               | (59,063)                        | (218,969)   | (1,744)    | (110,547) | (390,323) |

|   | Provisions<br>and<br>allowances | Inventories | Tax losses | Other     | Total     |
|---|---------------------------------|-------------|------------|-----------|-----------|
| At the beginning of the year                          | (42,270)                        | (142,843)   | (3,634)    | (102,894) | (291,641) |
| Translation differences                               | (4,815)                         | (1,033)     | (436)      | (1,476)   | (7,760)   |
| Increase due to business combinations                 | (29,919)                        | (3,235)     | (235)      | (1,534)   | (34,923)  |
| Deconsolidation / Transfer to assets<br>held for sale | 9,655                           | 3,321       | 51         | (5,200)   | 7,827     |
| Income statement charge / (credit)                    | 20,612                          | 138         | 2,858      | (7,701)   | 15,907    |
| At December 31, 2007                                  | (46,737)                        | (143,652)   | (1,396)    | (118,805) | (310,590) |

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, |           |
|--------------------------|-------------------------|-----------|
|                          | 2008                    | 2007      |
| Deferred tax assets      | (390,323)               | (310,590) |
| Deferred tax liabilities | 1,053,838               | 1,233,836 |
|                          | 663,515                 | 923,246   |



The amounts shown in the balance sheet include the following:

|  | Year ended December 31, |           |
|--|-------------------------|-----------|
|  | 2008                    | 2007      |
| Deferred tax assets to be recovered after 12 months      | (71,849)                | (74,741)  |
| Deferred tax liabilities to be recovered after 12 months | 1,002,325               | 1,214,468 |

## 22 Other liabilities

## (i) Other liabilities – Non current

|  | Year ended December 31, |         |
|--|-------------------------|---------|
|  | 2008                    | 2007    |
| Employee liabilities                               |                         |         |
| Employee's statutory profit sharing                | 26,381                  | 51,217  |
| Employee severance indemnity (a)                   | 56,939                  | 59,862  |
| Pension benefits (b)                               | 39,130                  | 41,877  |
| Employee retention and long term incentive program | 10,406                  | 11,120  |
|  | 132,856                 | 164,076 |
| Taxes payable                                      | 12,605                  | 8,723   |
| Derivative financial instruments                   | 55,926                  | 45      |
| Miscellaneous                                      | 21,755                  | 12,566  |
|  | 90,286                  | 21,334  |
|  | 223,142                 | 185,410 |

## (a) Employees' severance indemnity

The amounts recognized in the balance sheet are as follows:

|  | Year ended December 31, |        |
|--|-------------------------|--------|
|  | 2008                    | 2007   |
| Total included in non - current Employee liabilities | 56,939                  | 59,862 |

The amounts recognized in the income statement are as follows:

|                               | Year ended December 31, |        |
|-------------------------------|-------------------------|--------|
|                               | 2008                    | 2007   |
| Current service cost          | 16,343                  | 7,877  |
| Interest cost                 | 2,825                   | 3,054  |
| Total included in Labor costs | 19,168                  | 10,931 |

The principal actuarial assumptions used were as follows:

|                               | Year ended December 31, |         |
|-------------------------------|-------------------------|---------|
|                               | 2008                    | 2007    |
| Discount rate                 | 4% - 5%                 | 4% - 5% |
| Rate of compensation increase | 2% - 4%                 | 2% - 4% |

## (b) Pension benefits

§ Unfunded

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

|                                       | Year ended December 31, |          |
|---------------------------------------|-------------------------|----------|
|                                       | 2008                    | 2007     |
| Present value of unfunded obligations | 40,336                  | 36,153   |
| Unrecognized actuarial losses         | (14,577)                | (13,137) |
| Liability in the balance sheet        | 25,759                  | 23,016   |

## 22 Other liabilities (Cont.)

## (i) Other liabilities – Non current (Cont.)

## (b) Pension benefits (Cont.)

## § Unfunded (Cont.)

The amounts recognized in the income statement are as follows:

|   | Year ended December 31, |       |
|---|-------------------------|-------|
|   | 2008                    | 2007  |
| Current service cost                        | 555                     | 423   |
| Interest cost                               | 1,776                   | 1,548 |
| Net actuarial losses recognized in the year | 395                     | 195   |
| Total included in Labor costs               | 2,726                   | 2,166 |

Movement in the liability recognized in the balance sheet:

|   | Year ended December 31, |         |
|---|-------------------------|---------|
|   | 2008                    | 2007    |
| At the beginning of the year                                  | 23,016                  | 19,657  |
| Translation differences                                       | (1,857)                 | 1,617   |
| Transfers, reclassifications and new participants of the plan | 3,013                   | 422     |
| Total expense   | 2,726                   | 2,166   |
| Contributions paid  | (1,139)                 | (5,499) |
| Increase due to business combinations                         | -                       | 7,103   |
| Deconsolidation / Transfer to held for sale                   | -                       | (2,450) |
| At the end of the year  | 25,759                  | 23,016  |

The principal actuarial assumptions used were as follows:

|                               | Year ended December 31, |         |
|-------------------------------|-------------------------|---------|
|                               | 2008                    | 2007    |
| Discount rate                 | 6% - 7%                 | 5% - 7% |
| Rate of compensation increase | 2% - 3%                 | 2% - 5% |

## § Funded

|                                     | Year ended December 31, |           |
|-------------------------------------|-------------------------|-----------|
|                                     | 2008                    | 2007      |
| Present value of funded obligations | 120,360                 | 142,452   |
| Unrecognized actuarial losses       | (7,476)                 | (1,404)   |
| Fair value of the plan assets       | (99,513)                | (122,187) |
| Liability in the balance sheet      | 13,371                  | 18,861    |

The amounts recognized in the income statement are as follows:

|  | Year ended December 31, |         |
|--|-------------------------|---------|
|  | 2008                    | 2007    |
| Current service cost                       | 2,327                   | 4,826   |
| Interest cost                              | 6,995                   | 6,391   |
| Net actuarial gains recognized in the year | (60)                    | (4,452) |
| Expected return on plan assets             | (5,043)                 | (1,477) |
| Curtailments and settlements               | (312)                   | -       |
| Total included in Labor costs              | 3,907                   | 5,288   |

## 22 Other liabilities (Cont.)

## (i) Other liabilities – Non current (Cont.)

## (b) Pension benefits (Cont.)

## § Funded (Cont.)

Movement in the liability recognized in the balance sheet:

|   | Year ended December 31, |         |
|---|-------------------------|---------|
|   | 2008                    | 2007    |
| At the beginning of the year                                  | 142,452                 | 87,153  |
| Translation differences                                       | (21,016)                | 14,240  |
| Transfers, reclassifications and new participants of the plan | 6,735                   | (839)   |
| Total expense   | 8,696                   | 10,437  |
| Increase due to business combinations                         | -                       | 35,816  |
| Actuarial gains and losses                                    | (10,767)                | 3,455   |
| Benefits paid   | (5,740)                 | (7,730) |
| Other   | -                       | (80)    |
| At the end of the year  | 120,360                 | 142,452 |

Movement in the fair value of plan assets:

|   | Year ended December 31, |           |
|---|-------------------------|-----------|
|   | 2008                    | 2007      |
| At the beginning of the year                                  | (123,591)               | (70,743)  |
| Reclassifications, transfers and new participants of the plan | (6,213)                 | -         |
| Expected return on plan assets                                | (5,043)                 | (7,074)   |
| Actuarial gains and losses                                    | 11,021                  | (1,530)   |
| Translation differences                                       | 17,452                  | (11,992)  |
| Contributions paid  | (6,355)                 | (5,694)   |
| Benefits paid   | 5,740                   | 7,730     |
| Increase due to business combinations                         | -                       | (34,288)  |
| At the end of the year  | (106,989)               | (123,591) |

The principal actuarial assumptions used were as follows:

|                               | Year ended December 31, |         |
|-------------------------------|-------------------------|---------|
|                               | 2008                    | 2007    |
| Discount rate                 | 6% - 7%                 | 5% - 7% |
| Rate of compensation increase | 2% - 3%                 | 2% - 5% |

(ii) Other liabilities – current

|                                     | Year ended December 31, |         |
|-------------------------------------|-------------------------|---------|
|                                     | 2008                    | 2007    |
| Payroll and social security payable | 166,139                 | 187,851 |
| Liabilities with related parties    | 1,424                   | 7,846   |
| Derivative financial instruments    | 21,866                  | 15,506  |
| Miscellaneous                       | 53,191                  | 41,001  |
|                                     | 242,620                 | 252,204 |

## 23 Non-current allowances and provisions

## (i) Deducted from non current receivables

|                                     | Year ended December 31, |          |
|-------------------------------------|-------------------------|----------|
|                                     | 2008                    | 2007     |
| Values at the beginning of the year | (10,583)                | (14,120) |
| Translation differences             | 1,157                   | 141      |
| Reversals / Additional allowances   | (71)                    | (558)    |
| Reclassifications                   | (551)                   | -        |
| Used                                | 5,031                   | 3,954    |
| At December 31,                     | (5,017)                 | (10,583) |

## (ii) Liabilities

|   | Year ended December 31, |          |
|---|-------------------------|----------|
|   | 2008                    | 2007     |
| Values at the beginning of the year         | 97,912                  | 92,027   |
| Translation differences                     | (12,636)                | 6,747    |
| Increase due to business combinations       | -                       | 2,997    |
| Deconsolidation / Transfer to held for sale | -                       | (780)    |
| Reversals / Additional provisions           | 25,604                  | 22,393   |
| Reclassifications                           | (8,408)                 | (4,534)  |
| Used  | (12,946)                | (20,938) |
| At December 31,                             | 89,526                  | 97,912   |

## 24 Current allowances and provisions

## (i) Deducted from assets

| Year ended December 31, 2008        | Allowance for<br>doubtful accounts<br>- Trade<br>receivables | Allowance for<br>other doubtful<br>accounts - Other<br>receivables | Allowance for<br>inventory<br>obsolescence |
|-------------------------------------|--|--|--|
| Values at the beginning of the year | (24,530)   | (7,284)  | (102,211)                                  |
| Translation differences             | 709  | 208  | 6,552                                      |
| Reversals / Additional allowances   | (13,901)   | 238  | 2,355                                      |
| Reclassifications                   | -  | 551  | -  |
| Used                                | 3,594  | 1,040  | (40)                                       |
| At December 31, 2008                | (34,128)   | (5,247)  | (93,344)                                   |
| Year ended December 31, 2007        |  |  |  |
| Values at the beginning of the year | (22,786)   | (7,784)  | (79,473)                                   |



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|  |          |         |           |
|--|----------|---------|-----------|
| Translation differences                            | (1,383)  | (385)   | (3,949)   |
| Increase due to business combinations              | (1,222)  | (534)   | (13,517)  |
| Deconsolidation / Transfer to assets held for sale | 904      | 1       | 14,308    |
| Reversals / Additional allowances                  | (5,065)  | 193     | (24,371)  |
| Reclassifications                                  | -        | -       | (3,527)   |
| Used   | 5,022    | 1,225   | 8,318     |
| At December 31, 2007                               | (24,530) | (7,284) | (102,211) |

## 24 Current allowances and provisions (Cont.)

## (ii) Liabilities

| Year ended December 31, 2008                | Sales risks | Other claims and contingencies | Total    |
|---|-------------|--------------------------------|----------|
| Values at the beginning of the year         | 9,136       | 10,206                         | 19,342   |
| Translation differences                     | 3           | (1,369)                        | (1,366)  |
| Reversals / Additional allowances           | 5,222       | 6,667                          | 11,889   |
| Reclassifications                           | -           | 8,408                          | 8,408    |
| Used  | (5,043)     | (4,719)                        | (9,762)  |
| At December 31, 2008                        | 9,318       | 19,193                         | 28,511   |
| Year ended December 31, 2007                |             |                                |          |
| Values at the beginning of the year         | 20,094      | 6,551                          | 26,645   |
| Translation differences                     | 350         | 1,221                          | 1,571    |
| Increase due to business combinations       | 3,471       | -                              | 3,471    |
| Deconsolidation / Transfer to held for sale | (3,157)     | -                              | (3,157)  |
| Reversals / Additional allowances           | 4,035       | 7,450                          | 11,485   |
| Reclassifications                           | (3,527)     | -                              | (3,527)  |
| Used  | (12,130)    | (5,016)                        | (17,146) |
| At December 31, 2007                        | 9,136       | 10,206                         | 19,342   |

## 25 Derivative financial instruments

## Net fair values of derivative financial instruments

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

|  | Year ended December 31, |          |
|--|-------------------------|----------|
|  | 2008                    | 2007     |
| Contracts with positive fair values        |                         |          |
| Forward foreign exchange contracts         | 41,509                  | 15,258   |
| Contracts with negative fair values        |                         |          |
| Interest rate swap contracts               | (29,220)                | (3,013)  |
| Forward foreign exchange contracts         | (17,814)                | (22,215) |
| Embedded Canadian Dollar forward purchases | (30,758)                | 9,677    |



## 25 Derivative financial instruments (Cont.)

## Exchange rate derivatives (Cont.)

The net fair values of exchange rate derivatives, including embedded derivatives, were as follows:

| Currencies | Contract                  | Term | Fair Value at | Fair Value at |
|------------|---------------------------|------|---------------|---------------|
|            |                           |      | Dec-08        | Dec-07        |
| USD/EUR    | Euro Purchases            | 2009 | 11,320        | 1,408         |
| USD/JPY    | Japanese Yen Purchases    | 2009 | 217           | (1,157)       |
| BRL/USD    | Brazilian Real Sales      | 2009 | 11,109        | (126)         |
| KWD/USD    | Kuwaiti Dinar Sales       | 2009 | 857           | (10,821)      |
| BRL/EUR    | Euro Purchases            | 2009 | 4,901         | -             |
| MXN/EUR    | Euro Purchases            | 2009 | 8,186         | -             |
| COP/USD    | Colombian Peso Sales      | 2008 | -             | 111           |
| GBP/USD    | Great Britain Pound Sales | 2008 | -             | 152           |
| USD/MXN    | Mexican Peso Purchases    | 2008 | -             | 327           |
| CAD/USD    | Canadian Dollar Sales     | 2009 | (1,631)       | 3,062         |
| RON/USD    | Romanian Leu Sales        | 2009 | (984)         | 87            |
| USD/ARS    | Argentine Peso Purchases  | 2009 | (10,280)      | -             |
| Subtotal   |                           |      | 23,695        | (6,957)       |
|            | Embedded Canadian         |      |               |               |
| USD/CAD    | Dollar Purchases          | 2017 | (30,758)      | 9,677         |
| Total      |                           |      | (7,063)       | 2,720         |

In addition to derivative transactions performed to achieve coverage against foreign exchange rate risk, Tenaris has identified certain embedded derivatives and in accordance with IAS 39 (“Financial Instruments: Recognition and Measurement”) accounted them separately from their host contracts.

## Variable interest rate swaps

In order to minimize the volatility effect of floating rates on future interest rate payments, Tenaris has entered into a number of swaps with knock in, partially hedging the outstanding debt. A knock-in swap is a type of barrier option, which is activated if the reference rate reaches a set level (“knock in”) at the end of certain period. A total notional amount of \$500 million was covered by these instruments. The first interest rate fixing dates on the underlying risk shall occur in April, May and June 2009.

Derivative financial instruments breakdown is as follows:

| Type of derivative         | Receive        |           | Notional amount | Fair Value at | Fair Value at |
|----------------------------|----------------|-----------|-----------------|---------------|---------------|
|                            | Reference rate | Term      |                 | Dec-08        | Dec-07        |
| Interest rate collars      | Libor 6M       | 2008      | 800,000         | -             | (2,922)       |
| Pay fixed/Receive variable | Euribor        | 2009/2010 | 3,054           | (82)          | (91)          |
| Swaps with KI (2.50%)      | Libor 6M       | 2011      | 500,000         | (29,138)      | -             |
|                            |                |           | 1,303,054       | (29,220)      | (3,013)       |



## 25 Derivative financial instruments (Cont.)

## Hedge Accounting

Tenaris applies hedge accounting for certain cash flow hedges of highly probable forecast transactions. The following are the derivatives that were designated for hedge accounting as of December 31, 2008.

- Foreign Exchange Hedge

| Currencies | Contract               | Term | Fair Value          |         | Hedge Accounting Reserve |         |
|------------|------------------------|------|---------------------|---------|--------------------------|---------|
|            |                        |      | Year ended December |         | Year ended December      |         |
|            |                        |      | 31,                 | 31,     | 31,                      | 31,     |
| USD/EUR    | Euro Forward Purchases | 2008 | 2008                | 2007    | 2008                     | 2007    |
|            | Kuwaiti Dinar Forward  |      | -                   | 972     | -                        | 972     |
| KWD/USD    | Sales                  | 2008 | -                   | (6,434) | -                        | (6,434) |
| BRL/EUR    | Euro Forward Purchases | 2009 | 4,901               | -       | 6,716                    | -       |
|            | Brazilian Real Forward |      |                     |         |                          |         |
| BRL/USD    | Sales                  | 2008 | -                   | -       | 362                      | -       |
| MXN/EUR    | Euro Forward Purchases | 2009 | 5,432               | -       | 5,671                    | -       |
|            |                        |      | 10,333              | (5,462) | 12,749                   | (5,462) |

- Interest Rate Hedge

| Type of Derivative           | Rate     | Term      | Rate          | Notional Amount | Fair Value          |         | Hedge Accounting Reserve |         |
|------------------------------|----------|-----------|---------------|-----------------|---------------------|---------|--------------------------|---------|
|                              |          |           |               |                 | Year ended December |         | Year ended December      |         |
|                              |          |           |               |                 | 31,                 | 31,     | 31,                      | 31,     |
| Interest rate collars        | Libor 6M | 2008      | 4.45% - 5.4%  | 800,000         | 2008                | 2007    | 2008                     | 2007    |
|                              |          |           |               |                 | -                   | (2,922) | -                        | (2,922) |
| Pay fixed / Receive variable | Euribor  | 2009/2010 | 5.72%         | 3,054           | (82)                | (91)    | (106)                    | (91)    |
| Swaps with KI (2.50%)        | Libor 6M | 2011      | 4.60% - 5.08% | 500,000         | (29,138)            | -       | (29,631)                 | -       |
|                              |          |           |               |                 | (29,220)            | (3,013) | (29,737)                 | (3,013) |

During 2008, total ineffectiveness recognized in profit and loss originated in cash flow hedge was \$5.2 million.

The following is a summary of the hedge reserve evolution not including tax effect:

|                       | Equity Reserve Dec-06 | Movements 2007 | Equity Reserve Dec-07 | Movements 2008 | Equity Reserve Dec-08 |
|-----------------------|-----------------------|----------------|-----------------------|----------------|-----------------------|
| Foreign Exchange      | 811                   | (6,273)        | (5,462)               | 18,211         | 12,749                |
| Interest Rate         | 1,267                 | (4,280)        | (3,013)               | (26,724)       | (29,737)              |
| Total Cash flow Hedge | 2,078                 | (10,553)       | (8,475)               | (8,513)        | (16,988)              |

26 Contingencies, commitments and restrictions to the distribution of profits

Contingencies

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

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## 26 Contingencies, commitments and restrictions to the distribution of profits (Cont.)

## Contingencies (Cont.)

## Asbestos-related litigation

Dalmine S.p.A. (“Dalmine”), a Tenaris subsidiary organized in Italy is currently subject to 16 civil proceedings for work-related injuries arising from the use of asbestos in its manufacturing processes during the period from 1960 to 1980. In addition, another 39 asbestos related out-of-court claims have been forwarded to Dalmine.

As of December 31, 2008, the total claims pending against Dalmine were 55 (of which, none are covered by insurance): during 2008, 9 new claims were filed, 4 claims were adjudicated, out of which 4 were paid, no claim was dismissed and 6 claims were settled. Aggregate settlement costs to date for Tenaris are Euro 6.9 million (\$9.6 million). Dalmine estimates that its potential liability in connection with the claims not yet settled is approximately Euro 17 million (\$23.7 million).

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

## Maverick litigation

On December 11, 2006, The Bank of New York (“BNY”), as trustee for the holders of Tenaris’ subsidiary Maverick Tube Corporation (“Maverick”) 2004 4% Convertible Senior Subordinated Notes due 2033 issued pursuant to an Indenture between Maverick and BNY (“Noteholders”), filed a complaint against Maverick and Tenaris in the United States District Court for the Southern District of New York. The complaint alleges that Tenaris’ acquisition of Maverick triggered the “Public Acquirer Change of Control” provision of Indenture, asserting breach of contract claim against Maverick for refusing to deliver the consideration specified in the “Public Acquirer Change of Control” provision of the Indenture to Noteholders who entered their notes for such consideration. This complaint seeks a declaratory judgment that Tenaris’ acquisition of Maverick was a “Public Acquirer Change of Control” under the Indenture, and asserts claims for tortious interference with contract and unjust enrichment against Tenaris. Defendants filed a motion to dismiss the complaint, or in the alternative, for summary judgment on March 13, 2007. Plaintiff filed a motion for partial summary judgment on the same date. On January 25, 2008, Law Debenture Trust Company of New York, “Law Debenture” (as successor to BNY as trustee under the Indenture) was substituted for BNY as plaintiff. On October 15, 2008, the court denied Law Debenture’s motion for partial summary judgment and granted defendants’ motion for summary judgment dismissing the complaint in its entirety. On November 20, 2008, Law Debenture filed a notice of appeal in the United States Court of Appeals for the Second Circuit.

Tenaris believes that these claims are without merit. Accordingly, no provision was recorded in these Consolidated Financial Statements. Were plaintiff to prevail, Tenaris estimates that the recovery would be approximately \$50 million, plus interest.

## Conversion of tax loss carry-forwards

On December 18, 2000, the Argentine tax authorities notified Siderca S.A.I.C., a Tenaris subsidiary organized in Argentina (“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 ARS83.5 million (approximately \$24.3 million) at December 31, 2008, in taxes and penalties. Based on the views of Siderca’s tax advisors, Tenaris believes that it is not probable that the ultimate resolution of the matter will result in an obligation. Accordingly, no provision was recorded in these Consolidated



Financial Statements.

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## 26 Contingencies, commitments and restrictions to the distribution of profits (Cont.)

## Contingencies (Cont.)

## Customer Claim

A lawsuit was filed on September 6, 2007, against three Tenaris' subsidiaries, alleging negligence, gross negligence and intentional acts characterized as fraudulent inducement concerning allegedly defective well casing. Plaintiff alleged the complete loss of one natural gas production well and formation damage that precludes further exploration and production at the well site. The lawsuit was subsequently amended to add the Company and other of its subsidiaries as defendants and to change the claims to be breach of contract and fraud. On October 22, 2008, the Plaintiff again amended its petition to add new counts (including strict liability) and increase its prayer for damages to \$245 million, plus punitive damages, treble damages and attorney fees. Each petition was tendered to a Tenaris subsidiary insurer, and the Tenaris subsidiary received the insurer's agreement to provide a defense. The insurer has reserved its rights with respect to its indemnity obligations. The case is set for trial on June 9, 2009. A provision in the amount of \$2.3 million has been recorded in these Consolidated Financial Statements.

## Labor Claim

In January 2002 several workers filed a lawsuit against Tubos de Acero de Venezuela S.A., a Tenaris's subsidiary ("TAVSA") arguing that such company had made incomplete payment of severance obligations and other labor benefits due to them upon the end of their employment. The claim's value is approximately \$31.8 million. A decision concerning the admissible number of plaintiff's is currently pending for oral arguments before the Supreme Court of Justice. TAVSA believes it has meritorious defenses and is vigorously defending the litigation. A provision in the amount of \$2.1 million has been recorded in these Consolidated Financial Statements.

## Commitments

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

- A Tenaris company is a party to a five year contract with Nucor Corporation, under which it committed to purchase from Nucor steel coils, with deliveries starting in January 2007. Prices are adjusted quarterly in accordance with market conditions and the estimated aggregate amount of the contract at current prices is approximately \$732 million.
- A Tenaris company is a party to a ten year raw material purchase contract with QIT, under which it committed to purchase steel bars, with deliveries starting in July 2007. The estimated aggregate amount of the contract at current prices is approximately \$266.4 million.
  - A Tenaris company is a party to a three year gas purchase contract with E.ON Energia spa, under which it committed to purchase a minimum quantity of gas ("TOP"). The estimated aggregate amount of the contract at current prices is approximately \$117 million. The Tenaris company has the possibility to reduce its commitment in a percentage of approximately 13%.
- A Tenaris company is a party to a contract with SMS Meer GmbH for the purchase of equipment, engineering, training and other services related to the equipment for an outstanding amount of approximately \$165 million.
- A Tenaris company is a party to transportation capacity agreements with Transportadora de Gas del Norte S.A. for purchasing capacity of 1,000,000 cubic meters per day until 2017. As of December 31, 2008, the outstanding value of this commitment was approximately \$39.7 million. The Tenaris company also expects to obtain additional gas

transportation capacity of 315,000 cubic meters per day until 2027. This commitment is subject to the enlargement of certain pipelines in Argentina.

## 26 Contingencies, commitments and restrictions to the distribution of profits (Cont.)

## Commitments (Cont.)

- In August 2004 a Tenaris company organized in Venezuela, entered into a ten-year off-take contract pursuant to which it is required to sell to Sidor S.A. (“Sidor”) on a take-or-pay basis 29.9% of its HBI production. In addition, Sidor has the right to increase its proportion on Tenaris subsidiary production by an extra 19.9% until reaching 49.8% of its 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 Tenaris subsidiary or Sidor object its renewal upon one-year notice.
- In July 2004, a Tenaris company 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 estimated aggregated amount of the contract at contract prices is approximately \$40.6 million.

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

## Restrictions to the distribution of profits and payment of dividends

As of December 31, 2008, 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, 2008 | 3,174,932 |
| Total shareholders equity in accordance with Luxembourg law                 | 5,083,256 |

At least 5% of the Company’s net income per year, as calculated in accordance with Luxembourg law and regulations, must be allocated to the creation of a legal reserve equivalent to 10% of the Company’s share capital. As of December 31, 2008, this reserve is fully allocated and additional allocations to the reserve are not required under Luxembourg law. Dividends may not be paid out of the legal reserve.

The Company may pay dividends to the extent, among other conditions, that it has distributable retained earnings calculated in accordance with Luxembourg law and regulations.

At December 31, 2008, retained earnings and result for the financial period of Tenaris under Luxembourg law totals \$3.2 billion, as detailed below.

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

|  |           |
|--|-----------|
| Retained earnings at December 31, 2007 under Luxembourg law    | 2,399,973 |
| Dividends received   | 1,338,868 |
| Other income and expenses for the year ended December 31, 2008 | (115,305) |
| Dividends paid   | (448,604) |

|   |           |
|---|-----------|
| Retained earnings at December 31, 2008 under Luxembourg law | 3,174,932 |
|---|-----------|

## 27 Business combinations and other acquisitions

## (a) Acquisition of Hydril Company (“Hydril”)

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

The main covenants on these loan agreements are limitations on liens and encumbrances, limitations on the sale of certain assets, restrictions on investments and compliance with financial ratios (e.g., leverage ratio and interest coverage ratio in Hydril’s syndicated loan agreement, and leverage ratio and debt service coverage ratio in the Company’s syndicated loan agreement). In addition, Hydril’s syndicated loan agreement has certain restrictions in capital expenditures.

In November 2007, the Company prepaid loans under the Company’s syndicated loan agreement in a principal amount of \$0.7 billion plus accrued interest thereon to such date. In May and July 2008, the Company prepaid loans under the Company’s syndicated loan agreement in a principal amount of \$0.75 billion plus accrued interest thereon.

Tenaris began consolidating Hydril’s balance sheet and results of operations as from May, 2007.

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

|  | Year ended<br>December 31,<br>2007 |
|--|------------------------------------|
| Other assets and liabilities (net)             | (348,876)                          |
| Property, plant and equipment                  | 152,540                            |
| Customer relationships                         | 593,800                            |
| Trade names                                    | 149,100                            |
| Proprietary technology                         | 333,400                            |
| Goodwill                                       | 1,042,015                          |
| Net assets acquired                            | 1,921,979                          |
| Minority interest                              | 5,283                              |
| Sub-total                                      | 1,927,262                          |
| Cash-acquired                                  | 117,326                            |
| Purchase consideration                         | 2,044,588                          |
| Liabilities paid as part of purchase agreement | -                                  |
| Total disbursement                             | 2,044,588                          |

(\* ) Includes costs directly to the acquisition

During 2007, businesses acquired in that year contributed revenues of \$430.8 million and net income of \$44.5 million to Tenaris. Net income does not include financial costs related to the operations recorded in other subsidiaries different from Hydril.

Pro forma data including acquisitions for all of 2007

Had the Hydril transaction been consummated on January 1, 2007, then Tenaris's unaudited pro forma net sales and net income from continuing operations would have been approximately \$10.1 billion and \$2.0 billion, respectively. These pro forma results were prepared based on public information and unaudited accounting records maintained under U.S. GAAP prior to such acquisition and adjusted by depreciation and amortization of tangible and intangible assets and interest expense of the borrowing incurred for the acquisition as described in Note 27(a) considering the repayment stated in Note 27(c). Carrying amounts of assets, liabilities and contingent liabilities in Hydril's books, determined in accordance with IFRS, immediately before the combination are not disclosed separately, as Hydril did not report IFRS information.

## 27 Business combinations and other acquisitions (Cont.)

## (b) Minority Interest

During the year ended December 31, 2008, additional shares of Confab, Dalmine, Donasid and Energy Network were acquired from minority shareholders for approximately \$18.6 million.

## (c) Acquisition of Maverick

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

To finance the acquisition and the payment of related obligations, the Company and certain Tenaris entities entered into syndicated loan facilities in an aggregate of \$2.7 billion; the balance was met from cash on hand. The main covenants on these loan agreements are limitations on liens and encumbrances, limitations on the sale of certain assets, certain restrictions on capital expenditures, restrictions on investments and compliance with financial ratios (e.g, leverage ratio and interest coverage ratio).

During 2007, the Company's syndicated loan facility in an aggregate amount of \$500 was fully prepaid, Maverick's syndicated loan was partially prepaid in an amount of \$210 million and Tenaris's subsidiary Algoma Tubes syndicated loan facility in an aggregate amount of \$100 million was prepaid in its entirety.

In 2008, Maverick prepaid a principal amount of \$ 78 million of its syndicated loan.

## (d) Tenaris Capitalization of Mandatory Convertible debt into shares of Ternium S.A. ("Ternium")

On February 6, 2006, Ternium completed its initial public offering, 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. The Company received an additional 20,252,338 shares upon the mandatory conversion of its loans to Ternium. In addition to the shares issued to the Company, Ternium issued shares to other shareholders corresponding to their mandatory convertible loans. On February 23, 2006, the underwriters of Ternium's IPO exercised an overallotment option under which Ternium issued an additional 37,267,080 shares (equivalent to 3,726,708 ADS). As a result of the IPO and the conversion of loans, as of February 6, 2006, Tenaris' ownership stake in Ternium amounted to 11.46%. The effect of these transactions resulted in an additional increase of the Company's proportional ownership in Ternium's equity of approximately \$26.7 million, which Tenaris recognized in Other Reserves in equity.

At December 31, 2008, the closing price of Ternium's ADSs as quoted on the New York Stock Exchange was \$8.57 per ADS, giving Tenaris' ownership stake a market value of approximately \$197 million. At December 31, 2008, the carrying value of Tenaris' ownership stake in Ternium, based on Ternium's IFRS financial statements, was approximately \$504 million. See Note II.B.2.

## 28 Cash flow disclosures

## (i) Changes in working capital

Year ended December 31,



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|                             | 2008        | 2007      | 2006      |
|-----------------------------|-------------|-----------|-----------|
| Inventories                 | (492,545)   | (252,810) | (455,567) |
| Receivables and prepayments | 12,079      | 2,080     | (181,878) |
| Trade receivables           | (374,463)   | (115,838) | (226,678) |
| Other liabilities           | (71,638)    | 127,434   | 7,605     |
| Customer advances           | (174,014)   | 113,548   | 236,446   |
| Trade payables              | 48,949      | 15,161    | 150,555   |
|                             | (1,051,632) | (110,425) | (469,517) |

## 28 Cash flow disclosures (Cont.)

| (ii) Income tax accruals less payments | Year ended December 31, |             |           |
|--|-------------------------|-------------|-----------|
|  | 2008                    | 2007        | 2006      |
| Tax accrued (*)                        | 1,011,675               | 833,378     | 873,967   |
| Taxes paid                             | (1,236,713)             | (1,226,433) | (817,131) |
|  | (225,038)               | (393,055)   | 56,836    |

(\*) Does not include tax accrued on the sale of Pressure Control, which was included in discontinued operations.

| (iii) Interest accruals less payments, net |           |           |          |
|--|-----------|-----------|----------|
| Interest accrued                           | 136,737   | 183,995   | 32,237   |
| Interest received                          | 83,241    | 62,697    | 11,150   |
| Interest paid                              | (164,486) | (267,994) | (21,478) |
|  | 55,492    | (21,302)  | 21,909   |

| (iv) Cash and cash equivalents         |           |         |           |
|--|-----------|---------|-----------|
| Cash and short term liquid investments | 1,538,769 | 962,497 | 1,372,329 |
| Bank overdrafts                        | (13,747)  | (8,194) | (7,300)   |
| Restricted bank deposits               | -         | -       | (21)      |
|  | 1,525,022 | 954,303 | 1,365,008 |

## 29 Current and non current assets held for sale and discontinued operations

## Sale of the pressure control business

On April 1, 2008, Tenaris sold to General Electric Company (GE) the pressure control business acquired as part of the Hydril transaction for an amount equivalent on a debt-free basis to \$1,114 million. The result of this transaction was an after-tax gain of \$394.3 million, calculated as the net proceeds of the sale less the book value of net assets held for sale, the corresponding tax effect and related expenses.

## Book value of the Assets and Liabilities disposed:

At March 31,  
2008

|                                    |         |
|------------------------------------|---------|
| Property, plant and equipment, net | 64,556  |
| Intangible assets, net             | 295,371 |
| Inventories                        | 173,110 |
| Trade receivables                  | 78,018  |
| Other assets                       | 39,643  |

|  |         |
|--|---------|
| Total current and non current assets held for sale | 650,698 |
|--|---------|

|                          |         |
|--------------------------|---------|
| Deferred tax liabilities | 71,434  |
| Customer advances        | 128,975 |
| Trade payables           | 54,175  |

|  |         |
|--|---------|
| Other liabilities  | 15,291  |
| Liabilities associated with current and non-current assets held for sale | 269,875 |

#### Sale of Dalmine Energie

On December 1, 2006, Tenaris completed the sale of a 75% participation of Dalmine Energie, its Italian supply business, to E.ON Sales and Trading GmbH, a wholly owned subsidiary of E.ON Energie AG (“E.ON”) and an indirect subsidiary of E.ON AG for a purchase price of \$58.9 million.

On November 5, 2007, Tenaris completed the sale of its remaining 25% interest in Dalmine Energie to E.ON Sales and Trading GmbH, an indirect subsidiary of E.ON AG (E.ON), for a purchase price of approximately \$28 million.

## 29 Current and non current assets held for sale and discontinued operations (Cont.)

Analysis of the result of discontinued operations:

## (i) Income for discontinued operations

| (all amounts in thousands of U.S. dollars) | (*) Year ended December 31, |        |        |
|--|-----------------------------|--------|--------|
|  | 2008                        | 2007   | 2006   |
| Income for discontinued operations         | 16,787                      | 34,492 | 7,195  |
| After tax gain on disposal of operations   | 394,323                     | -      | 39,985 |
| Net income for discontinued operations     | 411,110                     | 34,492 | 47,180 |

(\*) Corresponds to Pressure Control (years 2008 and 2007) and Dalmine Energie (year 2006) operations

## (ii) Net cash flows attributable to discontinued operations

Cash flows provided by operating activities in 2008 and 2007 amounted to \$40.7 million and \$42.1 million, respectively. Cash flow used in investing activities in 2008 and 2007 amounted to \$3.4 million and \$8.6 million, respectively. Cash flows used in financing activities in 2007 amounted to \$22.0 million. These amounts were estimated only for disclosure purposes, as cash flows from these discontinued operations were not managed separately from other cash flows.

## 30 Related party transactions

Based on the information most recently available to the Company, as of December 31, 2008:

- San Faustin N.V. owned 717,440,187 shares in the Company, representing 60.77% of the Company's capital and voting rights.
- San Faustín N.V. owned all of its shares in the Company through its wholly-owned subsidiary I.I.I. Industrial Investments Inc.
- Rocca & Partners S.A. controlled a significant portion of the voting power of San Faustín N.V. and had the ability to influence matters affecting, or submitted to a vote of the shareholders of San Faustín N.V., such as the election of directors, the approval of certain corporate transactions and other matters concerning the company's policies.
  - There were no controlling shareholders for Rocca & Partners S.A..
- Tenaris's directors and executive officers as a group owned 0.2% of the Company's outstanding shares, while the remaining 39.03% were publicly traded.

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

transactions were carried out with related parties:

| Year ended December 31, 2008        | Associated (1) | Other   | Total   |
|-------------------------------------|----------------|---------|---------|
| (i) Transactions                    |                |         |         |
| (a) Sales of goods and services     |                |         |         |
| Sales of goods                      | 74,420         | 37,636  | 112,056 |
| Sales of services                   | 19,444         | 4,205   | 23,649  |
|                                     | 93,864         | 41,841  | 135,705 |
| (b) Purchases of goods and services |                |         |         |
| Purchases of goods                  | 123,704        | 24,161  | 147,865 |
| Purchases of services               | 125,161        | 79,037  | 204,198 |
|                                     | 248,865        | 103,198 | 352,063 |

## 30 Related party transactions (Cont.)

| Year ended December 31, 2007                           |                |         |          |
|--|----------------|---------|----------|
|  | Associated (2) | Other   | Total    |
| (i) Transactions                                       |                |         |          |
| (a) Sales of goods and services                        |                |         |          |
| Sales of goods   | 98,141         | 39,307  | 137,448  |
| Sales of services                                      | 18,712         | 5,110   | 23,822   |
|  | 116,853        | 44,417  | 161,270  |
| (b) Purchases of goods and services                    |                |         |          |
| Purchases of goods                                     | 254,063        | 27,277  | 281,340  |
| Purchases of services                                  | 94,152         | 70,205  | 164,357  |
|  | 348,215        | 97,482  | 445,697  |
| Year ended December 31, 2006                           |                |         |          |
|  | Associated (3) | Other   | Total    |
| (i) Transactions                                       |                |         |          |
| (a) Sales of goods and services                        |                |         |          |
| Sales of goods   | 120,890        | 56,524  | 177,414  |
| Sales of services                                      | 18,852         | 3,664   | 22,516   |
|  | 139,742        | 60,188  | 199,930  |
| (b) Purchases of goods and services                    |                |         |          |
| Purchases of goods                                     | 103,003        | 33,930  | 136,933  |
| Purchases of services                                  | 17,168         | 80,485  | 97,653   |
|  | 120,171        | 114,415 | 234,586  |
| At December 31, 2008                                   |                |         |          |
|  | Associated (1) | Other   | Total    |
| (ii) Year-end balances                                 |                |         |          |
| (a) Arising from sales / purchases of goods / services |                |         |          |
| Receivables from related parties                       | 50,137         | 15,504  | 65,641   |
| Payables to related parties                            | (44,470)       | (5,974) | (50,444) |
|  | 5,667          | 9,530   | 15,197   |
| (b) Financial debt                                     |                |         |          |
| Borrowings   | (2,294)        | -       | (2,294)  |
| At December 31, 2007                                   |                |         |          |
|  | Associated (1) | Other   | Total    |
| (ii) Year-end balances                                 |                |         |          |
| (a) Arising from sales / purchases of goods / services |                |         |          |
| Receivables from related parties                       | 45,773         | 8,015   | 53,788   |
| Payables to related parties                            | (61,597)       | (7,379) | (68,976) |

|                           |          |     |          |
|---------------------------|----------|-----|----------|
|                           | (15,824) | 636 | (15,188) |
| <b>(b) Financial debt</b> |          |     |          |
| Borrowings (5)            | (27,482) | -   | (27,482) |

## 30 Related party transactions (Cont.)

At December 31, 2006

|  | Associated (4) | Other    | Total    |
|--|----------------|----------|----------|
| (ii) Year-end balances                                 |                |          |          |
| (a) Arising from sales / purchases of goods / services |                |          |          |
| Receivables from related parties                       | 25,400         | 14,429   | 39,829   |
| Payables to related parties                            | (37,920)       | (13,388) | (51,308) |
|  | (12,520)       | 1,041    | (11,479) |
| (b) Other balances                                     |                |          |          |
| Receivables  | 2,079          | -        | 2,079    |
| (c) Financial debt                                     |                |          |          |
| Borrowings (6)   | (60,101)       | -        | (60,101) |

(1) Includes Ternium S.A. and its subsidiaries (“Ternium”), Conducid C.A. (“Conducid”), Finma S.A.I.F (“Finma”), Lomond Holdings B.V. group (“Lomond”), Socotherm Brasil S.A. (“Socotherm”) and Hydril Jindal Internacional Private Ltd.

(2) Includes Ternium, Conducid, Finma, Lomond, Dalmine Energie S.p.A. (“Dalmine Energie”) (until October 2007), Socotherm, Hydril Jindal Internacional Private Ltd. and TMK – Hydril JV.

(3) Includes Ternium, Conducid, Finma (as from September 2006), Lomond (as from October 2006) and Dalmine Energie (as from December 2006).

(4) Includes Ternium, Conducid, Finma, Lomond and Dalmine Energie.

(5) Includes loan from Sidor to Matesi of \$26.4 million at December 31, 2007.

(6) Includes loan from Sidor to Matesi of \$58.4 at December 31, 2006.

## Officers and directors’ compensation

The aggregate compensation of the directors and executive officers earned during 2008, 2007 and 2006 amounts to \$22.5 million, \$20.0 million and \$16.8 million respectively.

## 31 Principal subsidiaries

The following is a list of Tenaris principal subsidiaries and its direct and indirect percentage of ownership of each controlled company at December 31, 2008, 2007 and 2006.

| Company                                     | Country of Organization | Main activity   | Percentage of ownership at December 31, (*) |      |      |
|---|-------------------------|---|---|------|------|
|   |                         |   | 2008  | 2007 | 2006 |
| ALGOMA TUBES INC.                           | Canada                  | Manufacturing of seamless steel pipes                 | 100%  | 100% | 100% |
| CONFAB INDUSTRIAL S.A. and subsidiaries (a) | Brazil                  | Manufacturing of welded steel pipes and capital goods | 40%   | 39%  | 39%  |
| DALMINE S.p.A.                              | Italy                   |   | 99%   | 99%  | 99%  |



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|  |                |   |      |      |      |
|--|----------------|---|------|------|------|
|  |                | Manufacturing of seamless steel pipes   |      |      |      |
| HYDRIL COMPANY and subsidiaries (except detailed) (b)        | USA            | Manufacturing of steel products         | 100% | 100% | 0%   |
|  | United Kingdom |   |      |      |      |
| HYDRIL U.K. LTD.   | Kingdom        | Manufacturing of steel products         | 100% | 100% | 0%   |
| INVERSIONES BERNA S.A.                                       | Chile          | Financial Company                       | 100% | 100% | 100% |
| MATESI. MATERIALES SIDERURGICOS S.A.                         | Venezuela      | Production of hot briquetted iron (HBI) | 50%  | 50%  | 50%  |
|  |                | Manufacturing of welded steel pipes     |      |      |      |
| MAVERICK C&P, INC.   | USA            |   | 100% | 100% | 100% |
| MAVERICK TUBE CORPORATION and subsidiaries (except detailed) | USA            | Manufacturing of welded steel pipes     | 100% | 100% | 100% |
|  |                | Manufacturing of welded steel pipes     |      |      |      |
| MAVERICK TUBE. LLC (e)                                       | USA            |   | 100% | 100% | 100% |
| NKKTUBES   | Japan          | Manufacturing of seamless steel pipes   | 51%  | 51%  | 51%  |

## 31 Principal subsidiaries (Cont.)

| Company   | Country of Organization | Main activity                                    | Percentage of ownership at December 31, (*) |      |      |
|---|-------------------------|--|---|------|------|
|   |                         |  | 2008  | 2007 | 2006 |
| PRUDENTIAL STEEL ULC  | Canada                  | Manufacturing of welded steel pipes              | 100%  | 100% | 100% |
| REPUBLIC CONDUIT MANUFACTURING S.C. SILCOTUB S.A.                   | USA                     | Manufacturing of welded steel pipes              | 100%  | 100% | 100% |
| SIAT S.A.   | Romania                 | Manufacturing of steel products                  | 100%  | 99%  | 99%  |
| SIDERCA S.A.I.C. and subsidiaries (except detailed) (c)             | Argentina               | Manufacturing of welded and seamless steel pipes | 82%   | 82%  | 82%  |
| SIDTAM LTD.   | Argentina               | Manufacturing of seamless steel pipes            | 100%  | 100% | 100% |
| TALTA - TRADING E MARKETING SOCIEDADE UNIPESSOAL LDA.               | British Virgin Islands  | Holding Company                                  | 100%  | 100% | 100% |
| TAVSA - TUBOS DE ACERO DE VENEZUELA SA                              | Madeira                 | Holding Company                                  | 100%  | 100% | 100% |
| TENARIS CONNECTION AG LTD. and subsidiaries (except detailed)       | Venezuela               | Manufacturing of seamless steel pipes            | 70%   | 70%  | 70%  |
| TENARIS FINANCIAL SERVICES S.A.                                     | Liechtenstein           | Ownership and licensing of steel technology      | 100%  | 100% | 100% |
| TENARIS GLOBAL SERVICES (CANADA) INC.                               | Uruguay                 | Financial Company                                | 100%  | 100% | 100% |
| TENARIS GLOBAL SERVICES (PANAMA) S.A. - Suc. Colombia               | Canada                  | Marketing of steel products                      | 100%  | 100% | 100% |
| TENARIS GLOBAL SERVICES (U.S.A.) CORPORATION                        | Colombia                | Marketing of steel products                      | 100%  | 100% | 100% |
| TENARIS GLOBAL SERVICES (UK) LTD.                                   | USA                     | Marketing of steel products                      | 100%  | 100% | 100% |
| TENARIS GLOBAL SERVICES NORWAY A.S.                                 | United Kingdom          | Marketing of steel products                      | 100%  | 100% | 100% |
| TENARIS GLOBAL SERVICES S.A. and subsidiaries (except detailed) (d) | Norway                  | Marketing of steel products                      | 100%  | 100% | 100% |
| TENARIS INVESTMENTS LTD and subsidiaries                            | Uruguay                 | Holding Company and marketing of steel products  | 100%  | 100% | 100% |
| TUBOS DE ACERO DE MEXICO SA   | Ireland                 | Holding Company                                  | 100%  | 100% | 100% |
| TUBOS DEL CARIBE LTDA.  | Mexico                  | Manufacturing of seamless steel pipes            | 100%  | 100% | 100% |
|   | Colombia                | Manufacturing of welded steel pipes              | 100%  | 100% | 100% |

(\* All percentages rounded.

(a) Tenaris holds 99% of the voting shares of Confab Industrial S.A. Tenaris holds 40% of Confab's subsidiaries except for Tenaris Confab Hastes de Bombeio S.A. where it holds 70%.

(b) Tenaris holds 100% of Hydril's subsidiaries except for Technical Drilling & Production Services Nigeria Ltd. where it holds 60%.

(c) Tenaris holds 100% of Siderca's subsidiaries, except for Scrapservice S.A. where it holds 75%.

(d) Tenaris holds 95% of Tenaris Supply Chain S.A and 95% of Tenaris Saudi Arabia Limited.

(e) Continuing company of Maverick Tube LLC. and Tenaris Hickman L.P.

32 Investment in Ternium: Sidor nationalization process

On December 31, 2008, the Company held 11.46% of the capital stock of Ternium S.A.

On March 31, 2008 Ternium controlled shares representing approximately 59.7% of Sidor's capital, while Corporación Venezolana de Guayana ("CVG") (a Venezuelan governmental entity) and Banco de Desarrollo Económico y Social de Venezuela, or BANDES (a bank owned by the Venezuelan government), held approximately 20.4% of Sidor and certain Sidor employees and former employees held the remaining 19.9% interest.

On April 8, 2008, the Venezuelan government announced its intention to take control over Sidor. Following the confirmation of the Venezuelan government's decision to nationalize Sidor, on April 29, 2008, the National Assembly of Venezuela passed a resolution declaring that the shares of Sidor, together with all of its assets, are of public and social interest. This resolution authorized the Venezuelan government to take any action it may deem appropriate in connection with any such assets, including expropriation.

32 Investment in Ternium: Sidor nationalization process (Cont.)

On May 11, 2008, Decree Law 6058 of the President of Venezuela regulating the steel production activity in the Guayana, Venezuela region, dated April 30, 2008 (the “Decree”) was published. The Decree ordered that Sidor and its subsidiaries and associated companies be transformed into state-owned enterprises (“empresas del estado”), with Venezuela owning not less than 60% of their share capital. The Decree provided for the creation of a committee to negotiate over a 60-day period a fair price for the shares to be transferred to Venezuela.

On July 12, 2008, upon expiration of the above mentioned term, Venezuela, acting through CVG, assumed operational control of Sidor. Following the change in operational control, CVG assumed complete responsibility for Sidor's operations and Sidor's board of directors ceased to function.

The term provided in the Decree for the negotiation of the conditions under which all or a significant part of Ternium's interest in Sidor will be transferred to Venezuela was extended until August 18, 2008. Negotiations continued even after this additional term expired. On August 29, 2008, the President of Venezuela publicly stated his rejection to the latest proposal submitted by Ternium as part of their ongoing negotiations. The negotiations were subsequently resumed and continue to be under way. As the date of issuance of these financial statements, Ternium continues to retain formal title over the Sidor shares.

Ternium valued its investment in Sidor at its carrying amount of \$1.3 billion. In determining fair value using several valuation techniques, in all cases Ternium concluded that the amount of expected compensation for its Sidor asset would be higher than its carrying amount and, consequently, did not recognize any impairment loss in connection with that asset. Ternium reported, however, that the variability in the range of fair value estimates is significant and the probabilities of the various estimates within that range cannot be reasonably assessed. Accordingly, following the guidance set forth in paragraphs 46(c), AG 80 and AG 81 of IAS 39, Ternium continues to record the Sidor asset at its carrying amount.

33 Subsequent event

Annual Dividend Proposal

On February 25, 2009 the Company's board of directors proposed, for the approval of the annual general shareholders' meeting to be held on June 3, 2009, the payment of an annual dividend of \$0.43 per share (\$0.86 per ADS), or approximately \$507 million, which includes the interim dividend of \$0.13 per share (\$0.26 per ADS) paid on November 27, 2008. If the annual dividend is approved by the shareholders, a dividend of \$0.30 per share (\$0.60 per ADS), or approximately \$354 million will be paid. These Consolidated Financial Statements do not reflect this dividend payable.

Tenaris to acquire control of Seamless Pipe Indonesia Jaya

Tenaris has signed an agreement to acquire from Bakrie & Brothers Tbk, Green Pipe International Limited and Cakrawala Baru a 77.45% holding in Seamless Pipe Indonesia Jaya (“SPIJ”), an Indonesian OCTG processing business with heat treatment and premium connection threading facilities, for a purchase price of \$73.5 million, with \$24.9 million being payable as consideration for SPIJ's equity and \$48.6 million as consideration for the assignment of certain sellers' loan to SPIJ. SPIJ has an annual processing capacity of 120,000 tons and has had a commercial alliance with Tenaris for more than a decade. SPIJ employs around 500 persons and had revenues of approximately \$140 million in 2008.

The acquisition is subject to customary conditions, including regulatory approval and compliance with certain minority shareholder rights.

Ricardo Soler  
Chief Financial Officer

