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Thousands of U.S. dollars (except number of shares and per share amounts)	At December 31,				
	2007	2006	2005	2004	2003
Selected consolidated balance sheet data[1]					
IFRS					
Current assets	[2]6,514,043	6,028,832	3,773,284	3,012,092	2,035,895
Property, plant and equipment, net	3,269,007	2,939,241	2,230,038	2,164,601	1,960,314
Other non-current assets	5,461,537	3,627,169	702,706	485,595	313,339
Total assets	15,244,587	12,595,242	6,706,028	5,662,288	4,309,548
Current liabilities	[2]3,328,066	2,765,504	1,699,101	1,999,846	1,328,677
Non-current borrowings	2,869,466	2,857,046	678,112	420,751	374,779
Deferred tax liabilities	1,233,836	991,945	353,395	371,975	418,333
Other non-current liabilities	283,369	279,117	199,547	208,521	226,495
Total liabilities	7,714,737	6,893,612	2,930,155	3,001,093	2,348,284
Capital and reserves attributable to the Company’s equity holders	7,006,277	5,338,619	3,507,802	2,495,924	1,841,280
Minority interest	523,573	363,011	268,071	165,271	119,984
Total liabilities and equity	15,244,587	12,595,242	6,706,028	5,662,288	4,309,548
Number of shares outstanding	1,180,536,830	1,180,536,830	1,180,536,830	1,180,536,830	1,180,287,664

(1) Certain comparative amounts for 2005, 2004 and 2003 have been re-presented to conform to changes in presentation in 2006 and 2007.

(2) In 2007 current assets include current and non current assets held for sale ($651.2 million), related to the divestment of Hydril’s pressure control business and current liabilities include liabilities associated with such assets ($267.0 million).

B. Capitalization and Indebtedness

Not applicable.

C. Reasons for the Offer and Use of Proceeds

Not applicable.

D. Risk Factors

You should carefully consider the risks and uncertainties described below, together with all other information contained in this annual report, before making any investment decision. Any of these risks and uncertainties could have a material adverse effect on our business, financial condition and results of operations, which could in turn affect the price of our shares and ADSs.

Risks Relating to our Industry

Sales and revenues may fall as a result of downturns in the international price of oil and other circumstances affecting the oil and gas industry.

We are a global steel pipe manufacturer with a strong focus on manufacturing products and related services for the oil and gas industry. The oil and gas industry is a major consumer of steel pipe products worldwide, particularly for products manufactured under high quality standards and demanding specifications. Demand for steel pipe products from the oil and gas industry has historically been volatile and depends primarily upon the number of oil and natural gas wells being drilled, completed and reworked, and the depth and drilling conditions of these wells. The level of these activities depends primarily on current and expected future prices of oil and natural gas and their impact on investment by oil and gas companies in exploration and production activity. Several factors, such as the supply and demand for oil and natural gas, and political and global economic conditions, affect these prices. When the price of oil and gas falls, oil and gas companies generally reduce spending on production and exploration activities and, accordingly, make fewer purchases of steel pipe products. Other circumstances – such as geopolitical events and hostilities in the Middle East and elsewhere – may also affect drilling activity and, as a result, cause steel pipe consumption to decline.

Sales and revenues may fall as a result of fluctuations in industry inventory levels.

Inventory levels of steel pipe in the oil and gas industry can vary significantly from period to period and from region to region. These fluctuations can affect the demand for our products, as customers draw from existing inventory during periods of low investment in drilling and other activities and accumulate inventory during periods of high investment. Even if the prices of oil and gas rise or remain stable, oil and gas companies may not purchase additional steel pipe products or maintain their current purchasing volume.

Competition in the global market for steel pipe products may cause us to lose market share and hurt our sales and profitability.

The global market for steel pipe products is highly competitive, with the primary competitive factors being price, quality, service and technology. We compete in most markets outside North America primarily against a limited number of manufacturers of premium-quality steel pipe products. In the U.S. and Canada, we compete against a wide range of local and foreign producers. Competition in markets worldwide has been increasing, particularly for products used in standard applications, as producers in countries like China and Russia increase production capacity and enter export markets. In addition, some of these producers are improving the range, quality and technology of their pipes, thereby increasing their ability to compete with us. We may not continue to compete effectively against existing or potential producers and preserve our current shares of geographic or product markets.

As a result of antidumping and countervailing duty proceedings and other import restrictions, we may not be allowed to sell our products in important geographic markets such as the United States.

Local producers in the United States and other markets have filed antidumping, countervailing duty and safeguard actions against us and other producers in their home countries in several instances in the past. Some of these actions led to significant penalties, including the imposition of antidumping and countervailing duties, in the United States. Certain of our steel pipe products manufactured outside the United States have been subject to such duties in the United States; many of these have recently been revoked, but these or other restrictions may be imposed again in the future. Antidumping or countervailing duty proceedings or any resulting penalties or any other form of import restriction may impede our access to one or more important export markets for our products and in the future additional markets could be closed to us as a result of similar proceedings, thereby adversely impacting our sales or limiting our opportunities for growth.

Increases in the cost of raw materials and energy may hurt our profitability.

The manufacture of seamless steel pipe products requires substantial amounts of steelmaking raw materials and energy; welded steel pipe products, in turn, are processed from steel coils and plates. The availability and pricing of a significant portion of the raw materials and energy we require are subject to supply and demand conditions, which can be volatile, and to government regulation, which can affect continuity of supply and prices. In recent years, the cost of raw materials used in our business has increased significantly due to increased global demand for steel products in general. In addition, limited availability of energy in Argentina, where we have significant operations and consequent supply restrictions could lead to higher costs of production and eventually to production cutbacks at our facilities there. Moreover, we are dependent on a few suppliers for a significant portion of our requirements for steel coils at our recently acquired welded pipe operations in North America and the loss of any of these suppliers could result in increased production costs, production cutbacks and reduced competitiveness at these operations. We may not be able to recover increased costs of raw materials and energy through increased prices on our products, and limited availability could force us to curtail production, which could adversely affect our sales and profitability.

Potential environmental, product liability and other claims could create significant liabilities for us that would adversely impact our business, financial condition, results of operations and prospects.

Our oil and gas casing, tubing and line pipe products are sold primarily for use in oil and gas drilling, gathering, transportation and processing activities, which are subject to inherent risks, including well failures, line pipe leaks, bursts and fires, that could result in death, personal injury, property damage, environmental pollution or loss of production. Any of these hazards and risks can result in environmental liabilities, personal injury claims and property damage from the release of hydrocarbons. Similarly, defects in specialty tubing products could result in death, personal injury, property damage, environmental pollution, damage to equipment and facilities or loss of production.

We normally warrant the oilfield products and specialty tubing products we sell or distribute in accordance with customer specifications, but as we pursue our business strategy of providing customers with additional supply chain services, we may be required to warrant that the goods we sell and services we provide are fit for their intended purpose. Actual or claimed defects in our products may give rise to claims against us for losses suffered by our customers and expose us to claims for damages. The insurance we maintain may not be adequate or available to protect us in the event of a claim or its coverage may be limited, canceled or otherwise terminated.

Similarly, our sales of tubes and components for the automobile industry subject us to potential product liability risks that could extend to being held liable for the costs of the recall of automobiles sold by car manufacturers and their distributors.

Risks Relating to our Business

Adverse economic or political conditions in the countries where we operate or sell our products and services may decrease our sales or disrupt our manufacturing operations, thereby adversely affecting our revenues, profitability and financial condition.

We are exposed to economic and political conditions in the countries where we operate or sell our products and services. The economies of these countries are in different stages of social and economic development. Like other companies with worldwide operations, we are exposed to risks from fluctuations in foreign currency exchange rates, interest rates and inflation. We are also affected by governmental policies regarding spending, social instability, regulatory and taxation changes, and other political, economic or social developments of the countries in which we operate.

Significant portions of our operations are located in countries with a history of political volatility or instability, including Argentina, Brazil, Colombia, Mexico, Romania and Venezuela. As a consequence, our business and operations have been, and could in the future be, affected from time to time to varying degrees by political developments, events, laws and regulations (such as forced divestiture of assets; restrictions on production, imports and exports; interruptions in the supply of essential energy inputs; exchange and/or transfer restrictions; inflation; devaluation; war or other international conflicts; civil unrest and local security concerns that threaten the safe operation of our facilities and operations; direct and indirect price controls; tax increases; changes in the interpretation or application of tax laws and other retroactive tax claims or challenges; expropriation of property; changes in laws, norms and regulations; cancellation of contract rights; delays or denials of governmental approvals; and environmental regulations). Both the likelihood of such occurrences and their overall impact upon us vary greatly from country to country and are not predictable. Realization of these risks could have an adverse impact on the results of operations and financial condition of our subsidiaries located in the affected country.

For example, we have significant manufacturing operations and assets in Argentina. Our business may be materially and adversely affected by economic, political, fiscal and regulatory developments in Argentina, including the following:

- While the Argentine government has taken several actions to control inflation and monitor prices for most relevant goods and services, including price support arrangements, inflation has increased since 2004. In addition, Argentina’s inflation indicators have been subject to changes in calculation and may not be consistent with the past or may not adequately reflect cost increases. Official inflation figures remain disputed by independent economists. Our business and operations in Argentina may be adversely affected by inflation or by the measures that might be adopted by the government to address such inflation.

- The economy has been affected by supply constraints as capacity idled during the severe recession in 2002 has been utilized. Capital investment, particularly in infrastructure, has lagged mainly due to economic uncertainties and governmental actions, including price controls and other regulatory measures. Investment in energy and transportation infrastructure has been particularly affected. Our business and operations in Argentina could be adversely affected by rapidly changing economic conditions in Argentina or by the Argentine government’s policy response to such conditions.
- Economic and political instability resulted in a severe recession in 2002, which had a lasting effect on Argentina’s economy. Should inflation continue to increase or supply constraints hinder future growth, the Argentine economy may not continue to grow at current rates and economic instability may return. Our business and operations in Argentina could be adversely affected by rapidly changing economic conditions in Argentina or by the Argentine government’s policy response to such conditions.
- The Argentine government has increased taxes on our operations in Argentina through several methods. If the Argentine government continues to increase the tax burden on our operations, our results of operation and financial condition could be adversely affected.
- Restrictions on the supply of energy to our operations in Argentina could curtail our production and adversely affect our results of operations. If the Argentine government does not take measures that result in the investment in natural gas generation, energy production and transportation capacity required to keep pace with the growth in demand on a timely basis, our production in Argentina could be curtailed, and our sales and revenue could decline.
- The Argentine Central Bank has imposed restrictions on the transfer of funds outside of Argentina and other exchange controls in the past and may do so in the future, which could prevent us from paying dividends or other amounts from cash generated by our Argentine operations. In addition, we are currently required to repatriate U.S. dollars collected in connection with exports from Argentina (including U.S. dollars obtained through advance payment and pre-financing facilities) into Argentina and convert them into Argentine pesos at the market-based floating exchange rate applicable on the date of repatriation. This requirement, and any similar requirement that may be imposed in the future, exposes us to the risk of losses arising from fluctuations in the exchange rate of the Argentine peso. For additional information on current Argentine exchange controls and restrictions see Item 10.D. “Additional Information – Exchange Controls”.
- The Argentine government has imposed export restrictions and/or export taxes on certain activities, mainly in connection with commodities, gas and oil. Even though so far the Argentine government has not imposed any export restrictions concerning our activities, if any such restrictions were to be imposed, our business and operations in Argentina could be adversely affected.

Adverse political and economic developments in the Middle East and Nigeria have had an adverse impact on our sales in those countries in recent years, and may continue to do so.

Similarly, we currently have significant exposure to political and economic developments in Venezuela, including the following:

- We hold approximately 11.46% of the capital stock of Ternium S.A., or Ternium, a company controlled by San Faustin. Ternium holds approximately 59.7% of Venezuelan steel producer Sidor (while Corporación Venezolana de Guayana, or CVG, –a Venezuelan governmental entity– holds approximately 20.4% of Sidor and certain Sidor employees and former employees hold the remaining 19.9% interest). We also have a 70% interest in Tavsa, Tubos de Acero de Venezuela S.A, which owns a seamless steel pipe plant located within the Sidor’s iron and steel manufacturing complex. The plant uses steel bars supplied by Sidor as its principal raw material, and is also dependent on Sidor for the supply of energy and other inputs. Additionally in July 2004, together with Sidor, we acquired an industrial facility (Matesi), in Ciudad Guayana, Venezuela, to produce hot briquetted iron, or HBI. We own 50.2% of Matesi and Sidor owns the remaining 49.8%.

- On April 8, 2008, the Venezuelan government announced its intention to take control over Sidor, and on April 29, 2008, the National Assembly of the Republic of Venezuela passed a resolution declaring that the shares of Sidor, together with all of its assets, are of public and social interest. On May 13, 2008, Decree Law 6058 regulating the steel production activity in the Guayana, Venezuela region (the “Decree”) became effective upon its publication on Venezuela’s Official Gazette. The Decree orders that Sidor and its subsidiaries and associated companies be transformed into state-owned enterprises (“empresas del estado”), with Venezuela owning not less than 60% of their share capital. The discussions between Ternium and the Venezuelan government regarding the adequate and fair terms and conditions upon which all or a significant part of Ternium’s interest in Sidor would be transferred to Venezuela are presently under way.
- The Decree provides for the creation of a committee to negotiate over a 60-day period a fair price for the shares to be transferred to Venezuela. In the event the parties fail to reach agreement by the expiration of the 60-day period, as such term may be extended, the Venezuelan Ministry of Basic Industries and Mining shall assume control and exclusive operation of Sidor, and the Executive Branch shall order the expropriation of the shares of the relevant companies. Accordingly, if Ternium fails to reach agreement with the Venezuelan government, its ownership interest in Sidor could be eliminated altogether, potentially without any immediate compensation. In addition, while the Decree does not provide any valuation criteria for the shares to be transferred to Venezuela, it specifies that any expropriation compensation shall not include lost profits (“lucro cesante”) or indirect damages. The nationalization process could adversely affect the value of our investment in Ternium. The impact of the potential governmental actions with respect to Sidor on Ternium’s financial position is not determinable at this time.
- We can give no assurance that the Venezuelan government will not seek in the future the nationalization of our interests in Tavsa or Matesi. Additionally, the nationalization process described above may indirectly affect Tavsa or Matesi if the change in control in Sidor results in failure by Sidor to supply raw materials, energy or other inputs and/or otherwise disrupts their regular operations.
- In addition to the above, if other political or economic measures such as expropriation, nationalization, price controls or renegotiation or nullification of contracts were implemented in connection with our Venezuelan operations or with contracts entered by us with companies incorporated in Venezuela, including Petróleos de Venezuela, or PDVSA, the state-owned oil company, operations and revenues, and consequently our financial results, could be adversely affected. The Venezuelan government frequently intervenes in the Venezuelan economy and occasionally makes significant changes in policy. The Venezuelan government’s actions to control inflation and implement other policies have involved wage and price controls, currency devaluations, capital controls and limits on imports, among other things. Our business, financial condition, and results of operations could be adversely affected by changes in policy involving tariffs, exchange controls and other matters such as currency devaluation, inflation, interest rates, taxation, industrial laws and regulations and other political or economic developments in or affecting Venezuela.

If we do not successfully implement our business strategy, our ability to grow, our competitive position and our sales and profitability may suffer.

We plan to continue implementing our business strategy of developing higher value products designed to serve and meet the needs of customers operating in demanding environments, developing and offering additional value-added services, which enable us to integrate our production activities with the customer’s supply chain, and continuing to pursue strategic acquisitions opportunities. Any of these components of our overall business strategy could be delayed or abandoned, could cost more than anticipated or may not be successfully implemented. For example, we may fail to develop products that differentiate us from our competitors or fail to find suitable acquisition targets or to consummate those acquisitions under favorable conditions, or we may be unable to successfully integrate acquired businesses into our operations. Even if we successfully implement our business strategy, it may not yield the expected results.

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If we are unable to agree with our joint venture partner in Japan regarding the strategic direction of our joint operations, our operations in Japan may be adversely impacted.

In 2000, we entered into a joint venture agreement with a term of 15 years with NKK Corporation, or NKK, to form NKKTubes. In September 2002, NKK and Kawasaki Steel, one of our main competitors, completed a business combination through which they became subsidiaries of JFE Holdings Inc., or JFE. JFE's continued operation of the former Kawasaki Steel steel pipe business in competition with NKKTubes, or JFE's potential lack of interest in the continued development of NKKTubes, could place NKKTubes at a disadvantage and adversely impact our operations in Japan.

Future acquisitions and strategic partnerships may not perform in accordance with expectations or may disrupt our operations and hurt our profits.

A key element of our business strategy is to identify and pursue growth-enhancing strategic opportunities. As part of that strategy, we acquired interests in various companies during recent years. For example, in May 2007, we acquired Hydril Corporation, or Hydril, a leading North American producer of premium connections and pressure control products for the oil and gas industry and in October 2006, we acquired Maverick Tube Corporation, or Maverick, a leading North American producer of welded steel pipe products with operations in the U.S., Canada and Colombia. We will continue actively to consider other strategic acquisitions and partnerships from time to time. We must necessarily base any assessment of potential acquisitions and partnerships on assumptions with respect to operations, profitability and other matters that may subsequently prove to be incorrect. Our Maverick and Hydril acquisitions, and other past or future acquisitions, significant investments and alliances may not perform in accordance with our expectations and could adversely affect our operations and profitability. In addition, new demands on our existing organization and personnel resulting from the integration of new acquisitions could disrupt our operations and adversely affect our operations and profitability. Moreover, we may also acquire, as part of future acquisitions, assets unrelated to our business, and we may not be able to integrate them or sell them under favorable terms and conditions.

We may be required to record a significant charge to earnings if we must reassess our goodwill or other intangible assets.

In accordance with IFRS, management must test for impairment goodwill and other intangible assets with indefinite useful life annually, or more frequently if there are indicators of impairment, and recognize a non-cash charge in an amount equal to the impairment. In connection with the acquisition of Hydril completed on May 7, 2007, we recorded $1,042 million in goodwill and $1,093 million in other intangible assets (i.e., customer relationships, proprietary technology and trade names and information systems) in 2007. In addition, in connection with the acquisition of Maverick on October 5, 2006, we recorded $1,114 million in goodwill and $1,494 million in customer relationships in 2006. If our management was to determine in the future that the goodwill or other intangible assets recognized in connection with the acquisitions of Hydril or Maverick were impaired, we would be required to recognize a non-cash charge to write down the value of these assets, which would adversely affect our financial condition and results of operations.

Our results of operations could be adversely affected by movements in exchange rates.

As a global company we manufacture and sell products in a number of countries throughout the world and as a result we are exposed to foreign exchange rate risk. Changes in currency values could adversely affect our financial condition and results of operations.

Related-party transactions with companies controlled by San Faustin may not be on terms as favorable as could be obtained from unrelated and unaffiliated third parties.

A portion of our sales and purchases of goods and services are made to and from other companies controlled by San Faustin. These sales and purchases are primarily made in the ordinary course of business and we believe they are carried out on terms no less favorable than those we could obtain from unaffiliated third parties. We will continue to engage in related-party transactions in the future, and these transactions may not be on terms as favorable as could be obtained from unaffiliated third parties. For information concerning our principal transactions with related parties, see Item 7.B. "Major Shareholders and Related Party Transactions – Related Party Transactions".

Our sales of steel pipe products for pipeline projects are volatile and depend mainly on the implementation of major regional projects and on our ability to secure contracts to supply these projects.

Our sales of pipes for pipeline projects depend to a large extent on the number of active pipeline projects under contract and their rate of progress, particularly in the South American regional market where we have our manufacturing facilities for these products. Future sales of these products depend to a large extent on our ability to secure contracts to supply major pipeline projects and their subsequent implementation. The implementation of such projects varies significantly from year to year. For example, during 2006, our sales of pipes for pipelines projects declined significantly as large pipeline projects in Brazil and Argentina were delayed before recovering again in 2007 when those and other pipeline projects began to be implemented. Our welded pipe revenues and profitability may fluctuate significantly in future years depending on our success in securing large supply contracts and on specific factors such as the cancellation or postponement of specific projects due to changes in governmental policies or adverse developments in economic, political or other factors.

The cost of complying with environmental regulations and unforeseen environmental liabilities may increase our operating costs or negatively impact our net worth.

We are subject to a wide range of local, provincial and national laws, regulations, permit requirements and decrees relating to the protection of human health and the environment. We incur and will continue to incur expenditures to comply with these and such regulations. The expenditures necessary to remain in compliance with these laws and regulations, including site or other remediation costs, or costs incurred from unforeseen environmental liabilities, could have a material adverse effect on our financial condition and profitability.

Risks Relating to the Structure of the Company

As a holding company, our ability to pay cash dividends depends on the results of operations and financial condition of our subsidiaries and could be restricted by legal, contractual or other limitations.

We conduct all our operations through subsidiaries. Dividends or other intercompany transfers of funds from our subsidiaries are our primary source of funds to pay expenses, debt service and dividends. We do not and will not conduct operations at the holding company level.

The ability of our subsidiaries to pay dividends and make other payments to us will depend on the profitability of their operations and their financial condition and could be restricted by applicable corporate and other laws and regulations, including those imposing exchange controls or transfer restrictions, and other agreements and commitments of our subsidiaries.

In addition, our ability to pay dividends to shareholders is subject to legal and other requirements and restrictions in effect at the holding company level. For example, we may only pay dividends out of distributable retained earnings and distributable reserves calculated in accordance with Luxembourg Law and regulations. See Item 8.A. "Financial Information – Consolidated Statements and Other Financial Information – Dividend Policy".

The Company's tax-exempt status will terminate on December 31, 2010. If we are unable to mitigate the consequences of the termination of the preferential tax regime applying to the Company, we or our shareholders may be subject to a higher tax burden in the future.

The Company was established as a *société anonyme holding* under Luxembourg's 1929 holding company regime and the "billionaire" provisions relating thereto. 1929 holding companies are exempt from Luxembourg corporate income tax over income derived from low tax jurisdictions and withholding tax over dividends distributions to holders of our shares and ADSs. Following a decision by the European Commission, the Grand-Duchy of Luxembourg has terminated its 1929 holding company regime, effective January 1, 2007. However, under the implementing legislation, pre-existing publicly-listed companies –including the Company– are entitled to continue benefiting from their current tax regime until December 31, 2010. If we are unable to mitigate the consequences of the termination of the preferential tax regime, we or our shareholders may be subject to a higher tax burden in the future.

The Company's controlling shareholder may be able to take actions that do not reflect the will or best interests of other shareholders.

As of June 4, 2008, San Faustin beneficially owned 60.4% of our shares. Rocca & Partners controls a significant portion of the voting power of San Faustin and has the ability to influence matters affecting, or submitted to a vote of, the shareholders of San Faustin. As a result, Rocca & Partners is indirectly able to elect a substantial majority of the members of our board of directors and has the power to determine the outcome of most actions requiring shareholder approval, including, subject to the requirements of Luxembourg law, the payment of dividends by us. The decisions of the controlling shareholder may not reflect the will or best interests of other shareholders. For example, our articles of association permit our board of directors to waive, limit or suppress preemptive rights in certain cases. Accordingly, our controlling shareholder may cause our board of directors to approve an issuance of shares for consideration without preemptive rights, thereby diluting the minority interest in the Company. See Item 3.D. "Risk Factors – Risks relating to the Company's shares and ADSs – Holders of our shares and ADSs in the United States may not be able to exercise preemptive rights in certain cases".

Risks Relating to the Company's Shares and ADSs

The trading price of our shares and ADSs may suffer as a result of developments in emerging markets in general, not just the emerging markets where we have assets and operations.

Although the Company is organized as a Luxembourg corporation, a significant portion of our assets and operations are located in Latin America and many of our shares and ADSs are held in the portfolios of funds with a mandate to invest in emerging market securities. Financial and securities markets for companies with substantial asset and operational exposure to emerging markets are, to varying degrees, influenced by economic, market conditions and developments in general in other emerging market countries where they are not present. Although economic conditions are different in each country, investor reaction to developments in one country can have significant effects on the securities of issuers with assets or operations in other emerging markets.

In deciding whether to purchase, hold or sell our shares or ADSs, you may not have access to as much information about us as you would in the case of a U.S. company.

There may be less publicly available information about us than is regularly published by or about U.S. issuers. Also, Luxembourg regulations governing the securities of Luxembourg companies may not be as extensive as those in effect in the United States, and Luxembourg law and regulations in respect of corporate governance matters might not be as protective of minority shareholders as state corporation laws in the United States. Furthermore, IFRS, the accounting standards in accordance with which we prepare our consolidated financial statements differ in certain material aspects from the accounting standards used in the United States.