

TENARIS SA  
Form 6-K  
March 14, 2003

**FORM 6 - K**

**SECURITIES AND EXCHANGE  
COMMISSION** Washington, D.C. 20549

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

As of March 14, 2003

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

**TENARIS, S.A.**  
23 Avenue Monterey  
2086 Luxembourg  
(Address of principal executive offices)

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

Form 20-F  Form 40-F

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

Yes  No

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

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The attached material is being furnished to the Securities and Exchange Commission pursuant to Rule 13a-16 and Form 6-K under the Securities Exchange Act of 1934, as amended. This report contains Tenaris' consolidated combined financial statements

**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 14, 2003**

Tenaris, S.A.

By: /s/ Cecilia Bilesio  
 Cecilia Bilesio  
 Corporate Secretary

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**TENARIS S.A.**

**CONSOLIDATED COMBINED  
 FINANCIAL STATEMENTS**

**DECEMBER 31, 2002, 2001 and 2000**

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**Consolidated combined income statement**

| (all amounts in USD thousands)   | Notes         | Year ended December 31, |             |             |
|--|---------------|-------------------------|-------------|-------------|
|  |               | 2002                    | 2001        | 2000        |
| Net sales  | <b>1</b>      | 3,219,384               | 3,174,299   | 2,361,319   |
| Cost of sales  | <b>2</b>      | (2,168,594)             | (2,165,568) | (1,692,412) |
| Gross profit   |               | 1,050,790               | 1,008,731   | 668,907     |
| Selling, general and administrative expenses                                     | <b>3</b>      | (568,149)               | (502,747)   | (433,617)   |
| Other operating income   | <b>5 (i)</b>  | 15,589                  | 585         | 11,690      |
| Other operating expenses   | <b>5 (ii)</b> | (26,353)                | (64,937)    | (5,813)     |
| Operating profit   |               | 471,877                 | 441,632     | 241,167     |
| Financial income (expenses), net   | <b>6 (i)</b>  | (11,145)                | (18,417)    | (39,550)    |
| Other exchange rate differences  | <b>6 (ii)</b> | (9,452)                 | (7,178)     | (8,373)     |
| Income before income tax and equity in earnings (losses) of associated companies |               | 451,280                 | 416,037     | 193,244     |
| Equity in (losses) of associated companies                                       | <b>11</b>     | (6,802)                 | (41,296)    | (3,827)     |

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|  |         |               |               |               |
|--|---------|---------------|---------------|---------------|
| Income before income tax and minority interest |         | 444,478       | 374,741       | 189,417       |
| Recovery of income tax                         | 7 (i)   | 36,783        |               |               |
| Income tax                                     | 7 (ii)  | (219,288)     | (108,956)     | (63,299)      |
| Effect of currency translation on tax base     | 7 (iii) | (25,266)      | (109,882)     | (2,011)       |
| <hr/>  |         |               |               |               |
| Net income before minority interest            |         | 236,707       | 155,903       | 124,107       |
| Minority interest (1)                          | 26      | (42,881)      | (20,107)      | (681)         |
| <hr/>  |         |               |               |               |
| Net income before other minority interest      |         | 193,826       | 135,796       | 123,426       |
| Other minority interest (2)                    | 26      | (99,522)      | (54,450)      | (46,720)      |
| <hr/>  |         |               |               |               |
| Net income                                     |         | <b>94,304</b> | <b>81,346</b> | <b>76,706</b> |
| <hr/>  |         |               |               |               |

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 (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 exchanged their participation.
- (2) Other minority interest represents the participation of minority shareholders attributable to the exchanged shares, since January 1, 2002 until the Exchange date.

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

**Consolidated combined balance sheet**

| (all amounts in USD thousands)      | Notes | December 31, 2002 | December 31, 2001 |
|-------------------------------------|-------|-------------------|-------------------|
| <b>ASSETS</b>                       |       |                   |                   |
| <b>Non-current assets</b>           |       |                   |                   |
| Property, plant and equipment, net  | 9     | 1,934,237         | 1,971,318         |
| Intangible assets, net              | 10    | 32,684            | 47,631            |
| Investments in associated companies | 11    | 14,327            | 27,983            |
| Other investments                   | 12    | 159,303           | 127,202           |
| Deferred tax assets                 | 19    | 49,412            | 24,187            |
| Receivables                         | 13    | 16,902            | 20,497            |
|                                     |       | <hr/>             | <hr/>             |
|                                     |       | 2,206,865         | 2,218,818         |
| <b>Current assets</b>               |       |                   |                   |
| Inventories                         | 14    | 680,113           | 735,574           |
| Receivables and prepayments         | 15    | 155,706           | 124,221           |
| Trade receivables                   | 16    | 670,226           | 545,527           |
| Cash and cash equivalents           | 17    | 304,536           | 213,814           |
|                                     |       | <hr/>             | <hr/>             |
|                                     |       | 1,810,581         | 1,619,136         |
| <b>Total assets</b>                 |       | <hr/>             | <hr/>             |
|                                     |       | 4,017,446         | 3,837,954         |
|                                     |       | <hr/>             | <hr/>             |

**EQUITY AND LIABILITIES**

|   |                |         |           |         |           |
|---|----------------|---------|-----------|---------|-----------|
| <b>Shareholders Equity</b>                                |                |         | 1,694,054 |         | 875,401   |
| <b>Minority interest</b>                                  | <b>26</b>      |         | 186,783   |         | 918,981   |
| <b>Non-current liabilities</b>                            |                |         |           |         |           |
| Borrowings  | <b>18</b>      | 322,205 |           | 393,051 |           |
| Deferred tax liabilities                                  | <b>19</b>      | 320,753 |           | 262,963 |           |
| Deferred tax - Effect of currency translation on tax base | <b>19</b>      | 114,826 |           | 89,560  |           |
| Employee liabilities                                      | <b>20 (i)</b>  | 123,023 |           | 153,458 |           |
| Provisions  | <b>21 (ii)</b> | 33,874  |           | 38,080  |           |
| Trade payables  |                | 18,650  | 933,331   | 21,547  | 958,659   |
|   |                |         |           |         |           |
| <b>Current liabilities</b>                                |                |         |           |         |           |
| Borrowings  | <b>18</b>      | 393,690 |           | 372,416 |           |
| Current tax liabilities                                   |                | 161,704 |           | 60,150  |           |
| Other liabilities   | <b>20(ii)</b>  | 53,428  |           | 80,596  |           |
| Provisions  | <b>22 (ii)</b> | 73,953  |           | 78,297  |           |
| Customers advances  |                | 37,085  |           | 69,440  |           |
| Trade payables  |                | 483,418 | 1,203,278 | 424,014 | 1,084,913 |
|   |                |         |           |         |           |
| <b>Total liabilities</b>                                  |                |         | 2,136,609 |         | 2,043,572 |
|   |                |         |           |         |           |
| <b>Total equity and liabilities</b>                       |                |         | 4,017,446 |         | 3,837,954 |

Contingencies, commitments and restrictions on the distribution of profits (Note 24).

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

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**Consolidated combined statement of changes in shareholders equity**

(all amounts in USD thousands)

Year ended December 31, 2000

|   |           |
|---|-----------|
| Balance at January 1, 2000                | 954,864   |
| Currency translation differences          | (7,061)   |
| Change in ownership in Exchange Companies | 11,617    |
| Dividends paid in cash                    | (110,768) |
| Net income                                | 76,706    |
|   | <hr/>     |

Balance at December 31, 2000

925,358

Year ended >December 31, 2001<

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|   |           |
|---|-----------|
| Balance at January 1, 2001                | 925,358   |
| Effect of adopting IAS 39 (Note 23)       | (1,007)   |
| Currency translation differences          | (10,453)  |
| Change in ownership in Exchange Companies | (10,558)  |
| Dividends paid in cash and in kind        | (109,285) |
| Net income                                | 81,346    |
|   | <hr/>     |
| Balance at December 31, 2001              | 875,401   |
|   | <hr/>     |
| Year ended December 31, 2002              |           |
| Balance at January 1, 2002                | 875,401   |
| Currency translation differences          | (34,503)  |
| Change in ownership in Exchange Companies | 1,724     |
| Dividends paid in cash                    | (39,290)  |
| Effect of the Exchange transaction        | 796,418   |
| Net income                                | 94,304    |
|   | <hr/>     |
| Balance at December 31, 2002              | 1,694,054 |
|   | <hr/>     |

Shareholders' equity under International Accounting Standards at December 31, 2002 comprises the following captions:

|  |           |
|--|-----------|
| Share capital  | 1,160,701 |
| Legal reserve  | 116,070   |
| Share premium  | 587,493   |
| Other distributable reserves   | 206,744   |
| Adjustments from Luxembourg GAAP to International Accounting Standards | (376,954) |
|  | <hr/>     |
| Total shareholders' equity   | 1,694,054 |
|  | <hr/>     |

The shareholders' equity in accordance with Luxembourg regulations is disclosed in Note 24 (viii).

Dividends may be paid by Tenaris to the extent distributable retained earnings calculated in accordance with Luxembourg GAAP exist. Therefore, retained earnings included in the consolidated combined financial statements may not be wholly distributable. See Note 24 (viii).

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

**Consolidated combined cash flow statement**

| (all amounts in USD thousands)              | Notes | Year ended December 31, |      |      |
|---|-------|-------------------------|------|------|
|   |       | 2002                    | 2001 | 2000 |
| <b>Cash flows from operating activities</b> |       |                         |      |      |

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|   |                |           |          |           |
|---|----------------|-----------|----------|-----------|
| Net income  |                | 94,304    | 81,346   | 76,706    |
| Adjustments to reconcile net income to net cash provided by operating activities: |                |           |          |           |
| Depreciation of property, plant and equipment                                     | <b>9</b>       | 160,958   | 148,939  | 148,640   |
| Amortization of intangible assets   | <b>10</b>      | 15,357    | 12,771   | 8,003     |
| Provision from BHP Proceedings  | <b>5 (ii)</b>  | 18,923    | 41,061   |           |
| Equity in losses of associated companies  | <b>11</b>      | 6,802     | 41,296   | 3,827     |
| Minority interest in net loss of subsidiaries                                     | <b>26</b>      | 142,403   | 74,557   | 47,401    |
| Allowance for doubtful accounts   | <b>22 (i)</b>  | 2,287     | 5,372    | 4,905     |
| Allowance for receivables   | <b>22 (i)</b>  | 1,334     | 13,617   | 4,564     |
| Provision for legal claims and contingencies and restructuring non current        | <b>21 (ii)</b> | 4,307     | 12,113   | 5,119     |
| Provision for obsolescence  | <b>22 (i)</b>  | 19,042    | 6,985    | 3,963     |
| Provision current   | <b>22 (ii)</b> | 8,122     | 7,666    |           |
| Income tax  | <b>7 (ii)</b>  | 219,288   | 108,956  | 63,299    |
| Effect of currency translation on tax base  | <b>7 (ii)</b>  | 25,266    | 109,882  | 2,011     |
| Interest expenses   | <b>6</b>       | 34,480    | 43,676   | 36,148    |
| Decrease (increase) in assets <b>(a)</b>  |                |           |          |           |
| Trade receivables   |                | (126,986) | (40,045) | (34,063)  |
| Inventories   |                | 46,074    | (61,049) | (129,330) |
| Receivables   |                | (29,224)  | 17,622   | 10,583    |
| Dividends received from associated companies                                      |                |           |          | 1,489     |
| Increase (decrease) in liabilities and others <b>(a)</b>                          |                |           |          |           |
| Trade payables and others   |                | (28,934)  | 11,282   | 159,013   |
| Customer advances   |                | (32,355)  | 53,587   | (9,309)   |
| Provisions  |                | (22,228)  | (5,187)  | (15,079)  |
| Payment to BHP related to interim damages   |                | (22,485)  |          |           |
| Currency translations adjustments   |                | 24,477    | (36,311) | (13,041)  |
| Cash provided by operations   |                | 561,212   | 648,136  | 374,849   |
| Carried forward   |                | 561,212   | 648,136  | 374,849   |

(a) Includes the effect the fair value of net assets and liabilities acquired on the exchange transaction.

**Consolidated combined cash flow statement (Cont d)**

|                                |       | <b>Year ended December 31,</b> |             |             |
|--------------------------------|-------|--------------------------------|-------------|-------------|
| (all amounts in USD thousands) | Notes | <b>2002</b>                    | <b>2001</b> | <b>2000</b> |
| Brought forward                |       | 561,212                        | 648,136     | 374,849     |
| Income tax paid                |       | (70,076)                       | (69,648)    | (61,093)    |
| Interest paid                  |       | (29,700)                       | (34,260)    | (39,561)    |

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|  |    |                  |                  |                  |
|--|----|------------------|------------------|------------------|
| <b>Net cash provided by operations</b>                     |    | <b>461,436</b>   | <b>544,228</b>   | <b>274,195</b>   |
| <b>Cash flows from investment activities</b>               |    |                  |                  |                  |
| Additions of property, plant and equipment                 | 9  | (124,605)        | (200,011)        | (225,851)        |
| Proceeds from disposition of property, plant and equipment | 9  | 14,427           | 39,893           | 26,385           |
| Additions of intangible assets                             | 10 | (22,972)         | (22,838)         | (39,458)         |
| Cost of exchange offer                                     |    | (14,787)         |                  |                  |
| Acquisitions of investments in associated companies        | 11 | (320)            |                  | (28,592)         |
| Proceeds from sales of investments in associated companies | 11 |                  | 2,054            |                  |
| Proceeds from sales of investments under cost method       |    |                  |                  | 3,754            |
| Changes in trust fund                                      |    | (32,349)         | (103,438)        |                  |
| <b>Net cash used in investment activities</b>              |    | <b>(180,606)</b> | <b>(284,340)</b> | <b>(263,762)</b> |
| <b>Cash flows from financing activities</b>                |    |                  |                  |                  |
| Dividend paid to Minority interest                         | 26 | (41,484)         | (46,622)         | (103,347)        |
| Dividends paid in cash                                     |    | (39,290)         | (66,090)         | (110,768)        |
| Change in ownership in Exchange Companies                  |    |                  | (10,558)         | 11,617           |
| Proceeds from borrowings                                   |    | 425,268          | 253,071          | 450,664          |
| Repayments of borrowings                                   |    | (528,870)        | (267,822)        | (242,148)        |
| <b>Net cash (used in) provided by financing activities</b> |    | <b>(184,376)</b> | <b>(138,021)</b> | <b>6,018</b>     |
| <b>Increase in cash and cash equivalents</b>               |    | <b>96,454</b>    | <b>121,867</b>   | <b>16,451</b>    |

**Consolidated combined cash flow statement (Cont d)**

| (all amounts in USD thousands)                                      | Notes | Year ended December 31, |         |          |
|---|-------|-------------------------|---------|----------|
|   |       | 2002                    | 2001    | 2000     |
| <b>Movement in cash and cash equivalents</b>                        |       |                         |         |          |
| At beginning of year  | 17    | 213,814                 | 96,890  | 90,799   |
| Effect of exchange rate changes on cash and cash equivalents        |       | (5,732)                 | (4,943) | (10,360) |
| Increase  |       | 96,454                  | 121,867 | 16,451   |
| At December 31,   | 17    | 304,536                 | 213,814 | 96,890   |
| <b>Non-cash financing activity:</b>                                 |       |                         |         |          |
| Common stock issued in acquisition of minority interest             |       | 796,418                 |         |          |
| Dividends paid in kind to majority shareholders (shares of Siderar) |       |                         | 43,195  |          |
| Dividends paid in kind to minority interest (shares of Siderar)     |       |                         | 17,497  |          |

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

**A Business of the Company and basis of presentation**

(1) Business of the Company

Tenaris S.A. (the Company), a Luxembourg corporation, was incorporated on December 17, 2001, to hold investments in steel pipe manufacturing and distributing companies.



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Upon Tenaris incorporation in December 2001, the Company issued 30,107 shares, all of them held by Sidertubes S.A. ( Sidertubes ). On October 18, 2002, the parent company Sidertubes S.A. ( Sidertubes ) contributed all of its assets to the Company in exchange for shares of Tenaris. The assets of Sidertubes contributed to the Company included the shares that Sidertubes held directly or indirectly in Siderca S.A.I.C. ( Siderca ) (71.17%), Tubos de Acero de Mexico S.A. ( Tamsa ) (6.94%), Dalmine S.p.A. ( Dalmine ) (0.22%) and Abeluz S.A., a company to be renamed as Tenaris Global Services S.A. ( Tenaris Global Services ) (100%). Siderca held an additional 43.83% of Tamsa, an additional 47.00% of Dalmine, an additional 73.00% of Metalmeccanica 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 announced the commencement of its offer to exchange its ordinary shares and ADSs 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 exchange offer was concluded successfully on December 13, 2002. As a result of the transaction, the Company acquired 27.94% of Siderca shares and ADSs, 43.73% of Tamsa shares and ADSs and 41.19% of Dalmine shares. Therefore, after the conclusion of the exchange offer, Tenaris holds directly or indirectly 99.11%, 94.50% and 88.41% of the share capital of Siderca, Tamsa and Dalmine, respectively.

As a consideration of the exchange transaction, Tenaris issued 449,953,607 common shares, accordingly, Tenaris has a total of 1,160,700,794 shares issued and outstanding, with 61.23% held by Sidertubes, and 38.77% held by the public. Since December 16, 2002, Tenaris ordinary shares started trading in the Buenos Aires, Mexican and Italian stock exchanges and its ADSs in the New York Stock Exchange under the symbol TS.

As a result of Tenaris' s new ownership level in Siderca and Tamsa, in accordance with Argentine and Mexican laws, Tenaris is entitled, and may also be required, to make further offers to the investors that did not exchange their shares. Additionally, Tenaris has committed with Borsa Italiana to take steps aimed at causing the delisting of Dalmine within the next 12 months.

On February 21, 2003, Tenaris announced a plan for the acquisition of remaining minority interests (0.89%) in Siderca for six Argentine pesos (ARP6.00) per Siderca share or sixty Argentine pesos (ARP60.00) per Siderca ADS. Tenaris will not consummate the compulsory acquisition of Siderca shares and ADSs until it obtains the approval of the Argentine securities regulators.

### (2) Basis of presentation of the consolidated combined financial statements

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

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## A Business of the Company and basis of presentation (Cont d)

### (2) Basis of presentation of the consolidated combined financial statements (Cont d)

At December 31, 2002 the financial statements of Tenaris and its subsidiaries have been consolidated. For comparative purposes, and as Siderca, Dalmine, Tamsa and Tenaris Global Services were under the common control of Sidertubes until October 18, 2002 their consolidated financial statements have been retroactively combined with those of the Company and presented as one company ( Tenaris ) in these consolidated combined financial statements for the period ended October 18, 2002 and for the years ended December 31, 2001 and 2000. The percentages of ownership and voting rights considered in the preparation of these consolidated combined financial statements correspond to those of the parent company at those period/years end. The percentage of ownership and voting rights considered in the preparation of the consolidated financial statements correspond to those of Tenaris as from October 18, 2002 and as at December 31,

2002.

The assets and liabilities of Siderca, Dalmine, Tamsa and Tenaris Global Services at December 31, 2001 have been accounted for at the relevant predecessor's cost, reflecting the carrying amount of such assets and liabilities contributed to the Company. Accordingly, the consolidated combined financial statements include the financial statements of Siderca, Dalmine, Tamsa and Tenaris Global Services at historical book values on a carryover basis as though the contribution had taken place on January 1, 2000, and no adjustment has been made to reflect fair values at the time of the contribution. As explained in Note B (1), at December 31, 2002 assets and liabilities have been adjusted for the effect of the purchase method of accounting applied to the exchange transaction.

Dalmine and Tamsa were consolidated due to the control exercised by Sidertubes through the appointment of the majority of the directors and key management even in those years when Sidertubes did not own more than 50% of the voting rights.

Certain reclassifications of balances and elimination of all material intercompany transactions and balances between the Company and the other companies and their respective subsidiaries have been made.

Where necessary, comparative figures have been adjusted to conform with changes in presentation in the current year.

The preparation of financial statements requires management to make estimates and assumptions regarding the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities at the balance sheet dates, and the reported amounts of revenues and expenses during the reporting years. Actual results may differ from these estimates.

## **B Group accounting**

### **(1) Subsidiary companies**

These consolidated combined financial statements include the financial statements of Tenaris's subsidiary companies. Subsidiary companies are those entities in which Tenaris has an interest of more than 50% of the voting rights or otherwise has the power to exercise control over the operations.

Subsidiaries are consolidated from the date on which control is transferred to the Company and are no longer consolidated from the date that control ceases. The purchase method of accounting is used to account for the acquisition of subsidiaries. The cost of an acquisition is measured as the fair value of the assets given up, shares issued or liabilities undertaken at the date of acquisition plus costs directly attributable to the acquisition. The excess of the cost of acquisition over the fair value of the net assets of the subsidiary acquired is recorded as goodwill.

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## **B Group accounting (Cont d)**

### **(1) Subsidiary companies (Cont d)**

As explained in Note A (1), on December 13, 2002 the Company acquired additional interests in Siderca, Tamsa and Dalmine. This acquisition was accounted for under the purchase method mentioned above. The acquisition cost 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 proposed in the exchange offer. The acquisition costs 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 the purchase method of accounting, a goodwill of USD100.1 million was determined for the acquisition of the additional interest in Siderca and negative goodwill

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amounting to USD67.1 million and USD38.2 million was determined for the acquisition of the additional interest of Tamsa and Dalmine, respectively.

All intercompany transactions, balances and unrealised results on transactions between Tenaris's subsidiaries are eliminated, to the extent of Tenaris's interest in those subsidiary companies. Where necessary, accounting policies for subsidiaries have been changed to ensure consistency with the policies adopted by Tenaris.

See Note 29 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)). Unrealised results on transactions between Tenaris and its associated companies are eliminated to the extent of Tenaris's interest in the associated companies.

Tenaris's investments in shares of Consorcio Siderurgia Amazonia Ltd. ( Amazonia ) (14.11% during the years ended December 31, 2002, 2001 and 2000) and Siderar S.A.I.C. (10.71% until November 27, 2001) were also accounted for under the equity method as Tenaris has significant influence in Amazonia.

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

See Note 11 for the list of principal associated companies.

## C Foreign currency translation

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

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

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## C Foreign currency translation (Cont d)

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

Siderca is located in Argentina and its local currency is affected by recurring severe economic crisis 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;

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purchases of critical raw materials are financed in U.S. dollars generated by financing or operating activities;  
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. Upon 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 until December 31, 1998, the financial statements up to that date were restated in constant local currency in accordance with 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 foreign currencies are recognized in the income statement. Net foreign exchange transaction gains/losses of subsidiaries with a measurement currency different from the USD have been disclosed in the Consolidated Combined Income Statement under the caption "Other exchange rate differences".

## 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 expenditure that improve the condition of an asset beyond its original condition is capitalized as property, plant and equipment and depreciated over the 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.

Special maintenance expenses incurred to maintain the production capacity of the industrial facilities are recorded as deferred expenses when incurred and amortized over a period of 12 to 24 months, which corresponds to the period in which the benefits of the maintenance are expected to be realized.

Interest relating to the financing of relevant construction in progress is capitalized based upon long-term debt related interest expense incurred in connection with such construction in progress during the period of time that is required to complete and prepare the asset for its intended use.

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:

---

## D Property, plant and equipment (Cont'd)

|                            |             |
|----------------------------|-------------|
| Land No Depreciation       | 30-50 years |
| Buildings and improvements | 30-50 years |

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|   |             |
|---|-------------|
| Plant and production equipment                          | 10-20 years |
| Vehicles, furniture and fixtures<br>and other equipment | 4-10 years  |

Restricted tangible assets in Dalmine with a net book value at December 31, 2002 of USD 4.5 million are assets that will be returned to the Italian government authorities upon expiration of the underlying contract. These assets are depreciated over the shorter of their estimated useful economic lives and the period of contract.

In all cases where the carrying amount of an asset is greater than its estimated recoverable amount, it is written down immediately 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 may change. If this happens, the recoverable amount of the relevant assets 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 provision 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's participation in the acquired company's net assets at the acquisition date. Goodwill is amortized using the straight-line method over its estimated useful life, not exceeding 20 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 acquiring entity.

#### (2) Negative goodwill

Negative goodwill represents the excess of the fair values of Tenaris's participation in the acquired company's 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. This income is included in cost of sales.

#### (3) Information system 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 system projects recognized as assets is amortized using the straight-line method over their useful lives, not exceeding a period of 3 years.

**F Intangible assets (Cont d)**

(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, 2002, 2001 and 2000, were charged to income as incurred because they did not fulfil the criteria for capitalization.

(5) Licences and patents

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**

On January 1, 2001 Tenaris adopted IAS 39-Financial Instruments: Recognition and Measurement. The total impact on shareholders' equity on that date amounted to a loss of USD1,007 thousand.

Under IAS 39, investments have to be classified into the following categories: held-to-maturity, trading, or available-for-sale, depending on the purpose for acquiring the investments. Investment that do not fulfil the specific requirements of IAS 39 for trading or held-to-maturity categories have to be included as available-for-sale. All the investments of Tenaris, as explained in Financial risk management section, are currently classified as available-for-sale in non-current assets, because they do not meet the criteria established by IAS 39 for classification as held for trading or held to maturity.

Siderca, Siat and Confab have placed financial resources within trusts whose objective is exclusively to ensure that the financial needs for normal development of their operations are met. The funds mainly comprise time deposits and commercial papers. The trust agreements expire on December, 2004.

Investments in companies for which fair values cannot be measured reliably are reported at cost less impairment.

All purchases and sales of investments are recognized on the trade date, not significantly different from the settlement date, which is the date that Tenaris commits to purchase or sell the investment. Costs include transaction costs.

Subsequent to their acquisition, available-for-sale investments are carried at fair value. Realized and unrealised 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.

**H Inventories**

Inventories are stated at the lower of cost and net realizable value (calculated principally using the average cost method). The cost of finished goods and work in progress comprises raw materials, direct labor, other direct costs and related production overheads including amortization. Net realizable value is the estimated selling price in the ordinary course of business, less the costs of completion and selling expenses. In the case of business acquisitions proper consideration to the fair value of the assets has been given as explained in Note B(1).

An allowance for obsolescence or slow-moving inventory is made based on the management's analysis of inventory levels and future sales forecasts.

Goods in transit at year-end are valued at supplier invoice cost.

**I Trade receivables**

Trade receivables are carried at original invoice amount less an estimate made for doubtful receivables.

The allowance for doubtful accounts is recognized when, based on current information and events, it is probable that the company will be unable to collect all amounts due according to the terms of the agreement.

Tenaris specifically analyses accounts receivable and historical bad debts, customer concentrations, customer creditworthiness, current economic trends and changes in customer payment terms when evaluating the adequacy of the allowance for doubtful accounts.

**J Cash and cash equivalents**

Cash and cash equivalents are carried in the balance sheet at cost. Highly liquid short-term securities are carried at fair market value.

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

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

**K Shareholders equity**

(1) Basis of combination

The consolidated combined statement of changes in shareholders equity 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;

Changes in ownership in Exchange Companies comprises the net increase or decrease in the percentage of ownership that Sidertubes owned in these companies;

Dividends paid 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.

(2) Dividends

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

On August 27, 2002 the Board of Directors approved the payment of an interim dividend of USD 9,270 thousand.

Dividends may be paid by Tenaris to the extent distributable retained earnings calculated in accordance with Luxembourg GAAP exist. Therefore, retained earnings included in the consolidated combined financial statements may not be wholly distributable. See Note 24 (viii).

**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.

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**M Deferred income taxes**

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 Tenaris subsidiaries operate.

Deferred income tax is provided in full, 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 tax base, depreciation on property, plant and equipment, inventories valuation and provisions for pensions; and, in relation to acquisitions, on the difference between the fair values of the net assets acquired and their tax base. Deferred income tax provisions are determined based on tax rates in effect at 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's Mexican subsidiary companies are required to pay an annual benefit to their employees, which is calculated on the basis of the performance of each company. 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 Dalmine and Tamsa employees at the balance sheet date in accordance with current legislation and the labor contracts in effect in the respective countries.

Employees severance indemnity costs are assessed 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.

(3) Pension obligations

Siderca implemented a defined benefit employee retirement plan for Siderca's and certain other officers throughout the world on August 1, 1995. The plan is designed to provide retirement, termination, and other benefits to those officers. Under certain circumstances the plan can be modified or discontinued by the company. In such cases, beneficiaries would still have rights under the plan, but only according to the benefits accrued up to the date when the modification or interruption has occurred. Siderca is accumulating assets for the ultimate payment on those benefits in the form of



investments that carry time limitation for their redemption. These investments amounted to USD9,397 thousand and USD9,095 thousand at December 31, 2002 and December 31, 2001 respectively. Siderca may use the investments for other purposes. If Siderca redeems or makes use of such investments prior to defined dates and for purposes other than the payment of the above mentioned benefit, amounts invested will be subject to penalties. The investments are not part of a particular plan nor segregated from Siderca's other assets. Due to these conditions, the plan is classified as unfunded under International Accounting Standards definition.

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**N Employee liabilities (Cont d)**

(3) Pension obligations (Cont d)

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

The prior service cost at the inception of the plan has been amortized based on the projected years to retirement for each of the initial employees, as from August 1, 1995. Siderca amortizes the prior service cost each of new participant over the remaining vesting period, as from the date they are included in the plan.

Periodically, Siderca revises its assumptions regarding discount rate and rate of compensation increase. As of December 31, 2002, this revision generated an actuarial gain. When the accumulated amount of actuarial gains and losses exceeds 10% of the Benefit Obligation, only the excess over the 10% is recognized as profit or loss over the services lives of employees. During the year ended on December 31, 2002 Tenaris recognized a gain of USD511 thousand.

Benefits provided by the plan are in U.S. Dollars, but depend on a three-year or seven years salary average (the better option for the beneficiary) if the event of retirement happened between January 1, 2002 and December 31, 2003 and, after this date, the benefits of the plan depend on a seven-year salary average, in the currency of the country where the relevant company is established.

(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**

Provisions are accrued when there is reasonably certainty that the expenses will be incurred but uncertainty relating to the amount or the date on which they will arise. Accruals for such liabilities reflect a reasonable estimate of the expenses to be 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, including those involving labor and other matters. 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

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developments to date, Tenaris's estimates of the outcomes of these matters and Tenaris's legal advisers in contesting, litigating and settling other matters. As the scope of the liabilities becomes better defined, there will be changes in the estimates of future costs, which could have a material effect on Tenaris's future results of operations and financial conditions or liquidity.

### (1) Legal claims and contingencies

From time to time, Tenaris is involved in litigation arising in the ordinary course of business (exception made of the litigation with the consortium led by BHP -see Note 24 (i) -). This provision covers reasonably the risk of legal claims and other contingencies.

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## **O Provisions (Cont d)**

### (2) Restructuring

Restructuring provisions mainly comprise employee termination benefits which are recognized only when Tenaris has a constructive obligation to effect a restructuring plan, generally occurs when an agreement has been reached with employee representatives on the terms of redundancy and the number of employees affected or after individual employees have been advised of the specific terms.

## **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 has occurred, which may include delivery to the customer storage warehouse location at one of the Company's subsidiaries; and collectibility 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 cost method: when Tenaris's right to receive collection is established.

## **Q Cost of sales and expenses**

Under the accrual basis of accounting, cost of sales and expenses are recognized in the income statement on the basis of a direct association to the earning of specific item of income.

Tax reimbursements on exports are treated as a reduction of tax expenses, included in Cost of Sales.

## **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 Financial instruments**

Tenaris adopted IAS 39 - Financial Instruments: Recognition and Measurement, on January 1, 2001. The financial effects of adopting IAS 39 are explained in Note 23.

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 segments. Geographical segments provide products or services within a particular economic environment that is subject to risks and returns that are different from those of components operating in other economic environments.

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**Financial risk management**

**(1) Financial risk factors**

Tenaris's activities expose it to a variety of financial risks, including the effects of changes in debt and equity market prices, foreign currency exchange rates and interest rates. The overall risk management program of the Tenariss subsidiaries focuses on the unpredictability of financial markets and seeks to minimize potential adverse effects on Tenaris's financial performance, using derivative financial instruments, such as foreign exchange contracts and interest rate swaps, to hedge certain exposures.

Risk management is carried out by treasury departments in Tenaris's subsidiaries and associated companies. The treasury departments identify, evaluate and hedge financial risks in close cooperation with the operating units.

**(i) Foreign exchange rate risk**

Tenaris operates internationally and is exposed to foreign exchange rate risk arising from various currency exposures. Certain Tenariss subsidiaries use forward contracts in certain occasions to hedge their exposure to exchange rate risk.

Management at the Tenariss subsidiaries decides, case by case and based on actual sales and purchases orders, the mechanism to be used in order to hedge primarily to U.S. Dollars.

Tenaris has a number of investments in subsidiaries whose financial statements are stated in currencies other than the U.S. dollar. The net assets of those subsidiaries are exposed to foreign exchange rate risk. Generally, management sets a policy to hedge to U.S. dollars the net current receivables and liabilities of those subsidiaries.

**(ii) Interest rate risk**

Tenaris's income and operating cash flows are substantially independent from changes in market interest rates. The Tenariss subsidiaries generally borrow at variable rates and, in some cases (such as in the case of Dalmine) use interest rate swaps for long term debts as a hedge of future interest payments, converting borrowings from floating rates to fixed rates.

(iii) Concentration of credit risk

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

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

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

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**Financial risk management (Cont d)**

**(1) Financial risk factors (Cont d)**

(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. Due to the dynamic nature of the underlying businesses, Tenaris aims at maintaining flexibility in funding by keeping committed credit lines available and a trust fund as explained in Note G.

**(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 unless they qualify for hedge accounting. 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. The following methods and assumptions were used to estimate the fair value of each class of financial instrument for which it is practicable to estimate that value:

The face values less any estimated credit adjustments for financial assets and liabilities with a maturity of less than one year is estimated to approximate their fair values.

The fair value of investments classified as non-current available for sale investments (such as the trust fund) is based on quoted market price.

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In assessing the fair value of non-traded derivatives and other financial instruments, Tenaris uses a variety of method, such as option pricing models and estimated discounted value of future cash flows, and makes assumptions that are based on market conditions existing at each balance sheet date.

The fair value of the forward contracts is estimated based on forwards exchange market rates at year-end.

The fair value of interest rate swaps is calculated as the present value of the estimated future cash flows.

The fair value of option contracts are estimated based on appropriate valuation models, such as Black-Scholes and other methods.

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### Notes to the consolidated combined financial statements

#### Index to the notes to the consolidated combined financial statements

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**Notes to the consolidated combined financial statements**  
**(All amounts are shown in USD thousands, unless otherwise stated)**

**1 Segment information**

**Primary reporting format - business segments**

|   | Seamless    | Welded and<br>other metallic<br>products | Energy    | Others    | Unallocated | Total       |
|---|-------------|--|-----------|-----------|-------------|-------------|
| <b>Year ended December 31,<br/>2002</b> |             |  |           |           |             |             |
| Net sales                               | 2,241,362   | 580,001                                  | 210,415   | 187,606   |             | 3,219,384   |
| Cost of sales                           | (1,420,629) | (379,384)                                | (198,727) | (169,854) |             | (2,168,594) |
| Gross profit                            | 820,733     | 200,617                                  | 11,688    | 17,752    |             | 1,050,790   |
| Segment assets                          | 3,273,969   | 354,069                                  | 41,155    | 135,212   | 213,041     | 4,017,446   |
| Segment liabilities                     | 1,368,716   | 212,689                                  | 49,909    | 69,716    | 435,579     | 2,136,609   |
| Capital expenditure                     | 108,547     | 27,053                                   | 5,623     | 6,354     |             | 147,577     |
| Depreciation and amortization           | 162,120     | 7,668                                    | 2,768     | 3,759     |             | 176,315     |
| <b>Year ended December 31,<br/>2001</b> |             |  |           |           |             |             |
| 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     |
| <b>Year ended December 31,<br/>2000</b> |             |  |           |           |             |             |
| Net sales                               | 1,991,897   | 208,982                                  | 58,720    | 101,720   |             | 2,361,319   |
| Cost of sales                           | (1,394,049) | (169,721)                                | (50,126)  | (78,516)  |             | (1,692,412) |
| Gross profit                            | 597,848     | 39,261                                   | 8,594     | 23,204    |             | 668,907     |
| Segment assets                          | 3,095,737   | 318,428                                  | 27,402    | 92,036    | 110,934     | 3,644,537   |
| Segment liabilities                     | 1,305,058   | 115,428                                  | 21,107    | 65,027    | 292,849     | 1,799,469   |

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|                               |         |        |       |       |         |
|-------------------------------|---------|--------|-------|-------|---------|
| Capital expenditure           | 245,213 | 11,586 | 4,306 | 4,204 | 265,309 |
| Depreciation and amortization | 147,533 | 6,502  | 1,443 | 1,165 | 156,643 |

Tenaris's main business segment is the manufacture of seamless pipes.

Intersegment net sales from Energy to Seamless amounted to USD50,021, USD37,067 and USD7,552 in 2002, 2001 and 2000, respectively.

Intersegment net sales from Welded to Seamless amounted to USD 4,577 in 2002.

Intersegment net sales from Other to Seamless amounted to USD 22,269, USD 34,934 and USD 40,542 in 2002, 2001 and 2000, respectively.

Intersegment net sales from Other to Welded amounted to USD 141 in 2002.

**1 Segment information (Cont d)**

**Secondary reporting format - geographical segments**

**Year ended December 31, 2002**

|                               | <b>South America</b> | <b>Europe</b> | <b>North America</b> | <b>Middle East and Africa</b> | <b>Far East and Oceania</b> | <b>Unallocated</b> | <b>Total</b> |
|-------------------------------|----------------------|---------------|----------------------|-------------------------------|-----------------------------|--------------------|--------------|
| Net sales                     | 956,382              | 829,744       | 577,279              | 511,119                       | 344,860                     |                    | 3,219,384    |
| Total assets                  | 1,362,304            | 874,185       | 1,238,179            | 129,143                       | 200,594                     | 213,041            | 4,017,446    |
| Trade receivables             | 249,308              | 145,864       | 123,572              | 121,663                       | 29,819                      |                    | 670,226      |
| Property, plant and equipment | 624,159              | 471,580       | 784,104              | 2,512                         | 51,882                      |                    | 1,934,237    |
| Capital expenditure           | 73,157               | 39,985        | 25,629               | 2,515                         | 6,291                       |                    | 147,577      |
| Depreciation and amortization | 83,347               | 48,078        | 39,914               | 19                            | 4,957                       |                    | 176,315      |

**Year ended December 31, 2001**

|                               | <b>South America</b> | <b>Europe</b> | <b>North America</b> | <b>Middle East and Africa</b> | <b>Far East and Oceania</b> | <b>Unallocated</b> | <b>Total</b> |
|-------------------------------|----------------------|---------------|----------------------|-------------------------------|-----------------------------|--------------------|--------------|
| 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      |

**Year ended December 31, 2000**

|           | <b>South America</b> | <b>Europe</b> | <b>North America</b> | <b>Middle East and Africa</b> | <b>Far East and Oceania</b> | <b>Unallocated</b> | <b>Total</b> |
|-----------|----------------------|---------------|----------------------|-------------------------------|-----------------------------|--------------------|--------------|
| Net sales | 668,152              | 590,935       | 421,550              | 428,980                       | 251,702                     |                    | 2,361,319    |

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|                               |           |         |           |         |         |         |           |
|-------------------------------|-----------|---------|-----------|---------|---------|---------|-----------|
| Total assets                  | 1,105,082 | 783,272 | 1,254,118 | 202,114 | 189,017 | 110,934 | 3,644,537 |
| Trade receivables             | 144,507   | 131,096 | 89,423    | 91,493  | 54,335  |         | 510,854   |
| Property, plant and equipment | 629,588   | 423,427 | 826,362   | 17      | 62,420  |         | 1,941,814 |
| Capital expenditure           | 100,452   | 54,398  | 44,658    | 8       | 65,793  |         | 265,309   |
| Depreciation and amortization | 80,390    | 38,003  | 36,753    | 1       | 1,496   |         | 156,643   |

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

Although Tenaris's business is managed on a worldwide basis, the Tenaris subsidiaries operate in five main geographical areas.

**2 Cost of sales**

|  | Year ended December 31, |                  |                  |
|--|-------------------------|------------------|------------------|
|  | 2002                    | 2001             | 2000             |
| Raw materials and consumables used and change in inventories | 1,407,694               | 1,459,967        | 980,056          |
| Services and fees  | 219,392                 | 177,513          | 182,762          |
| Labor cost   | 244,471                 | 285,203          | 286,464          |
| Depreciation of property, plant and equipment                | 150,536                 | 146,306          | 144,979          |
| Amortization of intangible assets                            | 5,230                   | 2,266            | 1,003            |
| Maintenance expenses   | 50,234                  | 43,625           | 44,388           |
| Provisions for contingencies                                 | 4,307                   | 2,021            | 3,489            |
| Allowance for obsolescence                                   | 19,042                  | 6,985            | 3,963            |
| Taxes  | 3,160                   | 2,185            | 1,598            |
| Others   | 64,528                  | 39,497           | 43,710           |
|  | <b>2,168,594</b>        | <b>2,165,568</b> | <b>1,692,412</b> |

**3 Selling, general and administrative expenses**

|  | Year ended December 31, |                |                |
|--|-------------------------|----------------|----------------|
|  | 2002                    | 2001           | 2000           |
| Services and fees                                | 93,744                  | 94,392         | 74,663         |
| Labor cost                                       | 118,886                 | 126,849        | 124,662        |
| Depreciation of property, plant and equipment    | 10,422                  | 2,633          | 3,661          |
| Amortization of intangible assets                | 10,127                  | 10,505         | 7,000          |
| Commissions, freights and other selling expenses | 270,810                 | 187,370        | 170,358        |
| Provisions for contingencies                     | 8,122                   | 10,092         | 1,630          |
| Allowances for doubtful accounts                 | 2,287                   | 5,372          | 4,905          |
| Taxes  | 33,335                  | 8,278          | 6,572          |
| Others   | 20,416                  | 57,256         | 40,166         |
|  | <b>568,149</b>          | <b>502,747</b> | <b>433,617</b> |



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

|   | Year ended December 31, |                |                |
|---|-------------------------|----------------|----------------|
|   | 2002                    | 2001           | 2000           |
| Wages, salaries and social security costs               | 356,576                 | 403,438        | 402,233        |
| Employees severance indemnity (Note 20. (a))            | 6,453                   | 6,913          | 7,072          |
| Pension benefits - defined benefit plans (Note 20. (b)) | 328                     | 1,701          | 1,821          |
|   | <b>363,357</b>          | <b>412,052</b> | <b>411,126</b> |

At year-end, the number of employees was 13,841 in 2002, 14,127 in 2001 and 13,140 in 2000.

**5 Other operating items**

|   | Year ended December 31, |               |               |
|---|-------------------------|---------------|---------------|
|   | 2002                    | 2001          | 2000          |
| <b>(i) Other operating income</b>                               |                         |               |               |
| Reimbursement from insurance companies and other third parties  | 6,814                   |               | 6,750         |
| Income from disposition of warehouses                           | 3,132                   |               | 3,838         |
| Gain from government securities                                 | 5,643                   |               |               |
| Net rents from investment properties                            |                         | 585           | 1,102         |
|   | <b>15,589</b>           | <b>585</b>    | <b>11,690</b> |
| <b>(ii) Other operating expenses</b>                            |                         |               |               |
| Provision for BHP proceedings                                   | 18,923                  | 41,061        |               |
| Allowance for receivables                                       | 1,334                   | 13,617        | 4,564         |
| Contributions to welfare projects and non-profits organizations | 2,241                   | 1,100         | 1,100         |
| Allowance for legal claims and contingencies                    |                         | 7,666         |               |
| Miscellaneous   | 3,855                   | 1,493         | 149           |
|   | <b>26,353</b>           | <b>64,937</b> | <b>5,813</b>  |

**6 Financial income (expenses), net**

|  | Year ended December 31, |          |          |
|--|-------------------------|----------|----------|
|  | 2002                    | 2001     | 2000     |
| <b>(i) Financial income (expenses)</b> |                         |          |          |
| Interest expense                       | (34,480)                | (43,676) | (36,148) |
| Interest income                        | 14,201                  | 2,586    | 17,017   |

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|   |                 |            |                 |
|---|-----------------|------------|-----------------|
| Net foreign exchange transaction gains/(losses) | 21,019          | 24,07      | (16,908)        |
| Financial discount on trade receivables         | (8,810)         |            |                 |
| Others  | (3,075)         | (1,405)    | (3,511)         |
|   | <b>(11,145)</b> | <b>585</b> | <b>(39,550)</b> |

**(ii) Other exchange rate differences**

|  |                |                |                |
|--|----------------|----------------|----------------|
| Net foreign exchange transaction gains/losses of subsidiaries with a measurement currency different from the USD | <b>(9,452)</b> | <b>(7,178)</b> | <b>(8,373)</b> |
|--|----------------|----------------|----------------|

**7 Tax charge**

**(i) Recovery of income tax**

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

**(ii) Income tax**

**(ii) Income tax**

|  | <b>Year ended December 31,</b> |                |               |
|--|--------------------------------|----------------|---------------|
|  | <b>2002</b>                    | <b>2001</b>    | <b>2000</b>   |
| Current tax                                | 192,862                        | 148,823        | 46,614        |
| Deferred tax (Note 19)                     | 26,426                         | (39,867)       | 16,685        |
|  | 219,288                        | 108,956        | 63,299        |
| Effect of currency translation on tax base | 25,266                         | 109,882        | 2,011         |
|  | <b>244,554</b>                 | <b>218,838</b> | <b>65,310</b> |

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

|  | <b>Year ended December 31,</b> |             |             |
|--|--------------------------------|-------------|-------------|
|  | <b>2002</b>                    | <b>2001</b> | <b>2000</b> |
| Income before tax                              | 444,478                        | 374,741     | 189,417     |
| Tax calculated at the tax rate in each country | 184,201                        | 143,408     | 88,157      |
| Non taxable income                             | (54,780)                       | (45,415)    | (35,286)    |
| Non deductible expenses                        | 17,310                         | 12,418      | 12,169      |
| Effect of currency translation on tax base     | 25,266                         | 109,882     | 2,011       |

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|   |                |                |               |
|---|----------------|----------------|---------------|
| Effect of taxable exchange differences            | 79,362         |                |               |
| Utilization of previously unrecognized tax losses | (6,805)        | (1,455)        | (1,741)       |
|   | <hr/>          |                |               |
| Tax charge  | <b>244,554</b> | <b>218,838</b> | <b>65,310</b> |
|   | <hr/>          |                |               |

Year ended December 31,

2002                      2001                      2000

(iii) Effect of currency translation on tax base

**25,266                      109,882                      2,011**

As shown in Note 7(ii) of these consolidated combined financial statements, 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 an increased deferred income tax charge due to the effect of the devaluation of the Argentine peso on the tax bases of the fixed assets of its Argentine subsidiaries. These charges were mandated by IAS 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 per share**

- (i) Under IAS, 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 was determined considering that the 710,747,090 shares issued for Sidertubes contribution (see Note A (1)) were issued and outstanding as of January 1, 2000.

|  |                                |             |             |
|--|--------------------------------|-------------|-------------|
|  | <b>Year ended December 31,</b> |             |             |
|  | <hr/>                          |             |             |
|  | <b>2002</b>                    | <b>2001</b> | <b>2000</b> |
| Net income attributable to shareholders                            | 94,304                         | 81,346      | 76,706      |
| Weighted average number of ordinary shares in issue<br>(thousands) | 732,936                        | 710,747     | 710,747     |
| Basic and diluted earnings per share                               | 0.13                           | 0.11        | 0.11        |

- (ii) As explained in Note A (1) the Sidertubes contribution and the exchange transaction took place in 2002. For a better understanding of the reader and future comparisons the Company has calculated the pro-forma Earnings per share as if these transactions had taken place on January 1, 2000, as follows:

|  |                                |             |             |
|--|--------------------------------|-------------|-------------|
|  | <b>Year ended December 31,</b> |             |             |
|  | <hr/>                          |             |             |
|  | <b>2002</b>                    | <b>2001</b> | <b>2000</b> |
| Net income attributable to shareholders                            | 193,826                        | 135,796     | 123,426     |
| Weighted average number of ordinary shares in issue<br>(thousands) | 1,160,701                      | 1,160,701   | 1,160,701   |
| Basic and diluted earnings per share                               | 0.17                           | 0.12        | 0.11        |

**9 Property, plant and equipment, net**

|  | <b>Land, building and improvements</b> | <b>Plant and production equipment</b> | <b>Vehicles, furniture and fixtures</b> | <b>Work in progress</b> | <b>Spare parts and equipment</b> | <b>Total (a)</b> |
|--|--|---------------------------------------|---|-------------------------|----------------------------------|------------------|
| <b>Year ended December 31, 2002</b>      |  |                                       |   |                         |                                  |                  |
| <b>Cost</b>                              |  |                                       |   |                         |                                  |                  |
| Values at the beginning of the year      | 264,914                                | 4,759,427                             | 90,308                                  | 156,378                 | 8,937                            | 5,279,964        |
| Translation differences                  | (29,973)                               | (67,439)                              | (2,404)                                 | (16,374)                | 647                              | (115,543)        |
| Additions (b)                            | 1,820                                  | 108,309                               | 2,918                                   | 71,009                  | 6,268                            | 190,324          |
| 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)          |
| Values at the end of the year            | 247,494                                | 4,824,123                             | 97,617                                  | 147,842                 | 10,087                           | 5,327,163        |
| <b>Depreciation</b>                      |  |                                       |   |                         |                                  |                  |
| Accumulated at the beginning of the year | 27,857                                 | 3,196,743                             | 77,240                                  |                         | 6,806                            | 3,308,646        |
| 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       | 29,319                                 | 3,277,078                             | 80,839                                  |                         | 5,690                            | 3,392,926        |
| <b>At December 31, 2002</b>              | <b>218,175</b>                         | <b>1,547,045</b>                      | <b>16,778</b>                           | <b>147,842</b>          | <b>4,397</b>                     | <b>1,934,237</b> |

(a) Includes a net amount of USD16.9 million of finance leases of Dalmine.

(b) 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 27).

|  | <b>Land, building and improvements</b> | <b>Plant and production equipment</b> | <b>Vehicles, furniture and fixtures</b> | <b>Work in progress</b> | <b>Spare parts and equipment</b> | <b>Total (a)</b> |
|--|--|---------------------------------------|---|-------------------------|----------------------------------|------------------|
| <b>Year ended December 31, 2001</b>      |  |                                       |   |                         |                                  |                  |
| <b>Cost</b>                              |  |                                       |   |                         |                                  |                  |
| Values at the beginning of the year      | 240,607                                | 4,634,108                             | 91,158                                  | 112,675                 | 12,602                           | 5,091,150        |
| Translation differences                  | 18,639                                 | 35,191                                | 6,284                                   | (20,211)                | (261)                            | 39,642           |
| Additions                                | 1,007                                  | 12,943                                | 2,712                                   | 174,977                 | 8,372                            | 200,011          |
| Disposals/ Consumptions                  | (593)                                  | (25,345)                              | (11,500)                                | (1,219)                 | (12,182)                         | (50,839)         |
| Transfers                                | 5,254                                  | 102,530                               | 1,654                                   | (109,844)               | 406                              |                  |
| Values at the end of the year            | 264,914                                | 4,759,427                             | 90,308                                  | 156,378                 | 8,937                            | 5,279,964        |
| <b>Depreciation</b>                      |  |                                       |   |                         |                                  |                  |
| Accumulated at the beginning of the year | 19,354                                 | 3,048,118                             | 74,459                                  |                         | 7,405                            | 3,149,336        |
| Translation differences                  | 3,314                                  | 19,354                                | (1,182)                                 |                         | (169)                            | 21,317           |
| Depreciation charge                      | 5,189                                  | 138,654                               | 4,262                                   |                         | 834                              | 148,939          |
| Disposals / Consumptions                 |  | (9,383)                               | (299)                                   |                         | (1,264)                          | (10,946)         |

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|                                    |                |                  |               |                |              |                  |
|------------------------------------|----------------|------------------|---------------|----------------|--------------|------------------|
| Accumulated at the end of the year | 27,857         | 3,196,743        | 77,240        |                | 6,806        | 3,308,646        |
| <b>At December 31, 2001</b>        | <b>237,057</b> | <b>1,562,684</b> | <b>13,068</b> | <b>156,378</b> | <b>2,131</b> | <b>1,971,318</b> |

Property, plant and equipment include interest capitalized for USD17,372 and USD12,039 for the years ended December 31, 2002 and 2001, respectively.

**10 Intangible assets, net**

|  | Information<br>system projects | Information<br>system projects<br>in progress | Licenses and<br>patents | Goodwill       | Negative<br>goodwill | Total         |
|--|--------------------------------|---|-------------------------|----------------|----------------------|---------------|
| <b>Year ended December 31, 2002</b>      |                                |   |                         |                |                      |               |
| Cost                                     |                                |   |                         |                |                      |               |
| Values at the beginning of the year      | 13,165                         | 7,482   | 46,673                  | 27,863         | (21,414)             | 73,769        |
| Translation differences                  | (411)                          | (823)   | 1,864                   | (1,046)        |                      | (416)         |
| Additions (a)                            | 8,466                          | 6,182   | 3,026                   | 105,407        | (105,321)            | 17,760        |
| Disposals                                |                                |   | (21,182)                |                |                      | (21,182)      |
| Transfers                                | 6,559                          | (5,272)                                       |                         |                |                      | 1,287         |
| Values at the end of the year            | 27,779                         | 7,569   | 30,381                  | 132,224        | (126,735)            | 71,218        |
| Depreciation                             |                                |   |                         |                |                      |               |
| 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        |
| <b>At December 31, 2002</b>              | <b>12,206</b>                  | <b>7,569</b>                                  | <b>14,229</b>           | <b>120,227</b> | <b>(121,547)</b>     | <b>32,684</b> |

(a) Includes USD 5.2 million attributable to the fair value of Intangible assets of Dalmine, Siderca and Tamsa acquired on the exchange transaction (see note 27).

|                                     | Information<br>system projects | Information<br>system projects<br>in progress | Licenses and<br>patents | Goodwill | Negative<br>goodwill | Total  |
|-------------------------------------|--------------------------------|---|-------------------------|----------|----------------------|--------|
| <b>Year ended December 31, 2001</b> |                                |   |                         |          |                      |        |
| Cost                                |                                |   |                         |          |                      |        |
| Values at the beginning of the year | 13,165                         | 3,735   | 25,996                  | 27,367   | (21,414)             | 48,849 |
| Translation differences             |                                |   | 1,821                   | 261      |                      | 2,082  |
| Additions                           |                                | 3,747   | 18,856                  | 235      |                      | 22,838 |

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|  |              |              |               |               |                 |               |
|--|--------------|--------------|---------------|---------------|-----------------|---------------|
| Values at the end of the year            | 13,165       | 7,482        | 46,673        | 27,863        | (21,414)        | 73,769        |
| Depreciation                             |              |              |               |               |                 |               |
| Accumulated at the beginning of the year | 6,931        |              | 4,462         | 3,562         | (1,588)         | 13,367        |
| Amortization charge                      | 3,776        |              | 6,759         | 4,036         | (1,800)         | 12,771        |
| Accumulated at the end of the year       | 10,707       |              | 11,221        | 7,598         | (3,388)         | 26,138        |
| <b>At December 31, 2001</b>              | <b>2,458</b> | <b>7,482</b> | <b>35,452</b> | <b>20,265</b> | <b>(18,026)</b> | <b>47,631</b> |

**11 Investments in associated companies**

|  | Year ended December 31, |               |
|--|-------------------------|---------------|
|  | 2002                    | 2001          |
| At the beginning of year                 | 27,983                  | 140,726       |
| Translation differences                  | (7,174)                 | (8,701)       |
| Equity in losses of associated companies | (6,802)                 | (41,296)      |
| Acquisitions                             | 320                     |               |
| Sales                                    |                         | (2,054)       |
| Other movements (a)                      |                         | (60,692)      |
| At the end of year                       | <b>14,327</b>           | <b>27,983</b> |

(a) Corresponds to the dividend in kind with Siderar shares distributed by Siderca.

The principal associated companies are:

| Company                                | Country of organization | Percentage of ownership and voting rights at December 31, |        | Value at December 31, |               |
|--|-------------------------|---|--------|-----------------------|---------------|
|  |                         | 2002  | 2001   | 2002                  | 2001          |
| Consorcio Siderurgia Amazonia Ltd. (a) | Cayman Islands          | 14.11%  | 14.11% | 13,229                | 19,402        |
| Conducid C.A.                          | Venezuela               | 20.00%  | 20.00% | 553                   | 3,909         |
| Others                                 |                         |   |        | 545                   | 4,672         |
|  |                         |   |        | <b>14,327</b>         | <b>27,983</b> |

(a) The value at December 31, 2002 and 2001 are net of an impairment provision of USD 13,260 and 15,098, respectively.

**12 Other investments**

| Available-for-sale | Year ended December 31, |      |
|--------------------|-------------------------|------|
|                    | 2002                    | 2001 |
|                    |                         |      |

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|  |                |                |
|--|----------------|----------------|
| Trust funds with specific objective (Note G) | 135,787        | 103,438        |
| Deposits with insurance companies            | 9,791          | 9,095          |
| Investments in companies under cost method   | 13,515         | 13,241         |
| Others                                       | 210            | 1,428          |
|  | <b>159,303</b> | <b>127,202</b> |

**13 Receivables**

|  | Year ended December 31, |               |
|--|-------------------------|---------------|
|  | 2002                    | 2001          |
| Government entities                          | 4,820                   | 13,816        |
| Employee advances and loans                  | 3,050                   | 12,040        |
| Tax credits                                  | 8,624                   | 9,663         |
| Trade receivables                            | 8,113                   | 4,439         |
| Miscellaneous                                | 1,123                   | 1,778         |
|  | 25,730                  | 41,736        |
| Allowances for doubtful accounts Note 21 (i) | (8,828)                 | (21,239)      |
|  | <b>16,902</b>           | <b>20,497</b> |

**14 Inventories**

|  | Year ended December 31, |                |
|--|-------------------------|----------------|
|  | 2002                    | 2001           |
| Finished goods                         | 327,328                 | 425,315        |
| Goods in process                       | 111,125                 | 95,595         |
| Raw materials                          | 127,647                 | 145,927        |
| Supplies                               | 128,709                 | 102,801        |
| Goods in transit                       | 36,925                  | 18,096         |
|  | 731,734                 | 787,734        |
| Allowance for obsolescence Note 22 (i) | (51,621)                | (52,160)       |
|  | <b>680,113</b>          | <b>735,574</b> |

**15 Receivables and prepayments**

|                | Year ended December 31, |        |
|----------------|-------------------------|--------|
|                | 2002                    | 2001   |
| V.A.T. credits | 43,298                  | 22,432 |

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|   |                    |                    |
|---|--------------------|--------------------|
| Prepaid taxes                                     | 20,560             | 18,815             |
| Reimbursements and other services receivable      | 19,787             | 19,583             |
| Government entities                               | 11,381             | 5,751              |
| Employee advances and loans                       | 5,595              | 4,836              |
| Advances to suppliers                             | 29,876             | 18,092             |
| Other advances                                    | 12,308             | 20,858             |
| Miscellaneous                                     | 18,898             | 19,812             |
|   | <hr/>              | <hr/>              |
| Allowance for other doubtful accounts Note 22 (i) | 161,703<br>(5,997) | 130,179<br>(5,958) |
|   | <hr/>              | <hr/>              |
|   | <b>155,706</b>     | <b>124,221</b>     |
|   | <hr/>              | <hr/>              |

**16 Trade receivables**

|   | <b>Year ended December 31,</b> |                     |
|---|--------------------------------|---------------------|
|   | <b>2002</b>                    | <b>2001</b>         |
| Current accounts                            | 632,146                        | 528,720             |
| Notes receivables                           | 42,336                         | 32,116              |
| Government tax refunds on exports           | 16,977                         | 8,572               |
|   | <hr/>                          | <hr/>               |
| Allowance for doubtful accounts Note 22 (i) | 691,459<br>(21,233)            | 569,408<br>(23,881) |
|   | <hr/>                          | <hr/>               |
|   | <b>670,226</b>                 | <b>545,527</b>      |
|   | <hr/>                          | <hr/>               |

**17 Cash and cash equivalents**

|   | <b>Year ended December 31,</b> |                |
|---|--------------------------------|----------------|
|   | <b>2002</b>                    | <b>2001</b>    |
| Cash and short-term highly liquid investments | 279,878                        | 145,839        |
| Time deposits with related parties            | 24,658                         | 67,975         |
|   | <hr/>                          | <hr/>          |
|   | <b>304,536</b>                 | <b>213,814</b> |
|   | <hr/>                          | <hr/>          |

**18 Borrowings**

|                           | <b>Year ended December 31,</b> |             |
|---------------------------|--------------------------------|-------------|
|                           | <b>2002</b>                    | <b>2001</b> |
| <b>Non-current</b>        |                                |             |
| Bank borrowings           | 260,596                        | 338,928     |
| Debentures                | 54,187                         | 46,228      |
| Finance lease liabilities | 7,422                          | 7,895       |
|                           | <hr/>                          | <hr/>       |



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|                           |                |                |
|---------------------------|----------------|----------------|
|                           | <b>322,205</b> | <b>393,051</b> |
| <b>Current</b>            |                |                |
| Bank borrowings           | 380,380        | 322,464        |
| Bank overdrafts           | 9,649          | 53,225         |
| Finance lease liabilities | 4,176          | 272            |
| Costs for issue of debt   | (515)          | (3,545)        |
|                           | <b>393,690</b> | <b>372,416</b> |
| <b>Total Borrowings</b>   | <b>715,895</b> | <b>765,467</b> |

The maturity of borrowings is as follows:

|                             | 1 - 5 years       |                |               |                |                |                 | Total          |
|-----------------------------|-------------------|----------------|---------------|----------------|----------------|-----------------|----------------|
|                             | 1 year<br>or less | 1 - 2<br>years | 2 3<br>years  | 3 - 4<br>years | 4 - 5<br>years | Over 5<br>years |                |
| <b>At December 31, 2002</b> |                   |                |               |                |                |                 |                |
| Financial lease             | 4,176             | 3,820          | 1,288         | 622            | 376            | 1,316           | 11,598         |
| Other borrowings            | 389,514           | 195,662        | 41,725        | 29,152         | 22,398         | 25,846          | 704,297        |
| <b>Total borrowings</b>     | <b>393,690</b>    | <b>199,482</b> | <b>43,013</b> | <b>29,774</b>  | <b>22,774</b>  | <b>27,162</b>   | <b>715,895</b> |

The weighted average interest rates at the balance sheet date were as follows:

|                            | 2002  | 2001  |
|----------------------------|-------|-------|
| Bank overdrafts            | 4.30% | 4.00% |
| Bank borrowings            | 3.61% | 4.75% |
| Debentures and other loans | 3.99% | 5.15% |
| Finance lease liabilities  | 3.56% | 4.25% |

On December 14, 2001, Tamsa entered into a loan agreement in the amount of USD130 million with a term of two and a half years. The most significant financial covenants under this loan syndicated agreement are as follows:

- Maintenance of minimum levels of working capital ratio;
- Maintenance of maximum levels of total indebtedness; and
- Compliance with debt service ratios.

On August 3, 2001, Dalmine entered into a loan agreement in the amount of EUR39.5 million (USD41.4 million) with a term of seven years. The most significant financial covenant under this loan agreement is the maintenance of maximum levels of total indebtedness.

At December 31, 2002, both companies were in compliance with all of their financial covenants.

**18 Borrowings (Cont d)**

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

**Bank borrowings**

| Currency  | Interest rates | December 31, |          |
|---|----------------|--------------|----------|
|   |                | 2002         | 2001     |
| USD   | Variable       | 130,000      | 130,000  |
| USD   | Fixed          | 57,782       | 51,486   |
| EURO  | Fixed          | 156,419      | 199,826  |
| JPY   | Fixed          | 37,882       | 23,283   |
| BRS   | Variable       | 30,093       | 23,365   |
|   |                | 412,176      | 427,960  |
| Less: Current portion of medium and long-term loans |                | (151,580)    | (89,032) |
| Total Bank borrowings                               |                | 260,596      | 338,928  |

**Debentures**

| Currency         | Interest rates | December 31, |        |
|------------------|----------------|--------------|--------|
|                  |                | 2002         | 2001   |
| EURO             | Variable       | 54,187       | 46,228 |
| Total Debentures |                | 54,187       | 46,228 |

Debentures 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, |         |
|---|----------------|--------------|---------|
|   |                | 2002         | 2001    |
| EURO  | Fixed          | 6,042        | 8,167   |
| JPY   | Fixed          | 5,556        |         |
| Less: Current portion of medium and long-term loans |                | (4,176)      | (272)   |
| Total finance leases                                |                | 7,422        | 7,895   |
| Total long-term borrowings                          |                | 322,205      | 393,051 |

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

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

|   | Year ended December 31, |         |
|---|-------------------------|---------|
|   | 2002                    | 2001    |
| Property, plant and equipment mortgages | 344,122                 | 305,844 |

### 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, |          |
|--|-------------------------|----------|
|  | 2002                    | 2001     |
| At beginning of year   | 328,336                 | 255,144  |
| Translation differences  | (21,395)                | 3,963    |
| Acquisition of minority interest in subsidiaries charged to equity (Note A(1)) | 27,534                  |          |
| Effect of adopting IAS 39  |                         | (786)    |
| Income statement charge /(credit)  | 26,426                  | (39,867) |
| Effect of currency translation on tax base                                     | 25,266                  | 109,882  |
| At end of year   | 386,167                 | 328,336  |

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  | Total at             |
|--|--------------|-------------|--------|----------------------|
|  |              |             |        | December 31,<br>2002 |
| At beginning of year   | 296,195      | 51,429      | 6,298  | 353,922              |
| Translation differences                                      | (18,927)     | (5,985)     | 189    | (24,723)             |
| Acquisition of minority interest in subsidiaries (Note A(1)) | 25,298       | 3,716       |        | 29,014               |
| Income statement (credit)/charge                             | (19,551)     | 19,630      | 26,913 | 26,992               |
| At end of year   | 283,015      | 68,790      | 33,400 | 385,205              |

#### Effect of currency translation on tax base

At December 31, 2002

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|                         |                |
|-------------------------|----------------|
| At beginning of year    | 89,560         |
| Income statement charge | 25,266         |
|                         | <hr/>          |
| <b>At end of year</b>   | <b>114,826</b> |
|                         | <hr/>          |

**Deferred tax assets**

|   | <b>Provisions and<br/>allowances</b> | <b>Inventories</b> | <b>Tax losses</b> | <b>Other</b>    | <b>Total</b>     |
|---|--------------------------------------|--------------------|-------------------|-----------------|------------------|
| At beginning of year  | (77,072)                             | (23,574)           | (4,340)           | (10,160)        | (115,146)        |
| Translation differences   | (234)                                | 1,573              | 1,867             | 122             | 3,328            |
| Acquisition of minority interest in<br>subsidiaries (Note A(1)) |                                      | (197)              |                   | (1,283)         | (1,480)          |
| Income statement charge/(credit)                                | 2,480                                | 165                | (3,600)           | 389             | (566)            |
|   | <hr/>                                |                    |                   |                 |                  |
| <b>At end of year</b>   | <b>(74,826)</b>                      | <b>(22,033)</b>    | <b>(6,073)</b>    | <b>(10,932)</b> | <b>(113,864)</b> |
|   | <hr/>                                |                    |                   |                 |                  |

**19 Deferred income taxes (Cont d)**

**Deferred tax assets (Cont d)**

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 combined balance sheet:

|  | <b>Year ended December 31,</b> |                |
|--|--------------------------------|----------------|
|  | <b>2002</b>                    | <b>2001</b>    |
| Deferred tax assets  | (49,412)                       | (24,187)       |
| Deferred tax liabilities   | 320,753                        | 262,963        |
| Deferred tax- Effect of currency translation on tax base(See Note 7 (iii)) | 114,826                        | 89,560         |
|  | <hr/>                          |                |
|  | <b>386,167</b>                 | <b>328,336</b> |
|  | <hr/>                          |                |

The amounts shown in the balance sheet include the following:

|  | <b>Year ended December 31,</b> |             |
|--|--------------------------------|-------------|
|  | <b>2002</b>                    | <b>2001</b> |
| Deferred tax assets to be recovered after more than 12 months    | (23,461)                       | (11,039)    |
| Deferred tax liabilities to be settled after more than 12 months | 372,730                        | 351,608     |

**20 Employee liabilities and other liabilities**

**Year ended December 31,**

|  | 2002           | 2001           |
|--|----------------|----------------|
| (i) Employee liabilities - non-current |                |                |
| Employees statutory profit sharing     | 60,962         | 87,217         |
| Employees severance indemnity (a)      | 50,728         | 42,479         |
| Pension benefits (b)                   | 11,069         | 13,098         |
|  | <b>122,759</b> | <b>142,794</b> |
| Miscellaneous                          | 264            | 10,664         |
|  | <b>123,023</b> | <b>153,458</b> |

**(a) Employees severance indemnity**

The amounts recognized in the balance sheet are as follows:

|   | Year ended December 31, |        |
|---|-------------------------|--------|
|   | 2002                    | 2001   |
| Total included in Other liabilities non-current | 50,728                  | 42,479 |

The amounts recognized in the income statement are as follows:

|                               | Year ended December 31, |              |              |
|-------------------------------|-------------------------|--------------|--------------|
|                               | 2002                    | 2001         | 2000         |
| Current service cost          | 4,518                   | 5,142        | 4,898        |
| Interest cost                 | 1,935                   | 1,771        | 2,174        |
| Total included in Labor costs | <b>6,453</b>            | <b>6,913</b> | <b>7,072</b> |

**20 Employee liabilities and other liabilities (Cont d)****(a) Employees severance indemnity (Cont d)**

The principal actuarial assumptions used were as follows:

|                               | Year ended December 31, |      |      |
|-------------------------------|-------------------------|------|------|
|                               | 2002                    | 2001 | 2000 |
| Discount rate                 | 4.8%                    | 5.0% | 5.0% |
| Rate of compensation increase | 3.5%                    | 2.0% | 2.0% |

**(b) Pension benefits**

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

|                                       | Year ended December 31, |               |
|---------------------------------------|-------------------------|---------------|
|                                       | 2002                    | 2001          |
| Present value of unfunded obligations | 9,522                   | 5,779         |
| Unrecognised actuarial gains (losses) | 1,547                   | 7,319         |
| <b>Liability in the balance sheet</b> | <b>11,069</b>           | <b>13,098</b> |

The amounts recognized in the income statement are as follows:

|   | Year ended December 31, |              |              |
|---|-------------------------|--------------|--------------|
|   | 2002                    | 2001         | 2000         |
| Current service cost                                | 255                     | 611          | 723          |
| Interest cost                                       | 584                     | 1,105        | 1,031        |
| Net actuarial (gains) losses recognized in the year | (511)                   | (15)         | 67           |
| <b>Total included in Labor costs</b>                | <b>328</b>              | <b>1,701</b> | <b>1,821</b> |

Movement in the liability recognized in the balance sheet:

|  | Year ended December 31, |               |
|--|-------------------------|---------------|
|  | 2002                    | 2001          |
| At the beginning of the year               | 13,098                  | 12,755        |
| Transfers and new participants of the plan | 215                     | (316)         |
| Total expense                              | 328                     | 1,701         |
| Contributions paid                         | (2,572)                 | (1,042)       |
| <b>At the end of year</b>                  | <b>11,069</b>           | <b>13,098</b> |

The principal actuarial assumptions used were as follows:

|                               | Year ended December 31, |      |      |
|-------------------------------|-------------------------|------|------|
|                               | 2002                    | 2001 | 2000 |
| Discount rate                 | 7%                      | 10%  | 7%   |
| Rate of compensation increase | 2%                      | 3%   | 5%   |

|   | Year ended December 31, |               |
|---|-------------------------|---------------|
|   | 2002                    | 2001          |
| (ii) <b>Other liabilities - current</b> |                         |               |
| Payroll and social security payable     | 51,737                  | 62,351        |
| Voluntary redundancy plan               | 751                     | 4,169         |
| Miscellaneous                           | 940                     | 14,076        |
|   | <b>53,428</b>           | <b>80,596</b> |

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

|                                     | <b>Allowance for<br/>doubtful accounts-<br/>Trade receivables</b> |
|-------------------------------------|---|
| <b>Year ended December 31, 2002</b> |   |
| Values at the beginning of the year | (21,239)  |
| Translation differences             | 2,796   |
| Used                                | 9,615   |
| <b>At December 31, 2002</b>         | <b>(8,828)</b>  |
| <b>Year ended December 31, 2001</b> |   |
| Values at the beginning of the year | (13,151)  |
| Translation differences             | 1,497   |
| Additional provisions               | (12,847)  |
| Used                                | 3,262   |
| <b>At December 31, 2001</b>         | <b>(21,239)</b>   |

**(ii) Liabilities**

|                                     | <b>Legal claims and<br/>contingencies</b> |
|-------------------------------------|---|
| <b>Year ended December 31, 2002</b> |   |
| Values at the beginning of the year | 38,080                                    |
| Translation differences             | (5,959)                                   |
| Reversals                           | (4,008)                                   |
| Additional provisions               | 8,315                                     |
| Used                                | (2,554)                                   |
| <b>At December 31, 2002</b>         | <b>33,874</b>                             |
| <b>Year ended December 31, 2001</b> |   |
| Values at the beginning of the year | 36,475                                    |
| Translation differences             | (5,321)                                   |
| Additional provisions               | 12,113                                    |
| Used                                | (5,187)                                   |
| <b>At December 31, 2001</b>         | <b>38,080</b>                             |

**22 Current provisions****(i) Deducted from assets**

|                                     | <b>Allowance for<br/>doubtful accounts-<br/>Trade receivables</b> | <b>Allowance for other<br/>doubtful accounts-<br/>Other receivables</b> | <b>Allowance for inventory<br/>obsolescence</b> |
|-------------------------------------|---|---|---|
| <b>Year ended December 31, 2002</b> |   |   |   |
| 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               | (5,915)   | (3,934)   | (19,190)  |
| Used                                | 4,037   | 147   | 19,423  |
| <b>At December 31, 2002</b>         | <b>(21,233)</b>   | <b>(5,997)</b>  | <b>(51,621)</b>                                 |
| <b>Year ended December 31, 2001</b> |   |   |   |
| Values at the beginning of the year | (21,194)  | (7,669)   | (44,474)  |
| Translation differences             | 93  | 774   | (870)   |
| Additional provisions               | (5,372)   | (770)   | (6,985)   |
| Used                                | 2,592   | 1,707   | 169   |
| <b>At December 31, 2001</b>         | <b>(23,881)</b>   | <b>(5,958)</b>  | <b>(52,160)</b>                                 |

**(ii) Liabilities**

|   | <b>BHP<br/>Provision</b> | <b>Cost related<br/>to factory<br/>damages</b> | <b>Sales risks</b> | <b>Restructuring</b> | <b>Legal claims and<br/>contingencies</b> | <b>Total</b>  |
|---|--------------------------|--|--------------------|----------------------|---|---------------|
| <b>Year ended<br/>December 31, 2002</b> |                          |  |                    |                      |   |               |
| Values at the beginning<br>of the year  | 40,279                   | 4,513  | 3,476              | 2,550                | 27,479                                    | 78,297        |
| Translation differences                 | 7,349                    | 257  | 617                | 84                   | 2,463                                     | 10,770        |
| Reversals                               |                          |  |                    |                      | (1,064)                                   | (1,064)       |
| Additional provisions                   | 18,923                   |  | 1,896              | 146                  | 7,144                                     | 28,109        |
| Used                                    | (22,485)                 | (4,770)  | (1,730)            | (1,845)              | (11,329)                                  | (42,159)      |
| <b>At December 31, 2002</b>             | <b>44,066</b>            | <b>-</b>                                       | <b>4,259</b>       | <b>935</b>           | <b>24,693</b>                             | <b>73,953</b> |
| <b>Year ended<br/>December 31, 2001</b> |                          |  |                    |                      |   |               |



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|                                     |               |              |              |              |               |               |
|-------------------------------------|---------------|--------------|--------------|--------------|---------------|---------------|
| Values at the beginning of the year |               |              | 3,336        | 10,020       | 31,312        | 44,668        |
| Translation differences             | (782)         | (97)         | (125)        | (244)        | 49            | (1,199)       |
| Reversals                           |               |              |              |              | (7,165)       | (7,165)       |
| Additional provisions               | 41,061        | 4,610        | 2,555        | 2,292        | 5,374         | 55,892        |
| Used                                |               |              | (2,290)      | (9,518)      | (2,091)       | (13,899)      |
| <b>At December 31, 2001</b>         | <b>40,279</b> | <b>4,513</b> | <b>3,476</b> | <b>2,550</b> | <b>27,479</b> | <b>78,297</b> |

## 23 Financial instruments

Tenaris adopted IAS 39 at the beginning of the fiscal year ended December 31, 2001. The total impact on shareholders equity on that date amounts to a loss of USD1,007 thousand. That impact arises from the remeasurement to fair value of derivatives related to non-qualifying hedges. In accordance with IAS 39, the comparative financial statement for the year ended December 31, 2000 is not restated.

### 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, |         |
|--------------------------------------|-------------------------|---------|
|                                      | 2002                    | 2001    |
| Contracts with positive fair values: |                         |         |
| Interest rate swaps                  | 556                     | 566     |
| Forward foreign exchange contracts   | 2,867                   | 614     |
| Commodities contracts                | 639                     | 585     |
| Contracts with negative fair values: |                         |         |
| Interest rate swap contracts         | (3,274)                 | (1,729) |
| Forward foreign exchange contracts   | (777)                   | (8,114) |
| Commodities contracts                | (3,511)                 | (2,832) |

Derivative financial instruments breakdown are as follows:

### Variable interest rate swaps

Year ended December 31, 2002

|      | Notional amount<br>(in thousands) | Swap                  | Term | Fair value |
|------|-----------------------------------|-----------------------|------|------------|
| EURO | 11,620                            | 5.68%                 | 2007 | (528)      |
| EURO | 2,083                             | 5.72%                 | 2009 | (101)      |
| EURO | 9,485                             | 5.72%                 | 2010 | (457)      |
| EURO | 50,000                            | 3.40% / 4.20% / 4.67% | 2005 | (1,492)    |
| EURO | 25,823                            | 3.74%                 | 2007 | (376)      |
| EURO | 51,646                            | Euribor 3M + 0.70%    | 2005 | 556        |
| EURO | 30,987                            | 3.44%                 | 2005 | (320)      |

(2,718)

Year ended December 31, 2001

|      | Notional amount<br>(in thousands) | Swap                   | Term | Fair value |
|------|-----------------------------------|------------------------|------|------------|
| EURO | 258,228                           | From 3.81% to 5.44 %   | 2002 | (409)      |
| EURO | 12,911                            | 5.68%                  | 2007 | (516)      |
| EURO | 2,380                             | 5.72%                  | 2009 | (99)       |
| EURO | 10,117                            | 5.72%                  | 2010 | (444)      |
| EURO | 51,646                            | 4.62%                  | 2005 | (261)      |
| USD  | 11,359                            | From 6.85 % to 11.85 % | 2002 | 566        |
|      |                                   |                        |      | (1,163)    |

**23 Financial instruments (Cont d)****Exchange rate derivatives**

Year ended December 31, 2002

Year ended December 31, 2002

|          | Notional amount<br>(in thousands) | Derivatives       | Term | Fair value |
|----------|-----------------------------------|-------------------|------|------------|
| EURO/USD | (10,824)                          | Forward sales     | 2003 | (605)      |
| EURO/USD | 30,558                            | Forward purchases | 2003 | 2,283      |
| JPY/USD  | 1,965,459                         | Forward purchases | 2003 | 452        |
| CAD/USD  | (36,000)                          | Forward sales     | 2003 | 46         |
| GBP/EURO | (2,000)                           | Forward sales     | 2003 | 86         |
| BRL/USD  | (35,077)                          | Forward sales     | 2003 | (172)      |
|          |                                   |                   |      | 2,090      |

Year ended December 31, 2001

|          | Notional amount<br>(in thousands) | Derivatives   | Term | Fair value |
|----------|-----------------------------------|---------------|------|------------|
| CAD/USD  | (21,850)                          | Forward sales | 2002 | 259        |
| EURO/USD | (13,800)                          | Forward sales | 2002 | 15         |

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|          |           |                         |      |         |
|----------|-----------|-------------------------|------|---------|
| GBP/EURO | (12,000)  | Forward sales           | 2002 | (175)   |
| JPY/CAD  | 1,235,856 | Forward purchases       | 2002 | (1,004) |
| JPY/USD  | 4,779,936 | Forward purchases       | 2002 | (2,728) |
| USD/EURO | (100,000) | Forward sales           | 2002 | (3,106) |
| USD/EURO | 10,000    | Knock-in forward option | 2002 | (100)   |
| USD/JPY  | 6,900     | Forward purchases       | 2002 | (491)   |
| USD/JPY  | 523,000   | Call option             | 2002 | 170     |
| USD/MXP  | 5,000     | Forward purchases       | 2002 | 170     |
| USD/BRS  | 6,382     | Swap                    | 2002 | (510)   |
|          |           |                         |      | <hr/>   |
|          |           |                         |      | (7,500) |
|          |           |                         |      | <hr/>   |

**Commodities price derivatives**

Year ended December 31, 2002

|        | Notional amount<br>(in thousands) | Derivatives     | Term | Fair value |
|--------|-----------------------------------|-----------------|------|------------|
| MM BTU | 3,840,000                         | Gas call option | 2003 | (2,749)    |
| MM BTU | 3,840,000                         | Gas put option  | 2003 | 611        |
| MM BTU | 7,680,000                         | Gas put option  | 2005 | (762)      |
| MM BTU | 480,000                           | Gas cap option  | 2003 | 28         |
|        |                                   |                 |      | <hr/>      |
|        |                                   |                 |      | (2,872)    |
|        |                                   |                 |      | <hr/>      |

Year ended December 31, 2001

|         | Notional amount<br>(in thousands) | Derivatives             | Term | Fair value |
|---------|-----------------------------------|-------------------------|------|------------|
| Tons    | 1,650                             | Zinc forwards purchases | 2002 | (342)      |
| Barrels | 1,800                             | Oil call option         | 2002 | 585        |
| Barrels | 1,200                             | Oil put option          | 2002 | (2,490)    |
|         |                                   |                         |      | <hr/>      |
|         |                                   |                         |      | (2,247)    |
|         |                                   |                         |      | <hr/>      |

**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's consolidated combined 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 Petroleum Ltd. ( BHP ) before the Commercial Court of the High Court of Justice Queen s Bench Division of London. The action concerns 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 is being 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.

BHP has indicated in court proceedings that it will 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. Subsequent to the court s judgment in favor of BHP on the issue of liability, 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 GBP 15 million (approximately USD22.5 million) in interim damages. The court is now expected to hear arguments regarding, and issue its final judgment on, total damages during the first half of 2004.

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**24 Contingencies, commitments and restrictions on the distribution of profits (Cont d)**

(i) Claim against Dalmine (Cont d)

Based on the information provided so far by BHP, Dalmine considers that the compensation requested to cover the cost of replacing the pipeline exceeds the cost actually incurred for such purpose. Taking into consideration such information and the preliminary views expressed by independent experts, Dalmine believes that certain of the other claims fail to show an appropriate connection with the events for which Dalmine was found responsible, while others appear to exceed the damage actually incurred.

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Dalmine created a provision in the amount of EUR45 million (USD41.3 million) in its results for 2001 to account for potential losses as a result of BHP's lawsuit. In light of the practical difficulties to come to a precise estimate of the liability in view of the complexity and diversity of the elements brought to the proceedings by BHP, Dalmine has decided to increase the amount of the provision by EUR20 million (USD18.9 million), inclusive of interest accrued and legal expenses incurred in connection with such proceedings. Dalmine has stated that the provision was created and increased as a prudent way of complying with applicable accounting principles, and should therefore not be regarded as an admission of indemnification payable to the plaintiffs.

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, and Techint Investments Netherlands BV (Tenet)-the Siderca subsidiary party to the contract pursuant to which Dalmine was privatized- believes that, under the Dalmine privatization contract, Tenet should be entitled to recover from Fintecna S.p.A. (Fintecna) on behalf of Dalmine (as a third party beneficiary under the Dalmine privatization contract) 84.08% of any damages it may be required to pay BHP. Tenet has commenced arbitration proceedings against Fintecna to compel it to indemnify Dalmine for any amounts Dalmine may be required to pay BHP. Fintecna has denied that it has any contractual obligation to indemnify Dalmine, 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 disputes this assertion. The arbitration proceedings were suspended at a preliminary stage pending a decision by the British trial court in BHP's lawsuit against Dalmine. Tenet and Dalmine intend to petition the arbitration panel to resume the proceedings in light of the court of appeal's recent decision to dismiss Dalmine's appeal against the judgment of liability in favor of BHP.

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

In January 1998, Amazonia purchased a 70% equity interest in CVG Siderurgica del Orinoco C.A. (Sidor) from the Venezuelan government. Tamsider, a wholly-owned subsidiary of Tamsa had an initial 12.50% equity interest in Amazonia, which increased to 14.11% in March 2000 as a result of additional investments as described below. As of December 31, 2002, Tamsider's equity interest in Amazonia remained at 14.11%. The Venezuelan government continues to own a 30% equity interest in Sidor.

Sidor, located in the city of Guayana in southeast Venezuela, is the largest integrated steel producer in Venezuela and the sixth largest integrated steel producer in Latin America, with an installed capacity of more than 3.5 million tons of liquid steel per year. In 2001, Sidor shipped 2.9 million tons of steel.

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## 24 Contingencies, commitments and restrictions on the distribution of profits (Cont d)

### (ii) Consorcio Siderurgia Amazonia, Ltd. (Cont d)

Sidor has experienced significant financial losses and other problems since the acquisition by Amazonia in January 1998, despite a significant reduction in Sidor's workforce and management's efforts to improve the production process and reduce operating costs. In 1999, due to negative conditions in the international steel market, a sustained and intensifying domestic recession in Venezuela, deteriorating conditions in the credit markets, an increase in the value of the Venezuelan currency relative to the U.S. Dollar and other adverse factors, Sidor and Amazonia incurred substantial losses and were unable to make payments due under loan agreements with their respective creditors. In 2000, these loan agreements were restructured. Despite continued efforts by Sidor's management to improve technology and optimize production levels, in late 2001 Sidor and Amazonia were again unable to make payments due under the restructured loan agreements, following a continuation and aggravation of the same negative factors described above accompanied by increased competition from steel imports in Venezuela. Sidor and Amazonia are currently involved in discussions with their creditors and the Venezuelan government regarding a possible restructuring of their loan agreements. As of December 31, 2002, Sidor had approximately USD1.58 billion of indebtedness (secured in part by fixed assets valued at USD827.0 million as determined at the time Sidor's loans were restructured in March 2000) and Amazonia had approximately USD313 million of indebtedness. We cannot give you any assurance as to whether Sidor or Amazonia

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will succeed in restructuring their existing indebtedness, or that their lenders will not accelerate any defaulted indebtedness in accordance with the terms of the applicable loan agreements or foreclose on any of the assets of Sidor or Amazonia pledged as collateral.

As a result of the adverse trends discussed above, Tamsider made additional capital contributions to Amazonia, resulting from the restructuring concluded in 2000, while recording significant losses in the value of its investment. In addition to its initial capital contribution of USD87.8 million, Tamsider was required to make capital contributions in the amount of USD36.1 million (of which USD18.0 million took the form of a convertible subordinated loan to Amazonia, as described below) in connection with the restructuring of Amazonia's loan agreements in 2000. The value of Tamsider's investments (as recorded in Tamsider's consolidated combined financial statements) has decreased significantly since 1998, from USD94.2 million as of December 31, 1998, to USD13.2 million as of December 31, 2002. Further losses and provisions may be recorded in respect of Tamsider's investment in Amazonia. Subject to various conditions it is currently contemplated that Tamsider would make additional capital contributions as a part of a restructuring of Sidor's and Amazonia's existing indebtedness.

In addition to the risk of further losses in the equity value of its investment, Tamsider has significant exposure in respect of its investment in Amazonia under several agreements and guarantees. Below is a description of the nature and extent of this exposure. We cannot predict whether Tamsider will be required to make payments or will otherwise incur losses under these agreements and guarantees.

The Sidor purchase agreement between Amazonia and the Venezuelan government requires the shareholders of Amazonia, including Tamsider, to indemnify the government for breaches by Amazonia of the Purchase Agreement up to a maximum amount of USD150.0 million for five years from the acquisition date. In connection with this indemnity, the shareholders of Amazonia are required to maintain a performance bond (which Tamsider has guaranteed directly) for five years, beginning in 1998, in the amount of USD150.0 million during the first three years, USD125 million in the fourth year and USD75.0 million in the fifth year. Tamsider's maximum liability under the indemnity would be USD18.8 million, as its obligations with respect to the indemnity are proportional to its initial 12.50% equity interest in Amazonia.

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### 24 Contingencies, commitments and restrictions on the distribution of profits (Cont'd)

#### (ii) Consorcio Siderurgia Amazonia, Ltd. (Cont'd)

The Sidor purchase agreement further requires the shareholders of Amazonia to guarantee, also on a proportional basis, the principal and a portion of the interest payable under a loan made to Sidor by the Venezuelan government. Tamsider's maximum liability under this guarantee, which continues to apply to the loan as restructured in 2000, is USD92.2 million.

The loan agreement between Amazonia and a group of private lenders (the proceeds of which were used by Amazonia to finance the acquisition of its equity interest in Sidor) required the shareholders of Amazonia, including Tamsider, to pledge their shares in Amazonia as security and also required Amazonia to pledge its shares in Sidor as security. These pledges continue to apply to the loan as restructured in 2000.

As discussed above, in connection with the restructuring of Amazonia's loan agreements in 2000, the shareholders of Amazonia, including Tamsider, were required to make additional capital contributions in part by making subordinated loans convertible into additional shares of Amazonia. Tamsider made a subordinated loan of USD18 million to Amazonia as a result of this requirement.

Also in connection with the restructuring of Amazonia's loan agreements in 2000, the parent companies of several shareholders of Amazonia, including Tamsider, were required to enter into a put agreement pursuant to which they agreed to purchase, upon certain conditions and in no case prior to December 31, 2007, up to USD25 million

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in loans payable by Amazonia to its private lenders. The shareholders of Amazonia also delivered a letter to these lenders contemplating the possibility of additional capital contributions of up to USD20 million in the event of extreme financial distress at Sidor. Tamsa's obligations under the put agreement, and Tamsider's share of any capital contribution under the letter, are limited in proportion to its interest in Amazonia when the put is exercised or the contribution is made. Based on Tamsider's current 14.1% equity interest in Amazonia, Tamsa's aggregate liability under the put agreement would be limited to a maximum of USD3.5 million and Tamsider's share of any capital contribution under the letter would be limited to a maximum of USD2.8 million.

### (iii) Tax claims

#### (a) 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 contingency of ARP41.7 million (approximately USD12.8 million) at December 31, 2002 in tax 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.

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## 24 Contingencies, commitments and restrictions on the distribution of profits (Cont d)

### (iii) Tax claims (Cont d)

#### (b) Dalmine

For the tax years from 1996 and the years thereafter, Dalmine was subject to an audit conducted by the regional tax police of Milan. Their report, issued in July 1999, disallowed certain costs and expenses while also alleging that goods-in-transit were not accounted for on the accrual basis. Dalmine believes that, with regard to in-transit inventory items, the tax effect is negligible, and with regards to non-deductible costs, any additional tax amounts that may be due would be compensated for with existing net operating losses. Dalmine has been informed by the Department of Revenue that no further action regarding goods-in-transit will be pursued.

During 2001, Dalmine reached a settlement with the local Department of Revenue in Bergamo as far as fiscal years from 1994 to 1998 are concerned.

The settlement mandated payment of approximately EUR1.1 million (USD1.2 million) in taxes, interest and fines. Of this, Fintecna (in liquidation) paid approximately EUR0.5 million (USD0.5 million), on the basis of the risk assumed under the contract for the sale of its previous controlling interest in Dalmine.

As for the litigation pending with the Italian tax authorities for assessments received or still to be received from the VAT or direct tax offices of Milan and Bergamo based on the reports made by the Revenue Guard Corps in December 1995, a provision has been created that is considered sufficient to meet any eventual tax expenses (net of the portion of the risk attributable to Fintecna). Such provision has also been calculated considering the largely favourable outcomes of the appeals filed by Dalmine and examined to date by the Tax Commissions.

### (iv) European Antitrust Commission

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On December 8, 1999 the Commission of the European Union imposed fines on Dalmine and several others manufactures of seamless pipes in Europe for alleged violations of fair trade practices under the EEC treaty. The fine imposed on Dalmine was EUR10.8 million (USD11.4 million) and related to pre-1996 activity. As such, Dalmine accrued this amount in provisions and the 84.08% to be reimbursed by Fintecna in other receivables at December 31, 1999. In March 2000, Dalmine filed an appeal against the ruling.

(v) Other Proceedings

Dalmine is currently subject to a criminal proceeding before the Court of Bergamo, Italy, and two civil proceedings for work-related injuries arising from its use of asbestos in its manufacturing processes from 1960 to 1980. In addition, some other asbestos related out-of-court claims have been forwarded to Dalmine. Of the 39 claims (inclusive of the out-of-court claims), 13 incidents have already been settled or are to be covered by Dalmine's insurer. Dalmine estimates that its potential liability in connection with the remaining cases not yet settled or covered by insurance is approximately EUR7.0 million (USD7.4 million). This amount was recognized as a provision for liabilities and expenses as of December 31, 2002.

### 24 Contingencies, commitments and restrictions on the distribution of profits (Cont d)

(vi) Contingent liabilities

Tenaris had the following contingent liabilities at each year end:

|   | Year ended December 31, |         |         |
|---|-------------------------|---------|---------|
|   | 2002                    | 2001    | 2000    |
| Third party assets held in custody by Tenaris | 17,603                  | 3,860   | 512     |
| Discounted documents                          |                         | 1,210   | 1,210   |
| Deposit guarantees and other guarantees       | 179,924                 | 119,088 | 122,526 |
|   |                         |         |         |
| Total   | 197,527                 | 124,158 | 124,248 |

(vii) Commitments

The following are the main off-balance sheet commitments:

- (a) Tamsa entered into an off-take contract with Complejo Siderurgico de Guayana C.A. ( Comsigua ) to purchase on a take-and-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, Tamsa 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 joint venture parties provide that, if during the eight-year period the average market price is lower than the formula price paid during such period, Tamsa 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 joint venture arrangements, Tamsa 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



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market prices for HBI, Tamsa has paid higher-than-market prices for its HBI and accumulated a credit that, at December 31, 2001, amounted to approximately USD9.8 million. This credit, however, is offset by a provision for an equal amount recorded as a result of Comsigua's weak financial condition.

In connection with Tamsa's original 6.9% equity interest in the joint venture company, Tamsa paid USD8.0 million and agreed to cover its proportional (7.5%) share of Comsigua's cash operating and debt service shortfalls. In addition, Tamsa pledged its shares in Comsigua and provided a proportional guarantee in support of the USD156 million (USD100.1 million outstanding as of March 31, 2002) project financing loan made by the International Finance Corporation, or IFC, to Comsigua. In February 2002, Tamsa was required to pay USD1.3 million, representing its share of a shortfall of USD14.7 million payable by Comsigua under the IFC loan and additional operating shortfalls of USD2.8 million. Comsigua's financial condition has been adversely affected by the consistently weak international market conditions for HBI since its start-up in 1998 and, unless market conditions improve substantially, Tamsa may be required to make additional proportional payments in respect of its participation in the Comsigua joint venture and continue to pay higher-than-market prices for its HBI pursuant to its off-take contract.

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### 24 Contingencies, commitments and restrictions on the distribution of profits (Cont d)

#### (vii) Commitments (Cont d)

- (b) Tamsa purchases from Pemex, at prevailing international prices, natural gas used for the furnaces that reheat steel ingots in the pipe making process. Natural gas rates increased approximately 74% in 2000 and 4% in 2001. In February, 2001, Tamsa signed an agreement with Pemex, for the supply of 296,600 million BTUs (British Thermal Units) of natural gas from January 1, 2001 until December 31, 2003, at a fixed price of USD4.00 per million of BTUs. In order to cover a decrease in natural gas prices, in March 2001, Tamsa entered into a forward contract with Enron North America Corp. (Enron), with the option to sell up to 200,000 million BTUs per month of natural gas, at a minimum base price of USD4.05 per million of BTUs, from March 2002, through December 2003.

As a result of Enron's bankruptcy in late 2001, no reasonable prospect exists of exercising Tamsa's option under this contract. The premium paid to Enron of USD1.7 million for this put option was fully amortized during the fourth quarter of 2001. In order to reduce its exposure to above-market prices under the natural gas supply agreement with Pemex, Tamsa entered into agreements with Citibank, N.A., New York (Citibank) and JPMorgan Chase Bank (JPMorgan Chase), in March 2002 and April 2002. The economic effect of the agreements with Citibank and JPMorgan Chase is to permit Tamsa to purchase 320,000 million BTUs per month at market price instead of at the USD4.00 per million BTU rate charged by Pemex, resulting in a more favourable price to Tamsa for natural gas so long as the market price remains below USD4.00.

Under the agreements, Tamsa must continue to make its purchase of natural gas at market price even if the market price rise above USD4.00 per million BTUs, thereby exposing Tamsa to a later risk of above-market prices. Also, under the agreements, Tamsa must continue to make purchases at the USD4.00 per million BTU rate if the market price of natural gas falls to USD2.00 per million BTUs or lower (during the period from May 1, 2002 to February 28, 2003) or to USD2.25 per million BTUs or lower (during the period from March 1, 2003 to December 31, 2003). In addition, under each of the agreements with Citibank and JPMorgan Chase, Tamsa is required to purchase 160,000 million BTUs of natural gas per month from January 1, 2004, to December 31, 2005, at price of USD2.7 per million BTUs.

- (c) In August 2001, Dalmine Energie S.p.A. signed an agreement for the purchase of natural gas with certain take or pay conditions. The agreement began on October 1, 2001, and will expire 10 years later on October 1, 2011. Total

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volume of natural gas still to be purchased as at December 31, 2001 is estimated to be 5,800 million cubic meters equal to approximately EUR900 million (USD806 million at December 31, 2001, based on natural gas prices at the end of 2001). At the date, Dalmine Energie S.p.A. has not contracted all the transportation capacity for selling the gas within the Italian market for the period October 2003 to September 2011.

- (d) 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 (USD7.4 million at December 31, 2001). 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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### 24 Contingencies, commitments and restrictions on the distribution of profits (Cont d)

#### (viii) Restrictions on the distribution of profits

Under Luxembourg law, at least 5% of the net income per year calculated in accordance with Luxembourg law and regulations must be allocated to the creation of a reserve until such reserve has reached to an amount equal to 10% of the share capital. At December 31, 2002 the Company has created this reserve in full.

Dividends may be paid by Tenaris to the extent distributable retained earnings and distributable reserves calculated in accordance with Luxembourg law and regulations exist. Therefore, retained earnings included in the consolidated combined financial statements may not be wholly distributable.

Shareholders' equity under Luxembourg law and regulations comprises the following captions (amounts in USD):

|   |               |
|---|---------------|
| Share capital                                   | 1,160,700,794 |
| Legal reserve                                   | 116,070,080   |
| Share premium                                   | 587,492,789   |
| Other distributable reserves                    | 206,744,261   |
|   | <hr/>         |
| Total shareholders equity under Luxembourg GAAP | 2,071,007,924 |
|   | <hr/>         |

### 25 Ordinary shares and share premium

|  | Number of<br>Ordinary shares |
|--|------------------------------|
| At January 1, 2002                       | 30,107                       |
| Net issue of shares of October 18, 2002  | 710,717,080                  |
| Net issue of shares of December 13, 2002 | 449,953,607                  |
|  | <hr/>                        |
| At December 31, 2002                     | 1,160,700,794                |
|  | <hr/>                        |

The total of issued and outstanding ordinary shares as of December 31, 2002 is 1,160,700,794 with a par value of USD1 per share.

**26 Minority interest**

|  | <b>Year ended December 31,</b> |             |             |
|--|--------------------------------|-------------|-------------|
|  | <b>2002</b>                    | <b>2001</b> | <b>2000</b> |
| At beginning of year                             | 918,981                        | 919,710     | 979,067     |
| Currency translations differences                | (62,816)                       | (11,167)    | (3,411)     |
| Effect of adopting IAS 39                        |                                | (408)       |             |
| Share of net loss (profit) of subsidiaries       | 142,403                        | 74,557      | 47,401      |
| Acquisition                                      |                                | 17,042      | 15,610      |
| Exchange of shares of Siderca, Dalmine and Tamsa | (768,577)                      |             |             |
| Sales  | (2,020)                        | (22,262)    | (57,367)    |
| Dividends paid                                   | (41,188)                       | (58,491)    | (61,590)    |
| At end of year                                   | 186,783                        | 918,981     | 919,710     |

**27 Acquisitions**

All the acquisitions were accounted under the purchase method, in accordance with IAS 22.

On December 13, 2002 the Company acquired 27.94% of the Siderca shares or ADSs, 43.73% of the Tamsa shares or ADSs and 41.19% of the Dalmine shares through the exchange of shares of the Company.

Details of net assets acquired and goodwill are as follows:

|  | <b>2002</b>    |              |                |              |
|--|----------------|--------------|----------------|--------------|
|  | <b>Siderca</b> | <b>Tamsa</b> | <b>Dalmine</b> | <b>Total</b> |
| Purchase consideration                   | 457,259        | 278,894      | 75,052         | 811,205      |
|  | 357,150        | 345,980      | 113,287        | 816,417      |
| Fair value of minority interest acquired |                |              |                |              |
|  | 100,109        | (67,086)     | (38,235)       | (5,212)      |
| Goodwill (Negative Goodwill)             |                |              |                |              |

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

|                               | <b>2002</b>    |              |                |              |
|-------------------------------|----------------|--------------|----------------|--------------|
|                               | <b>Siderca</b> | <b>Tamsa</b> | <b>Dalmine</b> | <b>Total</b> |
| Property, plant and equipment | 47,972         | (4,228)      | 21,975         | 65,719       |
| Goodwill                      | 100,109        | (67,086)     | (38,235)       | (5,212)      |
| Other non-current assets      |                | 1,480        |                | 1,480        |
|                               | 320            | 9,335        |                | 9,655        |
| Current assets                |                |              |                |              |
| Total assets acquired         | 148,401        | (60,499)     | (16,260)       | 71,642       |

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|   |                     |                    |                    |                     |
|---|---------------------|--------------------|--------------------|---------------------|
| Minority interest in Siderca, Tamsa and Dalmine | 325,760<br>(16,902) | 342,660<br>(3,267) | 100,157<br>(8,845) | 768,577<br>(29,014) |
| Total non-current liabilities                   | (16,902)            | (3,267)            | (8,845)            | (29,014)            |
| Total liabilities assumed                       | 457,259             | 278,894            | 75,052             | 811,205             |
| Purchase consideration                          |                     |                    |                    |                     |

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

During 2001 the Company acquired 4.34% of shares of Tamsa from minority shareholders for USD31.0 million. The fair value of net assets acquired was USD31.2 million giving rise to negative goodwill of USD0.2 million.

Minor acquisitions of Empresas Riga S.A. (by Tamsa) during 2001 did not give rise to any significant goodwill due to the purchase method of accounting.

During 2000 the Company acquired 6.90% of shares of Tamsa from minority shareholders for USD63.8 million. The fair value of net assets acquired was USD51.6 million giving rise to goodwill of USD12.2 million.

## 28 Related party transactions

The following transactions were carried out with related parties:

|   | Year ended December 31, |                  |                  |
|---|-------------------------|------------------|------------------|
|   | 2002                    | 2001             | 2000             |
| <b>(i) Transactions</b>                                   |                         |                  |                  |
| <b>(a) Sales of goods and services</b>                    |                         |                  |                  |
| Sales of goods  | 258,083<br>6,934        | 74,145<br>3,444  | 66,785<br>4,577  |
| Sales of services   | 265,017                 | 77,589           | 71,362           |
| <b>(b) Purchases of goods and services</b>                |                         |                  |                  |
| Purchases of goods  | 160,792<br>103,858      | 46,202<br>95,216 | 30,779<br>74,300 |
| Purchases of services                                     | 264,650                 | 141,418          | 105,079          |
|   |                         |                  |                  |
|   | At December 31,         |                  |                  |
|   | 2002                    | 2001             | 2000             |
| <b>(ii) Year-end balances</b>                             |                         |                  |                  |
| <b>(a) Arising from sales/purchases of goods/services</b> |                         |                  |                  |
| Receivables from related parties                          | 59,490                  | 34,439           | 31,753           |

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|  |          |          |          |
|--|----------|----------|----------|
| Payables to related parties                        | (92,133) | (43,957) | (26,325) |
|  | (32,643) | (9,518)  | 5,428    |
| <b>(b) Cash and cash equivalents</b>               |          |          |          |
| Time deposits                                      | 24,658   | 67,975   | 10,974   |
| <b>(c) Other balances</b>                          |          |          |          |
| Trust fund   | 115,787  | 103,438  |          |
| <b>(d) Financial debt</b>                          |          |          |          |
| Borrowings and overdrafts                          | 49,452   | 55,331   | 45,461   |
| <b>(e) Deposit guarantees and other guarantees</b> |          |          |          |
| Guarantees receipt                                 | 6,000    |          |          |
| <b>(iii) Officers and directors compensations</b>  |          |          |          |

The aggregate compensation of the directors and executive officers accrued during 2002 amount USD 739 thousand.

## 29 Principal subsidiaries

Detailed below are the companies whose consolidated financial statements have been included in these consolidated financial statements, and the percentage of ownership and voting rights held, directly or indirectly, by Tenaris in these companies at the end of 2002. For years 2001 and 2000, the percentages of ownership and voting rights considered in the preparation of those consolidated financial statements correspond to those of ultimate parent company at each year end.

| Company                                    | Country of Organization | Main activity   | Percentage of ownership and voting rights at December 31, |         |         |
|--|-------------------------|---|---|---------|---------|
|  |                         |   | 2002  | 2001    | 2000    |
| Siderca                                    | Argentina               | Manufacturing of seamless steel pipes                       | 99.11%  | 71.17%  | 72.61%  |
| Tamsa                                      | Mexico                  | Manufacturing of seamless steel pipes                       | 94.50%  | 50.51%  | 46.18%  |
| Dalmine                                    | Italy                   | Manufacturing of seamless steel pipes                       | 88.41%  | 47.22%  | 47.22%  |
| Tenaris Global Services (and predecessors) | Uruguay                 | Holding of investments in steel pipe distributing companies | 100.00%   | 100.00% | 100.00% |
| Invertub                                   | Argentina               | Holding of investments                                      | 100.00%   | 100.00% |         |

**29 Principal subsidiaries (Cont d)**

The consolidated financial statements of Siderca include the financial statements of Siderca and its subsidiaries, which are shown below:

| Company                                 | Country of Organization | Main activity   | Percentage of ownership and voting rights at December 31, |         |         |
|---|-------------------------|---|---|---------|---------|
|   |                         |   | 2002  | 2001    | 2000    |
| NKK Tubes K.K.                          | Japan                   | Manufacturing of seamless steel pipes                 | 51.00%  | 51.00%  | 51.00%  |
| Algoma Tubes Inc. (a)                   | Canada                  | Manufacturing of seamless steel pipes                 | 80.00%  | 80.00%  | 80.00%  |
| Confab Industrial S.A. and subsidiaries | Brazil                  | Manufacturing of welded steel pipes and capital goods | 38.99%  | 38.99%  | 38.99%  |
| Siat S.A. (b)                           | Argentina               | Manufacturing of welded steel pipes                   | 70.00%  | 70.00%  | 70.00%  |
| Metalmecánica S.A. (c)                  | Argentina               | Manufacturing steel products for oil extraction       | 73.00%  | 73.00%  | 73.00%  |
| Scrapservice S.A.                       | Argentina               | Processing of scrap                                   | 74.84%  | 74.84%  | 74.84%  |
| Texas Pipe Threaders Co.                | U.S.A.                  | Finishing and marketing of steel pipes                | 100.00%   | 100.00% | 100.00% |
| Socover S.A.                            | Mexico                  | Sale of seamless steel pipe                           |   |         | 99.33%  |
| Siderca International A.p.S. (d)        | Denmark                 | Holding company                                       | 100.00%   | 100.00% | 100.00% |
| Techint Investment Netherlands B.V.     | Netherlands             | Holding company                                       | 100.00%   | 100.00% | 100.00% |
| Sidtam Limited LLC (e)                  | U.S.A.                  | Holding company                                       | 51.00%  | 51.00%  | 51.00%  |

(a) Tamsa holds the remaining 20.00% of Algoma Tubes Inc. s ( Algoma ) capital stock and voting rights which is also consolidated in these combined consolidated financial statements.

(b) Confab Industrial S.A. ( Confab ) holds the remaining 30.00% of Siat S.A. s ( Siat ) capital stock and voting rights.

(c) Invertub holds the remaining 27.00% of Metalmecanica s capital stock and voting rights.

(d) On January 31, 2002 Siderca International A.p.S. and Siderca Denmark A.p.S. were merged.

(e) Tamsa holds the remaining 49.00% of Sidtam Limited LLC s ( Sidtam ) capital stock and voting rights.

**29 Principal subsidiaries (Cont d)**

The consolidated financial statements of Tamsa include the financial statements of Tamsa and its subsidiaries, which are shown below:

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| Company                                  | Country of Organization | Main activity   | Percentage of ownership and voting rights at December 31, |         |         |
|--|-------------------------|---|---|---------|---------|
|  |                         |   | 2002  | 2001    | 2000    |
| Tamsider S.A. and subsidiaries           | Mexico                  | Promotion and organization of steel-related companies     | 100.00%   | 100.00% | 100.00% |
| Inmobiliaria Tamsa S.A.                  | Mexico                  | Leasing of real estate                                    | 100.00%   | 100.00% | 100.00% |
| Tubos de Acero de Venezuela S.A. (Tavsá) | Venezuela               | Manufacturing of seamless steel pipes                     | 70.00%  | 70.00%  | 70.00%  |
| Corporación Tamsa S.A. (a)               | Mexico                  | Sale of seamless steel pipe                               | 100.00%   | 100.00% | 100.00% |
| Tamtrade S.A.                            | Mexico                  | Sale of seamless steel pipe                               | 100.00%   | 100.00% | 100.00% |
| Empresas Riga S.A. (b)                   | Mexico                  | Manufacturing of welded fittings for seamless steel pipes | 100.00%   | 100.00% |         |
| Socover S.A. (c)                         | Mexico                  | Sale of seamless steel pipe                               | 100.00%   | 100.00% |         |
| Algoma Tubes Inc. (d)                    | Canada                  | Manufacturing of seamless steel pipes                     | 20.00%  | 20.00%  | 20.00%  |

- (a) Ceased operations during 2002. In process of liquidation.
- (b) Company acquired during 2001.
- (c) Shares acquired from Siderca during 2001.
- (d) Siderca holds the remaining 80.00% of Algoma Tubes' capital stock and voting rights.

**29** Principal subsidiaries (Cont'd)

The consolidated financial statements of Dalmine include the financial statements of Dalmine and its subsidiaries, which are shown below:

| Company                         | Country of Organization | Main activity                             | Percentage of ownership and voting rights at December 31, |         |         |
|---------------------------------|-------------------------|---|---|---------|---------|
|                                 |                         |   | 2002  | 2001    | 2000    |
| Dalmine Energie S.p.A.          | Italy                   | Marketing of electricity and gas          | 100.00%   | 100.00% | 100.00% |
| i-Dalmine S.p.A.                | Italy                   | Network information and telematic systems | 100.00%   | 85.00%  | 85.00%  |
| SO.PAR.FI. Dalmine Holding S.A. | Luxembourg              | Holding company                           | 100.00%   | 100.00% | 100.00% |
| Dalmine Holding B.V.            | Netherlands             | Holding company                           | 100.00%   | 100.00% | 100.00% |
| Dalmine France Sarl             | France                  | Marketing of steel products               | 100.00%   | 100.00% | 100.00% |
| Dalmine Benelux B.V. (a)        | Netherlands             | Marketing of steel products               | 100.00%   | 100.00% | 100.00% |
| Quality Tubes Ltd.              | United Kingdom          | Marketing of steel products               | 100.00%   | 100.00% | 100.00% |

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|  |                |                             |         |         |         |
|--|----------------|-----------------------------|---------|---------|---------|
| Eurotube Ltd. (b)  | United Kingdom | Marketing of steel products | 100.00% | 100.00% | 100.00% |
| Quickflo Services Ltd. (a) (g)                             | United Kingdom | Marketing of steel products | 100.00% | 100.00% | 100.00% |
| Dalmine Deutschland Gmbh                                   | Germany        | Marketing of steel products | 100.00% | 70.00%  | 70.00%  |
| Tad Chacin S.A. (e)  | Venezuela      | Marketing of steel products |         |         | 80.00%  |
| Socominter Far East Ltd.<br>(previously Tad Far East Ltd.) | Singapore      | Marketing of steel products |         |         | 55.00%  |
| Metal Tad Venezuela (d)                                    | Venezuela      | Marketing of steel products |         | 100.00% | 100.00% |
| Dalmine Canada Ltd. (e)                                    | Canada         | Marketing of steel products | 100.00% | 100.00% | 100.00% |
| Tad USA Inc. (d)   | U.S.A.         | Marketing of steel products |         | 100.00% | 100.00% |
| Tad Metal Iberica S.R.L. (f)                               | Spain          | Marketing of steel products |         |         | 100.00% |

(a) In process of liquidation.

(b) In process of reorganization.

(c) Socominter S.A. and Tad Chacin C.A, were merged during 2002.

(d) Ceased operations during 2001. Liquidated during 2002.

(e) Ceased operations during 2001. In process of liquidation.

(f) Liquidated during 2001.

(g) During 2002, shares in Quickflo Services Ltd. ( Quickflo ) (33.33%) were purchased from third parties.

## 29 Principal subsidiaries (Cont d)

The consolidated financial statements of Tenaris Global Services include the financial statements of Tenaris Global Services and its subsidiaries, which are shown below:

| Company                         | Country of Organization | Main activity                 | Percentage of ownership and voting rights at December 31, |         |         |
|---------------------------------|-------------------------|-------------------------------|---|---------|---------|
|                                 |                         |                               | 2002  | 2001    | 2000    |
| DST Europe Ltd.                 | United Kingdom          | Marketing of steel products   | 100.00%   | 100.00% |         |
| Tenaris Global Services B.V.    | Netherlands             | Sales agent of steel products | 100.00%   | 100.00% |         |
| Tenaris Global Services LLC (a) | U.S.A.                  | Sales agent of steel products | 100.00%   |         |         |
| Tenaris Global Services Ltd.    | B.V.I.                  | Holding company               | 100.00%   | 100.00% |         |
| Siderca Corporation             | U.S.A.                  | Marketing of steel products   | 100.00%   | 100.00% | 100.00% |
| DST Japan K.K.                  | Japan                   | Marketing of steel products   | 99.83%  | 99.83%  | 99.83%  |



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|   |           |                             |         |         |         |
|---|-----------|-----------------------------|---------|---------|---------|
| Techintrade Canada Inc. (previously DST Tubulars Inc.)  | Canada    | Marketing of steel products | 100.00% | 100.00% | 100.00% |
| Techintrade Norway AS                                   | Norway    | Marketing of steel products | 100.00% | 100.00% | 100.00% |
| Socominter Trading Inc.                                 | Panama    | Marketing of steel products | 100.00% | 100.00% | 100.00% |
| Socominter de Bolivia S.R.L.                            | Bolivia   | Marketing of steel products | 100.00% | 99.00%  | 99.00%  |
| Socominter Soc. Com. Internacional Ltda. (b)            | Chile     | Marketing of steel products | 99.00%  | 99.00%  | 99.00%  |
| Socominter S.A.   | Venezuela | Marketing of steel products | 100.00% | 100.00% | 100.00% |
| Siderca Pte. Ltd.                                       | Singapore | Marketing of steel products | 100.00% | 100.00% | 100.00% |
| Tubular DST Nigeria Ltd.                                | Nigeria   | Marketing of steel products | 100.00% | 100.00% | 100.00% |
| Tad Chacin C.A. (c)                                     | Venezuela | Marketing of steel products |         | 100.00% |         |
| Socominter Far East Ltd. (previously Tad Far East Ltd.) | Singapore | Marketing of steel products | 100.00% | 100.00% |         |

(a) Created during 2002.

(b) Ceased operations during 2002.

(c) Socominter S.A. and Tad Chacin C.A. were merged during 2002.

## 29 Principal subsidiaries (Cont d)

The combined consolidated financial statements of Tenaris also include the financial statements of the following companies:

| Company  | Country of Organization | Main activity   | Percentage of ownership and voting rights at December 31, |         |         |
|--|-------------------------|---|---|---------|---------|
|  |                         |   | 2002  | 2001    | 2000    |
| Metalcentro S.A.   | Argentina               | Manufacturing of pipe-end protectors and lateral impact tubes | 100.00%   | 100.00% | 100.00% |
| Siderestiba  | Argentina               |   | 99.00%  | 99.00%  | 99.00%  |
| Tenaris Connections A.G. and subsidiary                    | Liechtenstein           | Ownership and licensing of steel technology                   | 100.00%   | 100.00% | 100.00% |
| Lomond Holdings B.V. and subsidiaries                      | Netherlands             | Procurement services for industrial companies                 | 75.00%  | 75.00%  |         |
| Information Systems and Technologies B.V. and subsidiaries | Netherlands             | Software development and maintenance                          | 75.00%  | 75.00%  |         |

## 30 Post balance sheet events

On February 19, 2003 Siderca has acquired Reliant Energy Cayman Holdings, Ltd, a company whose principal asset is an electric power generating facility located in San Nicolas, 300 kms to the west of Buenos Aires, Argentina. The price

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paid was USD23.1 million.

The power plant in San Nicolas is a fully modern gas turbine facility which came on stream in 1998 and has a power generation capacity of 160MW and steam production capacity of 250 tons per hour. As a result of the purchase, Tenaris's operations at Siderca, which consume around 160MW at peak production and an average of 90MW, will become self-sufficient in electric power requirements. Power which is excess to Siderca's requirements will be sold on the open market and steam will continue to be sold to Siderca's affiliate, Siderar, which operates a steel production facility in San Nicolas.

This acquisition will enable Tenaris to further consolidate the competitive position of its operations at Siderca through an even deeper integration.

As explained in Note A (1) on February 21, 2003, Tenaris announced a plan for the acquisition of remaining minority interests (0.89%) in Siderca for six Argentine pesos (ARP6.00) per Siderca share or sixty Argentine pesos (ARP60.00) per Siderca ADS.

Paolo Rocca  
President