

TENARIS SA
Form 6-K
March 05, 2004

SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

FORM 6-K

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

As of March 5, 2004

TENARIS, S.A.

(Translation of Registrant's name into English)

TENARIS, S.A.

**23 Avenue Monterey
2086 Luxemburg**

(Address of principal executive offices)

(Address of principal executive offices)

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

**CONSOLIDATED
FINANCIAL STATEMENTS**

**As of December 31, 2003 and 2002
and
For the years ended December 31, 2003, 2002 and 2001**

Rue Beaumont 13
L 1219 Luxembourg

Consolidated income statement

| (all amounts in USD thousands) | Notes | Year ended December 31, | | |
|---|---------------|-------------------------|---------------|---------------|
| | | 2003 | 2002 | 2001 |
| Net sales | 1 | 3,179,652 | 3,219,384 | 3,174,299 |
| Cost of sales | 2 | (2,207,827) | (2,169,228) | (2,165,568) |
| Gross profit | | 971,825 | 1,050,156 | 1,008,731 |
| Selling, general and administrative expenses | 3 | (566,835) | (567,515) | (502,747) |
| Other operating income | 5 (i) | 8,859 | 18,003 | 585 |
| Other operating expenses | 5 (ii) | (125,659) | (28,767) | (64,937) |
| Operating profit | | 288,190 | 471,877 | 441,632 |
| Financial expenses, net | 6 | (29,420) | (20,597) | (25,595) |
| Income before equity in earnings (losses) of associated companies, income tax and minority interest | | 258,770 | 451,280 | 416,037 |
| Equity in earnings (losses) of associated companies | 11 | 27,585 | (6,802) | (41,296) |
| Income before income tax and minority interest | | 286,355 | 444,478 | 374,741 |
| Income tax | 7 | (63,918) | (207,771) | (218,838) |
| Net income before minority interest | | 222,437 | 236,707 | 155,903 |
| Minority interest (1) | 26 | (12,129) | (42,881) | (20,107) |
| Net income before other minority interest | | 210,308 | 193,826 | 135,796 |
| Other minority interest (2) | 26 | - | (99,522) | (54,450) |
| Net income | | 210,308 | 94,304 | 81,346 |

Number of shares and earnings per share: see Note 8.

1. Minority interest represents the participation of minority shareholders of those consolidated subsidiaries not included in the exchange transaction completed on December 13, 2002 (including Confab Industrial, NKK Tubes and Tubos de Acero de Venezuela), as well as the participation at December 31, 2002, of minority shareholders of Siderca, Dalmine and Tamsa that did not exchange their participation.
2. Other minority interest represents the participation of minority shareholders attributable to the exchanged shares, since January 1, 2001 until the date of the 2002 Exchange Offer (see Note 27 (a)).

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

CONSOLIDATED BALANCE SHEET

| (all amounts in USD thousands) | Notes | December 31, 2003 | | December 31, 2002 | |
|-------------------------------------|---------|-------------------|-----------|-------------------|-----------|
| ASSETS | | | | | |
| Non-current assets | | | | | |
| Property, plant and equipment, net | 9 | 1,960,314 | | 1,934,237 | |
| Intangible assets, net | 10 | 54,037 | | 32,684 | |
| Investments in associated companies | 11 | 45,814 | | 14,327 | |
| Other investments | 12 | 23,155 | | 159,303 | |
| Deferred tax assets | 19 | 130,812 | | 113,864 | |
| Receivables | 13 | 59,521 | 2,273,653 | 16,902 | 2,271,317 |
| | | | | | |
| Current assets | | | | | |
| Inventories | 14 | 831,879 | | 680,113 | |
| Receivables and prepayments | 15 | 165,134 | | 172,683 | |
| Trade receivables | 16 | 652,782 | | 653,249 | |
| Other investments | 17 (i) | 138,266 | | - | |
| Cash and cash equivalents | 17 (ii) | 247,834 | 2,035,895 | 304,536 | 1,810,581 |
| | | | | | |
| Total assets | | | 4,309,548 | 4,081,898 | |
| EQUITY AND LIABILITIES | | | | | |
| Shareholders' Equity | | | | | |
| | | | 1,841,280 | | 1,694,054 |
| Minority interest | 26 | | 119,984 | | 186,783 |
| Non-current liabilities | | | | | |
| Borrowings | 18 | 374,779 | | 322,205 | |
| Deferred tax liabilities | 19 | 418,333 | | 500,031 | |
| Other liabilities | 20 (i) | 191,540 | | 123,023 | |
| Provisions | 21 (ii) | 23,333 | | 33,874 | |
| Trade payables | | 11,622 | 1,019,607 | 18,650 | 997,783 |
| | | | | | |
| Current liabilities | | | | | |
| Borrowings | 18 | 458,872 | | 393,690 | |
| Current tax liabilities | | 108,071 | | 161,704 | |
| Other liabilities | 20(ii) | 207,594 | | 53,428 | |
| Provisions | 22(ii) | 39,624 | | 73,953 | |
| Customers advances | | 54,721 | | 37,085 | |
| Trade payables | | 459,795 | 1,328,677 | 483,418 | 1,203,278 |
| | | | | | |
| Total liabilities | | | 2,348,284 | 2,201,061 | |
| Total equity and liabilities | | | 4,309,548 | 4,081,898 | |

Contingencies, commitments and restrictions on the distribution of profits are disclosed in Note 24.
The accompanying notes are an integral part of these consolidated financial statements.

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CONSOLIDATED STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY

(all amounts in USD thousands)

| | Statutory balances according to Luxembourg Law | | | | | | | | Total at December 31, | | | |
|---|--|----------------|---------------|-----------------------------|-------------------|-----------|---------------------|----------------------------------|-----------------------|-----------|-----------|-----------|
| | Share Capital | Legal Reserves | Share Premium | Other Distributable Reserve | Retained Earnings | Total | Adjustments to IFRS | Currency translation adjustments | Retained Earnings | 2003 | 2002 | 2001 |
| Balance at January 1, | 1,160,701 | 116,070 | 587,493 | 206,744 | - | 2,071,008 | (436,755) | (34,503) | 94,304 | 1,694,054 | 875,401 | 925,358 |
| | | | | | - | | | | | | | |
| Effect of adopting IAS 39 (Note 5) | - | - | - | - | - | - | - | - | - | - | - | (1,007) |
| Currency translation differences | - | - | - | - | - | - | - | 309 | - | 309 | (34,503) | (10,453) |
| Change in ownership in Exchange Companies (see Note 27) | - | - | - | - | - | - | - | - | - | - | 1,724 | (10,558) |
| Capital Increase and Exchange Transaction (Note 27) | 19,587 | 1,959 | 21,776 | 4,813 | - | 48,135 | 3,476 | - | - | 51,611 | 796,418 | - |
| Dividends paid | - | - | - | (115,002) | - | (115,002) | - | - | - | (115,002) | (39,290) | (109,285) |
| Net income | - | - | - | - | 201,480 | 201,480 | (201,480) | - | 210,308 | 210,308 | 94,304 | 81,346 |
| Balance at December 31, | 1,180,288 | 118,029 | 609,269 | 96,555 | 201,480 | 2,205,621 | (634,759) | (34,194) | 304,612 | 1,841,280 | 1,694,054 | 875,401 |

The Distributable Reserve and Retained Earnings calculated according to Luxembourg Law are disclosed in Note 24 (vi)

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

CONSOLIDATED FLOW STATEMENT

| (all amounts in USD thousands) | Notes | Year ended December 31, | | |
|--|------------|-------------------------|------------------|------------------|
| | | 2003 | 2002 | 2001 |
| Cash flows from operating activities | | | | |
| Net income | | 210,308 | 94,304 | 81,346 |
| Depreciation and Amortization | 9 & 10 | 199,799 | 176,315 | 161,710 |
| Result of BHP litigation | 5(ii) & 24 | 114,182 | 18,923 | 41,061 |
| Tax accruals less payments | 30 | (138,570) | 174,478 | 149,190 |
| Equity in (earnings) losses of associated companies | 11 | (27,585) | 6,802 | 41,296 |
| Interest accruals less payments | 30 | (3,032) | 4,780 | 9,416 |
| Net provisions | 21 & 22 | (13) | (27,473) | 13,508 |
| Result from disposition of investment in associated companies | | (1,018) | - | - |
| Minority interest in net income of subsidiaries | 26 | 12,129 | 142,403 | 74,557 |
| Change in working capital (1) | 30 | (107,156) | (100,842) | 50,551 |
| Currency translation adjustment and others | | 16,592 | (28,254) | (78,407) |
| Net cash provided by operating activities | | 275,636 | 461,436 | 544,228 |
| Cash flows from investing activities | | | | |
| Additions of PP&E, and intangible assets | 9 & 10 | (162,624) | (147,577) | (222,849) |
| Proceeds from disposition of PP&E | 9 | 5,965 | 14,427 | 39,893 |
| Acquisitions of subsidiaries and associates, net of cash provided by business acquisitions | | (65,283) | (15,107) | - |
| Proceeds from sales of investments in associates | 11 | 1,124 | - | 2,054 |
| Convertible loan to associated companies | | (31,128) | - | - |
| Acquisitions of minority interest | | (299) | - | - |
| Changes in trust fund | | - | (32,349) | (103,438) |
| Net cash used in investing activities | | (252,245) | (180,606) | (284,340) |
| Cash flows from financing activities | | | | |
| Dividends paid in cash | | (115,002) | (39,290) | (66,090) |
| Dividends paid to Minority interest | 26 | (14,064) | (41,484) | (46,622) |
| Change in ownership in Exchange Companies | | - | - | (10,558) |
| Proceeds from borrowings | | 590,490 | 425,268 | 253,071 |
| Repayments of borrowings | | (544,606) | (528,870) | (267,822) |
| Net cash used in financing activities | | (83,182) | (184,376) | (138,021) |
| (Decrease) / Increase in cash and cash equivalents | | (59,791) | 96,454 | 121,867 |
| Movement in cash and cash equivalents | | | | |
| At beginning of year | | 304,536 | 213,814 | 96,890 |
| Effect of exchange rate changes | | 3,089 | (5,732) | (4,943) |
| (Decrease) / Increase in cash and cash equivalents | | (59,791) | 96,454 | 121,867 |
| At December 31, | | 247,834 | 304,536 | 213,814 |
| Non-cash financing activity: | | | | |
| Fair value adjustment of minority interest acquired | | (925) | - | - |
| Common stock issued in acquisition of minority interest | | 51,611 | 796,418 | - |
| Dividends paid in kind to majority shareholders (shares of Siderar) | | - | - | 43,195 |
| Dividends paid in kind to minority shareholders (shares of Siderar) | | - | - | 17,497 |

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(1) Includes the effect of the fair value of net assets and liabilities acquired in the 2002 Exchange Offer. The accompanying notes are an integral part of these consolidated financial statements.

Accounting policies

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Accounting policies

The following is a summary of the principal accounting policies followed in the preparation of these consolidated financial statements:

A Business of the Company and basis of presentation

Tenaris S.A. (the Company or Tenaris), a Luxembourg corporation, was incorporated on December 17, 2001, to hold investments in steel pipe manufacturing and distributing companies, as discussed in Note 27. The Company holds, either directly or indirectly, controlling interests in various subsidiaries. A list of these holdings is included in Note 31.

At December 31, 2003 and 2002, the financial statements of Tenaris and its subsidiaries have been consolidated. For comparative purposes, and because Siderca S.A.I.C. (Siderca), Dalmine S.p.A. (Dalmine), Tubos de Acero de México S.A. de C.V. (Tamsa) and Tenaris Global Services S.A. (Tenaris Global Services) were under the common control of Sidertubes S.A. (Sidertubes) until October 18, 2002, their consolidated financial statements have been retroactively combined with those of the Company - until October 18, 2002- and presented as one company (Tenaris) in the consolidated financial statements for the years ended December 31, 2002 and 2001. As a result, references to Tenaris Consolidated Financial Statements for the years ended December 31, 2002 and 2001 refer to the Consolidated Combined Financial Statements of Tenaris predecessors. The percentages of ownership and voting rights considered in the preparation of such consolidated combined financial statements correspond to those of the parent company at such dates.

In 2001, Dalmine and Tamsa were consolidated, despite the fact that the Company did not own more than 50% of the voting rights. This was due to the control exercised by Tenaris' controlling shareholder, Sidertubes, through the appointment of the majority of the directors and key management.

The consolidated financial statements have been prepared in accordance with International Financial Reporting Standards (IFRS) adopted by the International Accounting Standards Board (IASB) and interpretations issued by the Standing Interpretations Committee (SIC) of the IASB. The consolidated financial statements are presented in thousands of U.S. dollars (USD).

Certain comparative amounts have been reclassified to conform to changes in presentation in the current year. All material intercompany transactions and balances have been eliminated.

The preparation of financial statements requires management to make 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 periods. Actual results may differ from these estimates.

The consolidated financial statements were approved by Tenaris' Board of Directors on March 2, 2004.

B Group accounting

(1) Subsidiary companies

The consolidated financial statements include the financial statements of Tenaris' subsidiary companies. Subsidiary companies are entities in which Tenaris has an interest of more than 50% of the voting rights or otherwise has the power to exercise control over their operations. Subsidiaries are consolidated from the date on which control is transferred to the Company and are no longer consolidated from the date that the Company ceases to have control. The purchase method of accounting is used to account for the acquisition of subsidiaries.

All material intercompany transactions and balances between Tenaris' subsidiaries have been eliminated. Where necessary, accounting policies for subsidiaries have been changed to ensure consistency with the policies adopted by Tenaris.

See Note 31 for the list of the consolidated subsidiaries.

(2) Associated companies

Investments in associated companies are accounted for by the equity method of accounting. Associated companies are companies in which Tenaris owns between 20% and 50% of the voting rights or over which Tenaris has significant influence, but does not have control (see Note B (1)). Unrealized results on transactions between Tenaris and its associated companies are eliminated to the extent of Tenaris' interest in the associated companies.

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Tenaris' investments in Consorcio Siderurgia Amazonia Ltd. (Amazonia) (14.5% since the 2003 Restructuring described in Note 24 (ii) and 14.1% during the years ended December 31, 2002 and 2001) and in Siderar S.A.I.C. (10.71% until November 27, 2001) were accounted for under the equity method.

Management periodically evaluates the carrying value of its investments in associated companies for impairment. The carrying value of these investments is considered impaired when an other than temporary decrease in the value of the investments has occurred.

See Note 11 for a list of principal associated companies.

C Foreign Currency Translation

(1) Translation of financial statements in currencies other than the U.S. Dollar; measurement currencies

International Accounting Standards Board's Standing Interpretation Committee's interpretation number 19 (SIC- 19) states that the measurement currency should provide information about the enterprise that is useful and reflects the economic substance of the underlying events and circumstances relevant to the enterprise.

The measurement currency of Tenaris is the U.S. dollar. Although the Company is domiciled in Luxembourg , Tenaris operates in several countries with different currencies. The U.S. dollar is the currency that best reflects the economic substance of the underlying events and circumstances relevant to Tenaris as a whole. Generally, the measurement currency of the main subsidiaries in these financial statements is the respective local currency. In the case of Siderca and its argentine subsidiaries, however, the measurement currency is the U.S. dollar, because:

- Siderca is located in Argentina and its local currency has been affected by recurring severe economic crises;
- Sales are denominated and settled in U.S. dollars or, if in a currency other than the U.S. dollar, the price is sensitive to movements in the exchange rate with the U.S. dollar;
- Purchases of critical raw materials are financed in U.S. dollars generated by financing or operating activities; and
- Most of the net financial assets and liabilities are mainly obtained and retained in U.S. dollars.

Income statements of subsidiary companies stated in currencies other than the U.S. dollar are translated into U.S. dollars at the weighted average exchange rates for the year, while balance sheets are translated at the exchange rates at December 31. Translation differences are recognized in shareholders' equity. Income statement information relating to the comparative year was translated using average exchange rates for the year. In the case of a sale or other disposition of any such subsidiary, any accumulated translation differences are recognized in the income statement as part of the gain or loss on sale.

In the case of Tamsa, which reported in the currency of a hyperinflationary economy (Mexico) as defined by IFRS- until December 31, 1998, the financial statements up to that date were restated in constant local currency in accordance with International Accounting Standard (IAS) 29.

(2) Transactions in currencies other than the measurement currency

Transactions in currencies other than the measurement 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 and from the translation of monetary assets and liabilities denominated in currencies other than the measurement currency are recognized in the income statement.

D Property, plant and equipment

Property, plant and equipment are recognized at historical acquisition or construction cost. Land and buildings comprise mainly factories and offices and are shown at historical cost less depreciation. In the case of business acquisitions proper consideration to the fair value of the assets has been given as explained in Note B(1).

Major overhaul and rebuilding expenditures that improve the condition of an asset beyond its original condition is capitalized as property, plant and equipment and depreciated over the remaining useful life of the related assets.

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

Interest costs from the financing of relevant construction in progress is capitalized during the period of time that is required to complete and prepare the asset for its intended use.

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

| | |
|--|-----------------|
| Land | No Depreciation |
| Buildings and improvements | 30-50 years |
| Plant and production equipment | 10-20 years |
| Vehicles, furniture and fixtures and other equipment | 4-10 years |

Restricted tangible assets in Dalmine with a net book value at December 31, 2003 of USD 5.1 million are assets that will be returned to the Italian government authorities upon expiration of the underlying contract. These assets are depreciated over their estimated useful economic lives.

In all cases where the carrying amount of an asset is greater than its estimated recoverable amount, it is written down to its recoverable amount. However, management considers that there has been no impairment in the carrying value of property, plant and equipment.

E Impairment

Circumstances affecting the recoverability of tangible and intangible assets and investments in other companies may change. If this happens, the recoverable amount of the relevant asset is estimated. The recoverable amount is determined as the higher of the asset's net selling price and the present value of the estimated future cash flows. If the recoverable amount of the asset has dropped below its carrying amount the asset is written down immediately to its recoverable amount.

No impairment provisions were recorded, other than the investment in Amazonia (see Note 11).

F Intangible assets

(1) Goodwill

Goodwill represents the excess of the acquisition cost over the fair value of Tenaris' participation in an acquired companies' net assets at the acquisition date. Goodwill is amortized using the straight-line method over its estimated useful life, not to exceed 15 years. Amortization is included in cost of sales.

Goodwill and fair value adjustments arising in connection with acquisitions of a foreign entity are treated as measurement currency assets and liabilities of the acquired entity.

(2) Negative goodwill

Negative goodwill represents the excess of the fair values of Tenaris' participation in an acquired companies' net assets at the acquisition date over the acquisition cost. Negative goodwill is recognized as income on a systematic basis over the remaining weighted average useful life of the identifiable acquired depreciable assets, not to exceed 15 years. This income is included in cost of sales.

(3) Information systems projects

Generally, costs associated with developing or maintaining computer software programs are recognized as an expense as incurred. However, costs directly related to development, acquisition and implementation of information systems are recognized as intangible assets if they have a probable economic benefit exceeding the cost beyond one year.

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

(4) Research and development

Research expenditures are recognized as expenses as incurred. In accordance with IAS 38, development costs during the years ended on December 31, 2003, 2002 and 2001, were recorded as cost of sales in the income statement as incurred because they did not fulfill the criteria for capitalization. Research and development expenditures for the year ended 2003 totaled USD 6.1 million.

(5) Licenses and patents

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Expenditures on acquired patents, trademarks, technology transfer and licenses are capitalized and amortized using the straight-line method over their useful lives, but not exceeding 20 years.

G Other investments

Under IAS 39 Financial Instruments: Recognition and Measurement, investments have to be classified into the following categories: held-for-trading, held-to-maturity, loans and available-for-sale, depending on the purpose for acquiring the investments. Investments that do not fulfill the specific requirements of IAS 39 for held-for-trading, held-to-maturity or loan categories have to be included in the residual available-for-sale category. All of Tenaris', which include primarily deposits in trust funds and insurance companies, are currently classified as available-for-sale as defined by IFRS, despite the fact that they are not technically available for disposition according to the terms of the underlying contracts.

Other investments comprise mainly financial resources placed by Siderca, Siat and Confab within off-shore trusts, the objective of which is exclusively to ensure that the financial needs for the normal development of their operations are met. At December 31, 2003 the trustee has allocated USD 49.4 million of such funds to constitute collateral guarantees within the scope of the trust agreement.

All purchases and sales of investments are recognized on the trade date, which is the date that Tenaris commits to purchase or sell the investment. These transactions typically settle shortly after the trade date. Costs include transaction costs.

Subsequent to their acquisition, these investments are carried at fair value. Realized and unrealized gains and losses arising from changes in the fair value in those investments are included in the income statement for the period in which they arise. Investments in companies for which fair values cannot be measured reliably are reported at cost.

H Inventories

Inventories are stated at the lower of cost (calculated using principally the first-in-first-out FIFO method) and net realizable value as a whole. The cost of finished goods and work in progress comprises raw materials, direct labor, other direct costs and related production overhead costs. Net realizable value is estimated collectively for inventories as the selling price in the ordinary course of business, less the costs of completion and selling expenses. Goods in transit at period end are valued at supplier invoice cost.

An allowance for obsolescence or slow-moving inventory is made in relation to supplies and spare parts and based on management's analysis of their aging, the capacity of such materials to be used based on their levels of preservation and maintenance and the potential obsolescence due to technological changes. An allowance for slow-moving inventory is made in relation to finished goods based on management's analysis of their aging.

I Trade receivables

Trade receivables are carried at original invoice amount less an estimate made for doubtful receivables. The Company analyzes its trade accounts receivable on a regular basis and, when aware of a certain client's impossibility to meet its financial commitments to Tenaris, it records a charge to the provision for doubtful accounts. This provision is adjusted periodically in accordance with the aging of overdue accounts.

J Cash and cash equivalents

Cash and cash equivalents and highly liquid short-term securities are carried at fair market value.

For the purposes of the cash flow statement, cash and cash equivalents is comprised of cash, bank current accounts and short-term highly liquid investments (original maturity of less than 90 days).

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

K Shareholders' equity

(1) Basis of combination

The combined consolidated statement of changes in shareholders' equity for the years 2001 and 2002 was prepared based on the following:

- Currency translation differences due to the translation of the financial statements in currencies of the combined consolidated companies are shown in a separate line;

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- Changes in ownership in the Exchange Companies as defined in Note 27- comprises the net increase or decrease in the percentage of ownership that Sidertubes owned in these companies;
- Dividends paid prior to the 2002 Exchange Offer (see Note 27) include the dividends paid by Siderca, Tamsa, Dalmine or Tenaris Global Services to Sidertubes prior to the contribution of Sidertubes' assets to the Company, as if they had been paid by Tenaris to Sidertubes, as well as the dividends effectively paid by Tenaris to its shareholders.

The balances of the consolidated statement of changes in shareholders' equity at December 31, 2003 and 2002 include:

- The value of share capital, legal reserves, share premium, other distributable reserve and retained earnings in accordance with Luxembourg Law;
- The currency translation adjustments and retained earnings of Tenaris' subsidiaries under IFRS;
- The adjustment of the preceding items to value the balances by application of IFRS at December 31, 2003 and 2002.

(2) Dividends

Dividends are recorded in Tenaris' financial statements in the period in which they are approved by Tenaris' shareholders, or when interim dividends are approved by the Board of Directors in accordance to the authority given to them by the by-laws of the Company.

Dividends may be paid by Tenaris to the extent that it has distributable retained earnings, calculated in accordance with Luxembourg legal requirements. Therefore, retained earnings included in the consolidated financial statements may not be wholly distributable. See Note 24 (vi).

L Borrowings

Borrowings are recognized initially for an amount equal to the proceeds received net of transaction costs. In subsequent periods, borrowings are stated at amortized cost; any difference between proceeds and the redemption value is recognized in the income statement over the period of the borrowings.

M Income Taxes Current and Deferred

Under present Luxembourg law, so long as the Company maintains its status as a holding company, no income tax, withholding tax (including with respect to dividends), or capital gain tax is payable in Luxembourg by the Company.

The current income tax charge is calculated on the basis of the tax laws existing in the countries in which the Tenaris subsidiaries operate.

Deferred income taxes are calculated, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the financial statements. The principal temporary differences arise from the effect of currency translation on fixed assets, depreciation on property, plant and equipment originated in both difference in valuation and useful lives considered by accounting standards and tax regulations-, inventories valuation and provisions for pensions. Deferred tax assets and liabilities are measured at the tax rates that are expected to apply to the period when the asset is realized or the liability is settled, based on tax rates and tax laws that have been enacted or substantially enacted by the balance sheet date.

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

N Employee liabilities

(1) Employees' statutory profit sharing

Under Mexican law, Tenaris' Mexican subsidiaries are required to pay an annual benefit to their employees, which is calculated using a basis similar to the one used for the calculation of the income tax. Employees' statutory profit sharing is provided under the liability method. Temporary differences arise between the statutory bases of assets and liabilities used in the determination of the profit sharing and their carrying amounts in the financial statements.

(2) Employees' severance indemnity

This provision comprises the liability accrued on behalf of employees at Tenaris' Italian and Mexican subsidiaries at the balance sheet date in accordance with current legislation and the labor contracts in effect in the respective countries.

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Employees' severance indemnity costs are assessed annually using the projected unit credit method: the cost of providing this obligation is charged to the income statement over the service lives of employees in accordance with the advice of the actuaries. This provision is measured at the present value of the estimated future cash outflows using applicable interest rates. This provision amounts to USD66.4 million at December 31, 2003.

(3) Pension obligations

Certain Argentine Tenaris officers are covered by a defined benefit employee retirement plan designed to provide retirement, termination and other benefits to those officers.

Tenaris is accumulating assets for the ultimate payment of those benefits in the form of investments that carry time limitations for their redemption. The investments are not part of a particular plan, nor are they segregated from Tenaris' other assets. Due to these conditions, the plan is classified as unfunded by International Financial Reporting Standards definitions.

Retirement costs are assessed using the projected unit credit method: the cost of providing retirement benefits is charged to the income statement over the service lives of employees based on actuarial calculations. This provision is measured at the present value of the estimated future cash outflows using applicable interest rates. Actuarial gains and losses are recognized over the average remaining service lives of employees.

Benefits provided by the plan are in U.S. Dollars, and are calculated based on a three-year or seven-year salary average (whichever is more favorable to the beneficiary) for those executives who have retired or were terminated before December 31, 2003. After this date, the benefits of the plan are calculated based on a seven-year salary average.

(4) Other compensation obligations

Employee entitlements to annual leave and long-service leave is 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.

O Provisions and other liabilities

Provisions are accrued to reflect estimations of amounts due relating to expenses as they are incurred based on information available as of the date of preparation of the financial statements. If Tenaris expects a provision to be reimbursed (for example under an insurance contract), and the reimbursement is virtually certain, the reimbursement is recognized as an asset.

Tenaris has certain contingent liabilities with respect to existing or potential claims, lawsuits and other proceedings.. Unless otherwise specified, Tenaris accrues liabilities when it is probable that future cost could be incurred and that cost can be reasonably estimated. Generally, accruals are based on developments to date, Tenaris' estimates of the outcomes of these matters and the advice of Tenaris' legal advisors. As the scope of the liabilities becomes better defined, there may be changes in the estimates of future costs, which could have a material effect on Tenaris' future results of operations and financial conditions or liquidity.

P Revenue recognition

Revenues are recognized as sales when revenue is earned and is realized or realizable. This includes satisfying the following criteria: the arrangement with the customer is evident, usually through the receipt of a purchase order; the sales price is fixed or determinable; delivery -as defined by the risk transfer provision of the sales contracts- has occurred, which may include delivery to the customer storage warehouse location at one of the Company's subsidiaries; and collectability is reasonably assured.

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

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

Q Cost of sales and sales expenses

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

Shipping and handling costs related to client orders are classified as selling, general and administrative expenses.

R Earnings per share

Earnings per share are calculated by dividing the net income attributable to shareholders by the daily weighted average number of ordinary shares issued during the year. See Note 8.

S Derivative financial instruments

Tenaris adopted IAS 39 at the beginning of the fiscal year ended December 31, 2001. Under IAS 39, derivative financial instruments are initially recognized in the balance sheet at cost and subsequently remeasured at fair value. Changes in the fair value of any derivative instruments are recognized in the income statement as financial results. The total impact on shareholders' equity on December 31, 2001, as a result of the adoption of IAS 39, was a USD1,007 thousand loss. That impact arises from the remeasurement to fair value of derivatives that do not qualify for hedge accounting.

Information about accounting for derivative financial instruments and hedging activities is included within the section Financial Risk Management below.

T Segment information

Business segments provide products or services that are subject to risks and returns that are different from those of other business segment. Allocation to a specific business segment relates to the type of production process, type of product, nature of client and or intensity of infrastructure usage. Geographical segments provide products or services within a particular economic environment that is subject to risks and returns that are different from those of arising in other economic environments.

U Summary of significant differences between International Financial Reporting Standards (IFRS) and Generally Accepted Accounting Principles in the United States of America (US GAAP)

The accompanying consolidated financial statements have been prepared in accordance with IFRS, which differ in certain important respects from US GAAP. The significant differences at December 31, 2003 and 2002 and for the years ended December 31, 2003, 2002 and 2001 are reflected in the reconciliation provided in Note 33 and principally relate to the items discussed in the following paragraphs:

(1) Purchase accounting difference affecting the acquisition of Tavsa and Amazonia - Net of accumulated amortization

Tenaris directly or indirectly acquired interests in Tavsa and Amazonia . As part of this investment, Tenaris and its partners developed a business plan which contemplated workforce reductions. As a result of Tenaris' plans to reduce the workforce, the liabilities associated with the reductions were accrued by Tavsa and Amazonia as of the date of the acquisition, which resulted in additional goodwill under IFRS.

Under US GAAP, at the time of acquisition accrual of workforce reduction costs was required when certain conditions were met. (i) A restructuring plan must have been approved by an appropriate level of management; (ii) the benefit arrangement must have been sufficiently communicated to employees so that they could determine their benefits; (iii) the plan must have specifically identified the number of employees, their classification and location; and (iv) it was unlikely that significant changes to the plan would occur. In general, the plan should have been finalized within one year.

(2) Deferred income tax

Under IFRS, a temporary difference is originated by the excess of the accounting value of net assets, translated at historical exchange rates, over the taxable base translated using year-end exchange rates. Under US GAAP, no deferred tax is recognized for differences related to assets and liabilities that are remeasured from local currency into the functional currency resulting from changes in exchange rates or indexing for tax purposes.

(3) Equity in investments in associated companies

The significant differences that give rise to US GAAP adjustments on equity in associated companies are related to the provision for restructuring costs net of its tax effect.

(4) Unrecognized prior service costs

Under IFRS past service costs related to pension benefits are recognized over the remaining vesting period. Where benefits have already vested, past service costs are recognized immediately.

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Under US GAAP, past service costs are recognized over the remaining service lives of active employees.

(5) Accounting changes

As discussed in Note S, at the beginning of the fiscal year ended December 31, 2001, the Company adopted IAS 39. The impact of the adoption corresponds to the remeasurement to fair value of derivatives related to non-qualifying hedges and it was accounted for in a separate line in the consolidated statement of changes in shareholders' equity.

Under US GAAP the company adopted Statement of Financial Accounting Standards (SFAS) No. 133 Accounting for Derivative Instruments and Hedging Activities, and its corresponding amendments under SFAS N° 137 and 138 on January 1, 2001. The cumulative effect adjustment was recognized in net income.

(6) Consolidation of non-majority-owned subsidiaries

Under IFRS, companies in which the ultimate parent company did not own more than 50% of the voting rights but had the necessary power as to exercise control by other means (such as appointing the majority in the board of directors and key management) are consolidated.

Under US GAAP, only majority-owned subsidiaries (companies in which a parent has a controlling financial interest through direct or indirect ownership of a majority voting interest) are consolidated. Accordingly, condensed income statement and cash flow are presented in Note 33, without consolidating Dalmine for the year ended December 31, 2001.

(7) Financial assets' changes in fair value

The Company has certain investments in trust funds. Under IFRS, the Company is carrying these investments at market value with unrealized gains and losses, if any, included in the statement of income.

As explained in Note G, the company has allocated certain investments in trust funds to the available-for-sale category as defined by IAS 39. Under US GAAP, the Company is carrying these investments at market value with material unrealized gains and losses, if any, included in shareholder's equity in accordance with Statement of Financial Accounting Standards No. 115 "Accounting for Certain Investments in Debt and Equity Securities" ("SFAS No. 115"). SFAS No. 115 also states that for such investments an enterprise shall determine whether a decline in fair value below the amortized cost basis is other than temporary. In such event, accumulated unrealized losses included in Other Comprehensive Income shall be reclassified into the Statement of Income.

Specific identification was used to determine cost in computing realized gain or loss. For the purpose of assigning these investments to the categories specified in IAS 39, the Company's considers available potential needs for liquidity, changes in the availability of and the yield on alternative instruments or changes in funding securities at the time of purchase.

(8) Goodwill

Under IFRS, purchased goodwill is capitalized as an intangible asset, with a rebuttable presumption that its useful life does not exceed 20 years.

An impairment review of goodwill is required wherever events or changes in circumstances indicate that the carrying amount may not be recoverable and annually if estimated useful life exceeds 20 years.

Under US GAAP, an investment recorded under the purchase method of accounting requires an estimation of the fair values of the underlying, separately identifiable assets and liabilities. Any excess of the cost of the investment over the fair value of acquired net assets is treated as goodwill.

As a result of the adoption of SFAS No. 142 Goodwill and other intangible assets, the Company assessed the goodwill for impairment. The steps taken are fully explained in Note 34 (d), and the impairment losses are presented as a cumulative effect of a change in accounting principle in the quantitative reconciliation in Note 34.

Effective January 1, 2002, in accordance with SFAS No. 142, the Company ceased the amortization of goodwill under US GAAP.

(9) Cost of the 2002 Exchange Offer

Under IFRS, direct costs relating to an acquisition, including the cost of registering and issuing equity securities, are considered in determining the cost of acquisition.

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Under US GAAP, in accordance with SFAS No. 141 Business combinations , costs of registering and issuing equity securities shall be recognized as a reduction of the fair value of the securities.

FINANCIAL RISK MANAGEMENT

(1) Financial risk factors

Tenaris' activities expose it to a variety of financial risks, including the effects of changes foreign currency exchange rates and interest rates. Tenaris' subsidiaries use derivative financial instruments to minimize potential adverse effects on Tenaris' financial performance, by hedging certain exposures.

(i) Foreign exchange rate risk

Tenaris operates internationally and is exposed to foreign exchange rate risk arising from various currency exposures. Certain Tenaris' subsidiaries use forward contracts in order to hedge their exposure to exchange rate risk primarily in U.S. Dollars.

(ii) Interest rate risk

Tenaris' income and operating cash flows are substantially independent from changes in market interest rates. Tenaris' subsidiaries generally borrow at variable rates. Dalmine has entered into interest rate swaps for long-term debt to hedge future interest payments, converting borrowings from floating rates to fixed rates.

(iii) Concentration of credit risk

Tenaris has no significant concentrations of credit risk from customers. No single customer accounts for more than ten percent of Tenaris' sales.

Tenaris' subsidiaries have policies in place to ensure that sales of products and services are made to customers with an appropriate credit history, or use credit insurance, letters of credit and other instruments to reduce credit risk whenever deemed necessary. These subsidiaries maintain allowances for potential credit losses .

Derivative counterparties and cash transactions are limited to high credit quality financial institutions.

(iv) Liquidity risk

Prudent liquidity risk management recommends maintaining sufficient cash and marketable securities, the availability of funding through an adequate amount of committed credit facilities and the ability to close out market positions.

(2) Accounting for derivative financial instruments and hedging activities

Derivative financial instruments are initially recognized in the balance sheet at cost and subsequently marked to market. Tenaris does not hedge its net investments in foreign entities.

Derivative transactions and other financial instruments, while providing economic hedges under risk management policies, do not qualify for hedge accounting under the specific rules in IAS 39. Changes in the fair value of any derivative instruments that do not qualify for hedge accounting under IAS 39 are recognized immediately in the income statement. The fair values of derivative instruments are disclosed in Note 23.

(3) Fair value estimation

The estimated fair value of a financial instrument is the amount at which the instrument could be exchanged in a current transaction between willing parties, other than in a forced or liquidation sale.

For the purpose of estimating the fair value of financial assets and liabilities with maturities of less than one year, the face value less any estimated credit adjustments was considered. For other investments, including, the trust fund, quoted market price was used.

As most borrowings include variable rates or fixed rates that approximate market rates and the contractual repricing occurs every 3 to 6 months, the fair value of the borrowings approximates its carrying amount and it is not disclosed separately.

In assessing the fair value of derivatives and other financial instruments, Tenaris uses a variety of methods, including estimated discounted value of future cash flows using assumptions based on market conditions existing at each balance sheet date.

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1 Segment information**Primary reporting format - business segments**

| | Seamless | Welded and other metallic products | Energy | Others | Unallocated | Total |
|-------------------------------------|-------------|---|-----------|-----------|-------------|-------------|
| Year ended December 31, 2003 | | | | | | |
| Net sales | 2,375,888 | 350,745 | 333,207 | 119,812 | - | 3,179,652 |
| Cost of sales | (1,523,945) | (274,643) | (316,566) | (92,673) | - | (2,207,827) |
| Gross profit | 851,943 | 76,102 | 16,641 | 27,139 | - | 971,825 |
| Segment assets | 3,296,945 | 354,662 | 105,629 | 224,565 | 327,747 | 4,309,548 |
| Segment liabilities | 1,542,350 | 240,166 | 91,982 | 55,453 | 418,333 | 2,348,284 |
| Capital expenditure | 129,396 | 24,245 | 5,380 | 3,603 | - | 162,624 |
| Depreciation and amortization | 180,208 | 10,896 | 3,706 | 4,989 | - | 199,799 |
| Year ended December 31, 2002 | | | | | | |
| Net sales | 2,244,138 | 580,001 | 210,415 | 184,830 | - | 3,219,384 |
| Cost of sales | (1,421,263) | (379,384) | (198,727) | (169,854) | - | (2,169,228) |
| Gross profit | 822,875 | 200,617 | 11,688 | 14,976 | - | 1,050,156 |
| Segment assets | 3,273,969 | 354,069 | 41,155 | 135,212 | 277,493 | 4,081,898 |
| Segment liabilities | 1,368,716 | 212,689 | 49,909 | 69,716 | 500,031 | 2,201,061 |
| Capital expenditure | 108,546 | 27,053 | 5,623 | 6,355 | - | 147,577 |
| Depreciation and amortization | 162,119 | 7,669 | 2,768 | 3,759 | - | 176,315 |
| Year ended December 31, 2001 | | | | | | |
| Net sales | 2,496,479 | 432,647 | 113,140 | 132,033 | - | 3,174,299 |
| Cost of sales | (1,663,385) | (293,938) | (107,552) | (100,693) | - | (2,165,568) |
| Gross profit | 833,094 | 138,709 | 5,588 | 31,340 | - | 1,008,731 |
| Segment assets | 3,057,316 | 445,401 | 45,007 | 97,715 | 192,515 | 3,837,954 |
| Segment liabilities | 1,356,849 | 214,173 | 39,119 | 80,908 | 352,523 | 2,043,572 |
| Capital expenditure | 201,452 | 16,749 | 3,391 | 1,257 | - | 222,849 |
| Depreciation and amortization | 155,145 | 3,717 | 1,539 | 1,309 | - | 161,710 |

Tenaris' main business segment is the manufacturing and trading of seamless pipes.

The main transactions between segments, which were eliminated in the consolidation, relate to sales of Energy to Seamless units for USD 62,755 in 2003, USD 50,021 in 2002 and USD 37,067 in 2001. Other such transactions include sales of scrap and pipe protectors from Other segments to Seamless units for USD 37,647, USD 22,269 and USD 34,934 in 2003, 2002 and 2001, respectively.

Secondary reporting format - geographical segments

| Year ended December 31, 2003 | | | | | | |
|-------------------------------------|--------|------------------|---------------------------|-------------------------|-------------|-------|
| South America | Europe | North America | Middle East and Africa | Far East and Oceania | Unallocated | Total |

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| | | | | | | | |
|-------------------------------|-----------|-----------|-----------|---------|---------|---------|-----------|
| Net sales | 752,175 | 958,772 | 754,262 | 392,707 | 321,736 | - | 3,179,652 |
| Total assets | 1,281,202 | 1,140,761 | 1,266,773 | 90,699 | 202,366 | 327,747 | 4,309,548 |
| Trade receivables | 123,969 | 286,651 | 138,899 | 69,216 | 34,047 | - | 652,782 |
| Property, plant and equipment | 624,542 | 557,637 | 716,952 | 2,376 | 58,807 | - | 1,960,314 |
| Capital expenditure | 63,636 | 47,965 | 42,988 | 358 | 7,677 | - | 162,624 |
| Depreciation and amortization | 103,548 | 58,196 | 31,908 | 16 | 6,131 | - | 199,799 |

Year ended December 31, 2002

| | South America | Europe | North America | Middle East and Africa | Far East and Oceania | Unallocated | Total |
|-------------------------------|---------------|---------|---------------|------------------------|----------------------|-------------|-----------|
| Net sales | 956,382 | 829,744 | 577,279 | 511,119 | 344,860 | - | 3,219,384 |
| Total assets | 1,321,637 | 874,185 | 1,238,179 | 169,810 | 200,594 | 277,493 | 4,081,898 |
| Trade receivables | 208,313 | 145,863 | 123,572 | 145,681 | 29,820 | - | 653,249 |
| Property, plant and equipment | 624,115 | 471,580 | 784,104 | 2,556 | 51,882 | - | 1,934,237 |
| Capital expenditure | 73,121 | 39,985 | 25,628 | 2,551 | 6,292 | - | 147,577 |
| Depreciation and amortization | 83,344 | 48,078 | 39,913 | 23 | 4,957 | - | 176,315 |

Year ended December 31, 2001

| | South America | Europe | North America | Middle East and Africa | Far East and Oceania | Unallocated | Total |
|-------------------------------|---------------|---------|---------------|------------------------|----------------------|-------------|-----------|
| Net sales | 971,101 | 680,524 | 611,655 | 520,916 | 390,103 | - | 3,174,299 |
| Total assets | 1,230,766 | 742,982 | 1,365,007 | 97,630 | 209,054 | 192,515 | 3,837,954 |
| Trade receivables | 169,006 | 118,772 | 104,370 | 86,965 | 66,414 | - | 545,527 |
| Property, plant and equipment | 607,458 | 397,665 | 911,310 | 13 | 54,872 | - | 1,971,318 |
| Capital expenditure | 85,160 | 44,076 | 92,336 | - | 1,277 | - | 222,849 |
| Depreciation and amortization | 76,277 | 41,046 | 41,568 | 1 | 2,818 | - | 161,710 |

Allocation of net sales is based on the customers' location. Allocation of assets and capital expenditure are based on the assets' location.

Although Tenaris' business is managed on a worldwide basis, Tenaris' subsidiaries operate in five main geographical areas. The South American segment comprises principally Argentina , Venezuela and Brazil . The European segment comprises principally Italy , France , United Kingdom , Germany and Norway . The North American segment comprises principally Mexico , USA and Canada . The Middle East and Africa segment includes Egypt , United Arab Emirates , Saudi Arabia and Nigeria . The Far East and Oceania segment comprises principally China , Japan , Indonesia and South Korea .

2 Cost of sales

Year ended December 31,

| | 2003 | 2002 | 2001 |
|--|-----------|-----------|-----------|
| Raw materials and consumables used and change in inventories | 1,364,224 | 1,425,878 | 1,459,967 |
| Services and fees | 272,313 | 227,090 | 177,513 |
| Labor cost | 286,748 | 235,902 | 285,203 |
| Depreciation of property, plant and equipment | 171,896 | 154,794 | 146,306 |
| Amortization of intangible assets | 6,763 | 2,370 | 2,266 |
| Maintenance expenses | 54,335 | 50,234 | 43,625 |
| Provisions for contingencies | 3,802 | 4,307 | 2,021 |
| Allowance for obsolescence | 6,011 | 19,042 | 6,985 |
| Taxes | 4,273 | 3,160 | 2,185 |
| Others | 37,462 | 46,451 | 39,497 |

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2,207,827 2,169,228 2,165,568

3 Selling, general and administrative expenses

Year ended December 31,

2003 2002 2001

| | | | |
|--|----------------|----------------|----------------|
| Services and fees | 129,237 | 101,566 | 94,392 |
| Labor cost | 134,769 | 117,975 | 126,849 |
| Depreciation of property, plant and equipment | 8,477 | 6,164 | 2,633 |
| Amortization of intangible assets | 12,663 | 12,987 | 10,505 |
| Commissions, freights and other selling expenses | 189,353 | 261,249 | 187,370 |
| Provisions for contingencies | 2,005 | 8,122 | 10,092 |
| Allowances for doubtful accounts | 5,704 | 6,387 | 5,372 |
| Taxes | 45,337 | 33,335 | 8,278 |
| Others | 39,290 | 19,730 | 57,256 |
| | 566,835 | 567,515 | 502,747 |

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

Year ended December 31,

2003 2002 2001

| | | | |
|---|----------------|----------------|----------------|
| Wages, salaries and social security costs | 410,458 | 347,096 | 403,438 |
| Employees severance indemnity (Note 20 (i)) | 9,988 | 6,453 | 6,913 |
| Pension benefits - defined benefit plans (Note 20(i)) | 1,071 | 328 | 1,701 |
| | 421,517 | 353,877 | 412,052 |

At year-end, the number of employees was 14,391 in 2003, 13,841 in 2002 and 14,127 in 2001.

5 Other operating items

Year ended December 31,

2003 2002 2001

(i) Other operating income

| | | | |
|--|--------------|---------------|------------|
| Reimbursement from insurance companies and other third parties | 1,544 | 6,814 | - |
| Income from disposition of warehouses | 4,075 | 3,132 | - |
| Income from disposition of investments | 1,018 | - | - |
| Net rents | 2,222 | 2,414 | 585 |
| Gain on government securities | - | 5,643 | - |
| | 8,859 | 18,003 | 585 |

(ii) Other operating expenses

| | | | |
|---|---------|--------|--------|
| Provision for BHP proceedings | 114,182 | 18,923 | 41,061 |
| Allowance for receivables | 1,728 | 1,334 | 13,617 |
| Contributions to welfare projects and non-profits organizations | 4,362 | 5,204 | 1,100 |

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| | | | |
|--|----------------|---------------|---------------|
| Allowance for legal claims and contingencies | - | - | 7,666 |
| Miscellaneous | 5,387 | 3,306 | 1,493 |
| | 125,659 | 28,767 | 64,937 |

6 Financial expenses, net

| | Year ended December 31, | | |
|--|--------------------------------|-----------------|-----------------|
| | 2003 | 2002 | 2001 |
| Interest expense | (33,134) | (34,480) | (43,676) |
| Interest income | 16,426 | 14,201 | 2,586 |
| Net foreign exchange transaction (losses)/gains and fair value of derivative instruments | (16,165) | 11,567 | 16,900 |
| Financial discount on trade receivables | - | (8,810) | - |
| Others | 3,453 | (3,075) | (1,405) |
| | (29,420) | (20,597) | (25,595) |

7 Tax charge

| | Year ended December 31, | | |
|--|--------------------------------|-------------|-------------|
| | 2003 | 2002 | 2001 |
| Income tax | | | |
| Current tax | 148,240 | 192,862 | 148,823 |
| Deferred tax (Note 19) | (63,862) | 26,426 | (39,867) |
| | 84,378 | 219,288 | 108,956 |
| Effect of currency translation on tax base | (20,460) | 25,266 | 109,882 |
| | 63,918 | 244,554 | 218,838 |
| Subtotal | 63,918 | 244,554 | 218,838 |
| Recovery of Income Tax (a) | - | (36,783) | - |
| | 63,918 | 207,771 | 218,838 |

(a) In 2002 Tamsa succeeded in an income tax claim against the Mexican tax authorities, resulting in a recovery of income tax of previous years of MXN 355.6 million (USD36.8 million).

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

| | Year ended December 31, | | |
|---|--------------------------------|-------------|-------------|
| | 2003 | 2002 | 2001 |
| Income before tax and minority interest | 286,355 | 444,478 | 374,741 |
| Tax calculated at the tax rate in each country | 99,060 | 184,201 | 143,408 |
| Non taxable income | (71,816) | (54,780) | (45,415) |
| Non deductible expenses | 43,909 | 17,310 | 12,418 |
| Effect of currency translation on tax base (b) | (20,460) | 25,266 | 109,882 |
| Effect of taxable exchange differences | 13,367 | 79,362 | - |
| Utilization of previously unrecognized tax losses | (142) | (6,805) | (1,455) |
| Tax charge | 63,918 | 244,554 | 218,838 |

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- (b) Tenaris, using the liability method, recognizes a deferred income tax charge on temporary differences between the tax bases of its assets and their carrying amounts in the financial statements. By application of this method, Tenaris recognized 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. These gains and losses were required by IFRS even though the reduced tax bases of the relevant assets will only result in reduced amortization deductions for tax purposes in future periods throughout the useful life of those assets and, consequently, the resulting deferred income tax charge does not represent a separate obligation of Tenaris that was due and payable in any of the relevant periods.

8 Earnings and dividends per share

- (i) Under IFRS, Earnings per share are calculated by dividing the net income attributable to shareholders by the daily weighted average number of ordinary shares issued during the year. The weighted average number of ordinary shares assumes that the 710,747,090 shares issued for the Sidertubes contribution were issued and outstanding as of January 1, 2001.

| | Year ended December 31, | | |
|---|-------------------------|---------|---------|
| | 2003 | 2002 | 2001 |
| Net income attributable to shareholders | 210,308 | 94,304 | 81,346 |
| Weighted average number of ordinary shares in issue (thousands) | 1,167,230 | 732,936 | 710,747 |
| Basic and diluted earnings per share | 0.18 | 0.13 | 0.11 |
| Dividends paid | (115,002) | - | - |
| Dividends per share | 0.10 | - | - |

- (ii) As explained in Note A and Note 27 (a) the Sidertubes contribution and the exchange offer transaction took place in 2002. For purposes of comparison the Company has calculated the pro-forma earnings per share for years 2002 and 2001 as if these transactions had taken place on January 1, 2001. Moreover, with respect to subsequent acquisitions and residual offers carried out during 2003 (see Note 27 (b)) the Company has calculated the pro-forma earnings per share for year 2003 as if these transactions had all taken place on January 1, 2003. The pro-forma earnings per share thus calculated are shown below:

| | Year ended December 31, | | |
|---|-------------------------|--------------------|-----------|
| | 2003 | 2002 | 2001 |
| | | (Unaudited) | |
| Net income attributable to shareholders | 210,308 | 193,826 | 135,796 |
| Weighted average number of ordinary shares in issue (thousands) | 1,180,288 | 1,160,701 | 1,160,701 |
| Basic and diluted earnings per share | 0.18 | 0.17 | 0.12 |
| Dividends paid | (115,002) | - | - |
| Dividends per share | 0.10 | - | - |

9 Property, plant and equipment, net

| Year ended December 31, 2003 | Land, building and improvements | Plant and production equipment | Vehicles, furniture and fixtures | Work in progress | Spare parts and equipment | Total |
|--|---------------------------------------|--------------------------------------|--|---------------------|---------------------------------|-----------|
| Cost | | | | | | |
| Values at the beginning of the year | 296,608 | 4,801,316 | 99,200 | 141,861 | 10,087 | 5,349,072 |
| Translation differences | (7,736) | 64,472 | 4,595 | (1,353) | 3,332 | 63,310 |
| Additions | 455 | 23,107 | 4,420 | 106,057 | 3,426 | 137,465 |
| Disposals / Consumptions | (1,664) | (27,612) | (3,312) | (135) | (1,882) | (34,605) |
| Transfers | 15,819 | 139,939 | 7,454 | (160,237) | (2,164) | 811 |
| Increase due to business combinations | 447 | 30,303 | 14 | - | - | 30,764 |
| Values at the end of the year | 303,929 | 5,031,525 | 112,371 | 86,193 | 12,799 | 5,546,817 |
| Depreciation | | | | | | |
| Accumulated at the beginning of the year | 98,616 | 3,228,390 | 82,139 | - | 5,690 | 3,414,835 |

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| | | | | | | |
|------------------------------------|----------------|------------------|---------------|---------------|--------------|------------------|
| Translation differences | 843 | 9,248 | 2,474 | - | 977 | 13,542 |
| Depreciation charge | 7,519 | 165,403 | 6,769 | - | 682 | 180,373 |
| Disposals / Consumptions | (921) | (24,255) | (2,243) | - | (1,221) | (28,640) |
| Transfers | 6,636 | (250) | 83 | - | (76) | 6,393 |
| Accumulated at the end of the year | 112,693 | 3,378,536 | 89,222 | - | 6,052 | 3,586,503 |
| At December 31, 2003 | 191,236 | 1,652,989 | 23,149 | 86,193 | 6,747 | 1,960,314 |

| Year ended December 31, 2002 | Land, building and improvements | Plant and production equipment | Vehicles, furniture and fixtures | Work in progress | Spare parts and equipment | Total |
|---|--|---|---|-----------------------------|--|------------------|
| Cost | | | | | | |
| Values at the beginning of the year | 314,029 | 4,736,620 | 91,891 | 150,397 | 8,937 | 5,301,874 |
| Translation differences | (29,974) | (67,439) | (2,404) | (16,374) | 647 | (115,544) |
| Additions | 1,820 | 42,590 | 2,918 | 71,009 | 6,268 | 124,605 |
| Disposals / Consumptions | (5,479) | (13,258) | (1,036) | (507) | (6,015) | (26,295) |
| Transfers | 16,212 | 37,084 | 7,831 | (62,664) | 250 | (1,287) |
| Increase due to business combinations (a) | - | 65,719 | - | - | - | 65,719 |
| Values at the end of the year | 296,608 | 4,801,316 | 99,200 | 141,861 | 10,087 | 5,349,072 |
| Depreciation | | | | | | |
| Accumulated at the beginning of the year | 97,154 | 3,148,055 | 78,540 | - | 6,806 | 3,330,555 |
| Translation differences | (2,689) | (61,180) | (1,371) | - | 430 | (64,810) |
| Depreciation charge | 5,444 | 149,430 | 5,518 | - | 566 | 160,958 |
| Disposals / Consumptions | (1,359) | (7,915) | (482) | - | (2,112) | (11,868) |
| Transfers | 66 | - | (66) | - | - | - |
| Accumulated at the end of the year | 98,616 | 3,228,390 | 82,139 | - | 5,690 | 3,414,835 |
| At December 31, 2002 | 197,992 | 1,572,926 | 17,061 | 141,861 | 4,397 | 1,934,237 |

(a) Includes USD 65.7 million attributable to the fair value of Property, plant and equipment of Dalmine, Siderca and Tamsa acquired on the exchange transaction (see Note 28).

Property, plant and equipment includes interest capitalized for USD19,159 and USD17,372 for the years ended December 31, 2003 and 2002, respectively. During 2003 and 2002, Tenaris capitalized interest costs of USD1,787 and USD 4,284, respectively.

10 Intangible assets, net

| Year ended December 31, 2003 | Information system projects | Licenses and patents | Goodwill (a) | Negative goodwill | Total |
|--|--|-------------------------------------|-------------------------|------------------------------|--------------|
| Cost | | | | | |
| Values at the beginning of the year | 35,348 | 30,381 | 132,224 | (126,735) | 71,218 |
| Translation differences | 5,185 | 4,030 | - | (2,944) | 6,271 |
| Additions | 23,687 | 1,472 | - | - | 25,159 |
| Transfers | 24,582 | (25,393) | - | - | (811) |
| Increase due to business combinations | - | - | 10,680 | (1,013) | 9,667 |
| Values at the end of the year | 88,802 | 10,490 | 142,904 | (130,692) | 111,504 |
| Amortization | | | | | |
| Accumulated at the beginning of the year | 15,573 | 16,152 | 11,997 | (5,188) | 38,534 |
| Translation differences | 2,391 | 3,509 | - | - | 5,900 |

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| | | | | | |
|------------------------------------|---------------|--------------|----------------|------------------|---------------|
| Amortization charge | 14,580 | 4,850 | 8,885 | (8,889) | 19,426 |
| Transfers | 9,557 | (15,950) | - | - | (6,393) |
| Accumulated at the end of the year | 42,101 | 8,561 | 20,882 | (14,077) | 57,467 |
| At December 31, 2003 | 46,701 | 1,929 | 122,022 | (116,615) | 54,037 |

| | Information system projects | Licenses and patents | Goodwill (a) | Negative goodwill | Total |
|---|-----------------------------|----------------------|----------------|-------------------|---------------|
| Year ended December 31, 2002 | | | | | |
| Cost | | | | | |
| Values at the beginning of the year | 20,647 | 46,673 | 27,863 | (21,414) | 73,769 |
| Translation differences | (1,234) | 1,864 | (1,046) | - | (416) |
| Additions | 14,648 | 3,026 | 5,298 | - | 22,972 |
| Disposals | - | (21,182) | - | - | (21,182) |
| Transfers | 1,287 | - | - | - | 1,287 |
| Increase due to business acquisitions (b) | - | - | 100,109 | (105,321) | (5,212) |
| Values at the end of the year | 35,348 | 30,381 | 132,224 | (126,735) | 71,218 |
| Amortization | | | | | |
| Accumulated at the beginning of the year | 10,707 | 11,221 | 7,598 | (3,388) | 26,138 |
| Translation differences | (602) | 2,036 | (2,276) | - | (842) |
| Amortization charge | 5,468 | 5,014 | 6,675 | (1,800) | 15,357 |
| Disposals | - | (2,119) | - | - | (2,119) |
| Accumulated at the end of the year | 15,573 | 16,152 | 11,997 | (5,188) | 38,534 |
| At December 31, 2002 | 19,775 | 14,229 | 120,227 | (121,547) | 32,684 |

(a) Corresponds to the seamless segment

(b) Includes USD 5.2 million attributable to the fair value of intangible assets of Dalmine, Siderca and Tamsa

11 Investments in associated companies

| | Year ended December 31, | |
|--|-------------------------|---------------|
| | 2003 | 2002 |
| At the beginning of year | 14,327 | 27,983 |
| Translation differences | 2,197 | (7,174) |
| Equity in gains (losses) of associated companies | 27,585 | (6,802) |
| Acquisitions | 1,811 | 320 |
| Sales | (106) | - |
| At the end of year | 45,814 | 14,327 |

The principal associated companies are:

| Company | Country of incorporation | Percentage of ownership and voting rights at December 31, | | Value at December 31, | |
|--|--------------------------|---|--------|-----------------------|--------|
| | | 2003 | 2002 | 2003 | 2002 |
| Consorcio Siderurgia Amazonia Ltd. (a) | Cayman Islands | 14.49% | 14.11% | 23,500 | 13,229 |

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| | | | | | |
|---|-----------|--------|--------|--------|--------|
| Ylopa Serviços de Consultadoria Ltda. (b) | Madeira | 24.40% | - | 19,500 | - |
| Condusid C.A. | Venezuela | 20.00% | 20.00% | 2,708 | 553 |
| Others | | | | 106 | 545 |
| | | | | 45,814 | 14,327 |

(a) The values at December 31, 2003 and 2002 are net of an impairment provision of USD 49.9 million and 13.3 million, respectively, prompted by the effect of negative conditions in the international steel markets, recession in Venezuela, and the revaluation of Venezuelan currency against the US dollar on the operations of its subsidiary Siderúrgica del Orinoco CA (Sidor) - See Note 24 (ii)-

(b) At December 31, 2003 the retained earnings of Ylopa Serviços de Consultadoria Ltda. (Ylopa) totalled USD 72.5 million.

12 Other investments

| | Year ended December 31, | |
|--|-------------------------|----------------|
| | 2003 | 2002 |
| Trust funds with specific objective (Note G) | - | 135,787 |
| Deposits with insurance companies | 9,866 | 9,791 |
| Investments in companies under the cost method | 12,855 | 13,515 |
| Others | 434 | 210 |
| | 23,155 | 159,303 |

13 Receivables non current

| | Year ended December 31, | |
|--|-------------------------|---------------|
| | 2003 | 2002 |
| Government entities | 2,239 | 4,820 |
| Employee advances and loans | 3,269 | 3,050 |
| Tax credits | 9,495 | 8,624 |
| Trade receivables | 5,966 | 8,113 |
| Advances to suppliers | 11,535 | - |
| Convertible Loan to Ylopa (Note 24(ii)) | 33,508 | - |
| Receivables on Off-Take Contract | 13,419 | 12,566 |
| Miscellaneous | 1,348 | 1,123 |
| | 80,779 | 38,296 |
| Allowances for doubtful accounts (Note 21 (i)) | (21,258) | (21,394) |
| | 59,521 | 16,902 |

14 Inventories

| | Year ended December 31, | |
|--|-------------------------|----------|
| | 2003 | 2002 |
| Finished goods | 360,190 | 327,328 |
| Goods in process | 158,918 | 111,125 |
| Raw materials | 111,988 | 127,647 |
| Supplies | 173,738 | 128,709 |
| Goods in transit | 74,788 | 36,925 |
| | 879,622 | 731,734 |
| Allowance for obsolescence (Note 22 (i)) | (47,743) | (51,621) |

831,879 **680,113**

15 Receivables and prepayments

| | Year ended December 31, | |
|--|-------------------------|----------------|
| | 2003 | 2002 |
| V.A.T. credits | 34,225 | 43,298 |
| Prepaid taxes | 29,141 | 20,560 |
| Reimbursements and other services receivable | 11,782 | 19,787 |
| Government entities | 14,532 | 11,381 |
| Employee advances and loans | 13,660 | 5,595 |
| Advances to suppliers | 19,382 | 29,876 |
| Other advances | 18,472 | 12,308 |
| Government tax refunds on exports | 14,530 | 16,977 |
| Miscellaneous | 15,171 | 18,898 |
| | 170,895 | 178,680 |
| Allowance for other doubtful accounts (Note 22 (i)) | (5,761) | (5,997) |
| | 165,134 | 172,683 |

16 Trade receivables

| | Year ended December 31, | |
|---|-------------------------|----------------|
| | 2003 | 2002 |
| Current accounts | 605,119 | 636,246 |
| Notes receivables | 71,666 | 42,336 |
| | 676,785 | 678,582 |
| Allowance for doubtful accounts (Note 22 (i)) | (24,003) | (25,333) |
| | 652,782 | 653,249 |

17 Cash and cash equivalents and Other investments

| | Year ended December 31, | |
|---|-------------------------|----------------|
| | 2003 | 2002 |
| (i) Other investments | | |
| Trust funds with specific objective (Note G) | 138,266 | - |
| (ii) Cash and cash equivalents | | |
| Cash and short-term highly liquid investments | 247,414 | 279,878 |
| Time deposits with related parties | 420 | 24,658 |
| | 247,834 | 304,536 |

18 Borrowings

Year ended December 31,

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| | 2003 | 2002 |
|----------------------------|----------------|----------------|
| Non-current | | |
| Bank borrowings | 299,965 | 260,596 |
| Debentures | 65,375 | 54,187 |
| Finance lease liabilities | 9,439 | 7,422 |
| | 374,779 | 322,205 |
| Current | | |
| Bank borrowings | 273,607 | 380,380 |
| Bank overdrafts | 9,804 | 9,649 |
| Debentures and other loans | 171,062 | - |
| Finance lease liabilities | 5,266 | 4,176 |
| Costs for issue of debt | (867) | (515) |
| | 458,872 | 393,690 |
| Total Borrowings | 833,651 | 715,895 |

The maturity of borrowings is as follows:

| At December 31, 2003 | 1 year or less | 1 - 2 years | 2 - 3 years | 3 - 4 years | 4 - 5 years | Over 5 Years | Total |
|-------------------------|-------------------|----------------|----------------|----------------|----------------|-----------------|----------------|
| Financial lease | 5,266 | 2,289 | 1,490 | 1,196 | 954 | 3,510 | 14,705 |
| Other borrowings | 453,606 | 162,904 | 140,455 | 28,098 | 18,079 | 15,804 | 818,946 |
| Total borrowings | 458,872 | 165,193 | 141,945 | 29,294 | 19,033 | 19,314 | 833,651 |

In December 2003, Tamsa a Tenaris subsidiary- entered into a three-year syndicated loan agreement in the amount of USD 150 million, to replace an existing facility. The most significant financial covenants under this loan agreement are the maintenance of minimum levels of working capital, the commitment not to incur additional indebtedness above agreed limits or pledges on certain assets and compliance with debt service ratios calculated on Tamsa's financial accounts. In June 2003, Tenaris entered into a four-year mortgage Euro denominated loan of approximately USD 33 million with a pledge on land and buildings of its Italian subsidiary.

Borrowings include loans secured over certain of the properties of the Company for a total of USD 308.9 million. Some of these loans included covenants, the most significant of which relate to maintenance of limited total indebtedness and compliance with debt service ratios. At December 31, 2003, Tenaris subsidiaries were in compliance with all of their financial covenants.

The weighted average interest rates which incorporates instruments denominated in various currencies- at the balance sheet date were as follows:

| | 2003 | 2002 |
|----------------------------|-------|-------|
| Bank borrowings | 2.94% | 3.61% |
| Debentures and other loans | 2.69% | 3.99% |
| Finance lease liabilities | 1.94% | 3.56% |

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

Bank borrowings

| Currency | Interest rates | December 31, | |
|----------|----------------|--------------|---------|
| | | 2003 | 2002 |
| USD | Variable | 240,928 | 130,000 |

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| | | | |
|---|----------|----------------------|----------------------|
| USD | Fixed | - | 57,782 |
| EUR | Variable | 160,399 | 156,419 |
| JPY | Fixed | 45,082 | 37,882 |
| BRS | Variable | 15,783 | 30,093 |
| | | | |
| Less: Current portion of medium and long-term loans | | 462,192 (162,227) | 412,176 (151,580) |
| Total Bank borrowings | | 299,965 | 260,596 |

Debentures

| Currency | Interest rates | December 31, | |
|---|----------------|--------------|--------|
| | | 2003 | 2002 |
| EURO | Variable | 66,156 | 54,187 |
| Less: Current portion of medium and long-term loans | | (781) | - |
| Total Debentures | | 65,375 | 54,187 |

The Debentures were issued on January 1998, at a face value of ITL100,000 million with interest linked to the 3-month Libor.

Finance lease liabilities

| Currency | Interest rates | December 31, | |
|---|----------------|--------------|---------|
| | | 2003 | 2002 |
| EUR | Variable | 3,777 | 6,042 |
| JPY | Fixed | 10,928 | 5,556 |
| Less: Current portion of medium and long-term loans | | (5,266) | (4,176) |
| Total finance leases | | 9,439 | 7,422 |

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

| | Year ended December 31, | |
|---|-------------------------|---------|
| | 2003 | 2002 |
| Property, plant and equipment mortgages | 417,126 | 344,122 |

19 Deferred income taxes

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, | |
|-------------------------|-------------------------|----------|
| | 2003 | 2002 |
| At beginning of year | 386,167 | 328,336 |
| Translation differences | (17,157) | (23,340) |

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| | | |
|--|----------------|----------------|
| Increase due to business combinations | (1,925) | 27,534 |
| Income statement charge /(credit) | (63,862) | 26,426 |
| Effect of currency translation on tax base | (20,460) | 25,266 |
| Deferred employees statutory profit sharing charge | 4,758 | 1,945 |
| At end of year | 287,521 | 386,167 |

The movement in deferred tax assets and liabilities (prior to offsetting the balances within the same tax jurisdiction) during the year is as follows:

Deferred tax liabilities

| | Fixed assets | Inventories | Other ^(a) | Total at December 31, 2003 |
|--|---------------------|--------------------|-----------------------------|-----------------------------------|
| At beginning of year | 283,015 | 68,790 | 148,226 | 500,031 |
| Translation differences | (4,073) | (3,957) | 417 | (7,613) |
| Acquisition of minority interest in subsidiaries | 2,562 | - | - | 2,562 |
| Income statement (credit)/charge | (48,713) | (12,196) | (15,738) | (76,647) |
| At end of year | 232,791 | 52,637 | 132,905 | 418,333 |

(a) Includes the effect of currency translation on tax base explained in Note 7

Deferred tax assets

| | Provisions and allowances | Inventories | Tax losses ^(a) | Other | Total |
|--|----------------------------------|--------------------|----------------------------------|-----------------|------------------|
| At beginning of year | (74,826) | (22,033) | (6,073) | (10,932) | (113,864) |
| Translation differences | (7,559) | 214 | (539) | (1,660) | (9,544) |
| Increase due to business acquisitions | (1,220) | - | - | - | (1,220) |
| Acquisition of minority interest in subsidiaries | - | - | - | (3,267) | (3,267) |
| Income statement charge/(credit) | 7,680 | (6,488) | (1,675) | (2,434) | (2,917) |
| At end of year | (75,925) | (28,307) | (8,287) | (18,293) | (130,812) |

(a) The tax loss carryforwards arising from the BHP settlement is included under each voices that originated them.

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, | |
|--------------------------|--------------------------------|----------------|
| | 2003 | 2002 |
| Deferred tax assets | (130,812) | (113,864) |
| Deferred tax liabilities | 418,333 | 500,031 |
| | 287,521 | 386,167 |

The amounts shown in the balance sheet include the following:

| Year ended December 31, |
|--------------------------------|
|--------------------------------|

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| | 2003 | 2002 |
|--|----------|----------|
| Deferred tax assets to be recovered after more than 12 months | (20,385) | (23,461) |
| Deferred tax liabilities to be settled after more than 12 months | 300,733 | 372,729 |
| 20 Other liabilities | | |

| | Year ended December 31, | |
|--|-------------------------|----------------|
| | 2003 | 2002 |
| (i) Non-current | | |
| Employee liabilities | | |
| Employees statutory profit sharing | 51,110 | 60,962 |
| Employees severance indemnity (a) | 66,426 | 50,728 |
| Pension benefits (b) | 8,569 | 11,069 |
| | 126,105 | 122,759 |
| Accounts payable Settlement BHP (Note 24 (i)) | 54,691 | - |
| Other liabilities | | |
| Taxes payable | 8,345 | - |
| Miscellaneous | 2,399 | 264 |
| | 10,744 | 264 |
| | 191,540 | 123,023 |

(a) *Employees severance indemnity*

The amounts recognized in the balance sheet are as follows:

| | Year ended December 31, | |
|--|-------------------------|--------|
| | 2003 | 2002 |
| Total included in non-current Employee liabilities | 66,426 | 50,728 |

The amounts recognized in the income statement are as follows:

| | Year ended December 31, | | |
|--------------------------------------|-------------------------|--------------|--------------|
| | 2003 | 2002 | 2001 |
| Current service cost | 7,291 | 4,518 | 5,142 |
| Interest cost | 2,697 | 1,935 | 1,771 |
| Total included in Labor costs | 9,988 | 6,453 | 6,913 |

The principal actuarial assumptions used were as follows:

| | Year ended December 31, | | |
|-------------------------------|-------------------------|------|------|
| | 2003 | 2002 | 2001 |
| Discount rate | 5% | 5% | 5% |
| Rate of compensation increase | 4% | 4% | 2% |

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(b) Pension benefits

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

| | Year ended December 31, | |
|---------------------------------------|-------------------------|---------------|
| | 2003 | 2002 |
| Present value of unfunded obligations | 12,134 | 9,522 |
| Unrecognized actuarial gains (losses) | (3,565) | 1,547 |
| Liability in the balance sheet | 8,569 | 11,069 |

The amounts recognized in the income statement are as follows:

| | Year ended December 31, | | |
|---|-------------------------|------------|--------------|
| | 2003 | 2002 | 2001 |
| Current service cost | 381 | 255 | 611 |
| Interest cost | 637 | 584 | 1,105 |
| Net actuarial (gains) losses recognized in the year | 53 | (511) | (15) |
| Total included in Labor costs | 1,071 | 328 | 1,701 |

Movement in the liability recognized in the balance sheet:

| | Year ended December 31, | |
|--|-------------------------|---------------|
| | 2003 | 2002 |
| At the beginning of the year | 11,069 | 13,098 |
| Transfers and new participants of the plan | (103) | 215 |
| Total expense | 1,071 | 328 |
| Contributions paid | (3,468) | (2,572) |
| At the end of year | 8,569 | 11,069 |

The principal actuarial assumptions used were as follows:

| | Year ended December 31, | | |
|-------------------------------|-------------------------|------|------|
| | 2003 | 2002 | 2001 |
| Discount rate | 7% | 7% | 10% |
| Rate of compensation increase | 2% | 2% | 3% |

| | Year ended December 31, | |
|--|-------------------------|--------|
| | 2003 | 2002 |
| (ii) Other liabilities current | | |
| Payroll and social security payable | 61,900 | 51,737 |
| Voluntary redundancy plan | - | 751 |
| Accounts payable- BHP Settlement (Note 24 (i)) | 109,257 | - |
| Loan from Ylopa (Note 24 (ii)) | 10,590 | - |

| | | |
|----------------------------------|----------------|---------------|
| Liabilities with related parties | 3,742 | - |
| Miscellaneous | 22,105 | 940 |
| | 207,594 | 53,428 |

21 Non-current provisions*(i) Deducted from assets*

| | Allowance for doubtful accounts- Receivables |
|-------------------------------------|---|
| Year ended December 31, 2003 | |
| Values at the beginning of the year | (21,394) |
| Translation differences | (846) |
| Additional provisions (*) | (3,547) |
| Used | 4,529 |
| At December 31, 2003 | (21,258) |
| Year ended December 31, 2002 | |
| Values at the beginning of the year | (32,361) |
| Translation differences | 2,796 |
| Additional provisions (*) | (1,444) |
| Used | 9,615 |
| At December 31, 2002 | (21,394) |

(*) Includes effect of provisions on off take credits, which are reflected in the cost of sales.

(ii) Liabilities

| | Legal claims and contingencies |
|-------------------------------------|---|
| Year ended December 31, 2003 | |
| Values at the beginning of the year | 33,874 |
| Translation differences | 2,990 |
| Reversals | (5,227) |
| Additional provisions | 4,848 |
| Used | (13,152) |
| At December 31, 2003 | 23,333 |
| Year ended December 31, 2002 | |
| Values at the beginning of the year | 38,080 |
| Translation differences | (5,959) |
| Reversals | (4,008) |
| Additional provisions | 8,315 |
| Used | (2,554) |
| At December 31, 2002 | 33,874 |

22 Current provisions*(i) Deducted from assets*

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| | Allowance for doubtful accounts- Trade receivables | Allowance for other doubtful accounts- Otherreceivables | Allowance for inventory obsolescence |
|-------------------------------------|--|---|---|
| Year ended December 31, 2003 | | | |
| Values at the beginning of the year | (25,333) | (5,997) | (51,621) |
| Translation differences | (1,321) | (327) | (1,626) |
| Reversals | 1,568 | 822 | 4,966 |
| Additional provisions | (6,850) | (278) | (10,977) |
| Used | 7,933 | 19 | 11,515 |
| At December 31, 2003 | (24,003) | (5,761) | (47,743) |
| Year ended December 31, 2002 | | | |
| Values at the beginning of the year | (23,881) | (5,958) | (52,160) |
| Translation differences | 898 | 1,148 | 158 |
| Reversals | 3,628 | 2,600 | 148 |
| Additional provisions | (10,015) | (3,934) | (19,190) |
| Used | 4,037 | 147 | 19,423 |
| At December 31, 2002 | (25,333) | (5,997) | (51,621) |

(ii) *Liabilities*

| | BHP Provision | Cost related to factory damages | Sales risks | Other claims and contingencies | Total |
|--|------------------|---------------------------------------|--------------|--------------------------------------|---------------|
| Year ended December 31, 2003 | | | | | |
| Values at the beginning of the year | 44,066 | - | 4,259 | 25,628 | 73,953 |
| Translation differences | 6,015 | - | 715 | 4,885 | 11,615 |
| Reversals | - | - | - | (1,276) | (1,276) |
| Additional provisions | 5,995 | - | 3,087 | 4,375 | 13,457 |
| Used ⁽¹⁾ | (56,076) | - | (3,996) | (5,713) | (65,785) |
| Increased due to business combinations | - | - | - | 7,660 | 7,660 |
| At December 31, 2003 | - | - | 4,065 | 35,559 | 39,624 |
| Year ended December 31, 2002 | | | | | |
| Values at the beginning of the year | 40,279 | 4,513 | 3,476 | 30,029 | 78,297 |
| Translation differences | 7,349 | 257 | 617 | 2,547 | 10,770 |
| Reversals | - | - | - | (1,064) | (1,064) |
| Additional provisions | 18,923 | - | 1,896 | 7,290 | 28,109 |
| Used | (22,485) | (4,770) | (1,730) | (13,174) | (42,159) |
| At December 31, 2002 | 44,066 | - | 4,259 | 25,628 | 73,953 |

(1) In the case of BHP, the provision was reclassified into Other Liabilities (see Note 20) following the settlement agreement discussed in Note 24 (i)

23 Derivative financial instruments

Net fair values of derivative financial instruments

The net fair values of derivative financial instruments at the balance sheet date were:

Year ended December 31,

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| | 2003 | 2002 |
|--------------------------------------|---------|---------|
| Contracts with positive fair values: | | |
| Interest rate swaps | - | 556 |
| Forward foreign exchange contracts | 2,947 | 2,867 |
| Commodities contracts | 1,197 | 639 |
| Contracts with negative fair values: | | |
| Interest rate swap contracts | (3,505) | (3,274) |
| Forward foreign exchange contracts | (2,937) | (777) |
| Commodities contracts | (1,592) | (3,511) |

Derivative financial instruments breakdown are as follows:

Variable interest rate swaps

| Notional amount (in thousands) | Swap | Term | Fair Value | | |
|-----------------------------------|---------|--------------------|----------------------|----------------------|---------|
| | | | December 31, 2003 | December 31, 2002 | |
| EURO | 122,305 | Fixed for Variable | 2005 | (1,916) | (1,256) |
| EURO | 27,114 | Fixed for Variable | 2007 | (770) | (904) |
| EURO | 1,786 | Fixed for Variable | 2009 | (142) | (101) |
| EURO | 10,005 | Fixed for Variable | 2010 | (819) | (558) |
| | | | | (3,505) | (2,718) |

Exchange rate derivatives

| Currencies | Contract | Fair Value | |
|------------|----------------------------------|----------------------|----------------------|
| | | December 31, 2003 | December 31, 2002 |
| USD/EUR | Euro Forward sales | (365) | (605) |
| USD/EUR | Euro Forward purchases | - | 2,283 |
| USD/EUR | Currency options and collars | (1,435) | - |
| JPY/USD | Japanese Yen Forward purchases | 2,661 | 452 |
| JPY/EUR | Japanese Yen Forward purchases | (83) | - |
| CAD/USD | Canadian Dollar Forward sales | (1,054) | 46 |
| BRL/USD | Brazilian Real Forward sales | 6 | (172) |
| ARS/USD | Argentine Peso Forward purchases | 280 | - |
| EUR/GBP | Pound Sterling Forward sales | - | 86 |
| | | 10 | 2,090 |

Commodities price derivatives

| Currencies | Terms | Fair Value | |
|------------------|-----------|----------------------|----------------------|
| | | December 31, 2003 | December 31, 2002 |
| Gas call options | 2004 | (213) | (2,749) |
| Gas put options | 2004-2005 | (246) | (151) |
| Gas cap options | - | - | 28 |

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| | | | |
|------------------|------|---------|---------|
| Oil call options | 2004 | 1,066 | |
| Oil put options | 2004 | (1,087) | |
| Oil call options | 2004 | 131 | - |
| Oil put options | 2004 | (46) | - |
| | | (395) | (2,872) |

24 Contingencies, commitments and restrictions on the distribution of profits

Tenaris is involved in litigation arising from time to time in the ordinary course of business (exception made of the litigation with the consortium led by BHP see (i) below). Based on management's assessment and the advice of legal counsel, it is not anticipated that the ultimate resolution of existing litigation will result in amounts in excess of recorded provisions (Notes 21 and 22) that would be material to the Tenaris consolidated financial position or income statement.

(i) Claim against Dalmine

In June 1998, British Steel plc (British Steel) and Dalmine were sued by a consortium led by BHP Billiton Petroleum Ltd. (BHP) before the Commercial Court of the High Court of Justice Queen's Bench Division of London. The action concerned the failure of an underwater pipeline built in 1994 in the Bay of Liverpool. Dalmine, at that time a subsidiary of Ilva S.p.A. (Ilva), supplied pipe products to British Steel, which, in turn, resold them to BHP for use in constructing the Bay of Liverpool pipeline. BHP claimed that British Steel breached the contract of sale relating to the pipe and that the pipe was defectively manufactured by Dalmine.

The products sold were valued at 1.9 million British pounds (GBP) and consisted of pipe for use in maritime applications. Dalmine received court notice of the action more than two years after the contractual warranty covering the pipe had expired and four years after the pipe was delivered and placed into operation. British Steel and Dalmine denied the claim on the basis that the warranty period had expired and, in the alternative, that the amount claimed exceeded the contractual limitation of liability (equal to GBP300 thousand, or approximately 15% of the value of the products supplied).

The Commercial Court dismissed the contract claim against British Steel. The decision was subsequently confirmed by the Court of Appeals in a ruling issued on April 7, 2000, as a result of which the claim against British Steel was definitively dismissed. BHP's product liability claim against Dalmine remained outstanding.

On November 24, 2000, the Commercial Court granted BHP permission to amend its pleading against Dalmine to include a deceit tort claim under English law based on inconsistencies between the results of internal chemical tests performed by Dalmine on the pipe and the results shown in the quality certificates issued to BHP by Dalmine. In May 2002, the trial court issued a judgment in favor of BHP, holding that the products supplied by Dalmine were the cause for the failure of the gas pipeline and that Dalmine was liable for damages to BHP. The court's judgment was limited to the issue of liability, and the amount of damages to be awarded to BHP was determined in a separate proceeding. Dalmine's petition to the trial court for leave to appeal its judgment was denied, but subsequently granted by the Court of Appeals. However, on February 5, 2003, the Court of Appeals dismissed Dalmine's appeal, closing the dispute on the issue of liability.

In 2003, following the Court's dismissal, BHP indicated that it would seek damages of approximately GBP35 million to cover the cost of replacing the pipeline, GBP70 million to compensate for consequential damages, GBP73 million to cover loss or deferred revenues, GBP31 million to compensate for increased income tax resulting from a change in law plus interest and costs for unspecified amounts. Additionally, BHP introduced some further claims in respect of costs associated with the installation of additional equipment as a result of the pipeline failure (GBP5 million) and losses due to increase in applicable tax on litigation proceeds for unspecified amounts. BHP petitioned the court for an interim judgment of damages in the amount of approximately GBP37 million to cover the cost of replacing the pipeline. On July 31, 2002, Dalmine agreed to pay BHP GBP15 million (approximately USD22.5 million) in interim damages.

On December 30, 2003, Dalmine and the consortium led by BHP reached a full and final settlement to put an end to the litigation. According to the terms of the settlement, a total of GBP 108.0 million was agreed as compensation to the consortium, inclusive of expenses. As a consequence of this, Tenaris recorded during 2003 an aggregate loss of USD 114.2 million, before consideration of the tax effect. The unpaid balance arising from the final settlement and net of the advances described above- will be paid in three yearly installments of GBP30.3 million, GBP30.4 million and GBP30.4 million, due in January 2004, December 2004 and December 2005, respectively. A Libor + 1% interest rate will apply to the outstanding amounts. On January 9, 2004 the first such installment was paid.

The pipe that is the subject of this lawsuit was manufactured and sold, and the tort alleged by BHP took place, prior to the privatization of Dalmine. Techint Investments Netherlands BV (Tenet) the Tenaris subsidiary party to the contract pursuant to which Dalmine was privatized has commenced arbitration proceedings against Fintecna S.p.A.-which controlled Dalmine prior to its privatization- to compel it to indemnify Dalmine for any amounts Dalmine paid or payable to BHP. Fintecna has denied that it has any contractual obligation to indemnify, asserting that the indemnification claim is time-barred under the terms of the privatization contract and, in any event, subject to a cap of EUR13 million. Tenet

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disputes this assertion. The arbitration proceedings are currently in progress and Tenet expects to conclude them in the first half of 2004. No assurances can be given that the arbitration proceedings will, in fact, conclude in the first half of 2004 or that Finctecna will be required to reimburse any amounts paid or payable to BHP.

(ii) Consorcio Siderurgia Amazonia, Ltd.(Amazonia)

In January 1998, Amazonia, an international consortium of companies, purchased a 70.0% equity interest in Siderúrgica del Orinoco C.A. (Sidor), a Venezuelan integrated steel producer, from the Venezuelan government, which retained the remaining 30%. Tamsider LLC (Tamsider) a wholly-owned subsidiary of Tenaris , which at the time was controlled by Tamsa- held an initial 12.5% equity interest in Amazonia and Tamsa held convertible debt for USD 18.0 million.

Sidor, located in Guayana in southeast Venezuela, is the largest integrated steel producer in Venezuela and the sixth largest integrated steel producer in Latin America.

During 2003 Sidor, Amazonia and their creditors entered into a restructuring agreement (2003 Restructuring). In the context of this agreement, Tenaris purchased a 24.4% equity interest in Ylopa, a special-purpose corporation incorporated in Madeira, by means of an aggregate cash contribution of USD 32.9 million (mainly in the form of subordinated convertible debt). After the consummation of the 2003 Sidor Restructuring, Ylopa acquired new debt instruments of Amazonia, convertible at Ylopa s option at any time after June 20, 2005, into 67.4% of the common stock of Amazonia. In addition, Sidor repurchased part of its own debt, capitalized half of the debt it owed to the Venezuelan government increasing the latter s stake in Sidor to 40.3% -reducing Amazonia s beneficial ownership in Sidor to 59.7%- and refinanced the remainder of its debt.

The 2003 Restructuring also entailed the termination of certain agreements entered into in connection with the privatization of Sidor and with a previous restructuring, which released Tenaris from guarantees Tamsider had granted as well as from commitments to further finance Amazonia and Sidor. The 2003 Restructuring and subsequent agreements also set forth a mechanism for Sidor to repay its debt whereby, Sidor s excess cash, (determined in accordance with a specific formula) is to be applied 30% to repay Sidor s financial debt, and the remaining 70%, to be split between Ylopa (or Amazonia) and the Venezuelan government according to their equity stakes in Sidor (59.7% and 40.3%, respectively); this provision to be effective only after the first USD11.0 million of Sidor s excess cash are applied to repay its financial debt.

Tenaris continues to bear the risk of further losses in the equity value of its investment in Amazonia as well as losses in the equity value of its investment in Ylopa. The restructuring agreements contemplate, however, certain continuing obligations and restrictions to protect the claims held by the financial creditors of Sidor. These obligations and restrictions include 2-year pledges over all of Amazonia s existing shares and shares of Sidor held in its possession, pledges to the Sidor financial lenders of any future debt of Amazonia and limitations to the constitution of liens over financial assets issued by Amazonia.

As a result of investments made by controlled companies in previous years and the2003 Restructuring, at December 31, 2003, Tenaris held a 24.4% equity interest in Ylopa as well as a USD 31.1 million convertible loan. In addition, Tenaris held a 14.5% equity stake in Amazonia, which may further increase up to 21.2% if and when all of its subordinated convertible debt is converted into equity. On October 16, 2003, Tenaris received a USD10.6 million non-interest bearing loan from Ylopa, which will be compensated with future dividends.

(iii) Tax claims

Siderca

On December 18, 2000, the Argentine tax authorities notified Siderca of an income tax assessment related to the conversion of tax loss carry-forwards into Debt Consolidation Bonds under Argentine Law No. 24,073. The adjustments proposed by the tax authorities represent an estimated contingent liability of ARP51.9 million (approximately USD17.7 million) at December 31, 2003 in taxes and penalties. On the basis of information from Siderca s tax advisors, Tenaris believes that the ultimate resolution of the matter will not result in a material obligation. Accordingly, no provision was recorded in the financial statements.

Argentine subsidiaries

In their respective calculations of income tax liabilities for the year ended December 31, 2002, Siderca and Siat, two subsidiaries of Tenaris domiciled in Argentina used the inflation adjustment procedure set forth in Title VI of the Argentine Income Tax Law. The application of such procedure, however, has been suspended since March 1992, pursuant to article 39 of Law 24.073, which was passed in the context of price stability prompted by the introduction of the convertibility regime that pegged the peso to the United States dollar at a fixed rate of ARP1=USD1.

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Both subsidiaries have started legal proceedings objecting to the constitutional grounds for the abovementioned suspension, on the ground that compliance with it would render artificial gains arising from the impact of inflation on monetary positions during 2002 fully taxable. Moreover and in order to protect themselves from potential actions by the fiscal authority aimed at demanding collection of the resulting differences, the subsidiaries have also obtained an injunction that prevents the tax authorities from summarily executing their claims while resolution of the proceedings is pending. The injunction has been appealed by the Argentine Tax Authority before the Federal Court of Appeals. Irrespective of the final result of the legal proceedings under way, the Company maintains it s a reserve for the full potential tax liability on the alleged artificial gains plus interest according to regulation in force, but excluding any other potential punitive charges. At December 31, 2003 the referred contingent reserve totaled ARP65.9 million (approximately USD22.5 million).

(iv) Other Proceedings

Dalmine is currently subject to two civil proceedings and a consolidated criminal proceeding before the Court of Bergamo, Italy, for work-related injuries arising from the use of asbestos in its manufacturing processes from 1960 to 1980. Of the 21 cases originally involved in the consolidated criminal proceeding, 20 have been settled.

In addition to the civil and criminal cases, another 28 asbestos related out-of-court claims have been forwarded to Dalmine.

Dalmine estimates that its potential liability in connection with the claims not yet settled or covered by insurance is approximately EUR8.5 million (USD 10.7 million).

(v) Commitments

The following are the Company's main off-balance sheet commitments:

(a) Tenaris entered into an off-take contract with Complejo Siderúrgico de Guayana C.A. ("Comsigua") to purchase on a take-or-pay basis 75,000 tons of hot briquette iron, or HBI, annually for twenty years beginning in April 1998 with an option to terminate the contract at any time after the tenth year upon one year's notice. Pursuant to this off-take contract, Tenaris would be required to purchase the HBI at a formula price reflecting Comsigua's production costs during the first eight contract years; thereafter, it would purchase the HBI at a slight discount to market price.

The agreements among the parties provide that, if during the eight-year period the average market price is lower than the formula price paid during such period, Tenaris would be entitled to a reimbursement of the difference plus interest, payable after the project financing and other specific credits are repaid. In addition, under the shareholders' agreements, Tenaris has the option to purchase on an annual basis up to a further 80,000 tons of HBI produced by Comsigua at market prices. Under its off-take contract with Comsigua, as a result of weak market prices for HBI, Tenaris paid higher-than-market prices for its HBI and according to the original contract accumulated a credit that, at December 31, 2003, amounted to approximately USD13.4 million. This credit, however, is offset by a provision recorded for an equal amount.

In connection with Tenaris' original 6.9% equity interest in Comsigua, Tenaris paid USD8.0 million and agreed to cover its share of Comsigua's cash operating and debt service shortfalls. In addition, Tenaris pledged its shares in Comsigua and provided a proportional guarantee of USD11.7 million (USD5.0 million outstanding as of December 31, 2003) in support of the USD156 million (USD66.0 million outstanding as of December 31, 2003) project financing loan made by the International Finance Corporation, or IFC, to Comsigua. Tenaris has been also required to pay an aggregate of USD 1.5 million, representing its share of a shortfall of USD14.7 million payable by Comsigua under the IFC loan and additional operating shortfalls of USD5.3 million. Comsigua's financial condition was adversely affected by the consistently weak international market conditions for HBI since its start-up in 1998. Market conditions have improved during 2003 and therefore, Tenaris has no longer been required to pay additional amounts as a sponsor in Comsigua. If current conditions prevail at similar levels, Tenaris would not be required to make additional proportional payments in respect of its participation in Comsigua and its purchases of HBI under the off-take contract would be paid in lower-than-market prices.

(b) In August 2001, Dalmine Energie S.p.A. signed a ten year agreement with Eni S.p.A. Gas & Power Division for the purchase of natural gas with certain take or pay conditions until October 1 st , 2011. In August 2003 Dalmine Energie S.p.A. received confirmation from Snam Rete Gas, the transportation company, of the yearly allocation of the necessary capacity on the international connection infrastructure until October 1 st 2010. The outstanding value of the contract is approximately EUR555 million (USD700 million) taking into consideration prices prevailing as of the time of the confirmation. In due course, Dalmine Energie S.p.A will be requesting Snam Rete Gas, the necessary capacity for the last year of purchase contract. Such capacity is allocated following regulations enacted by the Italian energy regulatory authority taking into consideration all allocation capacity requests.

(c) Under a lease agreement between Gade Srl (Italy) and Dalmine, executed in 2001, relating to a building site in Sabbio Bergamasco used by Dalmine's former subsidiary Tad Commerciale, Dalmine is obligated to bid in the auction for the purchase of a building from Gade for a minimum amount of EUR8.3 million (USD10.5 million). The notice of the auction, according to the contract, was not to take place before January 1, 2003. Up to the date of these financial statements, the auction was not yet announced.

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(d) On October 24, 2003, Tenaris subsidiaries Siderca and Generadora del Paraná S.A. (Generadora), together with Siderar, a related party to Tenaris, entered into a joint gas purchase agreement with Repsol-YPF. Under the agreement, which incorporates certain take-or-pay conditions, Tenaris committed to purchase up to 800 million cubic meters of gas during the life of the four-year contract, expiring at the end of 2006 at a price to be negotiated by the parties on a yearly basis. These two companies have an annual estimated gas consumption of 800 million cubic meters. Tenaris' share of the outstanding value of the contract resulting from the take-or-pay conditions totals USD 6.2 million.

(vi) Restrictions on the distribution of profits

Under Luxembourg law, at least 5% of net income per year calculated in accordance with Luxembourg law and regulations must be allocated to a reserve until such reserve has reached to an amount equal to 10% of the share capital. At December 31, 2003 the Company's reserve equaled 10% of its share capital.

Shareholders' equity under Luxembourg law and regulations is comprised of the following categories (amounts in thousands of USD):

| | |
|---|-----------|
| Share capital | 1,180,288 |
| Legal reserve | 118,029 |
| Share premium | 609,269 |
| Other distributable reserves | 96,555 |
| Retained earnings | 201,480 |
| | |
| Total shareholders equity under Luxembourg GAAP | 2,205,621 |

Dividends may be paid by Tenaris to the extent that it has distributable retained earnings and distributable reserve calculated in accordance with Luxembourg law and regulations.

At December 31, 2003, the distributable reserve and retained earnings of Tenaris under Luxembourg Law totalled USD298.0 million, as detailed below:

| Thousands of USD | |
|---|-----------|
| Distributable reserve and retained earnings at December 31, 2002 under Luxembourg Law | 206,744 |
| Dividends received | 207,213 |
| Other income and expenses for the year 2003 | (5,733) |
| Dividends paid | (115,002) |
| Increase in reserve due to capital increase (see Note 27 (b)) | 4,813 |
| | |
| Distributable reserve and retained earnings at December 31, 2003 under Luxembourg Law | 298,035 |

25 Ordinary shares and share premium

| | Number of Ordinary shares | |
|---------------------------------------|----------------------------------|---------------|
| | 2003 | 2002 |
| At January 1 | 1,160,700,794 | 30,107 |
| Net issue of shares (see Note 27 (b)) | 19,586,870 | 1,160,670,687 |
| | | |

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At December 31 1,180,287,664 1,160,700,794

The total of issued and outstanding ordinary shares as of December 31, 2003 is 1,180,287,664 with a par value of USD1 per share with one vote each.

26 Minority interest

| | Year ended December 31, | | |
|--|-------------------------|-----------|----------|
| | 2003 | 2002 | 2001 |
| At beginning of year | 186,783 | 918,981 | 919,710 |
| Currency translations differences | 16,738 | (62,816) | (11,167) |
| Effect of adopting IAS 39 | - | - | (408) |
| Share of net profit of subsidiaries | 12,129 | 142,403 | 74,557 |
| Acquisition | 458 | - | 17,042 |
| Exchange of shares of Siderca, Dalmine and Tamsa | (44,887) | (768,577) | - |
| Sales | (37,173) | (2,020) | (22,262) |
| Dividends paid | (14,064) | (41,188) | (58,491) |
| | | | |
| At end of year | 119,984 | 186,783 | 918,981 |
| | | | |

27 2002 Exchange Offer and other events with impact on minority interest

(a) Inception of Tenaris and 2002 Exchange Offer

Upon its incorporation in December 2001, Tenaris issued 30,107 shares, all of them held by its parent company, Sidertubes. On October 18, 2002, Sidertubes contributed all of its assets to Tenaris in exchange for shares of its common stock. The assets that Sidertubes contributed included the shares and voting rights that it held directly in Siderca (71.17%), Tamsa (6.94%), Dalmine (0.22%), Tenaris Global Services S.A. (Tenaris Global Services) (100%), Invertub S.A. (100%). Siderca held an additional 43.83% of Tamsa, an additional 47.00% of Dalmine, an additional 73.00% of Metalmecánica and an additional 48.00% of Metalcentro. Tenaris issued 710,747,090 shares in exchange for the contribution and 30,010 shares were cancelled.

On November 11, 2002, Tenaris commenced an offer to exchange shares and ADSs of its common stock for all outstanding Class A ordinary shares and ADSs of Siderca, all outstanding common shares and ADSs of Tamsa and all outstanding ordinary shares of Dalmine (the 2002 Exchange Offer). The 2002 Exchange Offer was concluded successfully on December 13, 2002.

These acquisitions were accounted for under the purchase method. The acquisition cost for the 2002 Exchange Offer was determined on the basis of the opening price of Tenaris shares on its first day on the trading market, December 16, 2002, and the exchange relationship of each of Siderca, Tamsa and Dalmine (collectively the Exchange Companies) proposed in the 2002 Exchange Offer. The acquisition costs of the 2002 Exchange Offer amounted to USD457.3 million for Siderca, USD278.9 million for Tamsa and USD75.1 million for Dalmine and include the cost of the issuance of Tenaris shares. As a result of using the purchase method of accounting for the 2002 Exchange Offer, goodwill of USD100.1 million was determined for the acquisition of the additional interest in Siderca and negative goodwill amounting to USD67.1 million and USD38.2 million was determined for the acquisition of the additional interests in Tamsa and Dalmine, respectively.

(b) Subsequent acquisitions and residual offers

Acquisition of Remaining Minority Interest in Tamsa and Capital Increase

On August 11, 2003, after obtaining required approvals from the Mexican securities regulator and the Securities Exchange Commission, Tenaris commenced an exchange offer to acquire all remaining shares and ADSs of Tamsa, which amounted to 5.6% of Tamsa's common stock. In order to comply with Mexican regulations, a fiduciary account was set up in Mexico to effect the exchange of shares held in Mexico throughout a six-month period.

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On September 15, 2003 Tenaris concluded its exchange offer in the United States for shares and ADSs of Tamsa. In addition, Tamsa's ADR program was terminated. As per the commitment assumed by Tenaris at that time the 2002 Exchange Offer, the exchange ratio used was equal to that of the 2002 Exchange Offer. Thus, in exchange for the Tamsa shares received, Tenaris issued 19,586,870 new shares of its common stock for USD 51,611 thousand, comprised of USD 48,135 according to Luxembourg law and USD 3,476 of adjustment to IFRS. The acquisition cost was determined on the bases of the price of Tenaris' shares on September 12, 2003.

For the 356,392 shares of Tamsa common stock outstanding in the Mexican market, Tenaris and Sidertubes established a fiduciary account with Banamex, in which Sidertubes deposited the necessary number of Tenaris' shares to provide for the exchange of the remaining interests in Tamsa. According to the terms of the fiduciary account, holders of Tamsa's common stock were able to exchange their shares under the escrow arrangement until February 11, 2004. At December 31, 2003, holders of 152,307 shares of Tamsa had exchanged their holdings for shares of Tenaris. As discussed in Note 32, at the expiration of such arrangement, Tenaris increased its capital in the amount of shares effectively exchanged to reimburse the shares lent by Sidertubes.

As of December 31, 2003, Tenaris held, directly or indirectly, 99.9% of the common stock of Tamsa. The acquisitions described above were completed for USD 53.2 million.

Subsequent acquisitions of Dalmine Shareholding

Pursuant to purchases made in the open market up to March 10, 2003, Tenaris held, directly or indirectly, 90.0003% of Dalmine's common stock.

On June 23, 2003 Tenaris launched a cash offer for the remaining minority interest in Dalmine (9.9997% of Dalmine's ordinary shares) at a price of EUR 0.172 per share. On July 11, 2003, the closing date for the offer, Tenaris announced that it held directly or indirectly, 96.8% of the shares of Dalmine and subsequently announced the delisting of Dalmine from the Italian Mercato Telematico Azionario. At December 31, 2003, as a result of shares accepted and effectively paid during the tender offer as well as shares purchased in subsequent transactions, Tenaris held directly or indirectly 98.6% of the shares of Dalmine. The acquisitions were completed for USD 23.4 million.

Acquisition of Remaining Minority Interest in Siderca

On April 3, 2003 the Argentine securities regulator approved Tenaris' proposal to acquire the remaining minority interest in Siderca, which amounted to 0.89% of the shares of such company. As a result of Tenaris' gaining beneficial control of 100% of the common stock of Siderca this company was effectively delisted and its ADR program terminated. The acquisition was completed on April 24, 2003 for 19.1 million.

On April 11, 2003 Tenaris was served with a claim from four Siderca shareholders and a preliminary order from a commercial court sitting in Buenos Aires preventing Tenaris from acquiring the shares held by such shareholders until a final decision on their claim is made by the courts. The plaintiffs, who held 0.01% of the shares of Siderca, argued that the provisions of Decree 677/01 authorizing Tenaris to purchase unilaterally the shares of minority holders contravene their property rights protected by the Argentine Constitution. Following the court order, the consummation of the acquisition was delayed. Subsequently Tenaris agreed with the plaintiffs to replace the referred order by an attachment of shares of Siderca owned by Tenaris for an amount equivalent to those held by the plaintiffs (USD 0.2 million). In light of such agreement, the Argentine securities regulator authorized the resumption of the acquisition process (which would also include the acquisition of the plaintiff's shares). On April 24, 2003 Tenaris successfully completed the acquisition of all the remaining minority interests in Siderca at a price of six Argentine pesos (ARP 6.00) per Siderca share and sixty Argentine pesos (ARP 60.00) per Siderca ADS, plus ARP 0.16 per share and ARP 1.60 per ADS in dividends approved by the Extraordinary General Meeting of Shareholders of Siderca held on April 28, 2003, totalling USD 19.1 million.

With respect to the plaintiffs' claim, Tenaris argued its view that the provisions of Decree 677/01 do not violate any constitutionally protected rights of such persons.

On November 5, 2003, the court decided in favor of the plaintiffs on the grounds that the Executive Branch had no authority to pass the provisions of Decree 677/01 providing for squeeze-out rights. Tenaris appealed the decision. However, by then the plaintiffs had sold to a third party their rights to the Siderca shares, which third party offered to sell them to Tenaris at the original exchange offer value plus accrued interest. Tenaris finally purchased such rights for the value offered and, consequently, waived its appeal, thus putting an end to the litigation.

28 Acquisitions

As a result of the transactions explained in Note 27, Tenaris acquired 5.49% of Tamsa, 9.94% of Dalmine and 0.89% of Siderca during 2003 and 43.7% of Tamsa, 41.4% of Dalmine and 27.9% of Siderca during 2002.

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On February 19, 2003 Tenaris acquired all of the shares and voting rights of Reliant Energy Cayman Holdings, Ltd., a company whose principal asset is an electric power generating facility located in Argentina, with a capacity of 160 megawatts, for a total amount of USD 23.1 million, which approximates the fair value of the net assets acquired. The acquisition was performed with the intention of ensuring self-sufficiency of electrical power requirements in Siderca's operations, which consume approximately 160 megawatts at peak production. The acquisition of Reliant Energy Cayman Holdings, Ltd. did not give rise to significant goodwill.

Additionally, on December 16, 2003 Tenaris acquired all of the shares and voting rights of Sociedad Industrial Puntana S.A. (Sipsa), a company whose principal asset is a manufacturing facility located in the province of San Luis, Argentina for USD 2.9 million. Sipsa's plant is near the manufacturing facility of another Tenaris' company, Metalmecánica, dedicated to the production of steel sucker rods. Tenaris intends to reorganize the production of the two companies so that Metalmecánica, which currently procures the narrow steel bars it uses as input for its production process, can integrate vertically Sipsa. The acquisition of Sipsa did not give rise to significant goodwill.

The assets and liabilities arising from acquisitions are as follows:

| | Year ended December 31, 2003 | Year ended December 31, 2002 |
|-----------------------------------|---|---|
| Other assets and liabilities, net | 2,075 | 11,135 |
| Property, plant and equipment | 30,764 | 65,719 |
| Goodwill | 9,667 | (5,212) |
| Net assets acquired | 42,506 | 71,642 |
| Minority interest | 81,711 | 768,577 |
| Total non-current liabilities | (2,561) | (29,014) |
| Total liabilities assumed | (2,561) | (29,014) |
| Purchase consideration | 121,656 | 811,205 |

Details of net assets acquired and goodwill are as follows:

| | Year ended December 31, 2003 | Year ended December 31, 2002 |
|--|---|---|
| Purchase consideration | 121,656 | 811,205 |
| Fair value of minority interest acquired | 111,989 | 816,417 |
| Goodwill (Negative Goodwill) | 9,667 | (5,212) |

During 2002 the Company acquired 0.26% of shares of Tamsa from minority shareholders for USD1.7 million.

29 Related party transactions

The Company is controlled by Sidertubes -incorporated in Luxembourg-, which at December 31, 2003 owned 60.3% of Tenaris' shares and voting rights. At that date the remaining 39.7% was publicly traded. The ultimate controlling entity of the Company is Rocca & Partners S.A., a British Virgin Islands corporation.

The following transactions were carried out with related parties:

| Year ended December 31, | | |
|--------------------------------|-------------|-------------|
| 2003 | 2002 | 2001 |

| | | | |
|---|-------------|-------------|-------------|
| (i) Transactions | | | |
| (a) Sales of goods and services | | | |
| Sales of goods | 57,865 | 258,083 | 74,145 |
| Sales of services | 11,811 | 6,934 | 3,444 |
| | 69,676 | 265,017 | 77,589 |
| (b) Purchases of goods and services | | | |
| Purchases of goods | 70,984 | 160,792 | 46,202 |
| Purchases of services | 64,793 | 103,858 | 95,216 |
| | 135,777 | 264,650 | 141,418 |
| (c) Acquisitions of subsidiaries | | | |
| | (304) | - | - |
| At December 31, | | | |
| | 2003 | 2002 | 2001 |
| (ii) Year-end balances | | | |
| (a) Arising from sales/purchases of goods/services | | | |
| Receivables from related parties | 42,116 | 59,490 | 34,439 |
| Payables to related parties | (37,219) | (92,133) | (43,957) |
| | 4,897 | (32,643) | (9,518) |
| (b) Cash and cash equivalents | | | |
| Time deposits | 420 | 24,658 | 67,975 |
| (c) Other balances | | | |
| Trust fund | 118,087 | 115,787 | 103,438 |
| Loan to Ylopa | 33,508 | - | - |
| | 151,595 | 115,787 | 103,438 |
| (d) Financial debt | | | |
| Borrowings and overdrafts | (5,716) | (49,452) | 55,331 |
| Borrowings from trust fund | (1,789) | - | - |
| | (7,505) | (49,452) | 55,331 |
| (e) Deposit guarantees and other guarantees | | | |
| Guarantees received | - | 6,000 | - |
| (iii) Officer and director compensation | | | |

The aggregate compensation of the directors and executive officers earned during 2003 amounts to USD 4.9 million.

30 Cash flow disclosures

| | Year ended December 31, | | |
|---------------------------------------|--------------------------------|-------------|-------------|
| | 2003 | 2002 | 2001 |
| (i) Changes in working capital | | | |
| Inventories | (151,766) | 55,461 | (54,064) |

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| | | | |
|-----------------------------|------------------|------------------|---------------|
| Receivables and prepayments | 10,900 | (31,485) | 6,272 |
| Trade receivables | 4,142 | (124,699) | (34,673) |
| Other liabilities | 39,585 | (27,168) | 15,137 |
| Customer advances | 17,636 | (32,355) | 53,587 |
| Trade payables | (27,653) | 59,404 | 64,292 |
| | (107,156) | (100,842) | 50,551 |

(ii) Tax accruals less payments

| | | | |
|-------------|------------------|----------------|----------------|
| Tax accrued | 63,918 | 244,554 | 218,838 |
| Taxes paid | (202,488) | (70,076) | (69,648) |
| | (138,570) | 174,478 | 149,190 |

(iii) Interest accruals less payments

| | | | |
|------------------|----------------|--------------|--------------|
| Interest accrued | 17,751 | 34,480 | 43,676 |
| Interest paid | (20,783) | (29,700) | (34,260) |
| | (3,032) | 4,780 | 9,416 |

31 Principal subsidiaries

The following is a list of Tenaris' subsidiaries and its direct or indirect percentage of ownership of each company at December 31, 2003, 2002 and 2001 is disclosed. For the year 2001, the percentages of ownership considered in the preparation of these consolidated financial statement correspond to those of the ultimate parent company at year-end:

| Company | Country of Organization | Main activity | Percentage of ownership at December 31, | | |
|--|-------------------------|---|---|------|------|
| | | | 2003 | 2002 | 2001 |
| Algoma Tubes Inc. | Canada | Manufacturing of seamless steel pipes | 100% | 98% | 64% |
| Confab Industrial S.A. and subsidiaries | Brazil | Manufacturing of welded steel pipes and capital goods | 39% | 39% | 28% |
| Corporación Tamsa S.A. ^(c) | Mexico | Sale of seamless steel pipe | - | 94% | 37% |
| Dalmine Holding B.V. and subsidiaries | Netherlands | Holding company | 99% | 88% | 34% |
| Dalmine S.p.A. | Italy | Manufacturing of seamless steel pipes | 99% | 88% | 34% |
| DST Japan K.K. | Japan | Marketing of steel products | 100% | 100% | 100% |
| Empresas Riga S.A. | Mexico | Manufacturing of welded fittings for seamless steel pipes | 100% | 94% | 37% |
| Exiros S.A. (previously Surpoint S.A.) ^(d) | Uruguay | Procurement services for industrial companies | 100% | - | - |
| Information Systems and Technologies N.V. and subsidiaries | Netherlands | Software development and maintenance | 75% | 70% | 36% |
| Inmobiliaria Tamsa S.A. | Mexico | Leasing of real estate | 100% | 94% | 37% |
| | Argentina | Electric power generation | 100% | - | - |

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| | | | | | |
|---|----------------|---|------|------|------|
| Insinger S.A. and subsidiaries (previously Reliant Energy Cayman Holdings, Ltd.) ^(a) | | | | | |
| Invertub S.A. | Argentina | Holding of investments | 100% | 100% | - |
| Lomond Holdings B.V. and subsidiaries | Netherlands | Procurement services for industrial companies | 100% | 70% | 36% |
| Metalcentro S.A. | Argentina | Manufacturing of pipe-end protectors and lateral impact tubes | 100% | 100% | 86% |
| Metalmecánica S.A. | Argentina | Manufacturing steel products for oil extraction | 100% | 99% | 79% |
| NKK Tubes K.K. | Japan | Manufacturing of seamless steel pipes | 51% | 51% | 36% |
| Scrapservice S.A. | Argentina | Processing of scrap | 75% | 74% | 53% |
| Siat S.A. | Argentina | Manufacturing of welded steel pipes | 82% | 81% | 58% |
| Siderca International A.p.S. | Denmark | Holding company | 100% | 99% | 71% |
| Siderca S.A.I.C. | Argentina | Manufacturing of seamless steel pipes | 100% | 99% | 71% |
| Siderestiba S.A. | Argentina | Logistics | 99% | 99% | 99% |
| Sidtam Limited | B.V.I. | Holding company | 100% | 97% | 55% |
| SO.PAR.FI Dalmine Holding S.A. | Luxembourg | Holding company | 99% | 88% | 34% |
| Sociedad Industrial Puntana S.A. ^(a) | Argentina | Manufacturing of steel products | 100% | - | - |
| Socominter de Bolivia S.R.L. | Bolivia | Marketing of steel products | 100% | 100% | 100% |
| Socominter Far East Ltd. | Singapore | Marketing of steel products | - | 100% | 100% |
| Socominter S.A. | Venezuela | Marketing of steel products | 100% | 100% | 100% |
| Socominter Soc. Com. Internacional Ltda. | Chile | Marketing of steel products | 100 | 100% | 100% |
| Tenaris Global Services (Panama) S.A. (previously Socominter Trading Inc.) | Panama | Marketing of steel products | 100% | 100% | 100% |
| Socover S.A. ^(c) | México | Sale of seamless steel pipe | - | 94% | 37% |
| Tad Chacin C.A. ^(b) | Venezuela | Marketing of steel products | - | - | 100% |
| Tamsider S.A. and subsidiaries | Mexico | Promotion and organization of steel-related companies | 100% | 94% | 37% |
| Tamtrade S.A.de C.V. | Mexico | Sale of seamless steel pipe | 100% | 94% | 37% |
| Techint Investment Netherlands B.V. | Netherlands | Holding company | 100% | 99% | 71% |
| Tenaris Global Services Norway AS | Norway | Marketing of steel products | 100% | 100% | 100% |
| Tenaris Autopartes S.A. de C.V. ^(d) | México | Manufacturing of supplies for the automotive industry | 100% | - | - |
| Tenaris Connections A.G. and subsidiaries | Liechtenstein | Ownership and licensing of steel technology | 99% | 94% | 47% |
| Tenaris Financial Services S.A. (previously Grostar) | Uruguay | Financial Services | 100% | 0% | 0% |
| Tenaris Global Services S.A. (and predecessors) | Uruguay | Holding of investments | 100% | 100% | 100% |
| Tenaris Global Services (Canada) Inc. (previously Techintrade Canada Inc.) | Canada | Marketing of steel products | 100% | 100% | 100% |
| Tenaris Global Services (U.S.A.) Corporation (previously Siderca Corporation) | U.S.A. | Marketing of steel products | 100% | 100% | 100% |
| Tenaris Global Services (UK) Ltd (previously DST Europe Ltd.) | United Kingdom | Marketing of steel products | 100% | 100% | 100% |

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| | | | | | |
|---|----------------|--|------|------|------|
| Tenaris Global Services B.V. | Netherlands | Sales agent of steel products | 100% | 100% | 100% |
| Tenaris Global Services Far East Pte. Ltd. (previously Siderca Pte. Ltd.) | Singapore | Marketing of steel products | 100% | 100% | 100% |
| Tenaris Global Services Korea ^(d) | Korea | Marketing of steel products | 100% | - | - |
| Tenaris Global Services LLC | U.S.A. | Sales agent of steel products | 100% | 100% | - |
| Tenaris Global Services Ltd. | B.V.I. | Holding company | 100% | 100% | 100% |
| Tenaris West Africa | United Kingdom | Finishing of steel pipes | 100% | 98% | - |
| Texas Pipe Threaders Co. | U.S.A. | Finishing and marketing of steel pipes | 100% | 99% | 71% |
| Tubos de Acero de México S.A. de C.V. | Mexico | Manufacturing of seamless steel pipes | 100% | 94% | 37% |
| Tubos de Acero de Venezuela S.A. (Tavsa) | Venezuela | Manufacturing of seamless steel pipes | 70% | 66% | 26% |
| Tubular DST Nigeria Ltd. | Nigeria | Marketing of steel products | 100% | 100% | 100% |
| Tenaris Global Services Ecuador S.A. ^(d) | Ecuador | Marketing of steel products | 100% | - | - |

(a) Acquired during 2003 (See Note 28)

(b) Liquidated or ceased operations during 2002

(c) Liquidated during 2003

(d) Incorporated during 2003

Tenaris holds 99% of the voting shares of Confab Industrial S.A. and has, directly or indirectly, the majority of voting rights in all of its subsidiaries.

32 Post balance sheet events

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

On February 11, 2004, the fiduciary account arrangement for the subsequent acquisition of minority interests of Tamsa held by Mexican investors described in Note 27 (b) terminated. At the end of the six-month exchange offer period, investors had exchanged 235,512 shares of Tamsa for 249,166 shares of Tenaris, which had been deposited in a trust account jointly created by Tenaris and Sidertubes. As a result, at the end of the offer, Tenaris was indebted to Sidertubes for 249,166 shares with a market value of USD0.8 million, representative of Tenaris' common stock that Sidertubes had committed to the fund. On February 13, 2004, Tenaris increased its capital by issuing 249,166 new common shares, which were transferred to Sidertubes to pay off its outstanding loan.

33 Reconciliation of net income and shareholders' equity to US GAAP

(a) The following is a summary of the significant adjustments to net income for the years ended December 31, 2003, 2002 and 2001 and to shareholders' equity at December 31, 2003 and 2002, which would be required had the consolidated financial statements been prepared in accordance with US GAAP instead of IFRS.

| | Year ended December 31, | | |
|---|-------------------------|---------|---------|
| | 2003 | 2002 | 2001 |
| Net income in accordance with IFRS | 210,308 | 94,304 | 81,346 |
| US GAAP adjustments income (expense) | | | |
| Purchase accounting difference affecting the acquisition of Tavsa amortization (Note U(1)) | - | 4,102 | 1,465 |
| Purchase accounting difference affecting the acquisition of Amazonia amortization (Note U(1)) | - | - | 10,378 |
| Deferred income tax (Note U(2)) | (14,599) | 26,368 | 109,882 |
| Equity in investments in associated companies (Note U(3)) | - | (561) | (196) |
| Unrecognized prior service costs (Note U(4)) | (392) | (3,149) | (263) |

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| | | | |
|---|-----------|----------|----------|
| Financial assets' changes in fair value (Note U(7)) | (1,611) | (1,527) | - |
| Goodwill under SFAS 142 (Note U(8))- Amortization | 8,764 | 2,175 | - |
| Cost of exchange offer- Amortization | 1,006 | - | - |
| Minority interest in above reconciling items | 432 | (11,663) | (38,691) |
| <hr/> | | | |
| Income (loss) before cumulative effect of accounting changes | 203,908 | 110,049 | 163,921 |
| Cumulative effect of accounting changes (Note U(7) and Note (S)) | - | (17,417) | (1,007) |
| <hr/> | | | |
| Net income in accordance with US GAAP | 203,908 | 92,632 | 162,914 |
| <hr/> | | | |
| Weighted average number of shares outstanding (See Note 8) (thousands) | 1,167,230 | 732,936 | 710,747 |
| Consolidated combined earnings per share before cumulative effect of accounting changes | 0.18 | 0.15 | 0.23 |
| Cumulative effect of accounting changes per share | - | (0.02) | (0.00) |
| Consolidated combined earnings per share in accordance with US GAAP | 0.18 | 0.13 | 0.23 |

| | December 31, | |
|--|---------------------|-------------|
| | 2003 | 2002 |
| | <hr/> | |
| Shareholders' equity in accordance with IFRS | 1,841,280 | 1,694,054 |
| US GAAP adjustments increase (decrease): | | |
| Deferred income tax (Note U(2)) | 66,791 | 82,371 |
| Unrecognized prior service costs (Note U(4)) | 2,909 | 3,344 |
| Goodwill under SFAS 142 original value (Note U(8)) | (21,628) | (21,628) |
| Goodwill under SFAS 142 accumulated amortization | 14,522 | 5,561 |
| Cost of the exchange offer original value (Note U (9)) | (15,900) | (14,787) |
| Cost of the exchange offer accumulated amortization | 1,006 | - |
| Minority interest in above reconciling items | (1,773) | (3,032) |
| <hr/> | | |
| Shareholders' equity in accordance with US GAAP | 1,887,207 | 1,745,883 |
| <hr/> | | |

(b) Changes in shareholders' equity under US GAAP are as follows:

| | Year ended December 31, | |
|--|--------------------------------|-------------|
| | 2003 | 2002 |
| | <hr/> | |
| Shareholders' equity at the beginning of the year in accordance with US GAAP | 1,745,883 | 941,926 |
| Net income for the year in accordance with US GAAP | 203,908 | 92,632 |
| Foreign currency translation adjustment | 309 | (34,267) |
| Change in ownership of Exchange Companies | - | 1,724 |

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| | | |
|--|-----------|-----------|
| Effect of the exchange transactions (Note 27) | 50,498 | 781,631 |
| Financial assets' changes in fair value | 1,611 | 1,527 |
| Dividends paid | (115,002) | (39,290) |
| | <hr/> | |
| Shareholders' equity at the end of the year in accordance with US GAAP | 1,887,207 | 1,745,883 |
| | <hr/> | |

(c) The following tables present Tenaris' condensed consolidated income statement and cash flow for the year ended December 2001 without consolidating Dalmine (see Note U (6)) reflecting US GAAP adjustments:

Condensed consolidated income statement

| | Year ended December 31, 2001 |
|--|---|
| | <hr/> |
| Net sales | 2,313,162 |
| Cost of sales | (1,551,124) |
| | <hr/> |
| Gross profit | 762,038 |
| Selling, general and administrative expenses | (350,369) |
| Other operating income (expenses), net | 10,345 |
| | <hr/> |
| Operating income | 422,014 |
| Financial income (expenses) net | 207 |
| Equity in (losses) earnings of associated companies | (38,272) |
| | <hr/> |
| Profit (loss) before tax | 383,949 |
| Income tax | (104,740) |
| Minority interest | (115,288) |
| | <hr/> |
| Net income (loss) before effect of accounting changes | 163,921 |
| Effect of accounting changes | (1,007) |
| | <hr/> |
| Net income (loss) | 162,914 |
| | <hr/> |
| Weighted average number of shares outstanding (See Note 8) (thousands) | 710,747 |
| Combined earnings per share before cumulative effect of accounting changes | 0.23 |
| Cumulative effect of accounting changes per share | (0.00) |
| Combined earnings per share in accordance with US GAAP | 0.23 |

Condensed consolidated cash flow statement

**Year ended
December 31, 2001**

| | |
|---|-----------|
| Net cash provided by operating activities | 502,809 |
| Net cash used in investing activities | (252,626) |
| Net cash provided by (used in) financing activities | (106,328) |
| Net increase in cash and cash equivalents | 143,855 |
| Non-cash financing activity: | |
| Dividends of shares of Siderar | 43,195 |

34 Other significant US GAAP disclosure requirements

The following is a summary of additional financial statement disclosures required under US GAAP:

(a) Income Taxes

The tax loss carryforwards at December 31, 2003, expire as follows:

| Expiration date | Amount |
|---------------------------|---------|
| December 31, 2008 | 230,370 |
| Not subject to expiration | 6,951 |
| | <hr/> |
| Total | 237,321 |
| | <hr/> |

See Note 19.

(b) Statement of consolidated comprehensive income under US GAAP

Tenaris uses SFAS No. 130, Reporting Comprehensive Income, which requires that an enterprise (i) classify items of other comprehensive income (loss) by their nature in a financial statement and (ii) display the accumulated balance of other comprehensive income (loss) separately from retained earnings and additional paid-in capital in the equity section of a statement of financial position.

| | Year ended December 31, | | |
|--|-------------------------|----------|----------|
| | 2003 | 2002 | 2001 |
| Net income | 203,908 | 92,632 | 162,914 |
| Other comprehensive income (loss) | | | |
| Foreign currency translation adjustment | 309 | (34,267) | (10,043) |
| Financial assets' changes in fair value ⁽¹⁾ | 1,611 | 1,527 | - |
| | | | |
| Total other comprehensive income (loss) | 1,920 | (32,740) | (10,043) |
| | | | |
| Comprehensive income | 205,828 | 59,892 | 152,871 |

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(1) Net of income tax amounting to USD 868 and USD 822 for the years ended December 31, 2003 and 2002, respectively
The accumulated balances related to each component of other comprehensive income were as follows:

| | Foreign currencies translation adjustment at December 31, | | |
|--|--|-------------|-------------|
| | 2003 | 2002 | 2001 |
| Balance at the beginning of the period | 88,267 | 122,534 | 132,577 |
| Adjustment of the period | 309 | (34,267) | (10,043) |
| Balance at the end of the period | 88,576 | 88,267 | 122,534 |

| | Financial assets' changes in fair value at December 31, | | |
|--|--|-------------|-------------|
| | 2003 | 2002 | 2001 |
| Balance at the beginning of the period | 1,527 | - | - |
| Adjustment of the period | 1,611 | 1,527 | - |
| Balance at the end of the period | 3,138 | 1,527 | - |

(c) Summarized financial information of significant associated companies in accordance with IFRS

Dalmine

| | Year ended December 31, 2001 |
|----------------------------------|---|
| Net sales | 864,558 |
| Gross profit | 169,357 |
| Net ordinary income for the year | 1,033 |
| Net (loss) income | (2,584) |

As of December 31, 2003 and 2002, Tenaris held 98.6% and 88.0% of Dalmine's shares, respectively, and as such, Dalmine was consolidated with Tenaris. The average exchange rate for the Euro for the year ended December 31, 2001 was 0.8909.

(d) Adoption of SFAS 142

In June 2001, the FASB issued SFAS No. 142. This statement changes the accounting for goodwill and intangible assets.

Under SFAS No 142, goodwill and indefinite-lived intangible assets are no longer amortized but are reviewed annually, or more frequently if impairment indicators arise, for impairment. Separable intangible assets that have finite lives will continue to be amortized over their useful lives, with no maximum life. In addition, SFAS No 142 changes the test for goodwill impairment.

The new impairment test for goodwill is a two step process. The first step is a comparison of the fair value of the reporting unit with its carrying amount, including goodwill. If this step reflects impairment, then the loss would be measured as the excess of recorded goodwill over its implied fair value. Implied fair value is the excess of the fair value of the reporting unit over the fair value of all recognized and unrecognized assets and liabilities. The amortization provisions of SFAS 142 apply to goodwill and intangible assets acquired after June 30, 2001. With respect to

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goodwill and intangible assets acquired prior to July 1, 2001, companies are required to adopt SFAS 142 in their fiscal year beginning after December 15, 2001.

Goodwill at December 31, 2001 related to the seamless tubes segment in Mexico was approximately USD24,472 million. The Company has evaluated whether goodwill was impaired at January 1, 2002. As a consequence of that assessment, a non-cash after-tax charge of USD 17.4 million was recorded for the amount of the impairment. This initial impairment charge is shown in the quantitative reconciliation to US GAAP recorded as a cumulative effect of a change in accounting principle in the Company's results for the year ended December 31, 2002. Effective January 1, 2002, in accordance with this pronouncement, the Company ceased the amortization of goodwill under US GAAP.

The effect of the adoption of SFAS No. 142 as of January 1, 2002 is summarized in the following table:

| January 1, 2002 | | | | |
|-----------------|-----------------------|--------------------------|-------------------|---------------------|
| | Gross carrying amount | Accumulated amortization | Minority interest | Net carrying amount |
| Goodwill | 30,389 | (5,917) | (7,055) | 17,417 |

As required by SFAS No. 142 the results for the prior years have not been restated. A reconciliation of net income as if SFAS No. 142 had been adopted at the beginning of the year ended December 31, 2001 is presented below:

| | Year ended December 31, 2001 |
|--|------------------------------------|
| | (unaudited) |
| Net income before adoption of SFAS 142 | 162,914 |
| Add back: Goodwill amortization | 2,789 |
| Adjusted net income | 165,703 |
| Combined earnings per share | 0.23 |

(e) Amortization of intangible assets licenses and patents

Estimated amortization expense

| | |
|---------------------------------------|-----|
| For the year ending December 31, 2004 | 653 |
| For the year ending December 31, 2005 | 653 |
| For the year ending December 31, 2006 | 415 |
| For the year ending December 31, 2007 | 85 |
| For the year ending December 31, 2008 | 83 |

(f) Pro-forma financial information (unaudited)

The following unaudited pro forma consolidated financial information presents the adjustments for the exchange transaction accounted for by the purchase method in the year ended December 31, 2002, so as to give pro forma recognition to Siderca, Tamsa and Dalmine results of operations as if they had been acquired on January 1, 2001. The pro forma adjustments give effect to the exchange transaction as if it had taken place on January 1, 2001.

| | Year ended December 31, 2002 | | |
|---|------------------------------|----------------------|-----------|
| | US GAAP actual | Pro forma adjustment | Pro forma |
| Net sales | 3,219,384 | - | 3,219,384 |
| Income before cumulative effect of accounting changes | 110,049 | 113,470 | 223,519 |
| Net income | 92,632 | 89,216 | 181,848 |
| Consolidated combined earnings per share before cumulative effect of accounting changes | 0.15 | - | 0.19 |
| Consolidated combined earnings per share in accordance with US GAAP | 0.13 | - | 0.16 |

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Weighted average number of shares outstanding 732,936 - 1,160,701

Year ended December 31, 2001

| | US GAAP actual | Pro forma adjustment | Pro forma |
|---|----------------|----------------------|-----------|
| Net sales | 2,313,162 | 861,137 | 3,174,299 |
| Income before cumulative effect of accounting changes | 163,921 | 94,333 | 258,254 |
| Net income | 162,914 | 92,931 | 255,845 |
| Consolidated combined earnings per share before cumulative effect of accounting changes | 0.23 | - | 0.22 |
| Consolidated combined earnings per share in accordance with US GAAP | 0.23 | - | 0.22 |
| Weighted average number of shares outstanding | 710,747 | - | 1,160,701 |

Pro forma earnings per share was computed considering that the shares issued in connection with the exchange transaction described in Note 27 (a) were issued and outstanding as of January 1, 2001. The unaudited pro forma consolidated statement of operations is presented for informational purposes only and is not necessarily indicative of the Company's financial position and results of operations that would have occurred if the acquisition in 2002 of Siderca, Tamsa and Dalmine minority interest had occurred on January 1, 2001, nor it is necessarily indicative of the Company's future results of operations.

(g) Impact of new U.S. GAAP accounting standards not yet adopted

In January 2003, the Financial Accounting Standards Board (FASB) issued FASB Interpretation No. 46 (FIN 46), Consolidation of Variable Interest Entities an interpretation of ARB No. 51 . FIN 46 requires that if any entity has a controlling financial interest in a variable interest entity, the assets, liabilities and results of activities of the variable interest entity should be included in the consolidated financial statements of the entity. FIN 46 provisions are effective for all arrangements entered into after January 31, 2003. For those arrangements entered into prior to January 31, 2003, FIN 46 provisions are required to be adopted at the beginning of the first interim or annual period beginning after June 15, 2003. The adoption of FIN 46 will not have a material impact on the Company's results of operations and financial position.

On December 23, 2003 the FASB issued Statement of Financial Accounting Standards No. 132, Employers' Disclosures about Pensions and other Postretirement Benefits, an amendment of FASB Statements No. 87, 88 and 106 . This Statement revises employers' disclosures about pension plans and other post retirement benefit plans. The new rules require additional disclosures about the assets, obligations, cash flows and net periodic benefit cost of defined benefit pension plans and other post retirement benefits plans. The required information should be provided separately for pension plans and for other post retirement benefit plans. Disclosure of information about foreign plans is effective for fiscal years ending after June 15, 2004.

Carlos Condorelli
Chief Financial Officer

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 combined financial statements as of December 31, 2003 and 2002 and for the years ended December 31, 2003, 2002 and 2001.

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: March 5, 2004

Tenaris, S.A.

By: /s/ Cecilia Bilesio
Cecilia Bilesio
Corporate Secretary
